



**THE FOUNDATION
FOR SECURE
MARKETSSM**

**Theoretical Intermarket
Margin System (TIMSSM) Methodology**

**Risk Based Haircuts (RBH) and
Customer Portfolio Margin (CPM) Frequently Asked
Questions**

**Version 1.0
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Risk Based Haircut (RBH) and Customer Portfolio Margin (CPM) Frequently Asked Questions

1. What products are eligible for the RBH and CPM program?

Products eligible for CPM include marginable equity securities such as stocks, exchange traded products and ADRs that are listed on a U.S. based exchange. Also eligible are listed options on equity securities or indexes and warrants on equity securities. In RBH, all the above are eligible plus index futures, options on futures and currency futures and options. OCC does not determine eligibility for the program, and the daily P/L files should not be viewed as encompassing the universe of eligible products. Specific questions regarding eligibility can be directed to margininterpretations@finra.org.

2. Can commodity futures such as crude oil be added the RBH data files in order to receive offsets with commodity-based exchange traded products?

Under the Net Capital Rule commodity futures are disallowed in TIMS. Under the existing rules only index and currency futures are allowed in the program. One exception to this was granted for gold and silver futures which reside in class group 246 and 241 respectively.

3. Is it possible for different classes of a stock to receive offsets in RBH or CPM?

For different products to belong in the same class group they need to have the same underlying delivery component. For example, ABC options and a warrant on ABC can be in the same class group as ABC stock, because both the warrant and options have the same underlying delivery component as the ABC stock. For exchange traded products, that means all components of the class group are based on the same underlying index. For example, SPY and IVV are both based on the S&P 500 index, so they are both permitted to be in the same class group. Different classes of stock are considered different delivery components, regardless if one can be converted into the other. FINRA has granted a single exception to this rule. GOOG and GOOGL stock are both located in class group GOOG.

4. I see that a warrant exists for ABC stock that is not on the RBH/CPM file. Can it be added?

A request to add a warrant to the RBH/CPM files can be made by email to pricingandmargins@theocc.com. However, the warrant must have options listed on the underlying equity, so that OCC can generate a volatility surface for theoretical pricing. The warrant must also be exchange listed; it cannot trade OTC.

5. How can I reconcile the difference in margin requirements between what my broker is charging with the margin requirement generated by the Portfolio Margin Calculator (PMC)?

PMC generates margin requirements for RBH and CPM accounts using the TIMS methodology, and this is the minimum margin requirement that brokers are required to collect. Most brokers collect more than the minimum amount defined by TIMS. Also, for customer requirements some brokers may use Regulation T (Reg T), which is not a portfolio-based methodology. OCC does not support Reg T computations.

6. I do not see a basket ID listed for an exchange traded product. Can this be added?

A request to add a basket ID for an exchange traded product can be emailed to pricingandmargins@theocc.com. Under the net capital rule, a basket can be added so long as the exchange traded product disallows options, futures and other derivatives in the holdings. Note that debt instruments such as bonds and T-bills are not permitted in customer account baskets.

7. Does OCC validate baskets? I see in the PMC that the 95% haircut is taken when I enter a basket ID.

OCC does not validate baskets. PMC will automatically apply the 95% haircut when a basket ID is applied. It is the responsibility of the end user to verify the validity of the basket they are entering. OCC's role related to baskets is the dissemination of basket IDs and the basket parameters which can be found on the documentation page at [RBH/CPM Documentation](#); select the RBH/CPM Class Groups document. There will be a basket ID column indicating if the class group has a valid basket ID.

8. Why are there no offsets between VX futures and volatility exchange traded products?

Regulatory approval to include ETF and ETN products in the same class or product group as VIX options and futures has not yet been granted.

9. I am not able to find ABC stock in the portfolio margin calculator or on the nightly RBH/CPM files. Does this imply the stock is not RBH/CPM eligible?

The RBH/CPM nightly files are not intended to encompass the universe of eligible products under the programs. The RBH/CPM files are intended to provide offsets between stocks and their related options. If a stock does not have listed options, it should use a 15% haircut with no offsets by default. Generally, if an equity is exchange listed it is eligible for RBH/CPM treatment. Any specific questions about eligibility can be directed to FINRA margininterpretations@finra.org.

10. Product Group 9 is in Portfolio Group USIDX which has a 50% offset and Portfolio Group BBIDX which has an 85% offset. When calculating RBH/CPM requirements, to which portfolio group do my Product Group 9 go?

Offsets within BBIDX are taken first and the resulting net gains and losses at each price point are added to the net gains and losses of USIDX prior to offsetting the net gains and losses for USIDX. Currently, BBIDX contains only Product Group 9. It is possible that additional product groups will be added to BBIDX in the future. BBIDX could be considered a subset of USIDX, and any additional product groups added to BBIDX would also be added to USIDX. In this circumstance product groups within BBIDX would take priority at the higher offset of 85%. There would not be a circumstance where product groups would fall under BBIDX and not USIDX.

11. I am attempting to identify the margin requirement on an RBH/CPM portfolio on a specific date in the past. Is there a way to accomplish this?

The portfolio margin calculator is available for individuals to calculate portfolios using the TIMS methodology for the previous business date only. It is recommended that firms subscribing to the file transmissions save the daily files for historical calculations in their own calculation software.

12. I have a theoretical portfolio using the Theoretical Intermarket Margin System (TIMSSM) Methodology where my risk requirement is -\$1,000 and my net asset value (NAV) is -\$500. If my broker does not utilize higher requirements than what OCC publishes, how much do I have to post in margin?

Brokers generally use this formula for how much collateral needs to be posted: risk requirement + NAV, where a negative margin requirement indicates that funds need to be posted. In this example \$1,500 in cash would cover the risk requirement + the NAV. To use another example, assume that the NAV was \$10,000 and the risk requirement was -\$1,500. $\$10,000 + (-\$1,500) = \$8,500$. In this case, no additional margin would need to be posted, because the positive NAV is more than enough to collateralize the risk requirement.

Appendix

Revision History

Version	Date	Version Updates
1.0	2/10/2022	Initial Version