



SOUTH AFRICAN RESERVE BANK



A purposeful journey

File ref. no.: 11/26/18/1

## **Minutes of the meeting of the Market Practitioners Group on Interest Rate Benchmark Reforms held via MS Teams on Friday 10 September 2021 at 09:00**

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### **Minutes No. 3/2021**

#### **Present:**

F Tshazibana	Chairperson – Deputy Governor of the SARB
Haylett	Banking Association of South Africa
J Mol	Association of Corporate Treasurers of Southern Africa (ACTSA)
A Ludin	Financial Sector Conduct Authority (FSCA)
Z Parker	SARB – Chair: Communications
A Du Toit	Chair – Risk Free Reference Interest Rate
E Hamman	Chair – Governance
P Burgoyne	Chair – Transition
R Roux	Chair – Data Collection and Infrastructure
G Raine	Association for Savings and Investment South Africa (ASISA)
D Raju	Chair – Risk based Reference Interest Rate

#### **In attendance:**

Z Gininda	SARB Financial Markets Department
B Maronoti	SARB Financial Markets Department
S Springfield	SARB Financial Markets Department
P Mananga	Prudential Authority
N Patel-Manga	SARB – DG Tshazibana's Office
SL Reynolds	SARB Group Secretariat
M Phungo	SARB Financial Markets Department

#### **1. Welcome**

- 1.1 The Chairperson welcomed members to the third meeting of the Market Practitioners Group on Interest Rate Benchmark Reforms (MPG or Committee) in 2021.

1.2 There being a quorum present, the meeting was duly constituted.

**2. Adoption of the agenda**

2.1 The agenda was adopted as proposed, with no amendments.

**3. Confirmation of the Anti-Competitive Statement**

3.1 The Anti-Competitive Statement was noted and accepted by all members and attendees present.

**4. Approval of Minutes No. 1/2021 of the meeting held on 11 June 2021**

4.1 The minutes of the meeting held on 11 June 2021 were accepted as a true reflection of the deliberations and were approved for signature by the Chairperson.

4.2 The signed minutes would be published on the MPG website.

**5. Matters arising**

**5.1 Update on the Nomination of Mr Gokaldas as a member of the MPG**

5.1.1 It was recorded and confirmed that Mr Raju was a member of the MPG, by virtue of being the Chair of the Unsecured Reference Rate Work Stream. As previously reported, Mr Raju had been appointed as the Group Chief Risk Officer of Absa Bank Limited (Absa), and as a result of time constraints, he had reconsidered his ability to continue to participate in the MPG. A suggestion had been made that the new Group Treasurer of ABSA, Mr Gokaldas, assume Mr Raju's position on the MPG. However, this was deemed inappropriate as Mr Gokaldas had not been nominated to the MPG as a Workstream chair and the position was not tied to ABSA Bank as such.

5.1.2 The Committee considered the position that the Unsecured Reference Rate (URRWS) and the Secured Reference Rate Work Streams had essentially fulfilled their mandates and could be retired.

5.1.3 It was agreed that the URRWS would be retired with immediate effect and that Mr Raju could be released from his responsibilities. However, Mr Raju indicated his willingness to contribute as and when required. Mr Gokaldas was also ready and available to assist, should it be necessary.

5.1.4 Mr Raju was thanked for his contributions to the MPG's deliberations and activities and excused from the meeting.

## **5.2 Update on the Promulgation of the Financial Sector Conduct Authority Regulatory Framework**

5.2.1 Ms Hamman reported that the National Treasury (NT) published the draft regulations, which included specific powers allocated to the Financial Conduct Sector Authority (FSCA) in terms of sections 3(3), 5 and 288 of the Financial Sector Regulation Act (2017), on 2 September 2021 for public comment until 13 October 2021. It was anticipated that it would be finalised by February/March 2022.

5.2.2 The NT and FSCA were considering the possibility of publishing the draft Conduct Standards prior to the promulgation of the benchmark regulations. It was expected that the draft Conduct Standards could be published in March 2022 and that the MPG Governance Paper could be published at the same time. The FSCA confirmed that the SARB would be exempt from the Conduct Standards, on condition that it assumed the responsibility for the administration of the benchmarks.

5.2.3 It was recorded that the transition period for equivalence recognition of IBOs had been extended to 31 December 2023, however, this did not impact Jibar as the SARB is the administrator of Jibar. The European Commission had confirmed that SARB-administered benchmarks would benefit from the central bank exemption under the European Union Benchmark Regulations.

## **6. Feedback and updates from the MPG work streams**

### **6.1 Communications work stream**

6.1.1 The draft minutes of the Communications Work Stream (CWS) meeting held on 2 September 2021, were taken as read.

6.1.2 Mr Parker reported that the meeting had considered ways to broaden market reach and the possibility of a dedicated landing page on the SARB's website. The requirements for the webpage had already been specified and was being processed by the SARB Communications Division.

6.1.3 Focused engagements would be facilitated with specific industry forums, the first of which would be the Association of Corporate Treasurers of Southern Africa on 29 September 2021, followed by the Association for Savings and Investment South Africa (ASISA) at a future date. These engagements would ensure that all industries were sufficiently advised of reform developments and allow the MPG to obtain valuable feedback. The sessions would include presentations by the SARB and the Chair of the Transition Work Stream, which would be followed by a panel discussion.

6.1.4 It was highlighted that not all asset managers were members of ASISA and that other Financial Service Providers (FSP's) would need to be identified to ensure that all stakeholders were engaged. It was suggested that the FSCA be approached to assist with this information.

### **6.2 Data Collection and Infrastructure work stream**

6.2.1 The Data Collection and Infrastructure (DCI) work stream's update for September 2021 and minutes of the meeting held on 31 August 2021, were noted.

6.2.2 Mr Roux reported that the DCI Work Stream had met three times during the year. Several technical sub stream meetings had taken place and continued

to focus on the development of the mechanism to collect data from contributing institutions to enable the observation of ZARONIA.

- 6.2.3 Jibar-related post-trade disclosures were implemented during May 2021 and two post-implementation changes would be effected in October 2021. The back-testing of the conceptual benchmark interest rates and the establishment of a benchmark determination was in process.
- 6.2.4 The SARB was planning to implement a transition solution in the first quarter of 2022 to start the ZARONIA observation period and the testing would start at the end of 2021. The MPG was expected to confirm the preferred ZARONIA as the rate that would replace the Jibar during the agreed observation period.
- 6.2.5 The data standards (ISO20022) and requirements for data collection had been shared and agreed with the contributing institutions.
- 6.2.6 The SARB had also introduced a proposal to the contributing institutions to adopt the Legal Entity Identifier (LEI) standard for counterparty information collection, which would provide better insights on how the market was structured. The Committee agreed that the use of LEI was important and a good starting point. Mr Burgoyne noted that the Transition Work Stream would be meeting to consider the technical requirements.

## **7. Results of the benchmark back-testing exercise**

- 7.1 Mr Gininda presented the preliminary results of the benchmark back-testing exercise, which followed the collection of 5-year historical transaction data from Absa, FirstRand Bank Limited, Nedbank Limited, Standard Bank Limited and the JSE Limited. A feedback report would be compiled and distributed for review and comment by the various participants, with particular focus on the ZARONIA and the ZARIBOR results. There would also be an opportunity for the MPG to consider the results and to debate the outcomes.
- 7.2 The feedback report, which would also include a summary of the public's comments on the Technical Specifications Paper, was expected to be presented to the SARB's Governors' Executive Committee (GEC) towards the end of September 2021 and would be published once it had been approved

by the GEC.

## **8. Update on the Roadmap for 2021/22**

- 8.1 Mr Burgoyne presented the Transition Work Stream's (TWS) work plan for the remainder of 2021, which detailed the activities that could be done before the MPG's final decision on the Jibar successor rate. The TWS incremental objectives proposal included the establishment of various technical sub-groups, namely, regulatory; accounting and tax; legal; and derivatives sub work groups. All of the sub-groups would have Terms of Reference, which would set out their mandates in more detail. A decision would still be made as to which Chairpersons should join the MPG as members and which of the sub-groups would report into the TWS, to ensure that the MPG did not become a cumbersome committee with a significant number of members.
- 8.2 The TWS would scope a data gathering exercise and thereafter continue to progress elements of embedding the successor rate and any key recommendations emanating from the URRWS and SRRWS. The TWS would also consider the recent international developments, e.g., updates on alternative reference rates use cases that had developed internationally and how this may impact the MPG's planning.
- 8.3 Two transition surveys were proposed, one with the aim of obtaining a detailed understanding of the scale of the transition required across all participants and the potential difficulties associated with it, and another to solicit industry specific responses on potential transition issues.
- 8.4 The proposed terms of reference for the technical sub-groups were noted and it was suggested that these sub-groups should revert to being called work streams. The TWS was tasked to review the current work streams and the proposed additional sub-groups and to confirm if any could be consolidated, for e.g., the governance and regulatory work groups. Consideration and suggestions should also be made as to which skills and roles would be important to include in the Derivatives sub-group.
- 8.5 It was agreed that the TWS should work together with the SARB Working Group to establish the new proposed work streams and engage with the

organisations to identify people who could be co-opted to these work streams.

**9. Next meeting**

9.1 The next MPG meeting was scheduled to take place on Thursday, 2 December 2021 at 09:00.

**10. Closure**

10.1 The Chairperson thanked everyone in attendance for their contributions and there being no further matters for discussion, the meeting was closed.

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**DG F Tshazibana**

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**Date**

**Chairperson:**

**Market Practitioners Group on the Interest Rate Benchmark Reforms**