

Recommendations for a No-new-Jibar Initiative in the South African market

prepared by

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SOUTH AFRICAN RESERVE BANK



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1. Introduction

The widely publicised irregularities in the calculation of interbank offered rates (IBORs) in 2012 led to a global regulatory overhaul of major interest rate benchmarks. Consequently, IBORs are used far less in financial markets, having largely been replaced by more robust, nearly risk-free alternative reference rates (RFRs), specifically overnight reference rates.

In South Africa, the South African Reserve Bank (SARB) Market Practitioner's Group (MPG) has designated and endorsed the South African Rand Overnight Index Average (ZARONIA) as the successor rate to the Johannesburg Interbank Average Rate (Jibar). The SARB, as the benchmark administrator have announced Jibar cessation for 31 December 2026. The transition timeline for Jibar includes a 'No new Jibar' milestone planned for Q2 2026. The **'No New Jibar' milestone** is a directive from regulators that prohibits the creation of new Jibar-referencing contracts, positions, or material amendments from this date, except in limited exceptional circumstances. The purpose of this directive is to ensure that market participants do not add to Jibar exposures that will have to be transitioned upon cessation, thereby mitigating possible cliff-edge risks. In other words, market participants are expected to proactively decrease their legacy Jibar exposures by ensuring that all (or the vast majority of) new contracts from the directive date no longer reference Jibar. It is important to note that the 'No new Jibar' milestone will be implemented prior to cessation and while Jibar is still technically available.

This document highlights considerations for market participants and regulators and provides detailed recommendations to the MPG with respect to a "No new Jibar" milestone to ensure minimal market disruption, an orderly transition and to help build liquidity in the designated successor rate ZARONIA.

2. The 'No new Jibar' milestone overview

This position paper provides guidance to the MPG and market participants for establishing a 'No new Jibar' milestone. The aim is to provide input into the key considerations for a market-wide directive.

The milestone is the regulatory cutoff date after which banks, corporates and other market participants may no longer issue new financial contracts referencing Jibar (save in certain limited acceptable use cases). From that date, all new products must either reference ZARONIA or another suitable alternative reference rate, while existing Jibar exposures can only be maintained, amended, or hedged until maturity. In short, this milestone marks the

official shift away from creating new Jibar-linked exposures and enforces the global transition to RFR-based markets.

This recommendation considers market benefits, global insights and factors unique to South Africa, with the ultimate objective of recommending a 'No new Jibar' milestone that supports the transition to ZARONIA.

3. Market-level benefits of achieving the 'No new Jibar' milestone

The 'No new Jibar' milestone provides the following several key benefits for a successful IBOR transition programme:

- **Caps the growth of legacy risk:** Focuses remediation efforts on shrinking the legacy stock and avoids cliff-edge effects prior to cessation, mirroring global London Interbank Offered Rate (LIBOR) transition practices.
- **Concentrates liquidity in ZARONIA:** Improves price discovery, deepens overnight index swap (OIS) markets and strengthens hedging tools.
- **Builds infrastructure and conventions:** Accelerates the adoption of compounded-in-arrears conventions, discounting and projection curves as well as the availability of relevant indices.
- **Enhances benchmark robustness:** Facilitates the shift from rates dependent on bank credit to benchmarks anchored in actual transactions.
- **Provides regulatory clarity:** Establishes a clear cutoff date that supports effective regulatory oversight.
- **Unlocks product migration:** Enables broader adoption of ZARONIA-linked instruments in money markets, cash markets and floating rate note (FRN) issuance.
- **Promotes client fairness:** Helps reduce value-transfer disputes in legacy contracts when cessation occurs and industry fallbacks are applied.
- **Aligns with global practices:** Harmonises South Africa with RFR-first markets, simplifying cross-border issuance and hedging.
- **Supports operational readiness:** Encourages timely updates to systems, models and accounting and legal frameworks, while maintaining the MPG's 'ZARONIA First' momentum.

4. Notable offshore observations

The table below summarises the ‘No new Jibar’ developments in the United States (US) and United Kingdom (UK) during their respective LIBOR reform programmes.

Table 1: Offshore markets

No new LIBOR	US	UK
Lead regulator/ instrument	US banking regulators (supervisory guidance)	UK Financial Conduct Authority (FCA) (formal notice of prohibition)
Headline directive	Supervised entities should end new use of USD LIBOR	FCA prohibited new use of LIBOR, with limited, defined exceptions
Effective ‘No New’ date	By 31 December 2021 (‘as soon as practicable and in any event by 31 December 2021’)	From 1 January 2022 (set 18 months prior to cessation)
Scope of limitation	Applied to US supervised institutions: no new LIBOR contracts after 31 December 2021 (deemed a safety and soundness risk)	Applied to FCA-regulated firms and markets: new use barred from 1 January 2022
Treatment of contracts before the cutoff	New contracts before 31 December 2021 should: a) use a non-LIBOR rate; or b) include robust fallback with a clearly defined alternative	Limited exceptions allowed after 1 January 2022 when tied to legacy exposure management, including: a) market-making to hedge or reduce pre-2022 USD LIBOR exposure; b) novation of pre-2022 USD LIBOR trades; c) trades for CCP auction procedures (and related hedges); and d) interpolation/fallback use related to USD LIBOR tenors that ceased on 31 December 2021 (1-week and 2-month)
Timeline context	Guidance issued in November 2020 after the end-date announcement for representative USD LIBOR	Cessation dates announced: a) March 2021: FCA notice b) November 2021: Enforcement from 1 January 2022 while LIBOR publication continued until June 2023

5. Recommendations and considerations

Market participants should aim to transition away from Jibar in a way that best fits their specific circumstances.

ZARONIA is a robust, fully transaction-based rate, produced by the SARB in accordance with the International Organization of Securities Commissions' (IOSCO) Principles for Financial Benchmarks. It is derived from underlying market activity (unsecured overnight deposits) and supported by transaction volumes and market participation.

The following actions are recommendations for the MPG, regulators and market participants:

5.1 No new Jibar: Regulatory directive

Recommendation 1

To ensure effective implementation of the No New Jibar milestone, the MPG should consider issuing a regulatory directive that:

- Confirms the full scope of Jibar tenors prohibited for any new use;
- States an unambiguous effective date for the prohibition of new Jibar exposures - 1 May 2026 is recommended.
- Provides a practical, market-aligned definition of “new” use¹ consistent with offshore regulatory practice; and
- Sets expectations for firms on monitoring, governance, and reporting to prevent the creation or extension of Jibar exposure after the prohibition date.

This will support supervised entities in achieving a smooth and compliant transition away from Jibar.

5.2 Dispensations and exceptions

Recommendation 2

Limited key dispensations and exceptions to manage specific risk management should be permissible. The following dispensations are recommended to the MPG for consideration:

- a) Defined exceptions for existing Jibar exposures, including:

¹ For this purpose, based on offshore practices, a new contract would include an agreement that (i) creates additional Jibar exposure for a supervised institution or (ii) extends the term of an existing Jibar contract. “new” should consider renewals, refinancings, rollovers, reopenings, re-issuance, material amendments (i.e. any trade creating New-Jibar risk regardless of the source).

- market-making to support client activity related to pre-milestone transactions and associated hedges;
 - hedging or reducing pre-milestone Jibar exposure or risk;
 - novation and resets of pre-milestone Jibar trades;
 - central clearing counterparty (CCP) auction participation and associated hedges;
 - physical delivery of options (including swaptions) executed before the milestone; and
 - Jibar-linked transactions in cash market instruments with robust, hardwired contractual fallback language as a clearly defined alternative.
- b) Trade finance transactions that require a known interest rate at the start of the period including the following:
- working capital loans;
 - supply chain finance/invoice discounting;
 - Letter of Credit discounting;
 - Letter of Credit financing;
 - receivables discounting;
 - trade loans between banks; and
 - fixed-term working capital loans.
- c) A regulatory dispensation for Jibar-linked
- retail home loans;
 - funding transactions related to home loans linked to Jibar; and
 - commercial property finance in securitisation to continue until cessation, supporting operational readiness and providing client certainty. This may include the introduction of a term ZARONIA rate or relying on legislative replacement of rate provisions.
- d) Jibar-linked securitisations that meet any of the following criteria:
- The securitisation consists of Jibar-linked underlying assets that rely on a forward-looking term rate.
 - The securitisation cannot be remediated through active transition, due to onerous or costly steps required to amend the underlying programme.
 - Transitioning to ZARONIA (compounded in arrears) would weaken the credit structure of the securitisation (and therefore the Notes issued to investors), due to structural impediments or the emergence of basis risk.

- e) Use of defined exceptions as listed above and aligned to offshore best practices.

5.3 No new Jibar supervisory process

With the 'No new Jibar' regulatory directive, an additional communication should outline the proposed supervisory process and plans. This process might require market participants to report to regulators on 'No new Jibar' controls implemented, using a principle-based approach and providing evidence when trading persists.

Regulators should also consider the practical aspects of supervising offshore market participants. Collaboration and coordination with home-country regulators of offshore entities will likely be necessary to prevent a parallel market where offshore banks continue to create new Jibar-linked positions and possibly generate arbitrage opportunities for South African market participants.

Recommendation 3

It is recommended that regulators establish and communicate a clear supervisory framework for the 'No new Jibar' milestone that:

- Outlines the proposed supervisory process, including expectations for market participants to report on the controls implemented to prevent new Jibar-linked activity, following a principles-based approach.
- Requires firms to provide evidence where Jibar-linked trading persists, supporting proactive identification and remediation of noncompliance.
- Addresses the practicalities of supervising offshore market participants by fostering collaboration with the home country regulators of offshore entities.
- Ensures coordinated oversight to prevent the development of parallel offshore markets that could enable the creation of new Jibar exposure or arbitrage opportunities for South African firms.

This supervisory approach will help maintain market discipline, avoid regulatory gaps, and support a consistent, coordinated transition across both domestic and offshore participants.

5.4 Communication and awareness

Clear and consistent communication from the regulators is essential to ensure market participants understand this milestone and its impact. This messaging should also target offshore market participants and their home-country regulators. The 'No new Jibar' milestone ought to feature regularly in industry newsletters published by the MPG. It is recommended that the applicability of the guidance and communication from regulators should extend beyond financial institutions. We strongly recommend market-wide communication, including to corporates, small- and medium-sized enterprises (SMEs) and individual market participants to ensure that all are adequately informed. Standardised communications could help ensure consistency and clarity.

Regulators should provide at least three to four months' advance notice of the 'No new Jibar' milestone to ensure market participants are aware of timelines, obligations and transition pathways. This is imperative as internal systems need to be ready to accommodate positions referencing rates other than Jibar; ZARONIA conventions may need to be incorporated and negotiated in new legal documentation.

Recommendation 4

It is recommended that MPG and regulators adopt a structured communication strategy that:

- Ensures clear, consistent, and frequent messaging on the 'No new Jibar' milestone, directed not only at financial institutions but also at corporates, SMEs, offshore market participants, and their home country regulators.
- Incorporates the milestone into regular MPG and regulatory industry communications and provides standardised materials to promote uniform understanding across the market.
- Provides sufficient advance notice of the milestone to allow firms sufficient time to update internal systems, incorporate ZARONIA conventions, and adjust legal documentation for new contracts.
- The 1 May 2026 is recommended as an effective date of No New JIBAR.
- Promotes broad, market-wide awareness of timelines, obligations, and transition pathways to reduce the risk of misinterpretation and ensure a smooth shift away from Jibar.

This approach will help ensure that all stakeholders, domestic and international, are adequately informed, aligned, and operationally prepared for the transition.

5.5 Possible trade-offs

The approach should balance prescriptiveness with flexibility. A prescriptive milestone can accelerate adoption and reduce the risks of delayed adoption and remediation, but may create practical challenges depending on market readiness, particularly among non-bank financial institutions. In contrast, a principle-based approach may be slower to implement. The ‘No new Jibar’ milestone itself can drive adoption by encouraging derivative volumes and migration to ZARONIA, but only if it is communicated effectively and understood by market participants. Importantly, any proposed directive must avoid introducing undue financial risk to the market or financial system.

Recommendation 5

It is recommended that the MPG adopt an approach that carefully balances prescriptiveness with flexibility to ensure effective and orderly implementation of the ‘No new Jibar’ milestone. A more prescriptive directive can accelerate market adoption and reduce the risk of delays or costly remediation but may place strain on segments of the market particularly nonbank financial institutions whose readiness may vary. Conversely, a principles-based approach may allow for smoother operational adjustment but could slow the pace of transition if not accompanied by clear expectations. The effectiveness of the milestone will depend on how clearly and consistently it is communicated, ensuring market participants fully understand its intent and implications. Importantly, any framework adopted must safeguard against introducing undue financial risk to the market or the broader financial system.

6. Conclusion

Setting a ‘No new Jibar’ milestone is a critical step towards ensuring an orderly and well-managed transition from Jibar to ZARONIA. This approach can help accelerate ZARONIA adoption and minimise the stock of legacy positions that will need to be transitioned at cessation. By clearly establishing the cutoff date for new Jibar contracts and supporting it with targeted dispensations and robust supervisory processes, the South African market can limit legacy risk, build liquidity in ZARONIA and align with global best practice. Providing clear communication and advance notice is essential to give market participants enough time to update systems, products and client engagements. While there are trade-offs between the pace of adoption and market readiness, a transparent and coordinated approach will provide the clarity and confidence required for a smooth transition. Ultimately, this milestone will help drive ZARONIA adoption, safeguard market integrity and ensure South Africa’s alignment with the global interest rate benchmark reform agenda.