

TO: Clearing Member Firms; Back Office Managers; CME CORE Users; CME CORE API Users
FROM: CME Clearing
DATE: August 22, 2024
ADVISORY #: 24-243
SUBJECT: **Equities in SPAN 2® Framework Testing and Production Advisory**

In conjunction with CME Clearing's [migration](#) of the SPAN 2 framework for calculating performance bond requirements for equities products, daily testing is now available. CME Clearing plans to go-live with equities products in the SPAN 2 framework with the end of day cycle on October 18, 2024, pending regulatory review. This advisory summarizes testing enhancements to support equities products through CME CORE user interface, CORE API, deployable margin software risk parameter files ("RPF") and in MARGIN reports published to clearing members.

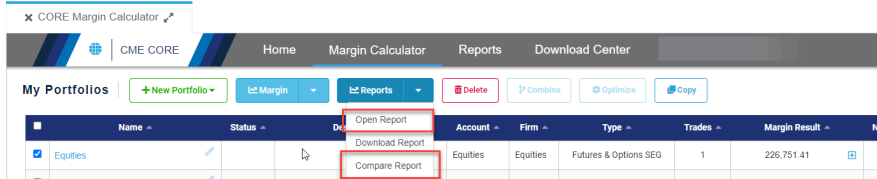
Please note, during the test period, the margin levels for equities products in SPAN 2 framework will continue to be calibrated to meet appropriate risk coverage levels. Services offered during the test window are to be used for reference only and production margins following the production go-live are subject to change.

Details on the services available and how to test equities products in the SPAN 2 framework across CME Clearing's margin service are below.

CME CORE

CME CORE User Interface is a web-based interactive margin calculator that enables users to calculate and evaluate margin requirements.

Potential Users	Users (e.g., operations, risk, and business) performing impact analysis or users of the PC-SPAN interface for markets cleared by CME Clearing.
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<p>Features</p>	<ul style="list-style-type: none"> • Supports manual portfolio entry and upload, including legacy SPAN xml position file and deployable margin software .csv formats. • SPAN and SPAN 2 methodologies supported, user does not have to specify by product. • SPAN 2 framework for equities products is supported from the August 21, 2024 end-of-day (“EOD”) cycle. Each day the equities products’ risk data will be refreshed for the “EOD” cycle within CME CORE. <p>CME CORE replaces PC-SPAN software for business users and risk managers to compute both SPAN and SPAN 2 margin requirements; PC-SPAN software does not support the SPAN 2 framework.</p>
<p>Onboarding Steps</p>	<p>CME CORE is a self-service tool and requires no additional entitlements other than logging in to the CME CORE login system.</p> <ol style="list-style-type: none"> 1. Log in to https://cmecore.cmegroup.com (create self-service user ID). 2. Go to Margin Calculator → Futures & Options.
<p>Equities Products in SPAN 2 Framework Testing</p>	<p>To margin a portfolio with equities products in the SPAN 2 framework:</p> <ol style="list-style-type: none"> 1. Select your portfolio(s) from the portfolio grid. 2. Select the Margin drop-down, pick any date after August 21, 2024 and Cycle = EOD, then select engine “SPAN 2 (Next)” and click “Margin.” <ol style="list-style-type: none"> a. Note, in the testing phase margin requests processing time varies and may be up to several minutes. 3. Margin reports, including a comparison report, are accessible via the “Reports” drop-down shown below. 

Helpful Links	<ul style="list-style-type: none"> • CORE Demos
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CME CORE API

CME CORE API is the back-end to CME CORE’s front-end, allowing users to interact programmatically with CME Clearing’s margin methodologies. This margin tool allows users to pass through portfolios of all products cleared by CME Clearing in a variety of formats for margin and incremental margin calculation.

Potential Users	Users who want to connect their trading/risk systems with the margin calculators hosted on CME’s infrastructure.
Features	<ul style="list-style-type: none"> • REST-based API offered over the internet – CME maintains infrastructure. • Risk data pre-loaded on CME systems. • Powered by CME Deployable Software engine; additional performance impact for internet latency. • Low or no maintenance required since hosted on CMEs infrastructure. • SPAN 2 framework for equities products is supported from the August 21, 2024 EOD cycle. Each day the equities products’ risk data will be refreshed for the “EOD” cycle within CME CORE.
Onboarding Steps	<ol style="list-style-type: none"> 1. Execute API License with CME, please contact posttradeservices@cmegroup.com for details. 2. Create a new API ID (self-service) and request access to the test environment. 3. Test use case in New Release (“NR”) environment. 4. Complete testing, work with CME Clearing to receive production environment access.

<p>Equities Products in SPAN 2 Framework Testing</p>	<p>To margin a portfolio with equities products in the SPAN 2 framework:</p> <ol style="list-style-type: none"> 1. Submit portfolio/transactions via the Portfolio and Transaction POST URLs {API URL}/portfolios and {API URL}/transactions. 2. Submitting margin POST requests to the {API URL}/margins with the attributes riskFramework="NEXT," Date= any date after August 21 and Cycle = EOD. 3. Retrieve Margin results via the Margin GET call at {API URL}/margins. Users must explicitly pass schema 1.12 or higher to retrieve enhanced reporting. Results will include two payloads: <ol style="list-style-type: none"> a. Result JSON message where equities are in the SPAN 2 framework. b. Result JSON message where equities are not in the SPAN 2 framework (current production results).
<p>Helpful Links</p>	<ul style="list-style-type: none"> • CME CORE API documentation, including these relevant pages: <ul style="list-style-type: none"> ○ Transaction Add in Risk API format ○ Risk API format ○ Margin Calculate ○ Margin Get

Deployable Margin Software

Deployable Software is the margin solution for users who want to implement the SPAN and SPAN 2 frameworks directly into their own infrastructure.

<p>Potential Users</p>	<p>Users who want to connect their trading/risk systems with the margin calculator(s) on their own infrastructure.</p>
<p>Features</p>	<ul style="list-style-type: none"> • Performance is flexible based on desired scaling. • Same margin results as the Clearing House's clearing cycles. • Risk Parameter data (required input files) are published for the EOD ".c" cycle.
<p>Upcoming Enhance-</p>	<p>Planned Optional Release by end of August 2024:</p> <ul style="list-style-type: none"> • Support for cross model offset scale-up consistent with total initial margin required for heightened risk profile accounts.

ments	<ul style="list-style-type: none"> • Various performance improvements <p>Planned Enhancements for September 23, 2024:</p> <ul style="list-style-type: none"> • Daily RPFs for all cycles • New chunked RPFs, allowing users to decrease download time and data size by downloading relevant data sets for the user’s portfolio. Note, there is not a new version of the program needed to support this feature.
Onboarding Steps	<ol style="list-style-type: none"> 1. Execute production Deployable Margin Software License. 2. Gain access to RPFs via SFTP. 3. Download/install deployable software locally. 4. Review documentation. 5. Download RPFs and begin testing.
Equities Products in SPAN 2 Framework Testing	<p>To margin a portfolio with equities products in the SPAN 2 framework:</p> <ol style="list-style-type: none"> 1. Download an RPF file from CME’s secure FTP site <ol style="list-style-type: none"> a. Local site: [local site]/pub/SPAN2/RPF. b. Test RPF naming convention: test.cme.span2.YYYYMMDD.[cycle code].zip c. Expected filesize: up to 20 GB (complete); 6 GB (non-complete). 2. Initialize deployable software with test RPF 3. Submit portfolio(s) for margin; no changes have been made to the portfolio data format compared to earlier versions. 4. Retrieve margin results. <ol style="list-style-type: none"> a. CME Clearing recommends testing equities portfolios that are denominated in multiple currencies to ensure systems process this case as expected.
Helpful Links	<ul style="list-style-type: none"> • Advisory for Mandatory Deployable Margin Software Release that supports equity products • Deployable Margin Software • SPAN 2 Risk Analysis Framework

Margin Cycle Reports (MARGIN001, MARGIN002, MARGIN003)

Margin Cycle Reports are produced as part of the EOD clearing cycle by CME Clearing and complement the series of reports published daily for Clearing Members. These reports are decomposed at the customer gross margin (“CGM”) account level.

Potential Users	Clearing Members who have access to CME’s enterprise reporting system or secure FTP firm reporting.
Features	<ul style="list-style-type: none"> ● MARGIN001 report offers margin decomposition reported at Portfolio, Pod and Product Group Levels for CGM and House accounts. The test version of this report will include equities products in the SPAN 2 framework. ● MARGIN002 report is used to describe the product mapping and margin methodology for all products across SPAN 2 and SPAN frameworks. ● MARGIN003 report provides portfolio-level comparison between SPAN 2 and SPAN framework margin requirements for all production portfolios. <ul style="list-style-type: none"> ○ Illustrates account-level margin differences between SPAN and SPAN 2 methodologies in both percent and absolute terms. ○ Differences can be further analyzed through the MARGIN001 reports. ● Please note the Clearing Member-level concentration margin and stress shortfall margin add-on are not in scope for these reports.
Upcoming Enhancements	<ul style="list-style-type: none"> ● September 23, 2024: Support for cross model offset scale-up consistent with total initial margin required for heightened risk profile accounts. ● September 23, 2024: MARGIN002 report updated daily.
Onboarding Steps	<ol style="list-style-type: none"> 1. Request access to risk reports in EREP or gain access to firm SFTP sites. These reports are available to Clearing members only. 2. Download files described below: <ol style="list-style-type: none"> a. MARGIN001 report <ol style="list-style-type: none"> i. Naming convention (new for equities products): MARGIN001_SPAN2_NEXT.yyyymmdd.(firm id).csv b. MARGIN002 report

- i. Naming convention (new for equities products):
MARGIN002_NEXT.yyyymmdd.csv
- ii. CME will initially publish a static single file which can be used for any point in time, see enhancements above.
- c. MARGIN003 report
 - i. Naming convention (new for equities products):
MARGIN003_NEXT.yyyymmdd.(firm id).csv

Equities in SPAN 2 Framework Testing

To review margin reports including equities products in the SPAN 2 framework:

1. Download report(s).
2. Analyze report details (recommend reviewing the MARGIN003 for portfolio-level differences, then drilling in using the MARGIN001 report).
 - ii. Please note four fields have been renamed in the MARGIN003 file compared to the energies in SPAN 2 version:

Old Name	New Name
RiskMaintenanceRequirement SPAN	RiskMaintenanceRequirement SPAN 2
RiskInitialRequirement SPAN	RiskInitialRequirement SPAN 2
RiskMaintenanceRequirement SPAN 2	RiskMaintenanceRequirement SPAN 2 Next
RiskInitialRequirement SPAN 2	RiskInitialRequirement SPAN 2 Next

3. The MARGIN001 report can also be used to compare results against deployable margin software, CME CORE UI or CME CORE API.
4. Reach out to CME Clearing post trade team posttradeservices@cmegroup.com with any impact questions.

Helpful Links

- [Production Parallel Margin Reports](#)

Out of Scope

For the avoidance of doubt, the SPAN 2 approximation service, SPAN-format risk array files and the OCC/CME cross-margin program SPAN files are not covered in the scope of this advisory and will be discussed in a subsequent advisory.

Contact Details

Please reach out to the Post-Trade Services team at posttradeservices@cmegroup.com with any questions.