

TO: Clearing Member Firms, Chief Financial Officers, Back Office Managers, Margin Managers
FROM: CME Clearing
ADVISORY #: 23-355
SUBJECT: Update to Collateral Haircuts within the OCC Cross-Margining Program
DATE: December 1, 2023

CME Clearing (“CME”) maintains a cross-margining program with The Options Clearing Corporation (“OCC”) (“the Program”). Within the Program, Clearing Members may meet performance bond requirements with U.S. dollar cash, letters of credit, and select U.S. Treasury securities. The collateral haircut applied to these U.S. Treasury securities is set at the more conservative of the two haircut schedules determined independently by CME and OCC.

OCC published modifications to its government securities collateral haircut schedule (“OCC Modified Haircuts”) that are effective following the close of business on December 1, 2023.¹ The OCC Modified Haircut for U.S. Treasury securities with a time to maturity of 1 to 3 years is 2.5% and the haircut applied by CME for this time to maturity bracket is currently 2.0%. CME and OCC will apply the OCC Modified Haircut of 2.5% to the 1 to 3 year time to maturity bracket for U.S. Treasury securities posted as performance bond for the Program effective at the close of business on December 1, 2023.

The full schedule of collateral haircuts within the Program is shown below. For the avoidance of doubt, no changes were made to CME’s existing collateral haircut schedule for collateral not subject to the Program requirements.

Instrument		Haircut Schedule for CME/OCC Cross-Margin Program				
U.S. Dollar Cash		No Haircut				
Letters of Credit		No Haircut				
Instrument		Time to Maturity				
		0 to ≤1 year	>1 to ≤ 3 years	>3 to ≤ 5 years	>5 to ≤ 10 years	>10 years
U.S. Treasuries	TBILL	0.5%	--	--	--	--
	TNOTE/TBOND	1.0%	2.5%	3.0%	4.5%	8.0%

Please see CME Group’s website for additional details around collateral haircuts and limits.

¹ See <https://infomemo.theocc.com/infomemos?number=53590>