

## MARKET NOTICE

**Number:** 230/2023

**Relates to:**

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

**Date:** 08 June 2023

**SUBJECT:** ALL DERIVATIVES MARKETS - MARGIN UPDATE - LARGE EXPOSURE ADD-ON THRESHOLD  
8 JUNE 2023

**Name and Surname:** Alex Comninos

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

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 and recent results have determined high default fund exposures driven predominantly by material portfolio changes and increases in net exposures over recent months.

An adjustment to the large exposure margin add-on (LEAO) threshold is required to ensure the sufficiency of prefunded resources. 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 R500mn default fund were the participant to default. Currently the LEAO threshold is set at R225mn meaning the extent to which the default fund would be exposed by the default of a single participant is limited to R225mn. The recent stress testing results have highlighted the need to reduce this threshold to R150mn.

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 R75mn. Participants who fall below the current R225mn threshold but above the new R150mn threshold will be levied LEAO of up to R75mn.

Affected market participants (based on exposures as at 7 June 2023) are being contacted by JSE/JSE Clear and Clearing Members to ensure they are aware of the margin impact.

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JSE Clear will be implementing the LEAO threshold reduction in two steps as follows:

- Threshold decrease 1: Decrease from R225m to R175m (R50m decrease) in the Friday, 9 June 2023 EOD margin run for settlement Monday, 12 June 2023
- Threshold decrease 2: Decrease from R175m to R150m (R25m decrease) in the Monday, 12 June 2023 EOD margin run for settlement Tuesday, 13 June 2023

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

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