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**MARKET NOTICE**Johannesburg  
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[www.jse.co.za](http://www.jse.co.za)**Number:** 280/2022**Relates to:**

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

**Date:** 30 May 2022**SUBJECT:** REVIEW OF ADVT AND MARKET CAP CLEARABILITY THRESHOLDS**Name and Surname:** Alex Comminos**Designation:** Chief Risk Officer

Dear Client,

As part of the annual review of the Clearable Derivative Products (CDP) framework in Q2 2021, several updates were tabled and approved at the JSE Clear Risk Advisory and Risk Committee meetings. These updates included an enhancement to the approach for determining the Liquidity and Market Cap thresholds for international equity instruments. Since then, several requests for new derivative listings on international equities have highlighted the need to refine the Liquidity and Market Cap thresholds approach, specifically with respect to the reference index used for determining the thresholds for US equity underlyings.

The S&P 500 Index was selected as the reference index for US equities. At the time, this was viewed as a reasonable choice of index, but an unintended consequence of the change was a significant increase in thresholds for US equities. The tightening of US equity thresholds has resulted in inconsistencies where more liquid and larger US equities do not meet the clearability requirements while many relatively less liquid, smaller European and Asian equities meet their respective thresholds.

This has prompted a change in US reference index from the S&P 500 Index to the Russell 3000 Index, which allows for greater consistency between the liquidity and market cap measures in different markets/regions. The Russell 3000 Index is a capitalisation-weighted stock market index that seeks to be a benchmark of the entire US stock market (which aligns with the reference index for the SA stock market in that the FTSE/JSE All Share Index is a market capitalisation-weighted index including companies that make up the top 99% of the total free-float market capitalisation of all listed companies on the Johannesburg Stock Exchange).

The ADVT and Market Cap threshold values for all regions have been reviewed and updated, where required, at the discretion of JSEC Risk. The current set of thresholds and methodology applied can be found in the [Clearable Derivative Products Framework](#).

In addition to the US reference index change, an enhancement to the Market Cap threshold check for ETFs, to compare the larger of the ETF market cap and the ETF underlying index market cap to the market cap threshold applicable to the respective region, has been implemented.

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

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