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**MARKET NOTICE**Johannesburg  
Stock ExchangeTel: +27 11 520 7000  
[www.jse.co.za](http://www.jse.co.za)**Number:** 060/2023

Relates to:

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

**Date:** 9 February 2023**SUBJECT:** CONCENTRATION MARGIN UPDATE FOR INTEREST RATE DERIVATIVES MARKET**Name and Surname:** Alex Comninos**Designation:** Chief Risk Officer (JSE Clear)

Dear Client,

The calculation of the concentration margin component of the initial margin requirement in the IRD market relies on the 'hedge cost matrix' (HCM) input which is based on estimates of the bid/ask spreads that active market makers would apply when executing trades of varying sizes in different underlying instruments under stressed market conditions. An annual update of the HCM was implemented on 3 February 2023 for settlement on 6 February 2023.

Following an internal investigation, it has been established that the IRD concentration margin was not being levied correctly since 2 December 2022 until the recent HCM update last week Friday. The HCM update implemented on 3 February 2023 corrected the issue and concentration margins are now being levied accurately.

The cause of the incorrect concentration margins since December 2022 has been identified as a spreadsheet input error which has been addressed and enhanced controls are being implemented to avoid reoccurrence of the issue in future. Clients with larger positions in the R2030, R2032, R2035, R2037, R2040, R2044 and R2048 (nominal bonds with 4 digits, prefixed with 'R') would potentially have been impacted.

No actions are required by impacted clients given concentration margins are now being levied accurately. Should you have any queries regarding this notice, please contact [risk@jse.co.za](mailto:risk@jse.co.za)

For reference, the Market Notice communicating the 3 February 2023 update to the Hedge Cost Matrix is available on the following link:

[JSE Market Notice 051/2023 Changes to Initial Margin Requirements for Derivative Markets - 2 February 2023](#)

For any queries regarding the location of the files containing these parameters, please contact the Client Service Centre (CSC) on +27 11 520 7777 or [CustomerSupport@jse.co.za](mailto:CustomerSupport@jse.co.za)

This Market Notice is available on the website at <https://clientportal.jse.co.za/communication/jse-market-notice>