

TO: Clearing Firms
Back Office Managers
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FROM: CME Clearing

ADVISORY #: 24-156

DATE: June 5, 2024

SUBJECT: CME OTC IRS Margin Model Parameter Change

CME Clearing has reviewed the volatility floor parameters used in CLP and COP risk factor simulations in its margin computation for interest rate swaps ("IRS") contracts. Following this review, CME Clearing has determined it will introduce volatility floor parameter changes to align with current interest rate volatility across the term structure.

Due to this parameter change, CME Clearing expects an increase in margin requirements for the majority of IRS portfolios holding CLP or COP positions. The aggregate margin requirement for IRS products is estimated to increase by approximately 0.2%. Note that portfolio level impacts due to the above changes will vary depending on the risk profile of each individual portfolio.

These changes will be available for testing in the New Release environment on Wednesday, June 12, 2024, and will be implemented in production on Monday, June 17, 2024.

If you have questions or need assistance in assessing the impact of these changes, please contact the IRS Risk team at IRSQuantRisk@cme.com.

Regards,

CME Clearing