

MARKET NOTICE

Number: 258/2023

Relates to:

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

Date: 23 June 2023

SUBJECT: CHANGES TO INITIAL MARGIN REQUIREMENTS FOR DERIVATIVE MARKETS

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Dear JSE Stakeholder

JSE Clear continues to closely monitor current market conditions and the sufficiency of the central counterparty's prefunded resources to safeguard the derivative markets. Recent high default fund exposures have necessitated some margin adjustments (refer to market notices [230/2023](#) and [255/2023](#)). JSE Clear's approach has been to implement the minimum margin adjustments to reduce default fund exposures sufficiently while not unduly impacting market participants. The adjustments have had the intended effect however ongoing changes in market portfolios necessitate a further adjustment to bring default fund exposure more comfortably below the R500m default fund size.

Accordingly, the large exposure add-on (LEAO) threshold will be reduced by R50mn to R100mn in the equity and currency derivatives market, meaning the extent to which the default fund would be exposed by the default of a single participant will be limited to R100mn.

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 R50mn. Participants who fall below the current R150mn threshold but above the new R100mn threshold will be levied LEAO of up to R50mn. These participants will be informed by their Clearing Members to ensure they are aware of the margin impact.

The LEAO threshold adjustment will be implemented in the EOD margin run today for settlement on Monday, 26 June 2023.

JSE Clear will continue to closely monitor exposures, risks and the sufficiency of prefunded resources. Should ongoing stress testing show that the current high default fund exposures are more temporary rather than structural in nature, the margin adjustments made in recent weeks will be reconsidered.

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

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