



FTR Undiversified Credit Adder

Credit Subcommittee

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- For FTR credit requirements, each month is calculated separately
 - Positive months are added to create member's total FTR credit requirement
- FTR net counterflow credit requirement is calculated only on a portfolio basis
- If the total price paid in the auction for the entire portfolio in a month is negative, the portfolio is deemed "Undiversified" for that month
- A 2x or 3x price adder is added to the underlying normal FTR credit requirement for Undiversified months

- For a given month:
 - $X = \text{FTR credit requirement}$ calculated for all positions according to normal credit requirement calculations
 - $Y = \text{total price}$ of portfolio that month
- If $Y > 0$
 - Portfolio is deemed normal flow
 - Credit requirement for the month is X
- If $Y < 0$
 - Portfolio is deemed "Undiversified"
 - Credit requirement for the month is $X + 2*|Y|$ ($|Y|$ is absolute value of Y)
(or $X + 3*|Y|$, depending on a subsequent analysis of concentration)