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SOUTH AFRICAN RESERVE BANK

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Financial Markets Department

Record of proceedings of the Financial Markets Liaison Group meeting held via MS Teams on 9 November 2023

1. Overview

1.1 The Financial Markets Liaison Group (FMLG) meeting discussed the following key issues:

1.1.1 the adoption of the South African Rand Overnight Index Average (ZARONIA);

1.1.2 the possible establishment of a liquidity facility for South Africa's non-bank financial institutions;

1.1.3 the absorption capacity of the domestic investor in the South Africa's government bond market; and

1.1.4 progress reports from the FMLG subcommittees and the South African Foreign Exchange Committee (SAFXC).

2. Summary of discussions

2.1 The adoption of ZARONIA

2.1.1 ZARONIA's observation period ended in the second half of 2023. Initial feedback from market participants indicated that the rate and its volatility was below the policy rate, in line with trends observed on the Sterling Overnight Index Average (SONIA) in the United Kingdom (UK) and the Euro Short-Term Rate (€STR) in the eurozone.

2.1.2 The South African Reserve Bank (SARB) started publishing ZARONIA in November 2023 for use by market participants as part of a longer-term project to phase out JIBAR by the end of 2025. It was further noted that the standard publication of ZARONIA would run at 10:00 every business day and that the Reference Rate Oversight Committee (RROC) would oversee and govern the benchmark administration function of ZARONIA.

2.2 The establishment of a liquidity facility for NBFIs

2.2.1 Members of the FMLG reflected on a possible liquidity facility for South Africa's non-bank financial institutions (NBFIs), considering the 2020 COVID-19 liquidity stress and the UK's 2022 liquidity stress experienced by liability-driven investment. It was indicated that the SARB's new Monetary Policy Implementation Framework (MPIF) would reduce chances of a severe liquidity stress occurring in the domestic market. The SARB was also finalising a paper on a discretionary liquidity facility to NBFIs, which would be published for comments.

2.3 The absorption capacity of the domestic investor in South Africa's government bond market

2.3.1 The FMLG discussed the domestic investor's capacity to absorb South African government bonds (SAGBs) in view of subdued appetite among non-resident investors and the increased supply of SAGBs. It was highlighted that domestic banks and unit trusts had significantly increased their holdings of SAGBs in recent years, and as a result, their capacity to support the SAGB market, especially during periods of stress, would be constrained.

2.4 Feedback from the Money Market Subcommittee

2.4.1 Regarding the Tri-party Collateral Management (TCM) Framework, the procurement process was in progress to onboard a service provider to implement the solution through a proof of concept.

2.4.2 To improve liquidity for Treasury bills (TBs), the auction's settlement cycle was reduced from T+3 to T+2. The TB auction day was moved from Friday to Monday.

2.5 Feedback from the Fixed Income and Derivatives Subcommittee

2.5.1 STRATE was working with the JSE Limited (JSE) to address some of the operational deficiencies associated with developing a repurchase (repo) market for South Africa's corporate bond market.

2.5.2 A proposal was made that the JSE rules and reporting requirements pertaining to interest rate and currency derivatives members transacting in triparty repos be reconsidered by the FSCA under the Financial Markets Act 19 of 2012.

2.5.3 A service provider was appointed to provide a platform for market makers to contribute prices to enhance the mark-to-market process for corporate bonds. The Banking Association South Africa (BASA) was finalising legal agreements.

2.6 Feedback from the South African Foreign Exchange Committee

2.6.1 The SARB continued to lead the outreach programme on the adoption of the FX Global Code within the Southern African Development Community (SADC) region.

2.6.2 The Global FX Committee would commence with the three-year review of the FX Global Code in the coming months.

Enquiries:

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Secretariat of the FMLG

Attendance of the FMLG meeting on 9 November 2023

Members in attendance	
Dr Rashad Cassim, FMLG Chairperson, SARB	**By invitation**
Edwin Makgopa, Secretariat, SARB	David Fowkes, SARB
Daron Hendricks, Secretariat, SARB	Henk Janse van Vuuren, SARB
Bafundi Maronoti, SARB	Zakhele Gininda, SARB
Tim Masela, SARB	Elena Ilkova, SARB
Nicola Brink, SARB	Aadila Hoosain, SARB
Christopher Axelson, NT	Sihle Nomdebevana, SARB
Mmakgoshi Lekhethe, NT	Masenye Masemola, SARB
Andries du Toit, FirstRand	Gary Haylett, BASA
Theo Thomas, RMB	Wessel Moolman, NT
Garth Klintworth, Absa Bank	Stuart Leslie, Standard Bank
Clive Sindelman, Investec	Richard Klotnick, ABSA
James Glover, Nedbank	Laurence Adams, Investec
Therence Mokake, IBA	
Douglas Hendry, Standard Bank	**Apologies from members**
Trevor Starke, ACTSA	Heath Beckley, Standard Bank
Gill Raine, ASISA	Mark Brits, BASA
Richard Treagus, ASISA	Guido Haller, Standard Bank
Victor Mphaphuli, ASISA	Kweku Bedu-Addo, IBA
Anton Gildenhuys, ASISA	Parin Gokaldas, Absa Capital
Richard Treagus, ASISA	Lourens van Rensburg, Investec
Nishan Maharaj, ASISA	
Bashier Omar, ASISA	
Richard de Roos, SAFXC	
George Kerby, Nedbank	
Nishan Maharaj, Coronation	