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DATE: **JUNE 9, 2014**

SUBJECT: **USE OF SPAN FOR CUSTOMER GROSS MARGIN CALCULATIONS**

On Friday, July 11, 2014, OCC will begin using the Standard Portfolio Analysis of Risk ("SPAN"®)[1] margin methodology when performing Customer Gross Margin ("CGM") calculations for all customer segregated futures accounts, including all non-proprietary cross-margining accounts. OCC is making this change to reduce potential burdens on futures customers associated with CFTC Regulation 39.13(g)(8), which, in relevant part, requires Derivatives Clearing Organizations ("DCOs") to (i) collect initial margin for customer segregated futures accounts on a gross basis and (ii) have rules requiring clearing members to collect initial margin from their customers in an amount that is greater than the amount the DCO collects from clearing members.

Alongside the CGM SPAN calculation, OCC will continue to calculate the net (i.e., all positions in a single portfolio) requirement using its proprietary System for Theoretical Analysis and Numerical Simulations ("STANS") methodology. If the net STANS requirement exceeds the gross SPAN requirement, OCC will collect from Clearing Members the incremental difference as an enhanced margin surcharge.

OCC will directly contact all Clearing Members impacted by this change.

If you have any questions regarding this memo, please contact your firms Risk Analyst or e-mail RiskSystems@theocc.com.

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