

12-188

DATE: Thursday, May 3, 2012
TO: Clearing Member Firms
FROM: CME Clearing
SUBJECT: Adjustment to Effective Date for Change to ClearPort Exposure Limit Calculation
– Now Effective Saturday June 2, 2012

The effective date for CME ClearPort shifting from the current RAV (Risk Account Value) algorithm to SPAN (Standard Portfolio Analysis of Risk) as the algorithm used to calculate credit usage for CME ClearPort trades **has changed from May 5, 2012 to June 2, 2012**. SPAN calculates performance bond requirements by analyzing potential market scenarios and is the main margining tool employed by CME Clearing. There are some significant differences between the current RAV algorithm and the SPAN algorithm. In the current RAV calculation, an outright future is charged its maintenance margin rate while an option is calculated by taking the underlying future's maintenance margin rate and multiplying it by the option's delta. Intra-commodity spread rates are available; however, no intercommodity spread rates are defined in the current RAV calculation. The SPAN algorithm takes into account both intra-charges and inter-commodity spread rates as well as volatility, time to expiration and a variety of other factors with regard to calculating margins on options.

Due to the differences between the RAV and SPAN algorithm calculations certain ClearPort accounts may see changes in their credit usage when the transition is made. Specifically, accounts trading many inter-commodity spreads will likely see a decline in their credit usage, while accounts trading options, specifically out of the money, will likely see an increase in their credit usage. It is recommended that clearing firms with accounts such as the above reevaluate their limits considering the items listed above.

For more information on SPAN, please see the following link <http://www.cmegroup.com/clearing/risk-management/span-overview.html#works>, or reach out to the Clearing Risk Management at 312-648-3888 or at Clearing.Riskmanagement@cmegroup.com.

For information on adjusting credit limits within CME Clearport, please contact the ClearPort facilitations desk at +1 866 246 9639 or +1 212 299 2457 or through email at ClearPort@cmegroup.com.