

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

FROM: CME Clearing

ADVISORY #: 24-010

DATE:

SUBJECT: SPAN 2 Framework Energy Model Parameter Changes

As per normal review, CME Clearing has undertaken a review of the hypothetical stressed scenarios parameter used in the SPAN 2 framework's natural gas pod.¹ In particular, within the SPAN 2 framework, the hypothetical stressed scenarios parameter is incorporated in the stress value-at-risk sub-component of the market risk component. Following this review, CME Clearing has determined it will introduce hypothetical stressed scenarios parameter changes to align with current volatility across the term structure for natural gas. While the impact to production portfolios will vary depending upon the risk profile for each individual portfolio, CME Clearing expects an increase in margin requirements for spreads against the front month natural gas contract and the total margin for futures and options products to increase by under 1%.

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

January 10th, 2024.

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.

posttradeservices@cmegroup.com

US: +1 312 580 5353, UK: +44 20 3379 3500, APAC: +65 6593 5599

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>.