



TO: Clearing Member Firms; Back Office Managers; Margin Managers; CME
CORE Users; PC SPAN Users; Bookkeeping Software Providers

FROM: CME Clearing

ADVISORY #: 24-341

DATE: 11/07/2024

SUBJECT: SPAN 2 Framework Equity Pod Parameter Changes

As per normal review, CME Clearing has undertaken a review of the parameters within the stress value-at-risk ("SVaR") sub-component of the SPAN 2 framework's market risk component for the equity pod. Following this review, CME Clearing has determined it will implement adjustments to these parameters to further align with the observed implied volatility changes for E-mini S&P 500 options across the volatility skew. In general, these parameter changes are expected to increase the portion of the margin requirement coming from the SVaR sub-component for certain portfolios containing contracts within the equity pod.

While the specific impact to production portfolios will vary depending upon the risk profile of each individual portfolio, CME Clearing generally expects an increase in margin requirements for the majority of production portfolios with out-of-the-money E-mini S&P 500 put options, though aggregate margin requirements for the equity pod are expected to increase by approximately less than 1%. To understand impacts to your portfolio, please refer to the margin requirements via the SPAN 2 risk parameter "x" file that will be published at approximately 8:00 am CST on November 8, 2024. Margin requirements from this "x" file can also be consumed via CME CORE.

The associated margin impacts will be effective after the close of business on:

November 8, 2024

Clearing Members who have not yet migrated to the SPAN 2 framework for the equity pod will also see these changes reflected in the MARGIN001 and MARGIN003 test reports.

Additional details around the launch of the SPAN 2 framework can be found here:

<https://www.cmegroup.com/clearing/risk-management/span-overview/span-2-methodology.html>

Please contact our Risk Management Team with any questions.

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