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
FTR Undiversified Credit Adder - Example

- For a given month:
  - \( X = \) FTR credit requirement calculated for all positions according to normal credit requirement calculations
  - \( Y = \) 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)