CME-FICC Cross-Margining Arrangement

June 2025

CME-FICC Cross-Margining Arrangement FAQs

Updated June 2025

Overview

In January 2024, CME Group and FICC implemented their enhanced cross-margining arrangement for proprietary or "house" accounts ("House XM"), enabling capital efficiencies for clearing members that trade and clear both U.S. Treasury securities and CME Group interest rate futures. In May 2025, CME Clearing and FICC submitted proposed rule changes to the current enhanced arrangement, which are pending, to enable cross-margining of eligible positions maintained by a member of both clearing organizations for itself or certain eligible affiliates.[1]

CME Group and FICC are working together to extend this program to end-user customers of dually-registered broker-dealers ("BDs") and futures commission merchants ("FCMs") that are common members of FICC and CME Clearing, 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 2025, subject to regulatory review and approval.

Implementation of cross-margining for end-user customers ("End-User XM") should encourage greater utilization of central clearing, thereby facilitating systemic risk reduction.

1. **What is the latest Timeline?**

- FICC and CME Clearing each intend to make necessary proposed rule change filings to the SEC and the CFTC, respectively, for the End-User XM program during Summer 2025.
- In addition, FICC and CME either already have, or will be, submitting to the SEC and CFTC during Summer 2025 petitions for exemptive relief from certain provisions of the Commodity Exchange Act ("CEA") and Securities Exchange Act ("Exchange Act") that would enable FICC and CME to make End-User XM available.
- Subject to the regulatory approval process, this will allow for CME Clearing and FICC to provide access to the End-User XM program by the end of the year 2025.

2. **How will End-User customers obtain access to the program?**

- Access to the End-User customer program will be obtained by utilizing a participating Clearing Member at CME and FICC.
- Participating Clearing Members eligible to provide customers access to the End-User XM program must be a joint clearing member of CME and FICC and dually-registered as a BD / FCM.

[1] See Self-Regulatory Organizations; Fixed Income Clearing Corporation; Notice of Filing of Proposed Rule Change To Amend and Restate the Cross-Margining Agreement Between FICC and CME, 90 Fed. Reg. 22538 (May 28, 2025) and CME Rule Filing 25-092 (May 9, 2025).

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- Customers and Clearing Members will need to agree to certain terms between their respective entities which will be enumerated in exhibits to the necessary SEC and CFTC regulatory proposed rule filings made by FICC and CME Clearing.

3. Which products will be eligible in the program?

- CME Group listed interest rate futures products will include CME Treasury Futures, including the Ultra-10 and Ultra-Bond, as well as the Fed Funds, and SOFR futures, with the flexibility to add future products as markets evolve. Please note, however, that the addition of other products into the program will require applicable governance and model validation approvals and possible regulatory filings.
- FICC-Cleared US Treasury Notes and Bonds that have a time to maturity greater than 1 year,[2] resulting from a buy/sell or repo/reverse repo transaction, will be eligible for the new arrangement. Other Treasury securities, including When Issued Securities prior to settlement date and TIPS, may be considered for inclusion in the program in a later phase.

4. Does CME Clearing or FICC anticipate any changes required for Clearing Member settlement accounts or any changes to their acceptable collateral schedules?

- No changes are required to any clearing members settlement accounts to accommodate participation in the existing arrangement or the expanded End-Customer XM arrangement.
- No changes to the acceptable collateral schedules at either clearing agency are anticipated due to the existing CME-FICC Cross-Margining arrangement nor the expanded arrangement End-Customer XM arrangement.

5. Will CME Group or FICC charge separately for participation in the arrangement?

- No, neither CME Group nor FICC envision charging separately for participation in this arrangement.
- FICC and CME Group believe that the enhancement to End-Customer XM will encourage greater utilization of centralized clearing, thereby facilitating systemic risk reduction.

6. Will the CME-FICC cross-margining efficiencies be made available to firms during each clearing agency intraday margining cycle?

- Yes, in the arrangement, to the extent applicable, the margin reductions will be calculated during both intra-day and end of day processing cycles.

[2] Treasuries with less than one year to maturity are excluded from the program because they are subject to a haircut margining model, as opposed to a VaR-based margining model, and as a result are not eligible for cross-margining against futures positions.

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- Please note that for purposes of FICC's formal noon intraday margining process, FICC will look at all novated, unsettled positions (including newly traded positions since the last margin cycle) when determining positions eligible for cross-margining.

7. How are the margin savings determined and applied by CME Clearing and FICC under the new arrangement?

- Under the existing House arrangement and with respect to a participating End-Customer, FICC and CME Clearing will each treat a participant's or Customer's relevant products as a single portfolio (a "Combined Portfolio") for purposes of calculating the margin requirement. Treatment as a Combined Portfolio provides the ability for the FICC and CME Clearing to assess risk at a security level and eliminates the need to use separate margin calculations and apply offset classes and conversions of eligible products. Both CME Clearing and FICC will use their own margin models on the combined Treasuries and futures portfolios, to the extent applicable, and jointly apply a margin savings percentage to each account based on the more conservative result.

8. Can a firm submit a hypothetical portfolio to both FICC and CME Clearing for analysis under the enhanced cross-margining program?

Currently, market participants can access FICC's publicly available cross-margining VaR calculator that enables users to estimate the potential cross-margin reduction on a sample portfolio containing FICC/GSD cash positions and CME Group futures solely based on FICC's cross-margining methodology.

9. Are there fallback processes in place among FICC and CME Clearing to make cross-margining efficiencies available in circumstances where there is an operational or technical disruption or delay in the cross-margining calculation process?

- FICC and CME Clearing maintain reasonable processes to address circumstances in which there are systems delays or disruptions in the cross-margining calculation process, such as those arising from position or pricing file timeliness.
- FICC and CME Clearing do not guaranty that a margin reduction will be applied in all circumstances. However, depending on the circumstances, there are alternative measures that would be taken to work to address the issue so that cross-margining benefits can be received.
- Alternatives might include the clearing organizations applying the prior day's margin calculation, or a previous cross-margin reduction percentage of the offsetting risk exposure when position files are not available. For example, upon confirmation from CME Clearing to FICC that a Cross-Margining Member's eligible futures positions remain unchanged since the last successful exchange of data files.
    - The cross-margin reduction percentage applied at the last successful exchange of position files would be compared to the current calculated margin amount. Thus, if the current VaR for a FICC portfolio of eligible positions is $10mm USD, and the cross-margin reduction percentage from the previous calculation is 70%, then the final cross-margin amount at FICC would be $3mm.

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- If the current VaR at FICC is not available, and the prior day's cross- margin calculation amount was $3mm, then FICC would apply the same cross-margin amount upon confirmation from CME Clearing that the risk with respect to the Member's eligible futures positions has not materially changed.

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