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SOUTH AFRICAN RESERVE BANK

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Financial Markets Department

**Minutes of the meeting of the Market Practitioners Group on Interest Rate Benchmark
 Reforms held at the SARB Head Office and via MS Teams on Friday, 29 August 2025 at 10:00**

Minutes No. 04/2025

Present:

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| R Cassim | Chairperson |
| E Hamman | Workstream Chairperson – Governance and Regulatory Issues |
| R Roux | Workstream Chairperson – Data Collection and Infrastructure |
| R Klotnick | Workstream Chairperson – Derivatives |
| P Burgoyne | Workstream Chairperson – Transition Planning and Coordination |
| K Tulsi | Workstream Chairperson – Accounting and Tax |
| M Shongwe | Workstream Chairperson – Legal |
| G Haylett | Banking Association of South Africa |
| G Raine | Association for Savings and Investment South Africa (ASISA) |
| J Mol | Association of Corporate Treasurers of Southern Africa (ACTSA) |
| K Dikokwe | Financial Sector Conduct Authority (FSCA) |
| H Nyoni | Secretariat – SARB Financial Markets Department |

In attendance:

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|-------------|--|
| Z Gininda | SARB Financial Markets Department |
| N Hoosenmia | SARB Financial Markets Department |
| M Maphumulo | SARB Legal Department |
| P Mjandana | SARB – Deputy Governor Cassim’s Office |

By invitation:

| | |
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| A Bhowan | Derivatives Workstream member |
| B Minnaar | Risk-free and Term Reference Rates Workstream member |
| G Boyce | Transition Planning and Coordination Workstream member |

Apologies

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|------------|---|
| A Du Toit | Workstream Chairperson – Risk-free and Term Reference Rates |
| B Maronoti | SARB Financial Markets Department |
| M Phungo | SARB Financial Markets Department |
| Z Parker | Workstream Chairperson – Communications |

1. **Welcome**

1.1 The Chairperson welcomed members to the fourth meeting of the Market Practitioners Group on Interest Rate Benchmark Reforms (MPG or Committee) in 2025.

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. 03/2025 of the meeting held on 20 June 2025**

4.1 The minutes 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 webpage on the SARB website.

5. **Matters Arising**

5.1 Consultation on the Books Closed Period (BCP) for bond floating rates and timeline projections

5.1.1 Strate had engaged the National Treasury (NT), which supported the proposed zero BCP approach. Furthermore, market workshops were held with Central Securities Depository Participants, issuer agents, and key buy-side participants, where initial market feedback suggested that market participants were supportive of the recommended approach, contingent on the implementation of the necessary changes to the operational model and enhanced automation. Further engagements were planned with the Securitisation Forum, a critical stakeholder in bond issuances, along with a final market workshop to confirm consensus across stakeholders.

5.1.2 Concerns were raised about the potential fragmentation in market practice if the zero BCP

approach was positioned merely as a recommendation. A directive may be necessary to ensure consistent treatment across financial instruments and market participants. Following some consideration, the MPG decided that it would issue a strong MPG recommendation instead, noting that, in practice, Strate would drive the market towards adopting the zero BCP framework. As such, any other approach would be an exception.

6. **Request for Proposal for a benchmark administrator for Term ZARONIA**

6.1 Mr Minnaar presented a draft 'request for proposals' (RFP) for the calculation and publication of forward-looking ZARONIA term rates. He discussed the envisaged process for appointing a suitable benchmark administrator, focusing on governance, implementation timelines, and the practical considerations for ensuring a fair and efficient appointment process.

6.2 Members agreed that the Financial Sector Conduct Authority (FSCA), Banking Association of South Africa (BASA) and Association for Savings and Investment South Africa (ASISA) would form part of the adjudication panel to ensure broad industry representation and technical input. The RFP would be published on the MPG webpage once finalised. It was noted that, in the interest of transparency, all engagements would need to be public.

6.3 Prospective administrators would be required to demonstrate their capabilities to administer Term ZARONIA efficiently and reliably. It would be advantageous to appoint an administrator that would be subject to the FSCA's benchmark regulation and conduct standard. Selecting an offshore administrator would potentially result in limited regulatory control, which may be needed to facilitate a smooth transition in the case where the benchmark was discontinued.

6.4 It was suggested that initial engagements with potential administrators should commence in October 2025. The procurement process would need to be targeted rather than broad, given the likelihood of receiving limited submissions. A streamlined approach was recommended to avoid delays and ensure timely progress.

6.5 To avoid the potential delay that would result from the development of longer-term tenors, the process would need to prioritise shorter tenors (e.g., 1-month and 3-month) for the initial implementation. Longer-term tenors could be introduced at a later stage, allowing the project to progress without unnecessary delays.

7. **Jibar transition for the retail market**

7.1 Members approved the publication of two documents focussed on the transition of retail mortgage contracts. The Cash Markets Workstream (CMW) had prepared the documents titled, 'Important changes to your Jibar-linked loan: what you need to know about the transition from Jibar', and 'Recommendations for a ZARONIA transition in the retail market'.

7.2 The documents would be published after minor edits had been processed.

8. **On the future of the SAFEX Overnight Rate**

8.1 The MPG revisited the issue regarding the remediation of Credit Support Annexures (CSA), used to outline collateral provisions for derivatives transactions, to reference ZARONIA instead of the SAFEX Overnight Rate (SAFEX O/N). The Johannesburg Stock Exchange (JSE) had confirmed that SAFEX O/N was not intended to be used as reference rate. However, it would continue to be published to enable its clients manage risk. Under the FSCA's draft Conduct Standard, central counterparties were exempt from licensing requirements in the case where the benchmark was used for risk management purposes.

8.2 Members reiterated their preference for ZARONIA to be used in the valuation of derivatives portfolios and remuneration of collateral. SAFEX O/N did not comply with IOSCO Principles of Financial Benchmarks. Furthermore, it was not an overnight rate per se, but an average interest rate that the JSE receives from local commercial banks for the margins and default fund contributions it places with them. As such, the Derivatives Workstream had considered a structured transition path for migrating CSAs referencing SAFEX O/N, acknowledging that key legal and technical details would need to be resolved.

8.3 Nonetheless, an alternative path whereby the MPG made a strong market recommendation only without a formal benchmark designation, would potentially be disruptive given the large volume of contracts that were affected. Consequently, it would be necessary for regulators to clarify the appropriate use of SAFEX O/N going forward and potentially prohibit its use in derivative contracts and CSAs.

8.4 The MPG would deliberate further on this issue and consider other financial instruments that reference SAFEX O/N, including delta-type instruments, such as Contracts for Differences (CFDs) and single stock futures.

9. **Risk register update**

9.1 Trading volumes (building liquidity)

Market activity had increased across several markets, particularly in the NCD market, with reasonable activity in derivatives. There were bond and structured note issuances referencing ZARONIA, indicating positive market adoption. The presence of a supervisory framework and the halt of new Jibar issuance were noted as key drivers of ZARONIA adoption.

The ZARONIA First initiative had led to a significant increase in interest rate swaps transactions. Volumes cleared by LCH had shown steady growth (from approximately R5–R10 billion to R130 billion), though still small relative to Jibar-linked swaps. It was expected that the Jibar cessation and ‘no new Jibar’ pronouncements would drive market activity further.

9.2 Legislative process for tough legacy

Draft legislation containing the proposed amendments to the Financial Sector Regulation Act (FSRA) had been received from NT. While NT had indicated that they were targeting the end of September 2025 to publish the Omnibus Bill for public comment; the finalisation of the legislative process remained a key risk due to uncertain timelines beyond the MPG’s control.

9.3 Bulk transition on 31 Dec 2026

While the end of 2026 remained the indicative date for Jibar cessation, concerns were raised about the practicality of transitioning over year-end as most people take leave over that period. A suggestion was made to shift the cessation date slightly later into a normal working period to avoid operational and legal challenges.

9.4 Non-linear derivatives

It was noted that the non-linear derivatives market was substantially smaller than the linear market. Market makers were expected to begin embedding ZARONIA-based pricing, but this had not yet occurred, resulting in a delay of approximately 1.5 to 2 months against the original timeline. Subsequently, the ZARONIA-first milestone for non-linear derivatives, originally planned for end of September, was proposed to be shifted for October.

9.5 Term rate administrator

One risk identified was the uncertainty around timelines for establishing a term rate, particularly if there were delays in appointing an administrator or finalizing the framework. There was also a concern about whether there would be sufficient interest from potential administrators, and whether the process would successfully result in an appointment. A broader risk was that the market may ultimately not end up with a viable term rate, which would be particularly significant for the retail sector.

10. Latest Jibar exposure survey results

10.1 Mr Hoosenmia presented the latest Jibar-related quantitative exposure survey, which reflected commercial banks and insurers' Jibar-linked assets, liabilities and derivatives as at 31 March 2025. The total gross nominal exposures had declined slightly to R44 trillion, from R45.35 trillion previously (2024Q4). Majority of on-balance sheet exposures were from banks, with floating rate notes making up the largest asset class (=R2.3 trillion). On the liability side, deposits dominated, with 66% maturing post-cessation.

10.2 Around 123 000 mortgage contracts referenced Jibar instead of the Prime Rate. Most of these exposures would need to be transitioned – as 65% of retail-linked contracts would mature after the Jibar cessation date.

10.3 In derivatives, the three-month Jibar rate remained the most widely referenced benchmark in financial contracts and interest rate swaps were the largest exposure class. Approximately 21% of derivatives exposures were expected to mature after the cessation date and only 5% of derivative contracts had fallback language in place.

11. General workstream updates and issues for MPG consideration

11.1 The Derivatives Workstreams had completed the Overnight Indexed Swap (OIS) backfill analysis with both the supporting document and underlying data were ready for publication. There were no objections to the request to publish the material.

11.2 Banks had requested the FSCA to provide guidance regarding ensuring fair outcomes for customers during the transition from Jibar to ZARONIA. A communique to that effect had been drafted and was undergoing an internal review process before publication.

- 11.3 The third Legal Industry Forum would be hosted on 10 September 2025. Circa 230 lawyers had registered for the event – this was double the attendance from last year.
- 11.4 The Transition Planning and Coordination Workstream (TPCW) had planned to complete the transition guidelines within the following two months. The workstream was also planning to draft a document on the implications of "no new Jibar". Furthermore, following the United Kingdom's benchmark transition, the TPCW recommended a collaborative treatment for structured products, considering both cash and derivative components. There would be a carved-out section in one or both transition documents to address structured products specifically. Further coordination between relevant stakeholders would be undertaken to determine the best approach.
- 11.5 Feedback from the investment community highlighted growing concern on whether structured notes would follow the International Swaps and Derivatives Association (ISDA) protocol or require unwinding and reissuance. This issue was causing uncertainty among asset managers, underscoring the need for clear guidance and coordination.
- 11.6 The MPG Conference was tentatively scheduled for 3 December 2025. Further details would be shared in due course.
12. **Date of the next meeting – 24 October 2025, 09:00 AM**
13. **Closure**
- 13.1 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