

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

FROM: CME Clearing

ADVISORY #: 24-047

DATE: 2/15/2024

SUBJECT: SPAN 2 Framework Energy Model Parameter Changes

CME Clearing has undertaken a review of the parameters used in the SPAN 2 framework's crude pod.¹ In particular, the parameters within the SPAN 2 framework's stress value-at-risk ("SVaR") sub-component of the market risk component, liquidity risk component, and concentration risk component were reviewed. Following this review, CME Clearing has determined it will introduce:

- Changes to scenarios and parameters within the SVaR sub-component designed to ensure stress scenarios better reflect covariance within the crude pod; and
- Parameter changes to the liquidity and concentration risk components for Brent to align with observed liquidity within the crude pod.

While the impact to production portfolios will vary depending upon the risk profile of each individual portfolio, performance bond coverage remains above 99%. 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 significantly less than 1%.

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

February 16, 2024

Additional details around the launch of 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>