

# Primer: What is Margin?

For central counterparties (CCPs), margin refers to the high-quality liquid assets collected as collateral from clearing members to help protect against future credit risk exposures for clearing members' open positions. Margin resources are the primary way CCPs mitigate credit risk and usually represent the largest portion of the collateral that the CCP maintains to ensure its resiliency against member defaults.

A CCP collects variation margin from clearing members when a clearing member's collateral loses value on a daily or intraday basis. A CCP may also perform margin calls, which refer to additional collateral collected intraday, to meet the required minimum margin amount when an account loses money, or an increase in positions. This may occur 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 a clearing member's portfolios of options and futures cleared by OCC.

## High-Quality Liquid Assets

### Acceptable Initial Margin Collateral

- U.S. dollars
- U.S. + Canadian government securities
- 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 Requirements

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