

TO: Clearing Member Firms
Chief Financial Officers
Back Office Managers
Margin Managers

FROM: CME Clearing

ADVISORY #: 18-330

DATE: Aug 20, 2018

SUBJECT: OTC BRL IRS Event Risk Margin Change

In anticipation of possible market moves specific to the Brazil Election on October 7th, 2018, CME Clearing will be increasing the volatility floor used for computation of margins for BRL IRS. The volatility floor increase for BRL IRS will also be implemented during the end of day settlement cycles on Monday August 27th, 2018.

CME analyzed targeted tail scenarios in the BRL IRS portfolio and the impact to margins. The analysis incorporated tail scenarios into the margin methodology with increased probability relative to generic risk scenarios, which suggested an increase of volatility floor for BRL IRS higher than its 40%-50% target range. This is a temporary measure and is subject to review depending on market conditions.

If you have questions, please contact the CME Client Services Team at onboarding@cmegroup.com or 312.338.7112.

Regards,

CME Clearing