CME Taps the Brakes on Silver

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Tapping the brakes on the silver rally, the CME sent a letter to its clearing member firms and others Tuesday raising the amount of margin needed to trade silver futures contracts.

The change will go into effect after the close of business Wednesday, November 10th, 2010.

The reason cited for the increase was a "…normal review of market volatility to ensure adequate collateral coverage…"

Michael Shore, a spokesman for the CME, said the exchange evaluates margins from time to time and they often change—nothing unusual.

New Tier 1 "Spec" Positions will require an initial margin of $8,775, up from $6,750 currently. New "maintenance" margin calls for those positions will rise to $6,500 from $5,000 currently.

Margins on Tier 2 and 3 "Hedge/Member" Positions will go from $5,000 to $6,500 for both new "initial" positions and also, for ongoing "maintenance" margin calls.

CME silver futures trade in contracts of 5,000 ounce and are priced in U.S. dollars.

Margins on e-mini silver futures have also gone up across the board, from $1,350 to $1,755 for "initial" positions for "Spec" traders and from $1,000 to $1,300 for "Hedge/ Member" positions. "Maintenance" margin calls for all have gone up 30% from $1,000 to $1,300.