

TO: Clearing Member Firms
Chief Financial Officers
Back Office Managers

FROM: CME Clearing

ADVISORY #: 18-440

DATE: November 7, 2018

SUBJECT: Parameter Updates Pertaining to the Concentration Margin Program

Effective Friday November 9, 2018, CME Clearing will update certain parameters used in the concentration margin program for futures and options. No changes will be made to the concentration margin program methodology.

Concentration margin add-ons are determined by assessing the calculated stress loss relative to Adjusted Net Capital (“ANC”) and an absolute dollar value threshold¹. CME Clearing has deemed it appropriate to slightly increase the absolute stress loss thresholds that determine whether concentration margin is applied and at what tier level. Currently, absolute stress loss values above 500M are subject to a percentage add-on. With the updated tier structure, stress loss values must exceed 1B for concentration to apply. There is no impact to the existing ANC thresholds.

The current tier structure:

Tier	1	2	3	4	5	6	7	8	9
Add-On	10%	15%	20%	25%	30%	35%	40%	45%	50%
Absolute Stress Loss	500M	750M	1B	1.5B	2B	2.5B	3B	4B	5B
ANC	1.0x	1.5x	2.0x	2.5x	3.0x	3.5x	4.0x	4.5x	5.0x

New tier structure effective November 9, 2018:

Tier	1	2	3	4	5	6	7	8	9
Add-On	10%	15%	20%	25%	30%	35%	40%	45%	50%
Absolute Stress Loss	1B	1.25B	1.5B	2B	2.5B	3B	4B	5B	6B
ANC	1.0x	1.5x	2.0x	2.5x	3.0x	3.5x	4.0x	4.5x	5.0x

Should you have any questions, please contact CME Clearing Risk Management at Clearing.RiskManagement@cmegroup.com or 312-648-3888.

¹ The suspension of the average historical variation margin payment criteria referenced in advisory [18-199](#) is now permanent pursuant to regulatory filing [18-339](#).