

TO: Clearing Member Firms
Chief Financial Officers
Back Office Managers

FROM: CME Clearing

ADVISORY #: 24-163

SUBJECT: Modification to Stress Shortfall Margin Add-on Program Parameters

DATE: June 11, 2024

Effective at the end of day cycle on Monday, July 1st, 2024 CME Clearing will implement parameter changes to the Stress Shortfall Margin Add-on Program ("Add-on Program") such that the threshold will be raised to \$1.6 billion and the percentage parameter determining the size of the Add-on charge will be increased to 70% of the shortfall amount over the threshold.

BACKGROUND

On June 29, 2018, CME Clearing issued Clearing House Advisory Notice #18-264 detailing the implementation of the Add-on Program. At its outset, the Add-on Program was designed so that stress shortfalls in excess of \$1 billion would trigger a 30% margin add-on charge on that excess. The Add-on Program became fully automated effective March 7, 2019, and since that time, CME Clearing has made parameter changes to the Add-on Program on several occasions, the last of which was detailed in Clearing House Advisory Notice #23-235 noting the threshold was raised to \$1.5 billion and the percentage parameter determining the size of the Add-on charge was increased to 60%, effective August 11, 2023.

All clearing member firms, whether or not they are impacted by the Add-on Program, will have access to report CPB992, titled "Stress Shortfall Margin Add-on Report," which will show the parameters that govern the program and calculated stress loss amounts by asset class for each relevant portfolio.

Should you have any questions, please contact Clearing Risk Management
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