

MARKET NOTICE

Johannesburg
Stock Exchange

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www.jse.co.za

Number: 093/2022

Relates to:

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

Date: 7 March 2022

SUBJECT: MARKET VOLATILITY AND CHANGES TO INITIAL MARGIN FOR DERIVATIVE MARKETS

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Designation: Chief Risk Officer (JSE Clear)

Dear JSE Stakeholder

In light of the current market volatility, driven by the Russian invasion of Ukraine, JSE Clear will be implementing a number of measures in the derivatives market to adapt its risk management response to the observed market movements and current market conditions. These measures will include:

- Increasing the frequency of initial margin updates from fortnightly to daily (where required) until further notice;
- Close monitoring of the existing daily contract and client-level back-testing results to identify contracts that require additional margin increases;
- IMRs will remain flat or increase until further notice i.e. no IMR decreases will be implemented for the foreseeable future;
- At present, no margin model or model parameter changes will be implemented i.e. Confidence level to remain at 99.7%; Liquidation period to remain at 2 days.

Please be informed that the following changes will be made to commodity derivative margins:

- Brent IMRs will be adjusted to maintain the current VaR% of 14.77% effective in today's EOD run (for settlement tomorrow).
- Diesel will be increased from the current VaR% of 10.8% to 14.80% effective in today's EOD run (for settlement tomorrow).

- Kansas Wheat (KANS) will be increased from the current VaR% of 7.6% to 12.4% in two equal IMR increments with the first effective in today's EOD run (for settlement tomorrow) and the second in tomorrow's EOD run (for settlement Wednesday morning).
- Red Wheat (REDW) will be increased from the current VaR% of 6.4% to 13% in two equal increments to the IMR with the first effective in today's EOD run (for settlement tomorrow) and the second in tomorrow's EOD run (for settlement Wednesday morning).
- Sunflower (SUNS) will be increased from the current VaR% of 5.5% to 6.9% effective in today's EOD run (for settlement tomorrow).

The new initial margin parameters for the Commodity Derivative market to be implemented in the EOD margin run today **Monday, 7 March 2022** for settlement **Tuesday, 8 March 2022**, can be found at this directory:

- CDM - [https://www.jse.co.za/downloadable-files?RequestNode=/Initial Margin Parameter Data/Official Initial Margin Parameters/APD](https://www.jse.co.za/downloadable-files?RequestNode=/Initial%20Margin%20Parameter%20Data/Official%20Initial%20Margin%20Parameters/APD)

All margins will be published whether they are changed or not with the date of the implementation in the file name.

For any queries regarding the location of the files containing these parameters, please contact the Client Service Centre (CSC) on +27 11 520 7777 or CustomerSupport@jse.co.za

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

This Market Notice will be available on the website at <https://www.jse.co.za/redirects/market-notice-and-circulars>