

## MARKET NOTICE

**Number:** 164/2024

**Relates to:**

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

**Date:** 11 June 2024

**SUBJECT:** ALL DERIVATIVES MARKETS - STRESS TESTING SCENARIO DEFINITIONS – 11 JUNE 2024

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**Designation:** Chief Risk Officer - JSE Clear

Dear JSE Stakeholder

JSE Clear will be implementing a risk management update to certain stress testing scenarios on Tuesday, 11 June 2024 which is expected to result in a margin decrease in terms of the Large Exposure Add-on (LEAO) margin. Additional details are provided below.

### **Update to stress testing scenarios (removal of symmetry assumption) that are used in the Default Fund exposure and Large Exposure Add-on margin calculations.**

- Certain stress testing scenarios applied by JSE Clear in the stress testing methodology assume scenario symmetry: a single absolute change in market prices was used to define both stress up and down market scenarios, with this absolute change defined as the most extreme of the originally observed price changes, i.e. the larger of the two original scenarios in absolute terms.
- The revision to the stress scenarios (approved by the Risk Committee in Q4 2023) replaces the symmetry scenario shifts with observed historical shifts, resulting in absolutely lower shifts in the affected scenarios (specific interest rate curve and commodity price stresses).
- A similar removal of symmetry update was implemented on impacted equity and currency related scenarios in January 2024 which also resulted in a margin reduction at the time ([Market Notice 024/2024](#)).

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- The impact of this update is potentially lower default fund exposures, and lower LEAO margin for impacted clients. The update will be implemented after EOD on Tuesday, 11 June 2024.

Should you have any queries regarding this Market Notice, please e-mail: [risk@jse.co.za](mailto:risk@jse.co.za)

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