

# Primer: What is Margin?

For a central counterparty clearing house (CCP), margin refers to the high-quality liquid assets collected as collateral from participants to help protect against future risk exposures for participants' open positions. Margin resources are the primary way CCPs mitigate credit risks and represent the largest portion of the CCP's total assets that it maintains to ensure financial resiliency.

A CCP may collect variation margin from participants to cover observed changes in the market value of participants' positions on a daily basis. A CCP may also perform margin calls, which refer to additional collateral collected intraday, particularly during times of high market volatility.

OCC measures the exposure of its Clearing Members' portfolios with its proprietary System for Theoretical Analysis and Numerical Simulations (STANS®) methodology. More information about STANS is available on OCC's [website](#).

## OCC's Margin Methodology

STANS® is OCC's proprietary margin methodology which provides sophisticated risk assessments that measure the exposure of portfolios of options and futures cleared by OCC.

## High-Quality Liquid Assets

### Acceptable Initial Margin Collateral

- U.S. dollars
- U.S. + Canadian government securities
- Letters of credit
- Government-sponsored debt
- U.S. common stocks, ETFs and ETNs

### Acceptable Variation Margin (Variation Payment) Collateral

- U.S. dollars only

## Types of Margin

### Initial Margin

Initial collateral posted to a CCP by its Clearing Members to help protect against future risk exposures for their open positions.

### Variation Margin

Collateral posted daily to a CCP by its Clearing Members to reflect the current market value of their open options, futures or securities lending positions.

### Margin Calls

Instance where a CCP requests additional margin to be posted by its Clearing Members within a certain timeframe.