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P O Box 427 Pretoria 0001 South Africa  
370 Helen Joseph Street Pretoria 0002  
+27 12 313 3911 / 0861 12 7272  
[www.resbank.co.za](http://www.resbank.co.za)



SOUTH AFRICAN RESERVE BANK

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## **Terms of Reference of the Financial Markets Liaison Group (FMLG)**

June 2022

### **1. Introduction**

- 1.1. The Financial Markets Liaison Group (FMLG) is a joint initiative between the South African Reserve Bank (SARB), as the central bank of the Republic, and key participants in the financial markets. It emerged from the Money Market Liaison Group (MMLG), which was initiated at the time when market participants were consulted on the modifications to the Bank's refinancing system in 2005.

### **2. Mission**

- 2.1 The mission of the FMLG is to provide, through a structure of subcommittees, a forum for consultation, information exchange, and the identification and management of challenges facing the South African (SA) financial markets, in the interest of efficient financial markets and their development.

### **3 Objectives**

- 3.1 To promote the integrity, safety and stability of the SA financial markets.
- 3.2 To discuss market and structural developments affecting the SA financial markets and related market infrastructure, and propose changes where appropriate.
- 3.3 To identify and address areas where the efficiency of the SA financial markets could be improved.
- 3.4 To provide a collaborative structure whereby the SARB is able to get feedback on policy proposals and/or existing policies.

- 3.5 To discuss good practices and technical issues in the domestic financial markets in order to promote professionalism and competitiveness.
- 3.6 To ensure that a sufficient level of information exchange takes place with other market structures, such as central securities depositories, exchanges and the Financial Sector Contingency Forum (FSCF), regarding disaster recovery and business continuity planning.
- 3.7 To identify and assess the impact of developments in African and global financial markets on domestic financial markets.
- 3.8 To assist in the promotion of South Africa as a leading international center for transactions in foreign exchange, equities, commodities, money and fixed-income markets and derivative instruments, and as the preferred hub for financial market business in Africa.

#### **4 Governance structure**

- 4.1 The FMLG is a consultative and not a decision-making body.
- 4.2 The objectives mentioned in Section 3 will be pursued through a structure of subcommittees comprising the Money Market (MM), the Financial Market Infrastructure (FMI), and the Fixed Income and Derivatives Subcommittees or other sub-committees that may be established as the need arises.
- 4.3 Subcommittees are expected to report on projects being undertaken and progress made thereof to the FMLG.
- 4.4 The FMLG will receive reports on developments in the foreign exchange markets from South Africa's Foreign Exchange Committee (SAFXC).

#### **5 Terms of reference of the subcommittees**

##### **5.1 The Money Market (MM) Subcommittee**

- 5.1.1 To interface with the SARB on various issues that impact on the functioning of the money market, for example the structural development and modifications to the SARB's monetary policy operational framework, the monetary policy transmission mechanism and the interbank market.

- 5.1.2 To undertake developmental research, for example investigation of viable benchmark rates, the market for short-term securities, and structural issues pertaining to the repo and securities lending markets.
- 5.1.3 To monitor money-market trading and liquidity conditions, and to report back on market practices to the FMLG.
- 5.1.4 To promote market best practices and procedures in consultation with central securities depositories, exchanges and other market participants.
- 5.1.5 To review and report on progress to the FMLG in money- and fixed-income market infrastructure developments.
- 5.1.6 To identify and propose the implementation of strategic initiatives to enhance the money- and fixed-income market infrastructure.
- 5.1.7 To promote compliance with international best practice.
- 5.1.8 To assume any other relevant role that may facilitate the smooth and orderly functioning of the money market
- 5.1.9 To initiate the compilation of primary and secondary money-market and fixed-income statistics.
- 5.1.10 Where appropriate, some functions will be performed in conjunction with the relevant sub-committee.

## **5.2 Financial Market Infrastructure (FMI) Subcommittee**

- 5.2.1 To deal with projects on an ad-hoc basis referred by the other subcommittees of the FMLG, in consultation with the FMLG, on projects which require infrastructural co-ordination.

## **5.3 Fixed Income and Derivatives (FI&D) Subcommittee**

- 5.3.1 To exchange information regarding key developments in the equity, commodities, credit, fixed-income and interest rate markets and related derivative instruments, with a view to furthering the development and efficiency within these markets.

- 5.3.2 To address good practices and technical issues, as well as conducting research in the domestic financial markets related to the instruments and derivatives referred to in 5.3.1.
- 5.3.3 To interface with the Bank on various issues that impact on the functioning of the markets within the scope of the sub-committee.
- 5.3.4 To monitor underlying derivative trading and liquidity conditions, and to report adverse market practices to the FMLG.
- 5.3.5 To promote compliance with international best practice.

## **6. Membership**

- 6.1 Membership of the FMLG and the subcommittees and the attendance of meetings will be by invitation only.
- 6.2 The FMLG has a policy of in-person attendance only, and if a member is unable to attend and wishes to nominate an alternate, the nominee would attend only with the approval of the Chairperson.
- 6.3 Members will be invited to contribute with a view of furthering the interests of the broader markets rather than representing the interests of their individual institutions or associations.

### **6.2 Membership of the FMLG**

- 6.2.1 The Deputy Governor of the South African Reserve Bank responsible for Markets (Chairperson).
- 6.2.2 Head of the Financial Markets Department (FMD) of the SARB.
- 6.2.3 Head of the National Payments Systems Department (NPSD) of the SARB.
- 6.2.4 Head of the Financial Stability Department (FST) of the SARB.
- 6.2.5 Group Treasurers and the Heads of Global Markets of the five major banks in SA.
- 6.2.6 Chairperson of the International Banking Association.
- 6.2.7 Head of Asset and Liability Management of the National Treasury (NT).

- 6.2.8 Head of Tax and Financial Sector Policy of the NT.
- 6.2.9 A senior representative of the Banking Association of South Africa (BASA).
- 6.2.10 A senior representative of Association of Corporate Treasurers of Southern Africa (ACTSA).
- 6.2.11 Five senior representatives of the buy-side nominated by Association for Savings and Investment South Africa (ASISA) and a senior representative of ASISA.
- 6.2.12 The Chairperson and Deputy Chairperson of the South African Foreign Exchange Committee (SAFXC) should attend the meetings of the FMLG.
- 6.2.13 The chairpersons of each of the subcommittees of the FMLG mentioned in paragraph 4.2.
- 6.2.14 Other relevant parties, for example, FSCA, central securities depositories, exchanges, the Payment Association of South Africa (PASA) and the FSCF will be invited on an ad-hoc basis when issues that affect their operations are discussed.
- 6.2.15 The Bank will provide secretarial services to the FMLG.

### **6.3 Membership of the MM Subcommittee**

- 6.3.1 The MM Subcommittee will be chaired by the Head or a senior representative of the FMD of the SARB.
- 6.3.2 This subcommittee will comprise representatives of the money-market desks of the banks participating in the SARB's money market operations.
- 6.3.3 Participants from other banks playing a role in the South African money-market can be invited to be members.
- 6.3.4 Senior representatives from central securities depositories and exchanges will be invited on an ad-hoc basis when issues that affect their operations are discussed.
- 6.3.5 Senior personnel of the FMD of the SARB.
- 6.3.6 A representative of BASA.

6.5.6 A representative of ASISA.

6.5.7 A representative of ACTSA.

6.3.8 The SARB will provide secretarial services to the MM Subcommittee.

#### **6.4 Membership of the FMI Subcommittee**

6.4.1 The FMI Subcommittee will be chaired by a senior representative of the FMD.

6.4.2 This subcommittee will comprise a maximum of two representatives of all the FMLG member banks and other institutions involved in money-market infrastructure.

6.4.3 A representative of the NT.

6.4.4 A representative of BASA.

6.5.5 A representative of ASISA.

6.5.6 A representative of ACTSA.

6.4.7 Members from the Financial Markets, National Payments and Business Systems and Technology Departments of the SARB.

6.4.8 The SARB will provide secretarial services to the FMI Subcommittee.

#### **6.5 Membership of the Fixed Income and Derivatives Subcommittee**

6.5.1 This subcommittee will be chaired by one of the five largest SA banks, rotating on a biannual basis.

6.5.2 This subcommittee will comprise two representatives of each of the five major banks involved in the fixed-income and derivative markets.

6.5.3 Senior personnel of the FMD of the SARB.

6.5.4 A representative of the ACI.

6.5.5 A representative of BASA.

6.5.6 A representative of ASISA.

6.5.7 A representative of ACTSA.

6.5.8 The presiding chairperson will arrange for secretarial services to the subcommittee from within his or her bank.

## **7. Frequency of meetings**

7.1 The FMLG will meet at least twice a year with an option for additional meetings should the need arise. Should developments in the financial markets require more regular meetings, the chairperson shall convene such meetings and consider requests from members for additional meetings. The meetings of the FMLG will take place virtually or at the offices of the SARB.

7.2 The subcommittees will meet semi-annually at venues determined by the chairpersons. Should the work programme of the subcommittee require more frequent meetings, the respective chairperson will convene such additional meetings.

## **8. Documentation and provision of information**

8.1 The agendas of meetings will be distributed to members a week prior to the meetings. Any items to be considered for the agenda should be submitted to the chairperson via the respective secretaries of the FMLG and subcommittees 10 days prior to any meeting.

8.2 Minutes and other relevant information will be distributed approximately three weeks after each meeting.

8.3 In the interest of transparency, the FMLG will keep relevant stakeholders informed about its work and initiatives. The medium for such dissemination of information will be the website of the SARB.

## **9 Approval**

9.1 The Terms of Reference shall be reviewed annually and once approved by the FMLG, these terms of reference shall be signed off by the Chairperson.