



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 Wednesday 2 February 2022 at 14:00**

Minutes No. 1/2022

Present:

F Tshazibana	Chairperson – Deputy Governor of the SARB
G 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 Workstream
A Du Toit	Chair – Risk Free Reference Interest Rate Workstream
E Hamman	Chair – Governance Workstream
P Burgoyne	Chair – Transition Workstream
R Roux	Chair – Data Collection and Infrastructure Workstream
G Raine	Association for Savings and Investment South Africa (ASISA)

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
M Phungo	SARB Financial Markets Department

By Invitation:

P Thivaos	North Partners LLP,
T Thebenare	SARB Prudential Authority Department
J Wingyou	SARB Prudential Authority Department

1. Welcome

1.1 The Chairperson welcomed members to the first meeting of the Market

Practitioners Group on Interest Rate Benchmark Reforms (MPG or Committee) in 2022.

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. 3/2021 of the meeting held on 12 September 2021

4.1 The minutes of the meeting held on 12 September 2021 were accepted as a true reflection of the deliberations and were approved for signature by the Chairperson, with a minor amendment on point 6.14.

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

5. Matters arising

5.1 Update on the Promulgation of the Financial Sector Conduct Authority Regulatory Framework

5.1.1 Ms Hamman reported that the Financial Conduct Sector Authority (FSCA) had commenced with its internal process of obtaining approval to publish the draft Conduct Standards. The draft was tabled at the regulatory policy forum for approval from the FSCA Executive Committee. It is expected that the draft conduct standards will be published by February/March 2022.

5.2 **Update the benchmark back-testing exercise**

5.2.1 Mr Gininda advised members that the results obtained from the benchmark back-testing exercise were presented to the Money Market Sub-Committee (MMS) of the Financial Markets Liaison Group. The presentation on the back-testing results was distributed to all members of the MPG and MMS for comment, however there were no further comments received.

5.2.2 The SARB Working Group drafted a report that summarised the back-testing results and public comments on the *Statement of methodology and policies governing the SARB-administered benchmarks* draft document. The report was approved by the SARB Governor's Executive Committee and published on the SARB website on 30 November 2020.

6. **Libor Transition update**

6.1 **Libor transition in the international financial markets**

6.1.1 Dr Thivaivos presented on the developments regarding the international Libor transition. The presentation had been circulated to MPG members prior to the meeting.

6.2 **Libor transition in the South African financial markets**

6.2.1 Mr Thebenare presented on the various measures and initiatives undertaken by the South African banking industry to implement the transition from Libor. However, it was noted that the presentation was based on data collected in November 2021, and as such, it would be necessary to provide an update that reflected the situation post the cessation of most Libor settings.

7. **Establishment of new MPG work streams**

7.1 **Induction of new work stream members**

7.1.1 The Derivatives, Legal, and Tax and Accounting work streams were

successfully constituted. The SARB had received sufficient nominations of senior representatives from various institutions to join the work streams. The list of nominees was circulated to MPG members prior to the meeting as part of the nominee ratification process. There were no objections to the appointment of any of the nominees.

7.1.2 The induction of new MPG work stream members was held on 31 January 2022. The Chair delivered opening remarks, followed by presentations by members of the SARB Working Group. The new members were informed that the next steps would include the appointment of chairpersons for the respective work streams. These chairpersons would then be invited to join the MPG.

7.1.3 Mr Gininda reported that inductees had raised some issues, which would need to be considered by the MPG. First, inductees noted that the calculation of ZARONIA, the preferred successor rate for Jibar, could be affected by commercial banks' movement towards secured funding. Second, the MPG would need to consider the implications of the proposed Monetary Policy Implementation Framework, as it was likely to affect interbank activity. Finally, clarity was sought on whether the MPG intended to provide a ZARONIA term rate akin to forward term rates that were developed in other jurisdictions.

7.2 **Selection of work stream chairpersons**

7.2.1 The Chairperson reminded members that the MPG Terms of Reference (ToR) provided the SARB with the power to appoint suitable chairpersons for the respective work streams. Hence, the SARB proposed the appointment of Mr Parin Gokaldas (Group Treasurer at Absa), Professor Keith Engel (Chief Executive Officer of the South African Institute of Taxation), and Mr Chris van der Walt (General Council at the SARB) to be chairpersons of the Derivatives, Tax and Accounting and Legal work streams, respectively. There were no objections to the proposed appointments.

7.3 **Revised Terms of Reference**

7.3.1 The Chairperson reported that the ToR document for the workstreams had been updated to reflect the mandates for the new work streams, which were agreed upon in previous meetings. The new workstream members would be given the opportunity to engage on the ToR and provide any feedback to the MPG. Subsequently, the ToR would be ratified by the MPG and signed by the Chairperson. The final version of the ToR would be uploaded onto the MPG webpage.

8. **Jibar exposures survey**

8.1 Mr Gininda provided feedback on the Jibar-linked exposures survey, which was distributed to respondents in December 2021. The SARB enlisted the assistance of the Prudential Authority, the Banking Association South Africa (BASA), Association for Savings and Investment South Africa (ASISA) and Southern African Venture Capital and Private Equity Association (SAVCA) to expand the reach of the survey.

8.2 Respondents were requested to complete the survey by 31 January 2022. However, the due date was extended to 7 February 2022 following requests by some banks.

8.3 It was envisaged that the feedback on the survey results would be provided at the next MPG meeting once the responses had been processed and analysed.

9. **Feedback and updates from the MPG work streams**

9.1 **Communication Work stream**

9.1.1 Mr Parker highlighted that the last meeting of the work stream was held on 23 November 2021. The minutes of the meeting were distributed to MPG members.

9.1.2 He provided feedback on the two industry forums that were successfully held on 29 September and 3 November 2021 for the Association of Corporate Treasurers of Southern Africa (ACTSA) and ASISA members, respectively. The programme for the forums included presentations by the SARB and the

chairperson of the Transition Work Stream, followed by panel discussions with the other MPG work stream chairpersons and SARB representatives.

9.1.3 On future activities, there was a plan to hold an industry forum with BASA members in March 2022. In addition, ACTSA had planned to hold a conference towards the end March 2022 where the MPG could potentially be invited to participate.

9.1.4 It was highlighted that progress had been made on the dedicated MPG webpage to be hosted on the SARB website. The MPG webpage would make the recordings of the industry forums available for the public on demand. There were some delays with the development of the webpage, with the go-live date expected towards the end of the first quarter of 2022.

9.2 **Data Collection and Infrastructure work stream**

9.2.1 The Data Collection and Infrastructure (DCI) work stream had not convened a meeting since the last MPG meeting.

9.2.2 Mr Roux reported that the SARB had been engaging commercial banks on the requirements to report money market transactions data daily to the SARB. Several technical meetings had taken place to focus on the development of data collection requirements, which were specified in the *SARB Money Market Data Collection Reporting Instructions* document that was distributed to commercial banks in December 2021. The transactions data will be used to calculate the benchmarks that were specified in the *Statement of methodology and policies governing the SARB-administered benchmarks*.

9.2.3 The SARB had begun with the network testing and expected that it would be completed in February/March 2022. The expected go-live date for the data ingestion phase was 19 April 2022, while the publication of ZARONIA was expected to commence on 4 May 2022.

10. Transition Planning work stream

- 10.1.1 The draft minutes of the Transition Planning Work Stream (TPWS) meeting held on 13 October 2021 and 25 November 2021 were taken as read.
- 10.1.2 Mr Burgoyne provided feedback on the transition plan's incremental objectives, which included the establishment of new work streams and industry task forces, transition surveys, and the TPWS' co-ordination role. The transition surveys would assist in determining the appropriate timelines for transition. The establishment of the new work streams and the Jibar-linked exposures survey were addressed by Mr Gininda under items 7 and 8, respectively. The TPWS had begun to engage industry associations regarding the formation of industry task forces.
- 10.1.3 The TPWS formed a dedicated subgroup to consider the issue of a term rate and whether the MPG should establish a work stream to focus on it. The subgroup concluded that the development of a term rate would be dependent on having a functioning derivatives market that used ZARONIA. Consequently, it would be premature to establish a dedicated work stream until certain transition milestones had been achieved.
- 10.1.4 Nonetheless, it was agreed that the MPG should conduct further work to establish the need for a term rate and articulate its position on matter. The Risk-Free Reference Rate Work Stream, which was chaired by Mr Andries du Toit, would be restored to consider the necessity of a term rate and make recommendations to the MPG.

11. Next meeting

- 11.1 The next MPG meeting was scheduled to take place on Thursday, 14 April 2022 at 09:00.

12. Closure

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

DG R Cassim

Date

Chairperson:

Market Practitioners Group on the Interest Rate Benchmark Reforms