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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 via MS Teams on Thursday, 3 April 2025 at 13:00**

Minutes No. 02/2025

Present:

R Cassim	Chairperson
Z Parker	Workstream Chairperson – Communications
R Klotnick	Workstream Chairperson – Derivatives
E Hamman	Workstream Chairperson – Governance and Regulatory Issues
P Burgoyne	Workstream Chairperson – Transition Planning and Coordination
K Tulsi	Workstream Chairperson – Accounting and Tax
M Shongwe	Workstream Chairperson – Legal
P Mananga	SARB Prudential Authority
G Haylett	Banking Association of South Africa
G Raine	Association for Savings and Investment South Africa (ASISA)
H Nyoni	Secretariat – SARB Financial Markets Department

In attendance:

Z Gininda	SARB Financial Markets Department
P Mjandana	SARB – Deputy Governor Cassim's Office
N Hoosenmia	SARB Financial Markets Department

By invitation:

A Bhowan	Derivatives Workstream member
K Robertson	Cash Market Workstream member
K Dikokwe	Financial Sector Conduct Authority (FSCA)

Apologies

J Mol	Association of Corporate Treasurers of Southern Africa (ACTSA)
A Du Toit	Workstream Chairperson – Risk-free and Term Reference Rates
R Roux	Workstream Chairperson – Data Collection and Infrastructure

1. **Welcome**

- 1.1 The Chairperson welcomed members to the second meeting of the Market Practitioners Group on Interest Rate Benchmark Reforms (MPG or Committee) in 2025.
- 1.2 Ms Dikokwe had joined the meeting as a representative of the Financial Sector Conduct Authority (FSCA), She replaced Mr Olano Makhubela, who had resigned from the FSCA.
- 1.3 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. 1/2025 of the meeting held on 14 February 2025**

- 4.1 The minutes of the meeting held on 14 February 2025 were accepted as a true reflection of the deliberations and were approved for signature by the Chairperson.
- 4.1.1 The signed minutes would be published on the MPG webpage on the SARB website.

4.2 **Matters Arising**

4.2.1 **Jibar-related exposure survey results**

- 4.2.1.1 Mr Hoosenmia provided an update on the Jibar-related exposure survey, which reflected commercial banks and insurers' Jibar-linked assets, liabilities and

derivatives as of the end of Q3 and Q4 of 2024. The total gross exposure had decreased to R45.35 trillion (2024Q4), from R50 trillion previously (2024Q2).

4.2.1.2 Derivatives exposures made up circa 91% of all exposures (=R41.1 trillion). The three-month Jibar rate remained the most widely referenced benchmark in financial contracts.

4.2.1.3 Approximately 10%-13% of derivatives contracts exposures contain fallback language. As such, the importance of continuing to monitor the use of fallbacks in derivatives contracts was emphasised, as the Jibar fallback methodology had been endorsed and would be incorporated in contracts going forward.

5. Transition approach and roadmap

5.1 Potential risks to transition timeline

5.1.1 Mr Burgoyne provided an update on the ongoing legislative discussion, emphasising the need for coordination between various workstreams to streamline timelines and address new requirements. He also highlighted the importance of clear and timely communication, particularly within the derivative market to ensure stakeholders remained informed throughout the transition process. An updated transition timeline was presented for consideration for submission to the market, proposing a refinement of the foundation phase given that most of its elements were complete and a stronger focus on the Adoption and Transition phases (while retaining the existing major milestones).

5.1.2 Mr Gininda raised questions about the progress of term rate investigations and the potential need for an observation period once the term rate is developed. He further inquired about the TPCW's plans for updating the roadmap and the transition timeline, emphasizing the importance of clear timelines and milestones.

5.2 Safe harbour provisions and other regulatory issues

5.2.1 Mr Shongwe and Ms Hamman had engaged the National Treasury (NT) and the

National Credit Regulator on the proposed safe harbour provisions and powers of the SARB to designate replacement benchmarks, which would need to be included in Financial Sector Regulation (FSR) Act 9 of 2017. Furthermore, they had requested market participants to consider the proposed amendments to the FSR Act and provide their comments by 08 April 2025. The NT had indicated that the proposed amendments would be included on the legislative plan for 2025/26, with the aim to table them in parliament in 2025Q2 and finalise them in the 2025Q3.

- 5.2.2 It was noted that the exemption for Board Notice 90 has been shared with stakeholders and is awaiting feedback.

5.3 **Update to ISDA interest rate definitions**

- 5.3.1 Mr Shongwe reported that the language for the Jibar fallback provisions had been finalised and would be included in the ISDA Interest Rate Definitions in April 2025. As such, all relevant transactions that would be concluded after the publication of the revised interest rate definition would incorporate fallbacks comprised of compounded ZARONIA plus the credit adjustment spread. In addition, the ISDA Protocol would be published in April 2025 to enable counterparties to amend existing contracts to incorporate fallbacks in their contracts by adhering to the protocol.

- 5.3.2 Furthermore, the fallback language for bonds had been finalised and would be published on the MPG webpage in April.

6. **Dual pathway for transitioning tough legacy retail mortgage contracts**

- 6.1 Ms Robertson highlighted the challenge with transitioning Jibar-related retail mortgage contracts, noting the need to consider the manner with which rate changes would be communicated to retail clients and the potential anxiety that this may cause. She outlined the two preferred transition paths for affected retail mortgage contracts, which included, (i) moving them to a prime construct, and (ii) moving to a term ZARONIA-based construct, each with appropriate credit adjustment spreads. Both transition paths would require legislative support to minimise reputational risk and customer dissatisfaction. The MPG would need to craft simple, clear and effective

communication to ensure understanding and acceptance of the transition paths.6.3

- 6.3 The development of a Term ZARONIA rate was seen as desirable by some market participants, particularly non-bank financial institutions (NBFIs), but it is unlikely to be operational by the December deadline. As an interim solution, the use of synthetic Jibar was considered as an alternative to bridge the gap until Term ZARONIA is ready. Once the term rate is developed and sufficient market data exists, it should undergo an observation period—aligned with international best practice—before being approved for broader use. This staged approach would allow for careful testing and validation of the term rate's reliability and appropriateness.
- 6.4 Given the impracticality of remediating large volumes of legacy contracts such as retail mortgages, there was support for including Prime as a fallback benchmark. To implement this, a Credit Adjustment Spread (CAS) would need to be calculated and published to account for the difference between Jibar and Prime. The process for determining this CAS would require transparent methodology and governance, potentially through an existing or reactivated sub-working group. This work would need to be completed promptly to align with the year-end transition timeline, and market consensus would be crucial for its acceptance.

7. Critical success factors for building liquidity in ZARONIA-linked markets

7.1 Proposed initiatives for derivatives markets

7.1.1 Linear derivatives update

7.1.1.1 Mr Klotnick reported that early momentum has slowed down in the linear derivatives market, highlighting the importance of the ZARONIA-First initiative to build liquidity.

7.1.1.2 It was further noted that the Derivatives Workstream had been working to provide substantiation for their request to the SARB for increased visibility of MPC dates (i.e. visibility of dates on at least a rolling twelve-month forward basis).

7.1.2 Non-linear derivatives update

7.1.2.1 Good progress was noted in the non-linear derivatives market, with infrastructure readiness and market makers agreeing to milestones in anticipation of ZARONIA-First for non-linear derivatives, although some delays were noted in broker screen population. Mr Klotnick mentioned successful test trades in the basis swap market, involving local banks and various spreads relative to ZARONIA, which went well and were a positive development.

7.1.3 **ZARONIA-First communication strategy**

7.1.3.1 The Derivatives Workstream would be engaging various market participants to socialize the intended reform. There was also an emphasis on the critical need for a strong communication strategy to encourage market adoption and build liquidity, particularly among international banks waiting for clear signals.

7.1.4 **Transition roadmap**

7.1.4.1 Coordination between the Derivative and TPCW Workstreams is underway to ensure all product transitions are sequenced effectively.

8. **Accounting and Tax Workstream working papers**

8.1 Mr Tulsi updated the Committee on the progress of the Accounting and Tax Workstream's working papers, which had been distributed for comment and were expected to be finalised soon. The papers would subsequently be shared with the TPCW and ultimately presented to the MPG. No other issues had arisen.

9. **General workstream updates and issues for MPG consideration**

9.1 Mr Hoosenmia raised the importance of communication initiatives to encourage adoption and asked for feedback on what would be needed to accelerate adoption of the rate in transactions.

9.2 Ms Hamman noted that a draft publication in support of the ZARONIA-First Initiative had been circulated to select members for comments, the document would be submitted to the FSCA governance structure and subsequently published.

10. **Date of the next meeting – 20 June 2025, 09:00 AM**

11. **Closure**

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