

## MARKET NOTICE

**Number:** 226/2024

**Relates to:**

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

**Date:** 08 August 2024

**SUBJECT:** IRD LARGE EXPOSURE ADD-ON CALCULATION - CHANGE TO THE RECOGNITION OF OFFSET BENEFIT - 8 AUGUST 2024

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**Designation:** Chief Risk Officer (JSE Clear)

Dear JSE Stakeholder,

JSE Clear currently recognises margin offset between portfolios in the EDM/FXM and IRD markets in the calculation of the Large Exposure Add-on (LEAO). An adjustment to the recognition of offset through the introduction of a safety buffer was implemented on 24 April 2024 (market notice reference number: 122/2024). Further quantitative analysis and investigation has identified a more accurate, efficient and robust approach in relation to the recognition of this offset benefit between these markets which will affect the IRD LEAO.

The improved calculation of the IRD LEAO ensures a scenario consistent calculation of client-level stressed exposure at default (sEAD) across the EDM/FXM and IRD markets in the calculation of the IRD LEAO, ensuring that margins are appropriately levied for accounts with large exposures in the EDM/FXM and IRD markets and will replace the existing approach that includes a safety buffer.

In general, the more accurate calculation method and removal of the safety buffer will result in greater recognition of margin offset benefit, but the extent of offset benefit is a function of portfolio composition across both markets. Two large accounts across the market are affected by the change currently and have been engaged individually.

Implementation will be effective in the EOD process on Monday, 12 August 2024.

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

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