



CME Group - FICC Cross-Margining Forum

Proposed Expansion of Access to End-User Customers

January 28, 2025

Topic	Speakers
Welcome & Opening Remarks	Laura Klimpel, DTCC Suzanne Sprague, CME
Regulatory Update	Lisa Rosenbaum, DTCC Conor Weber, CME
Risk Management	Robert Crain, DTCC Brett Kovarik, CME
Workflow Review	Brian Disken, DTCC Ryan Hanley, CME
Next Steps & Close	Suzanne Sprague, CME
Q&A	Robert Crain, DTCC



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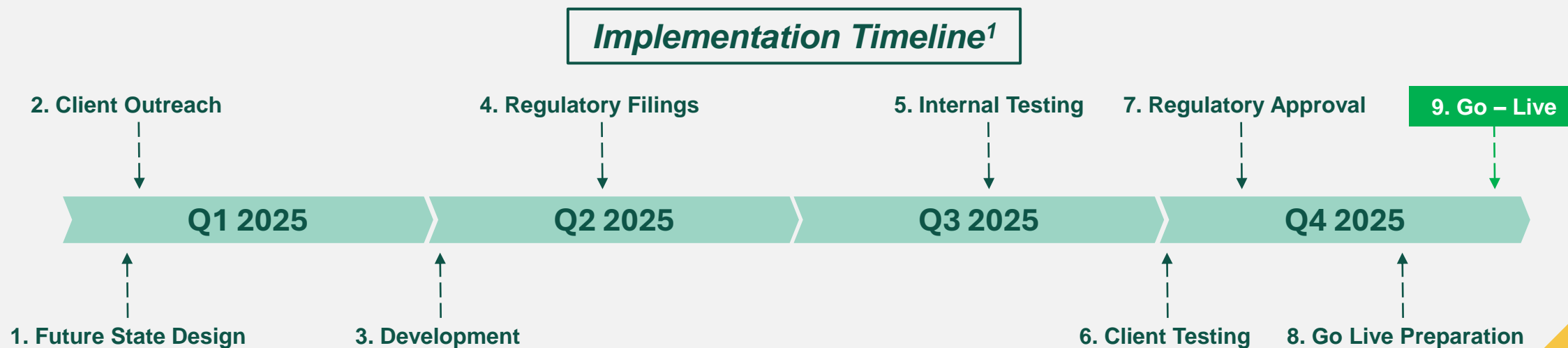
Opening Remarks/Welcome

Laura Klimpel, DTCC | Suzanne Sprague, CME

CME Group - FICC Cross-Margining Forum

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- In January 2024, CME Group and FICC implemented their enhanced cross-margining arrangement, enabling capital efficiencies for clearing members that trade and clear both U.S. Treasury securities and CME Group interest rate futures
- CME Group and FICC are working together to extend this program to end-user customers, providing them access to capital efficiencies available when trading U.S. Treasury securities and CME Group interest rate futures that have offsetting risk exposures
- The target “go-live” date is December 2025¹
- Alignment of enhanced cross-margining for end-user customers with the regulatory timeline for U.S. Treasury Clearing will encourage greater utilization of central clearing, thereby facilitating systemic risk reduction

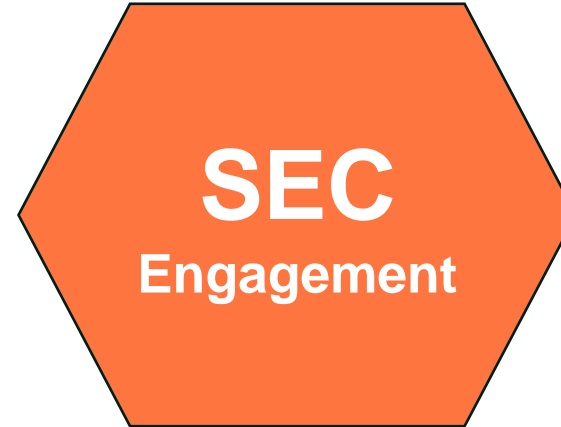
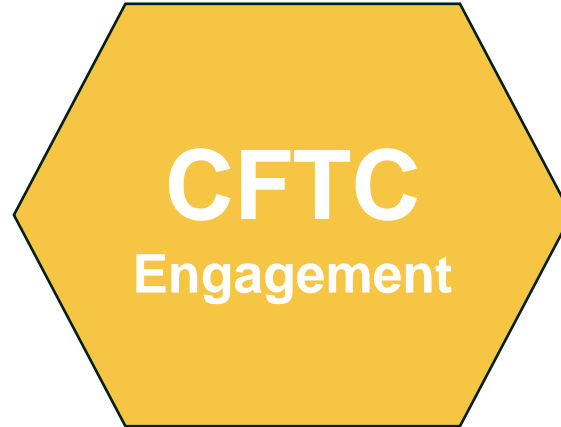




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Regulatory Update

Lisa Rosenbaum, DTCC | Conor Weber, CME



- **Regulatory Account Structure**
- **Customer Protection Features**
- **Exemptive Relief and Rule Filings**
- **Legal Agreements**



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Risk Management

Robert Crain, DTCC | Brett Kovarik, CME

Key Attributes

➤ Risk Methodology:

- Similar risk model to the existing program
- Most conservative savings estimate is used to determine margin requirement

➤ Timeline:

- CME and FICC calculate margin requirements twice per day, at mid-day and end-of-day

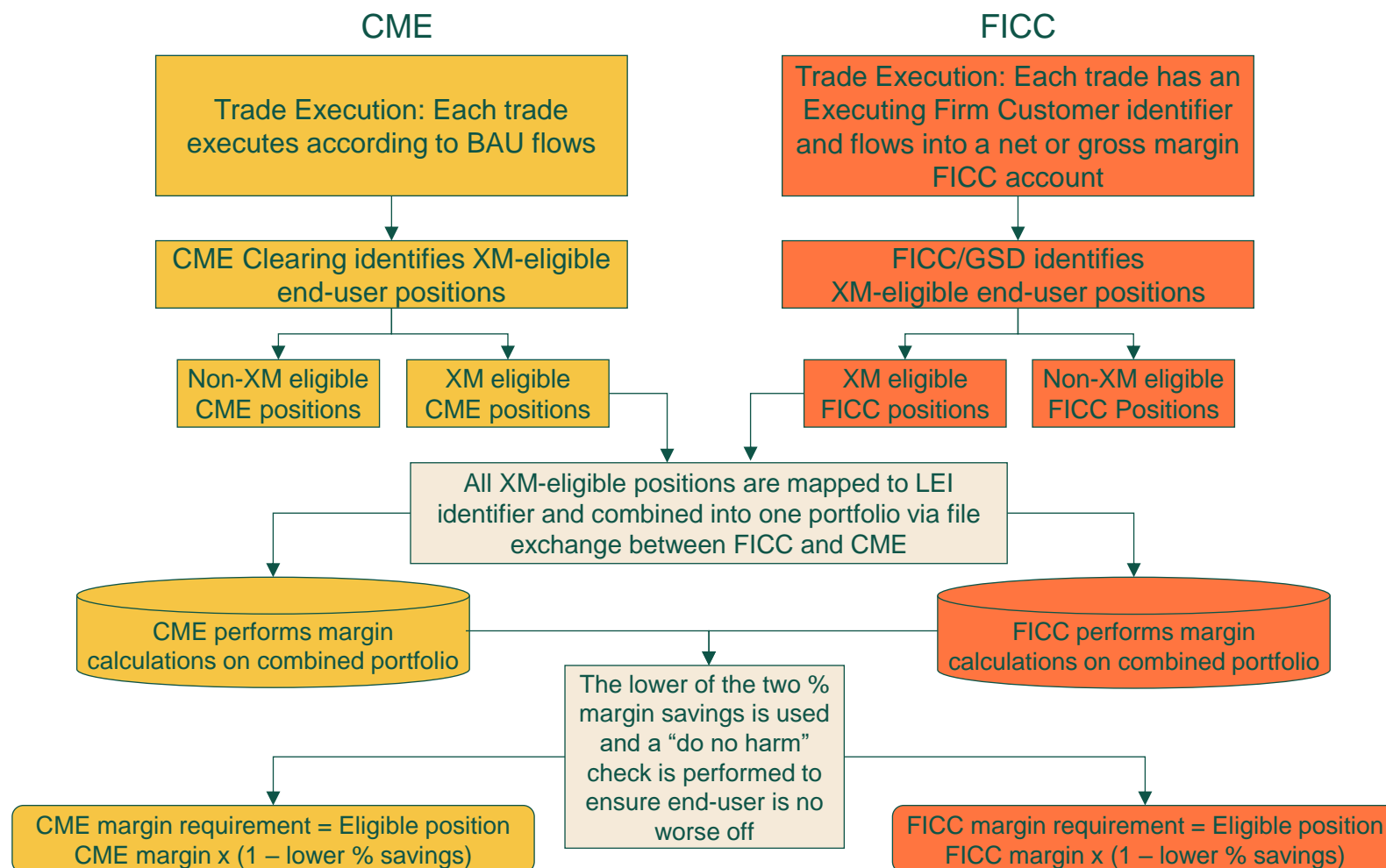
➤ Default Management:

- Both CME and FICC will endeavor to port in the event of default
- Clients are encouraged to maintain relationships with secondary Clearing Member to increase likelihood of porting

➤ Program Performance¹:

- In Q3 2024, average EOD savings rate for CME/FICC XM participants was 66% (CME & FICC Quarterly Public Quantitative Disclosures)

Cross-Margining Process Flow





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Workflow Review

Brian Disken, DTCC | Ryan Hanley, CME

Key Attributes

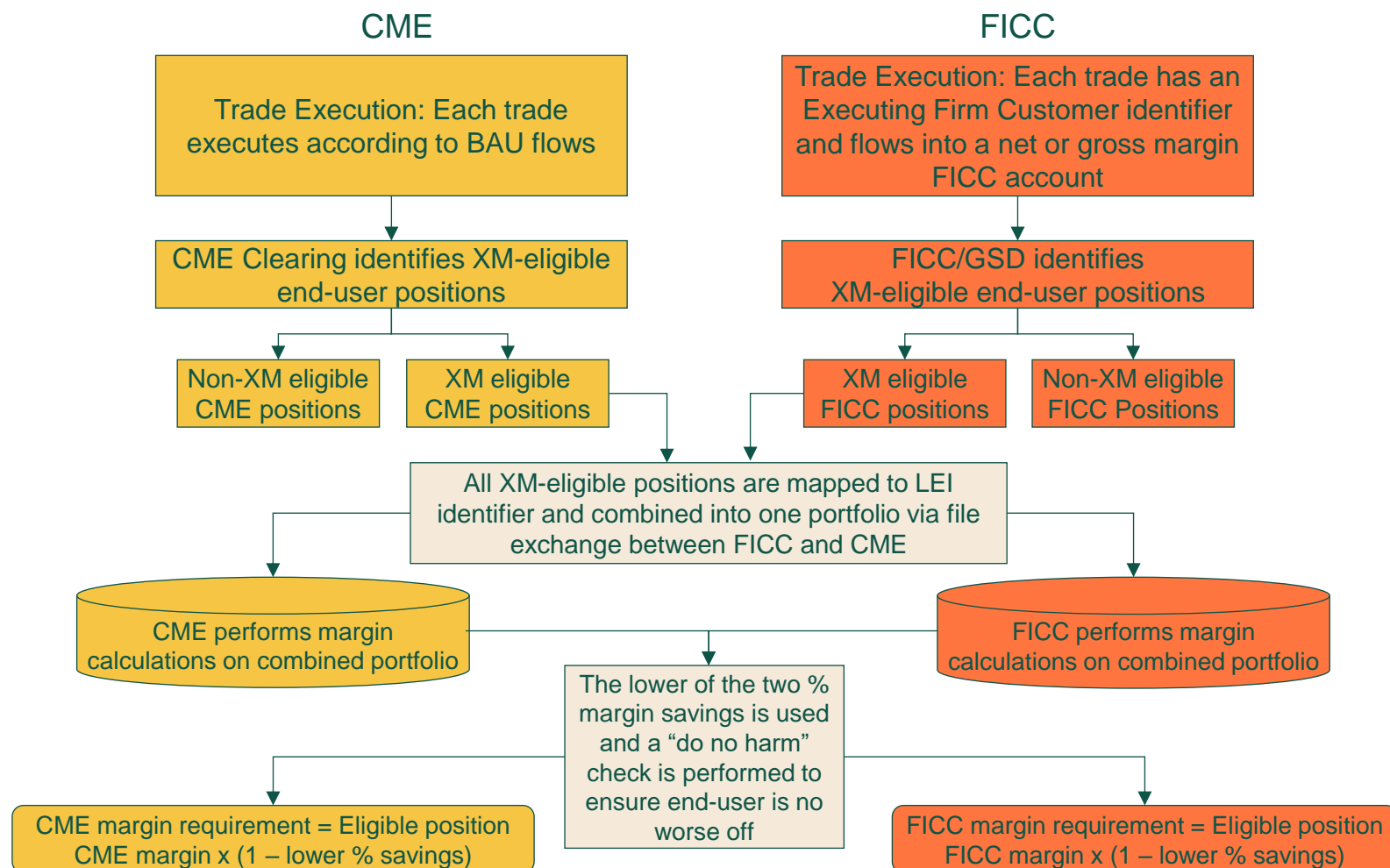
➤ Unique Identifier:

- CME and FICC will utilize Legal Entity Identifiers (LEIs) to match end-users at their respective Clearing Members

➤ Workflow:

- CME and FICC will provide margin efficiencies at both end-of-day and intra-day collection cycles
- FICC will designate cross-margin accounts, allowing all eligible positions in the account to be eligible for offset with eligible CME interest rate futures
- CME will allow end-user cross-margin accounts to designate futures available for offset in the cross-margin program throughout the day
- FICC Calculator available for scenario testing
- CME Core is being enhanced to support the ability to run hypothetical portfolios
- CME optimization tools are being developed to incorporate CME/FICC cross-margining

Cross-Margining Process Flow





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Next Steps & Close

Suzanne Sprague, CME

Next Steps

CME and FICC

- Continue engagement with CFTC and SEC on filings
- Feedback from Clearing Members regarding optimization workflows
- Working with back-office vendor providers to establish level of support needed

Clearing Members and End-Users

- New account setup
- Complete program legal documentation
- Test end-to-end workflows



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Q&A

Robert Crain, DTCC



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Appendix

Examples: Potential Cross-Margining Savings

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	CME Group Treasury Futures		FICC Treasury Securities		Savings w/ Cross-Margining	
	Position	Margin	Position	Margin	\$	%
Portfolio 1:	1,000 MAR 2yr Contracts	\$1,200,000	(\$206,000,000) in 2yr Treasury Notes	\$1,200,000	\$2,000,000	~80%
Portfolio 2:	2,000 MAR 5yr Contracts	\$2,600,000	(\$212,000,000) in 5yr Treasury Notes	\$2,800,000	\$4,300,000	~80%
Portfolio 3:	2,000 MAR 10yr Contracts	\$4,000,000	(\$222,000,000) in 10yr Treasury Notes	\$4,300,000	\$6,600,000	~80%
Portfolio 4:	2,000 MAR 30yr Contracts	\$7,400,000	(\$238,000,000) in 30yr Treasury Bonds	\$7,600,000	\$12,000,000	~80%

Note: Margin rates and savings subject to change based upon market conditions and portfolio composition

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