
MARKET NOTICEJohannesburg
Stock ExchangeTel: +27 11 520 7000
www.jse.co.za

Number: 322A/2017

Relates to: Equity Market
 Equity Derivatives
 Commodity Derivatives
 Interest Rate and Currency Derivatives

Date: 13 July 2017

SUBJECT: PORTFOLIO VAR IMPLEMENTATION FOR INTEREST RATE DERIVATIVES

Name and Surname: Terence Saayman

Designation: Head of Risk

Dear JSE Stakeholder

The JSE would like to more accurately acknowledge the risk reducing nature of portfolio diversification. Specifically, the JSE would like to provide a greater degree of offset between highly correlated instruments for the purposes of calculating initial margin (IM) requirements. To this end, the JSE initiated an investigation into alternative IM methodologies, with an initial focus on the Interest Rate Derivatives (IRD) market.

The abovementioned investigation and consultation resulted in the formulation and proposal of the attached methodology, and the JSE is pleased to inform market participants that the new methodology has been approved by the JSE and JSE Clear governing body. The methodology will be implemented for bond futures and bond index futures, on Monday 24 July 2017 for settlement on Tuesday 25 July 2017. This implementation will result in the JSE returning approximately R3.5-R4.0 bn in initial margin to market participants. Participants can already engage with their clearing members to get an estimate of the difference in IM requirement at an individual account level.

An implementation plan for the remaining interest rate derivative contracts will be communicated in due course.

Participants can contact their clearing members in order to receive detailed, daily reports highlighting the factors driving their individual IM requirements.

Should you have any queries regarding this notice, please contact risk@jse.co.za

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