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MARKET NOTICE

Number: 082/2025

Relates to:

- Equity Market
- Equity Derivatives Market
- Commodity Derivatives Market
- Currency Derivatives Market
- Interest Rate Derivatives Market
- Bond Market
- Bond ETP Market

Date: 11 March 2025

Subject: MARGIN UPDATE - LARGE EXPOSURE ADD-ON INCREASE 11 MARCH 2025

Name and Surname: Alex Comninos

Designation: JSE Clear - Chief Risk Officer

Dear Client

As the central counterparty in the South African listed derivatives market, JSE Clear monitors the sufficiency of the prefunded resources - initial margin and the default fund - that would be required to manage a default and safeguard the market. This is done through daily stress testing. Recent results have determined high default fund exposures driven predominantly by material portfolio shifts and significant increases in net exposures.

High default fund exposures observed in late December 2024 and January 2025, prompted an increase of the default fund from R500m to R600m to mitigate the risk of breaches of JSE Clear's risk appetite in relation to the sufficiency of prefunded resources. This increase was affected on 7 February 2025 through increases to clearing members' default fund contributions.

Subsequently, further high default fund exposures in the context of current market conditions and volatility have highlighted the need for a further increase to prefunded resources.

JSE Clear will be adjusting the Large Exposure Add-on (LEAO) threshold resulting in an increase in this margin add-on levied on large portfolios. Initial margin levied on participant portfolios to cover potential future exposures is comprised of a base margin component, the liquidation period add-on and the LEAO. The LEAO is levied on very large portfolios which under stress scenarios would expose a significant proportion of the R600mn default fund were the participant to default. Currently the LEAO threshold is set at R150mn meaning the extent to which the default fund would be exposed by the default of a single participant is limited to R150mn. The latest stress testing results indicate that the default fund exposure exceeds 90% of the default fund size (above the early warning threshold)

Non-Executive Directors: Dr HA Nelson[†] (Chairman), LE Currie, Dr RM Lee[†], I Monale, FJ Oosthuizen[†], GE Raine[†], VJ Reddy, TW Spanner[†], K van Rensburg

Executive Directors: Dr A. Greenwood (CEO)

Company Secretary: GA Brookes

[†] Independent

highlighting the need to urgently increase prefunded resources to mitigate the risk of exposures exceeding risk appetite. **To this effect, JSE Clear will reduce the LEAO threshold from R150mn to R125mn in the Equity Derivative, Currency Derivative and Interest Rate Derivative markets. The threshold change will be affected in today's EOD margin run, for settlement tomorrow.**

The LEAO threshold adjustment will impact participants with very large portfolios. Participants currently being levied a LEAO will have an increase in this add-on of R25mn. Participants who fall below the current R150mn threshold but above the new R125mn threshold will be levied LEAO of up to R25mn. Affected market participants (based on exposures as at 10 March 2025) are being contacted by JSE/JSE Clear and Clearing Members to ensure they are aware of the margin impact.

JSE Clear will closely monitor the sufficiency of prefunded resources to assess whether any further changes are required.

Should you have any queries regarding this notice, please contact risk@jse.co.za

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