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DATE:          April 8, 2014
TO:            Clearing Member Firms
FROM:          CME Clearing

SUBJECT:       **High-Precision Risk Arrays for Margining Small Contracts**

In the near future, CME Clearing and CME Clearing Europe will introduce **high-precision risk arrays** into SPAN margin calculations for certain products.  This will provide more precise margin calculations for small-size contracts.

For example, a risk array value could be provided as 7.123, with three decimal places, as opposed to an integer value of 7.

In the expanded-format SPAN file which most clearing firms use, this will be accomplished by the use of type '83' and '84' records to provide the risk array values for affected contracts, as opposed to the normal '81' and '82' records which provide integer values.  This is driven by the "risk array decimal locator value" on the type "2" record for the product.  If the product has a positive value for the risk array decimal locator, then '83' and '84' records are provided for it instead of "81" and "82" records, and you use the decimal locator value from the type "2" record when reading the risk array values.

High-precision risk arrays have long been part of SPAN and supported in PC-SPAN, but this is the first time they have been used by CME.

You can see these high-precision risk arrays today in the SPAN files produced from the New Release testing environment for CME Clearing Europe, for the **NVTE** futures, with two decimal places of precision.  Firms may begin testing their systems with these SPAN files at any time.  They are available at ftp.cmegroup.com/pub/span/data/cee/nr.

In May, we will begin publishing a separate set of production SPAN files with high-precision risk arrays for selected products, in parallel with the normal production files.  Once this separate set is available, firms may test their systems with real production data, and each firm can switch when it is ready.  The switch should be complete by October at the latest.  We will update and re-issue this advisory when the production parallel SPAN  files are available.

SPAN file formats are documented at:
http://www.cmegroup.com/confluence/display/pubspan/Risk+Parameter+File+Layouts+for+the+Positional+Formats
(You can find this link at:
http://www.cmegroup.com/clearing/risk-management/span-use.html
Click on "SPAN Risk Parameter and Position File Formats")

For more information please contact CME Clearing at 312-648-3888.