CME Group | Advisory Notice

TO: Clearing Member Firms; Back Office Managers; Margin Managers; CME CORE Users; PC SPAN Users; Bookkeeping Software Providers

FROM: CME Clearing

ADVISORY #: **23-371**

DATE: 12/18/2023

SUBJECT: SPAN 2 Framework Energy Model Parameter Changes

As per normal review, CME Clearing has undertaken a review of the volatility floor parameters used in the SPAN 2 Framework's natural gas pod.[1] Following this review, CME Clearing has determined it will introduce volatility floor parameter changes to align with current volatility across the term structure for natural gas. These parameter changes will decrease the volatility floor used in the SPAN 2 framework's natural gas pod. While the impact to production portfolios will vary depending upon the risk profile of each individual portfolio, CME Clearing expects a decrease in margin requirements for the majority of production portfolios and the total margin for futures and options products to decrease by approximately 1%.

The associated margin impacts will be effective after the close of business on:

December 19, 2023.

Additional details regarding the SPAN 2 framework can be found here:

https://www.cmegroup.com/clearing/risk-management/span-overview/span-2-methodology.html?redirect=/span2

Please contact our Clearing Post Trade Services Team with any questions.
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[1] Note, a pod is a group of associated products under the SPAN or SPAN 2 methodology. The products included in the SPAN 2 methodology's pods are available here: https://www.cmegroup.com/clearing/files/list-of-cross-model-offset-products.xlsx.