

DEFINITIONS

Aging of Margin Calls

In aging margin calls, days are defined as:

- 1 = business day position is put on/account becomes undermargined
- 2 = business day margin call is issued
- 3 = first business day margin call is outstanding
- 4 = second business day margin call is outstanding
- 5 = third business day margin call is outstanding
- etc.

Carrying Broker

An FCM through which another FCM, foreign broker, or customer/noncustomer elects to clear trades.

Concurrent Long and Short Positions

Long and short positions traded on the same contract market in the same futures or options contract for the same delivery month or expiration date and, if applicable, having the same strike price.

Covered Position

A futures or options contract, the risk of which is effectively eliminated by an equal offsetting position in a cash commodity, physical inventory, forward contract or fixed price commitment. Refer to CFTC Regulation 1.17(j) for further explanation.

Current Margin Calls

Bona fide margin calls which have been outstanding a reasonable time; that is, less than five business days for customers and less than four business days for noncustomers and omnibus accounts. Note: Days are counted from and include the day the account became undermargined.

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Customer

An account holder trading in any futures or options contract, except the holder of a proprietary or noncustomer account as defined by CFTC Regulation 1.3(y).

Customer - Secured

Customers trading futures and options on foreign exchanges, including all U.S.-domiciled and, if secured for, foreign-domiciled customers.

Customer - Segregated

Customers trading futures and options on U.S. exchanges, including both U.S.-domiciled and foreign-domiciled customers.

Day Trading

The establishment and closure of a futures or options position on the same trading day.

Equity Component of SPAN® Margin System Requirement

The mark to the market value of option positions.

Favorable Market Movement

The appreciation in market value of an account's open positions.

Free Funds

Funds available for withdrawal from an account without restriction. For a futures and options trading account, margin equity in excess of initial margin requirements.

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Futures Commission Merchant (FCM)

Any entity engaged in soliciting or accepting orders for the purchase or sale of futures or options contracts on or subject to the rules of any contract market and that, in connection with such solicitation or acceptance of orders, accepts money, securities, or property (or extends credit in lieu thereof) to margin, guarantee or secure any trades or contracts that result or may result therefrom. FCMs must be registered as such with the CFTC.

Hedge

The purchase or sale of futures or options contracts executed for the purpose of minimizing price risk or facilitating the customary or normal conduct of business. Refer to CFTC Regulation 1.3(z) for further explanation of "bona fide hedging transactions and positions".

Hold-Open Positions

Positions offset at the exchange that, for convenience and customer service purposes, have been held open on the FCM's internal bookkeeping records.

Initial Margin Requirement (IMR)

Generally, a factored amount over the maintenance margin requirement calculated by the SPAN margin system.

Maintenance Margin Requirement (MMR)

The minimum amount of margin equity required to be maintained in an account. The maintenance margin requirement is the actual risk margin calculated by the SPAN margin system. Refer to Definition - Risk Component of SPAN Margin System Requirement.

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Margin

A good faith deposit or performance bond. Refer to Definition - Performance Bond.

Margin Call

A request from an FCM to an account owner to deposit additional funds to meet margin requirements.

Margin Deficiency

For an account which has margin equity less than the maintenance margin requirement, the amount by which margin equity is less than the initial margin requirement. If margin equity in an account is equal to or greater than the maintenance margin requirement, then no margin deficiency exists.

Margin Equity

An account's net liquidating equity plus the collateral value of acceptable margin deposits.

"Marked to the Market" Margin Rate

A "marked to the market" margin rate requires no margin for a position provided that margin equity in the account is zero or greater.

Member Account (Individual)

An account owned by an individual having floor trading privileges at an exchange or any exchange division. "Member" applies only to the privileges of the specific type of membership category. For margin purposes, member seat lessees are treated as members (i.e. receive member margin rates).

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Net Liquidating Equity (NLE)

The sum of an account's ledger balance (LB), open trade equity (OTE), and net option value (NOV). Also referred to as net liquidating value (NLV).

Noncustomer

An account holder trading in any futures or options contract which is not defined as customer or proprietary. Noncustomer accounts include accounts of affiliated entities and certain employees of an FCM. Refer to CFTC Regulations 1.3(k), 1.3(y), and 1.17(b)(4) for further information.

Omnibus Account

An account held in the name of an FCM or foreign broker that is utilized for placing and clearing the trades of one or more undisclosed entities or persons.

Performance Bond

A good faith deposit. Refer to Definition - Margin.

Proprietary

A futures and options trading account carried on the books of an FCM for the FCM itself or for the general partners of the FCM. Refer to CFTC Regulations 1.3(y) and 1.17(b)(3) for further information.

Proprietary Charge

A reduction to net capital for uncovered futures and options positions carried in proprietary accounts. This charge is reflected on 1-FR line 16. of the Statement of the Computation of the Minimum Capital Requirements or on FOCUS line 6.E. of the Computation of Net Capital.

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Reasonable Time

Industry custom and FCM capital requirements have implied a reasonable time to be less than five business days for customers and less than four business days for noncustomers and omnibus accounts. Note: Days are counted from and include the day the account became undermargined.

Risk Component of SPAN Margin System Requirement

The assessment for changes in the underlying portfolio's price and volatility. The risk component corresponds to an equivalent futures position margin and represents the risk margin of the account. Refer to Definition - Maintenance Margin Requirement.

Speculative

Trading in futures and options with the objective of achieving profits through the successful anticipation of price movement.

Standard Portfolio Analysis of Risk Margin System (SPAN®)

A risk-based, portfolio approach margining system used to compute minimum margin requirements for all futures and options positions.

Undermargined Amount

The amount by which margin equity is less than the maintenance margin requirement.

Undermargined Capital Charge

A reduction to net capital as a safety factor for accounts which are undermargined an unreasonable time. This charge is reflected on 1-FR lines 15.A., B., and C., as appropriate, of the Statement of the Computation of the Minimum Capital Requirements or on FOCUS line 6.A.2. of the Computation of Net Capital.