

Johannesburg Stock Exchange
One Exchange Square Gwen Lane Sandown South Africa
Private Bag X991174 Sandton 2146
T +27 11 520 7000 | F +27 11 520 8583
jseclear.jse.co.za

MARKET NOTICE

Number: 260/2025
Relates to:
☐ Equity Market
☐ Equity Derivatives Market
☒ Commodity Derivatives Market
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☐ Interest Rate Derivatives Market
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Date: 04 AUGUST 2025

Subject: CHANGES TO INITIAL MARGIN REQUIREMENTS FOR DERIVATIVE MARKETS

Name and Surname: Alex Comninos
Designation: Chief Risk Officer - JSE Clear

Dear Client,

Changes to the JSE Clear Initial Margin Methodology

As part of JSE Clear's ongoing focus on enhancing the sophistication and optimizing the efficiency and robustness of its margin models, JSE Clear will be implementing the following initial margin methodology changes for the Commodity Derivatives markets (CDM) on **Thursday, 14 August 2025**:

1. Implementation of a time-weighted Filtered Historical Simulation (FHS) method including a distinct stress period component and a margin floor for the determination of contract-level initial margin requirements (IMRs). This will replace the existing standard historical simulation Value-at-Risk (VaR) initial margin methodology.
 - The FHS method will ensure greater responsiveness of margins to market conditions offering improved protection in periods of stress and greater overall efficiency of margins (lower margin cost over time).
 - The enhanced methodology includes two anti-procyclicality measures in the form of the stress period component and margin floor.
 - This methodology change will impact both the base margin requirements (IMRs) and the 1-day VaR applied in the determination of the Liquidation Period Add-on (LiPAO).

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

2. Removal of the R50mn Liquidation Period Add-on threshold for the CDM markets to ensure that liquidation period add-on will be levied on all positions determined to take longer than 2 days (JSE Clear's base liquidation period assumption) to liquidate, considering the position size and the liquidity of the contract or its underlying as applicable. This change will ensure:
 - That sufficient margin is held on all large individual positions; and
 - A fair and competitive playing field with regards to the levying of this margin add-on.
3. Implementation of the approved change in the maximum participation assumption (MPA), which is an input into the Liquidation Period Add-on margin calculation, from 33.3% of ADVT to 25% of ADVT.

The result of the above changes is an estimated overall **5% increase** in margins across the CDM markets, decomposed as follows:

- A 2% decrease in margins from the implementation of the FHS margin methodology
- A 4% increase in margins from the removal of the R50 million liquidation period add-on threshold
- A 3% increase in margins from the change in MPA from 33.3% to 25%

Individual participant margin impacts vary and could be either an increase or decrease depending on portfolio composition. Client-level margin impacts will be communicated to Clearing Members for communication on to their clients.

Implementation timing and additional details

- Margins will be updated based on the enhanced margin methodology (including the removal of the LiPAO threshold and maximum participation assumption change) in the End-of-Day margin run on **Thursday, 14 August 2025** for settlement **Friday, 15 August 2025**.

The enhanced margin methodology can be found on the JSE Clear website at the following link:

[JSE Clear Initial Margin Methodology 250710.pdf](#)

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

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