

**MARGIN CALL**

# **Key Facts on Margining of CME FX Futures and Options**

 **CME Group**

# Initial margin (IM)

CME Group accepts a wide range of assets to meet IM requirements, including:

- Cash in 18 currencies
- Letters of Credit
- Gold
- Corporate Bonds
- U.S. Treasuries
- Government debt from nine different countries

# Interest on cash posted as IM

Interest is paid to customers where cash is posted to CME Group for initial margin.

At time of writing, August 2023, the rate of return paid on USD cash posted is **+515 basis points**.

# Variation margin (VM)

In line with other exchanges, variation margin on FX products is in the quote currency of each currency pair.

However, FCMs typically offer the functionality for customers to pay/receive all VM-related movements in one currency (e.g., EUR), with the FCM then paying/receiving VM movements with CME Group according to the currency pairs traded.

# Margin model

CME Group uses the SPAN model to calculate the IM requirement of FX futures and options.

This model uses a one- or two-day margin period of risk (MPOR) depending on whether the business is customer or house for the clearing member.

The SPAN model can offer material funding efficiencies compared to ISDA SIMM for firms impacted by the Uncleared Margin Rules. Independent analysis has shown the CME Group model to be **up to 86% more efficient** than ISDA SIMM.

# Portfolio margining

The SPAN model used at CME Group allows for offsets and efficiencies in four ways:

- Along the curve in a given currency pair
- Between correlated currency pairs
- Between futures and options
- Versus other CME Group products or asset classes, including Rates and Equities

The ability to support portfolio margining between CME FX futures and cleared OTC derivatives is also in development – with the first offering likely to be MXN FX futures versus MXN TIIE swaps.\*

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*\*Offering not yet live and is subject to regulatory approvals.*

# Default fund

CME FX futures and options reside within the main guaranty fund along with all other futures and options at CME Group.

As of June 2023, CME Group held more than **\$5.5B in the base guaranty fund** along with total initial margin of **more than \$210B**.

The existing size of the guaranty fund along with a diverse ecosystem of more than 40 FCMs and more than **90,000 traders** in CME FX products helps to optimize any additional funding costs to the default fund for FCMs.

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