

Market Notice

Number: F6823 A

Date 21 January 2014

Implementation of the Changes to Safcom's IMR Methodology for Equity Derivatives

Please note that this Notice replaces Notice F6780 of 2014 and F6809 in its entirety.

As noted in Market Notice F6752 of 09 December 2013, the JSE will be introducing a new methodology for determining contract level Initial Margin Requirements (IMRs). The rationale for the methodological enhancements is chiefly as follows:

- The current JSE initial margin methodology has been in place since the inception of the South African Futures Exchange (SAFEX) over twenty years ago. Risk management best practices warrant a review of the methodology.
- CCP risk management is increasingly scrutinised by participants seeking to minimise counterparty credit risk. Participants have demonstrated a desire to move exposures from CCPs with less-than-rigorous risk management standards to CCPs with more robust risk management frameworks.
- Currently, Safcom's IMR methodology does not meet all of the minimum requirements stipulated by the European Market Infrastructure Regulation (EMIR) for CCPs. Safcom is applying for recognition by ESMA (the European Securities and Markets Authority). This is due to the fact that Safcom has Clearing Members that are either branches or subsidiaries of European registered entities and that are affected by these regulations.

The new contract level IMR methodology represents a shift from the way in which Safcom currently determines these initial margins, and as such, there will be a cash flow impact for certain participants certain participants. There will be no systems impact in the calculation of portfolio level initial margin requirements. In an effort to reduce a sudden impact on client cash flows, these changes will **not** be introduced as per market notice F6780. The changes to the IMRs will be implemented across **all** expiries and will be introduced in **ten** equal increments, which will each be two weeks apart. The schedule for the abovementioned increments will be as follows:

Notice Date	Implementation Date
21-Jan-2014	27-Jan-2014
03-Feb-2014	10-Feb-2014
17-Feb-2014	24-Feb-2014
03-Mar-2014	10-Mar-2014
24-Mar-2014	31-Mar-2014
07-Apr-2014	14-Apr-2014
22-Apr-2014	29-Apr-2014
05-May-2014	12-May-2014
19-May-2014	26-May-2014
02-June-2014	09-June-2014

Please find attached an updated spreadsheet with the margin parameters to be implemented on Monday 27-January-2014.



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Should you have any queries regarding the margin changes, please contact the PTS-Risk-Team on 011 520-7347 or risk@jse.co.za.

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