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ARTICLE

An Introduction to Portfolio Margining

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The goal of portfolio margining is to set levels of margin that more accurately reflect actual net risk. Customers benefit from portfolio margining because margin requirements calculated on the basis of net risk are generally lower than the amounts that would be required by strategy-based methodologies, thus providing more leverage in an account. Broker-dealers benefit because a highly correlated pair or group of positions is a better proxy for the risk associated with one or more of those leveraged positions than cash or other forms of collateral.