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MARKET NOTICE

Number: 110/2025

Relates to:

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

Date: 04 April 2025

Subject: MARGIN UPDATE - LARGE EXPOSURE ADD-ON INCREASE 4 APRIL 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. The latest results have determined high default fund exposures driven predominantly by material portfolio shifts and significant increases in net exposures in the interest rate derivatives market.

The 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 R125mn meaning the extent to which the default fund would be exposed by the default of a single participant is limited to R125mn. The LEAO threshold was adjusted to R125mn in the Equity Derivative, Currency Derivative and Interest Rate Derivative markets on 11 March 2025 (refer to [Market Notice 082/2025](#) for further detail).

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

The latest stress testing results indicate that the default fund exposure exceeds 89% of the default fund size (above the early warning threshold) highlighting the need to urgently increase prefunded resources to mitigate the risk of exposures exceeding risk appetite. **To this effect, JSE Clear will further reduce the LEAO threshold from R125mn to R110mn in the Interest Rate Derivative markets only. The threshold change will be affected in today's EOD margin run, for settlement on Monday 7 April 2025.**

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 R15mn. Participants who fall below the current R125mn threshold but above the new R110mn threshold will be levied LEAO of up to R15mn. Affected market participants (based on exposures as at 3 April 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.

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

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

This Market Notice is available on the JSE website at: [JSE Market Notices](#)