

MARKET NOTICE

Johannesburg
Stock Exchange

Tel: +27 11 520 7000
www.jse.co.za

Number: 096/2022

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 INITIAL MARGIN REQUIREMENTS FOR DERIVATIVE MARKETS

Name and Surname: Alex Comninios

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 (Initial Margin Requirements) 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.

Having assessed volatility and back-testing results in the equity, currency and interest rate derivatives markets no IMR updates or changes will be implemented today.

Notable price decreases in Naspers and Prosus were observed on Friday 4 March 2022 following the trading suspension by the LSE of VK Group, a Russian media company of which Prosus owns 25.7%. IMRs on these contracts will be left as is at this stage resulting in an effective increase in the VaR% which will offer protection against any further downward moves.

Some IMR changes in Commodities will be implemented today and a separate market notice has been issued for that ([Market Notice 093/2022](#)).

The initial margin parameters for the Equity, Currency, and Interest Rate Derivatives markets can be found at the directories below:

- EDM - [https://www.jse.co.za/downloadable-files?RequestNode=/Initial Margin Parameter Data/Official Initial Margin Parameters/EDM](https://www.jse.co.za/downloadable-files?RequestNode=/Initial%20Margin%20Parameter%20Data/Official%20Initial%20Margin%20Parameters/EDM)
- FXM - [https://www.jse.co.za/downloadable-files?RequestNode=/Initial Margin Parameter Data/Official Initial Margin Parameters/IRC/FX](https://www.jse.co.za/downloadable-files?RequestNode=/Initial%20Margin%20Parameter%20Data/Official%20Initial%20Margin%20Parameters/IRC/FX)
- IRC - [https://www.jse.co.za/downloadable-files?RequestNode=/Initial Margin Parameter Data/Official Initial Margin Parameters/IRC/Fixed%20Income](https://www.jse.co.za/downloadable-files?RequestNode=/Initial%20Margin%20Parameter%20Data/Official%20Initial%20Margin%20Parameters/IRC/Fixed%20Income)

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-notices-and-circulars>