Transition approaches

Recommendations formulated for consideration by the MPG

[Working Draft]

Prepared by

The Market Practitioners Group's Transition Workstream

SOUTH AFRICAN RESERVE BANK

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Abbreviations

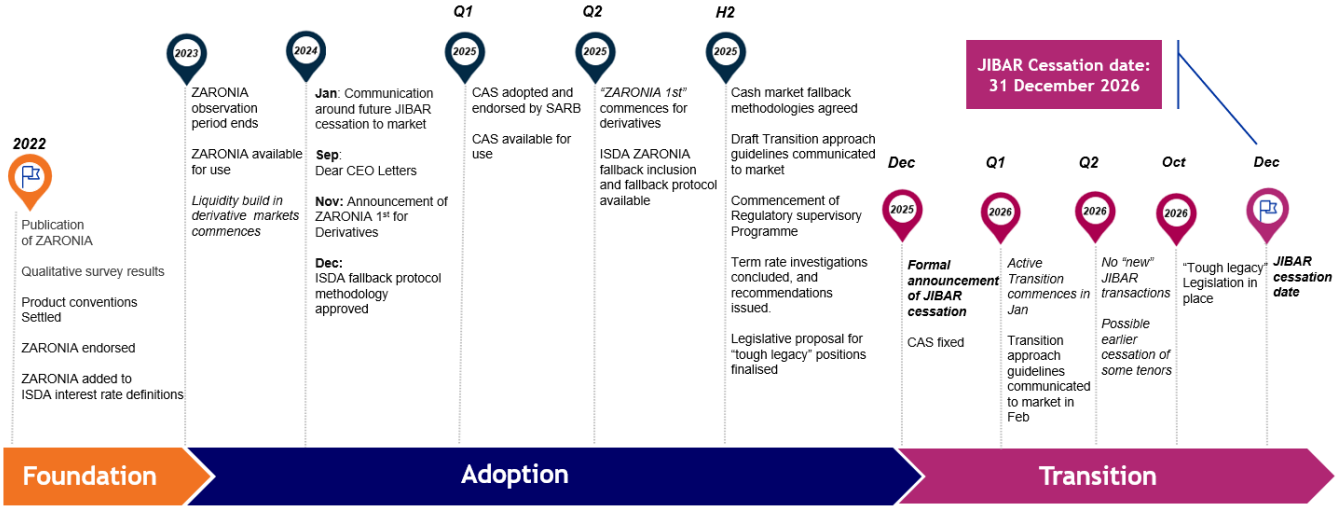
CAS	credit adjustment spread
CCP	central counterparty
CMWS	Cash Market Workstream
CSD	Central Securities Depository
ISDA	International Swaps and Derivatives Association
Jibar	Johannesburg Interbank Average Rate
LIBOR	London Interbank Offered Rate
MPG	Market Practitioners Group
NBFI	Non-Bank Financial Institution
NCA	National Credit Act
OTC	over the counter
SARB	South African Reserve Bank
SPV	Special Purpose Vehicle
TPCW	Transition Planning and Coordination Workstream
ZARONIA	South African Rand Overnight Index Average

1. Introduction

The South African Reserve Bank (SARB) has notified market participants that the Johannesburg Interbank Average Rate (Jibar) will soon be ceased, with a formal announcement of the cessation date announced on 3 December 2025. The announcements noted that Jibar will cease at the end of 2026. The Market Practitioners Group (MPG), established by the SARB in 2018, oversees the transition from Jibar to the South African Rand Overnight Index Average (ZARONIA), the designated successor rate. Since its formation, the MPG has made consistent progress towards achieving its objectives through the work of dedicated workstreams and technical subgroups.

The Transition Planning and Coordination Workstream (TPCW) is tasked with advising the MPG on transition timelines and steps. In August 2025, the TPCW published an updated Jibar transition timeline,[1] highlighting completed milestones and upcoming ones, such as the determination of the credit adjustment spread (CAS), finalisation of legislative proposals, expectations for active transition and the 'no new Jibar' policy. Despite significant progress, sustained and deliberate effort across the market is essential to ensure a successful transition and avoid disruption. With just over a year left until cessation, it is imperative for market participants to continue building on existing work and accelerate their efforts where necessary.

Figure 1: Jibar transition timeline



The purpose of this document is to provide guidance and recommendations to market participants[2] regarding broad transition approaches that may be relevant to specific Jibar exposures. To date, a range of transition guidance materials and recommendations have been made available and extensive consultation has taken place on possible appropriate steps to transition. This document seeks to consolidate the relevant guidance into a single, overarching 'transition approach' playbook that outlines the primary frameworks for considering transition. All indications suggest that Jibar will not continue beyond 2027[3] and that the transition process must accelerate to mitigate risks. While there has been good progress in certain areas, some market participants appear to be waiting for market developments, observing from the sidelines. Given the transition timeline (see Figure 1: **Jibar transition timeline**), the SARB has emphasised that there is no room for a wait-and-see approach. Instead, market participants should actively take steps to support the transition by assessing their exposures and using the available tools. This transition approach playbook is intended to be an additional tool to assist market participants navigate the transition.

[1] Market Practitioners Group (MPG) Transition Planning and Coordination Workstream (TPCW) (2025). Jibar Transition Plan – milestones update.

[2] These guidelines have been drafted generically to apply across the market and to all participants who may have Jibar exposure. The applicability and suitability of any specific recommendation will need to be assessed by market participants considering their own exposures and risk appetite.

[3] [Save potentially for a limited period in the first quarter of 2027]

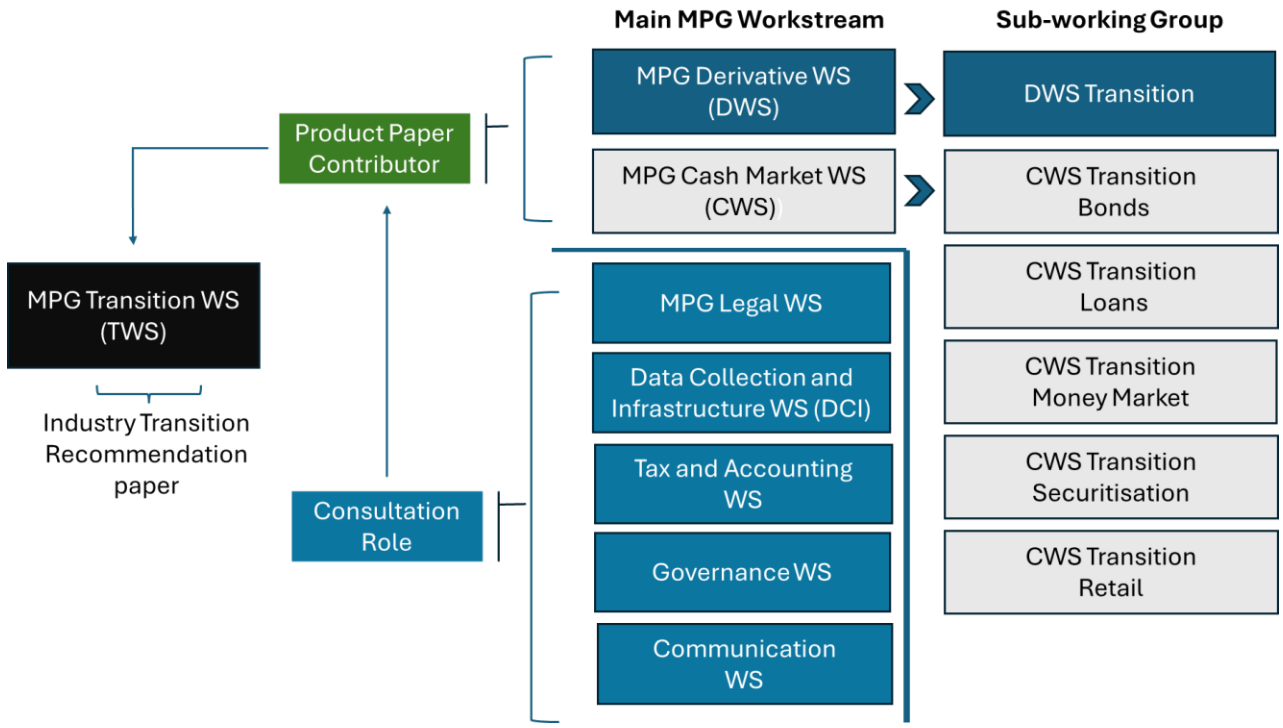
As with all MPG recommended best practices, the decision to implement or adopt any specific recommendation remains voluntary for market participants. However, the MPG believes that the recommendations provided here offer valuable guidance on the general approaches to consider when assessing transition pathways for specific products.

This playbook does not constitute legal advice. It is designed to provide tools and resources to further support the transition process. It includes a compilation of MPG publications and other reference materials to help market participants ensure a successful operational transition away from Jibar.

2. Focus of this playbook

Since the selection of ZARONIA as Jibar's designated successor rate, the MPG has prioritised promoting the development of ZARONIA derivatives and cash markets, while also addressing key issues that may arise during the transition (including infrastructure readiness, contractual and legislative considerations, and accounting and tax implications). The initial Transition Plan presented by the TPCW[4] focused on establishing a baseline level of liquidity in derivatives markets, recognising that this is necessary to encourage the development of ZARONIA-based cash products and aligning with international transition efforts. These initial two pillars were focused on facilitating the adoption of new ZARONIA-linked positions, led by the Derivatives and Cash Workstreams of the MPG. The third pillar of the overall transition plan centres on converting legacy Jibar-linked positions to ZARONIA. In addition to the MPG workstreams, subworking groups were formed to address specific transition matters requiring specialised attention and expertise. The recommendations issued by the MPG workstreams and subworking groups are based on public consultation and generally reflect widespread support from respondents.

Figure 2: Workstream and subworking groups



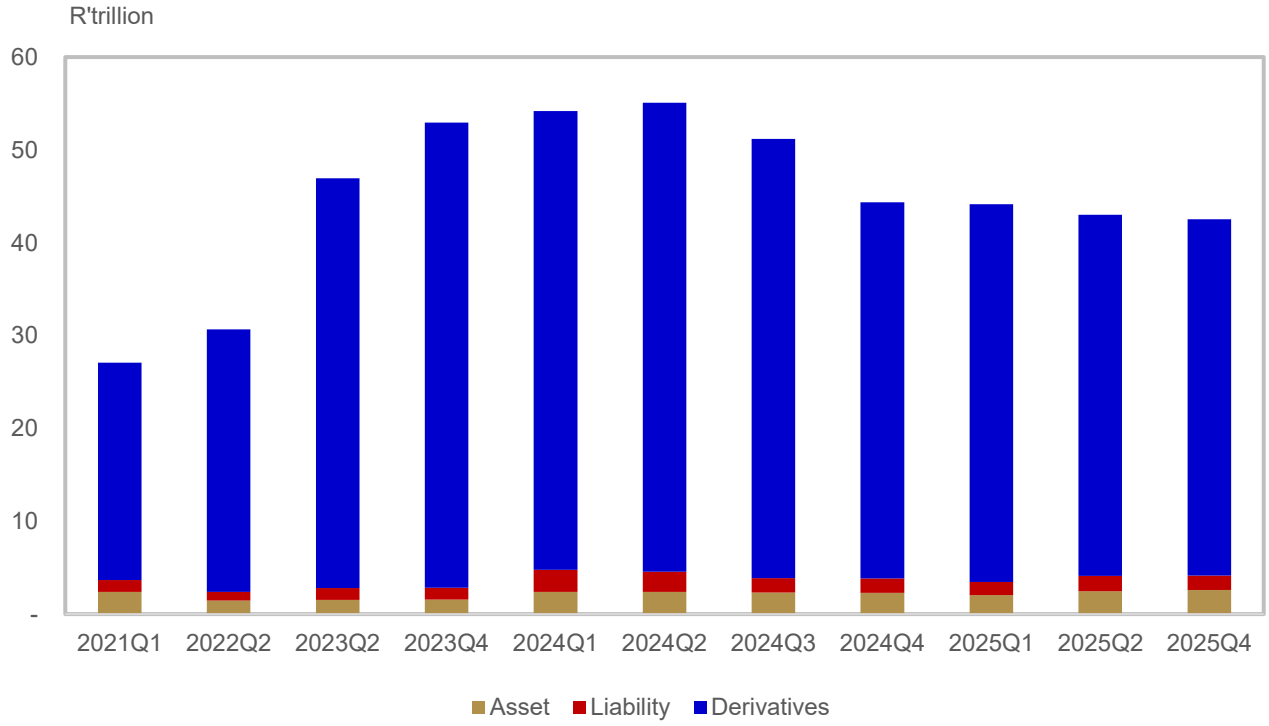
Building on the work undertaken to date, this document presents a consolidated overview of the recommended transition strategies, together with relevant considerations for various market segments. These segments are further categorised by product and client where appropriate. Specifically, we have focused on the following:

[4] MPG TPCW (2024). Update on the Jibar transition plan.

- Providing a high-level overview of the different strategies that market participants may consider, including both passive and active approaches as well as legislative options.
- Offering product-specific recommendations for:
  - Derivatives
  - Loans
  - Bonds
  - Money Market instruments
  - Securitisations
- Delivering specific recommendations for the retail market.

Various conventions and guidance notes have already been published regarding the use of ZARONIA in new positions or contracts. The main objective of this playbook is to provide recommendations for the transition of legacy (or existing) Jibar exposures that extend beyond the Jibar cessation date.

Figure 3: Combined Jibar-related exposures over time



Source: SARB *Jibar Quantitative Exposure Survey*

As shown in Figure 3 above, the latest Jibar exposure survey highlights that Jibar usage remains widespread across the market – although progress has been made. Several respondents noted that fallback language has not yet been incorporated into Jibar-linked contracts extending beyond 2026.

3. General transition approaches: Passive, active and legislative

The SARB estimates that, as at 31 Dec 2025, approximately R2.6 trillion in assets, R1.5 trillion in liabilities and R38.4 trillion in derivatives related to legacy Jibar exposures remain outstanding. In this document, '**legacy Jibar exposure**' refers to Jibar exposures in products and contracts that are still outstanding and will need to be transitioned to an alternative rate upon the cessation of Jibar, currently set for the end of 2026.

The latest *Jibar Exposure Survey* indicates that a significant quantum (R38.4 trillion) of legacy Jibar exposure is in derivative products. These are either centrally cleared and governed by central clearing counterparty (CCP) rulebooks or can be addressed by adhering to the International Swaps and Derivatives Association's (ISDA) Fallbacks Protocol

– or, as discussed further below, through bilateral negotiation and inclusion of fallback language in derivatives contract documentation. Approximately R4 trillion of the remaining Jibar exposures are in cash products.

The ISDA protocol enables market participants to adopt a uniform set of robust fallbacks into their legacy derivatives contracts, providing a straightforward method to determine which contracts are covered by those fallbacks. In contrast, cash products lack a protocol process; they have a range of fallbacks recommended by different workstreams and, in many cases determining the appropriate fallback for each contract requires manual effort.

This playbook outlines three potential approaches for transitioning legacy Jibar exposures: active, passive or legislative.

The most appropriate transition approach or strategy may differ within an organisation, with different business units possibly adopting different approaches, or even a combination of approaches for the same product. It is important for market participants to consider any constraints that may impede any particular strategy; for example, active transitioning may not be possible until internal systems are ready to reference ZARONIA. Transition plans should also account for internal governance requirements and the time needed for these developments (e.g. certain actions or approvals by relevant governing bodies). Each transition strategy has its own pros and cons which should be assessed in advance to ensure the chosen approach is well-suited to the organisation's needs and the extent of its exposures. Ultimately, a hybrid strategy may be most appropriate, particularly for those with widespread Jibar usage, involving a combination of active, passive and legislative approaches as necessary. Careful planning is essential to avoid reintroducing the very vulnerabilities that have prompted this significant financial market transition.

The MPG encourages market participants to act now to address legacy Jibar exposures using a risk-based approach, by prioritising the amendment of contracts that do not contain or have not yet adopted robust fallback arrangements. When transitioning these contracts, market participants should consider the potential benefits of active transition (as described in paragraph 3.2) to ZARONIA, rather than the adoption and execution of contractual fallbacks.

In preparing the recommendations below, it is important to recognise that while ZARONIA is Jibar's designated successor rate, there may be circumstances or particular exposures where transitioning to ZARONIA may not be the most suitable option, or where a different rate is deemed more appropriate for that exposure. The key outcome for market participants to move away from Jibar, ideally before and in any event no later than the cessation date. The move does not always have to be to ZARONIA; in some cases, alternative rates such a Prime or even a fixed rate may be suitable, after due consideration of all relevant factors. While the MPG considers ZARONIA suitable in most instances, market participants may, through negotiation with their contracting parties, choose to use a different rate.

3.1 Passive transition

Many legacy Jibar-linked contracts do not contemplate the permanent cessation of Jibar. Consequently, when Jibar ceases, there may be legal uncertainty regarding repayment terms, or Jibar's cessation could trigger contractual default or the activation of termination event clauses. Passive transition refers to the addition of 'fallback language' to legacy contracts, which specifies the benchmark to be used when Jibar ceases or another trigger event occurs. The key feature of passive transition is that contracts continue to reference Jibar, but a pre-defined contractual trigger (generally cessation) will prompt a switch to an alternative, pre-agreed replacement rate at the appropriate time. This means that, in the period where both Jibar and the replacement rate (assuming for convenience that this will be ZARONIA in terms of the relevant contract) are both available, contracts with fallback language will continue to reference Jibar until its cessation date. The switch to the new rate will only happen upon cessation or another pre-defined trigger event. Passive transitioning broadly describes situations where contractual fallback language – either bespoke or industry-recommended – is agreed and incorporated into contracts.

Parties may agree bilaterally which fallback rate and trigger events to incorporate, although recommended ZARONIA-linked fallback language is available to market participants. Fallback language can be 'hardwired' to specify the

replacement rate that applies at cessation or can provide for a 'waterfall' of available rate options. Alternatively, fallback language may designate a 'determining person' to select the rate that will apply upon cessation (in this case, the mechanism for determining the rate, and not the rate itself, is agreed upfront in the contract).

For derivatives, widespread coverage of ISDA's Interbank Offered Rate (IBOR) fallbacks provides a safety net for most South African rand (ZAR) interest rate derivative contracts, offering fallback language that can be incorporated multilaterally if the Protocol is adhered to. The ISDA Fallback Protocol is a well-established and effective method of passive transition in the derivatives market. Where parties elect not to adhere to the Protocol, they may still choose to incorporate its language and fallback mechanism (including the CAS) bilaterally. Even where both parties have adhered to the Protocol they may agree that for certain trades it may be more suitable to incorporate a different fallback mechanism or to actively transition to ZARONIA. Adherence to the Protocol does not preclude such bilateral agreements. **Section 5** below provides further detail and recommendations for transitioning in derivatives markets.

In the cash markets, the Loan Market Association (LMA) has published fallback language for loan contracts, including the replacement of screen rate language and the rate switch agreement. The rate switch mechanism operates as a hardwired fallback and contains the necessary details and mechanics for transitioning from Jibar to compounded ZARONIA.

Even with robust fallback language available, it may still be prudent to actively transition away from Jibar in certain instances. Transitioning a large number of contracts on the cessation date could increase operational risks and create cliff-edge effects. Market participants should independently assess their exposures and the risks they are prepared to accept, considering their internal tolerances.

Where passive transitioning is deemed appropriate, it is essential that the agreed fallback language is contractually robust to mitigate the risk of future disputes if it is triggered. It is important to note that the term 'passive' transition does not denote the level of activity or efforts undertaken by the market participant, but rather the continued reference to Jibar until the relevant contractual trigger (generally cessation date). It may be that active outreach, discussions and negotiation may still occur even though the transition is considered 'passive'.

Fallback provisions should be carefully assessed to determine their effectiveness and suitability for each contract. If there is uncertainty about the efficacy of existing fallback provisions, it may be prudent not to rely on that language as a primary method of transition. This especially applies where bespoke fallback language was used before the relevant recommended language was published, or where certain assumptions (such as the availability of term rates) have not materialised.

Market participants are encouraged to make an active and informed choice regarding contract transition. The TPCW has concluded that actively transitioning contracts offer several advantages over relying solely on fallbacks, especially when directly hedging cash products, although the benefits vary on a case-by-case basis. Error! Reference source not found. compares reliance on fallbacks, active transition of legacy Jibar positions and transition via legislation across various factors.

3.1.1 Jibar fallback methodology – Credit adjustment spread

The Credit Adjustment Spread Sub-workstream of the MPG investigated the most appropriate approach for transitioning legacy Jibar contracts to ZARONIA by including robust fallback provisions. The subworking group's objective was to identify appropriate CASs for the various Jibar tenors. The findings of this workstream have been published on the SARB website.[5] After considering various international methodologies for determining appropriate

[5] MPG TPCW (2024). Proposal for Jibar transition and fallback credit adjustment spreads for the South African interest rate market

CASs as well as relevant South African market considerations,[6] the workstream recommended the ISDA methodology for calculating the CAS as most appropriate for the Jibar transition.

The ISDA fallback methodology consists of two components: an adjusted risk-free rate (RFR)[7] and a spread adjustment. The spread adjustment is calculated as the median difference between the relevant IBOR and the adjusted RFR over a five-year lookback period, which is set relative to the IBOR's cessation announcement date (the spread adjustment fixing date).[8] ISDA has already incorporated this methodology as a fallback for Jibar derivatives under the 2021 ISDA Definitions and Jibar Fallback Protocol. The SARB has appointed Bloomberg Index Services Limited (BISL) as the official calculation agent responsible for determining and publishing the official fallback rates for the Jibar transition to ZARONIA.[9] BISL will publish three key rates daily: the compounded ZARONIA, a CAS and an all-in fallback rate that combines the two.

While the ISDA Fallback Protocol enables the inclusion of this recommended fallback methodology in Jibar derivatives between Protocol adherents, it is important to note that the Jibar fallback methodology has been recommended as an appropriate fallback rate across the broader South African market; this recommendation is not limited to derivatives markets. As such, market participants may also choose to incorporate this methodology into their legacy cash products. It is likely that, under the legislative transition provisions, this fallback methodology will be selected when designating benchmark replacement rates for various legacy contracts, given its broad acceptance in the market. [10]

3.2 Active transition

Active transition refers to the process where legacy contracts referencing Jibar are amended to reference ZARONIA or another appropriate reference rate. This can occur either with immediate effect or through the inclusion of a contractual switch to the new rate at a specified future date or event (e.g. if Jibar is deemed no longer representative). This could include a contractual mechanism whereby the last interest fixing before the end of 2025 is based on Jibar, with the first fixing date in 2026 using the alternative rate.

In contrast to passive transition, active transition involves the contract moving away from referencing Jibar before Jibar ceases to exist. Once this change has been made, the contract is no longer considered a 'legacy' contract, meaning no further action will be required at cessation date. By actively transitioning, the number of Jibar-referencing transactions that need to be transitioned later is effectively reduced.

The latest Jibar exposures survey shows there are still a high number of contracts to be transitioned across the market (approximately R43 trillion in outstanding notional across nearly 400 000 contracts). The MPG recommends that market participants address their legacy exposures using a risk-based approach. While it may be prudent to prioritise the amendment of contracts that do not contain or have not yet adopted robust fallback arrangements, market participants are encouraged to consider the potential benefits of an active transition to ZARONIA, rather than relying solely on contractual fallbacks. Delaying such considerations until close to the end of 2026, may make it difficult for market participants to operationalise a high volume of last-minute agreements. Acting promptly is more likely to ensure that market participants can manage internal resources, access advisors as needed and actively transition contracts if desired.

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[6] Includes the availability of proxy historical ZARONIA data, changes in the SARB Monetary Policy Implementation Framework (MPIF), interest rate cycles, the impact on the spread adjustment and the effect of the COVID stress period.
[7] The adjusted risk-free rate (RFR) is defined as the relevant RFR observed over the relevant interbank offered rate (IBOR) tenor and compounded daily for that period.
[8] For South African markets, this will be the date of the announcement of Jibar cessation, currently planned for December 2025.
[9] Bloomberg (September 2025). Bloomberg Indices Selected to Calculate JIBAR Fallback Rates as South Africa Transitions to ZARONIA
[10] The methodology is clear, consistent, standardised and internationally tested through offshore transitions, where it significantly reduced market disruption.

In determining whether an active transition to ZARONIA is suitable, market participants should assess internal system capabilities to accommodate the new rate and consider the legal implications involved, including any necessary documentation or amendments to contractual terms.

The MPG believes that two upcoming milestones in the current transition timeline will be catalysts for active transition:

Recommendation (R1): *Market participants are encouraged to make an active and informed decision on how their contracts are transitioned, which includes defining an approach and prioritisation strategy for repapering contracts. The approach should consider the work required to remediate in advance and how to realise economies of scale.*

Recommendation (R2): *Market participants are encouraged to familiarise themselves with the available fallback language that has been settled at industry, in particular the recommended ISDA fallback methodology, and to proactively incorporate these fallbacks into their contracts. It is imperative that the fallback mechanism is well understood, including the relevant trigger event (and whether a pre-cessation trigger is contemplated), the fallback rate and contract governing law.*

Recommendation (R3): *If not already commenced, market participants should begin either to amend contracts to incorporate enhanced fallback language, or, given the time remaining to cessation, determine if contracts can be renegotiated away from Jibar or closed out prior to end-December 2026.*

Recommendation (R4): *Market participants should consider incorporating contractual fallbacks regarding the replacement rate (e.g. ZARONIA) to prepare for when that rate may one day be unavailable or discontinued.*

'Announcement of cessation date' – When the cessation of Jibar is announced, it will set the spread for derivative trades that transition passively on cessation date, using the ISDA Fallback Protocol. The announcement date becomes the '*Spread Adjustment Fixing Date*' under the Protocol; and the spread for each Jibar tenor will be available via Bloomberg. The spread remains fixed and from this date it will be possible for derivatives users to model the economic impact of passive versus active transition on any day, using the market spread. This analysis can be done at a portfolio level or for specific trades that may be better suited for active transition. This announcement will create a clear economic link between Jibar and ZARONIA-referencing contracts, providing clarity and confidence to market participants as they discuss the active transition of legacy Jibar contracts expiring after the end of 2026 and ZARONIA-referencing contracts. As previously mentioned, adherence to the ISDA Fallback Protocol will automatically include the fallback methodology into legacy derivative contracts for parties who join. This methodology is recommended for broader transition purposes and market participants can choose to include it in their contractual fallbacks across various markets and products.

'No new Jibar' – This refers to the date set by the SARB when market participants are instructed to stop initiating new Jibar positions, save in limited exceptional cases.[11] The aim is to decrease the stock of legacy positions that will need to be transitioned on cessation date, thereby possibly reducing operational risks associated with transitioning multiple contracts. This also encourages market participants to ensure they have the internal capabilities to reference ZARONIA. Systems updates and changes required for the 'No new Jibar' milestone will help enable the active transition to ZARONIA. Current expectations are that the "No new Jibar" milestone will be effective from early May 2026.

Recommendation (R5): *Market participants are encouraged to consider the active transition of their legacy Jibar contracts as soon as possible where feasible, either to ZARONIA, using the conventions and guidance published to date, or to other rates deemed appropriate in the circumstances.*

Recommendation (R6): *Market participants should engage with contracting parties on the available transition options; seek potential legal, accounting or other external advice; and update systems to accommodate alternative rates.*

Recommendation (R7): *Market participants should consider the economic impacts of their transition strategy. As the cessation date approaches, liquidity in Jibar settings may decrease. Actively transitioning earlier may save borrowers potential costs or difficulty related to possible lower liquidity. This is particularly relevant to those who intend to use market-led strategies to transition their exposures.*

3.3 Legislative transition path

In terms of South African common law, principles such as the sanctity of contract,[12] freedom of contract and judicial non-interference are enshrined. Parliament and the legislature are therefore generally reluctant to interfere with valid agreements between contracting parties unless absolutely necessary. However, the large volume of contracts referencing Jibar that may not have been amended prior to cessation is deemed sufficiently material to warrant statutory intervention.

The Legal Workstream of the MPG has been working with the relevant Authorities on an important legislative initiative to amend the Financial Sector Regulation Act 9 of 2017 (FSR Act) to cater for the replacement of benchmarks. This legislation will apply to benchmarks – not only Jibar – but will be especially important in the context of Jibar's cessation. It will allow for the designation of replacement benchmarks in legacy contracts and introduce statutory safe harbours from liability for using these replacement benchmarks.

In terms of this draft legislation (which will be published by National Treasury as part of the usual consultation process for amending primary legislation), the SARB will be empowered to:

- designate one or more replacement benchmarks for a discontinued benchmark;
- designate an appropriate adjustment spread;
- determine any essential conforming technical, administrative, or operational changes to legacy contracts necessary for using the replacement benchmark and adjustment spread; and
- determine and designate the date from which the designated replacement benchmark applies.

In exercising these powers, the SARB may publish a notice on its website that:

- identifies and designates different categories of legacy contracts;

[11] The 'no new JIBAR' recommendations can be accessed on the MPG webpage
[12] Based on the Latin principle pacta sunt servanda – 'agreements must be kept'.

- determines that different or alternative designated replacement benchmarks, adjustment spreads, conforming changes, or SARB-designated benchmark cessation dates apply to different categories of legacy contracts; and
- determines and designates a synthetic benchmark (at a rate created to replicate the characteristics of a discontinued benchmark) as a replacement benchmark, including any necessary adjustment spread to maintain economic equivalence to the discontinued benchmark, either permanently or temporarily.

The SARB will be enabled to exercise these powers for legacy contracts that do not contain appropriate fallback provisions, or have fallback provisions that are not adequately robust. Fallback provisions are considered inadequate where they do not identify a specific replacement benchmark; do not identify a determining person; do not provide for a permanent replacement of the discontinued benchmark; or require third-party consent that has not been obtained by the benchmark cessation date.

In addition, fallback provisions based on discontinued benchmarks (except to account for the difference between the discontinued and replacement benchmarks), or that require someone other than a benchmark administrator to conduct polls, surveys, or inquiries for quotes or information concerning interbank lending or deposit rates, must be disregarded and will be deemed to have no force or effect. Where fallback provisions empower a determining person to select an appropriate replacement rate and that has not happened either by the cessation date of the benchmark or the date specified in the contract, then the legislative provisions will also apply.

Since contractual certainty is imperative between parties to avoid unintended consequences, if the legislative provisions apply to the legacy contract, certain safe harbours are provided so that this does not constitute a breach of contract, nor allow for unilateral termination or suspension of performance under the contract. This means that the legacy/existing contract will continue to be of full force and effect, with references to the benchmark that has ceased being read as a reference to the designated replacement benchmark by operation of law (and without the parties needing to take any further action).

The effect of the legislative provisions is that where a legacy Jibar contract has not been actively transitioned and continues to reference Jibar, then upon its cessation, the legislative provisions will apply to the extent that no fallbacks have been agreed between parties, or where fallbacks have been included but are not sufficiently robust to create the necessary contractual certainty. If fallbacks have been agreed between parties or a required majority (depending on the contractual requirements), then those fallbacks will continue to apply except in the limited circumstances referenced above (i.e. fallbacks are based on discontinued benchmarks or require polls, surveys or inquiries for quotes).

The SARB is empowered to designate replacement benchmarks by notice on its website, following appropriate consultation. In the context of the Jibar transition, the intention is that a number of designated benchmarks will apply, depending on the nature of the product and, in some instances, the nature of the customer (such as retail customers). At this stage and without limitation, the intention is that replacement benchmarks will be designated for legacy:

- derivatives trades;
- cash market products; and
- retail home loans.

The replacement rate designated by the SARB will likely align closely with the recommendations made to date. For example, it is expected that the legislative replacement rate for derivatives will align with the ISDA Protocol fallback methodology, which has already been subject to a rigorous public consultation process.

The legislative provisions detailed above are often described as being available for ‘tough legacy’ positions. The term ‘tough legacy’ was coined under the LIBOR transition to designate those contracts or positions that ‘had no reasonable prospect’ of being transitioned in time (for example, non-performing loans or contracts requiring

unanimous consent across several parties). The draft legislation (as proposed) does not distinguish legacy positions based on some intrinsic characteristics related to the difficulty associated with transitioning. Instead, the legislative provisions will apply automatically to all those legacy Jibar contracts that do not contain fallbacks or contain fallbacks that are not sufficiently robust or adequate, considering the factors listed above. This means that there is no limitation on the legislation applying to contracts that incorporate a discontinued benchmark, and parties do not need to prove that the contract was especially difficult to transition. Parties could thus elect to not take any action to actively transition trades referencing Jibar, nor to passively transition by the inclusion of the relevant fallback language but instead wait for the legislative provisions to apply.

The MPG does not recommend a large-scale transition relying on the legislation, as this may expose the parties to some residual risks, for example:

- the risk of supervisory censure for not taking timely and appropriate steps to transition;
- timing issues in finalising legislation or the associated notices published pursuant to the legislation, which could delay designation of replacement rates and any associated spreads that may apply to specific positions of market participants, with the result that it may not be possible to timeously build the required infrastructure to cater for the replacement rate (current indications are that the legislative provisions and associated guidance will be available by September 2026);
- lack of choice around the replacement rate and its associated economic consequences, essentially losing the ability to choose the most appropriate rate in the specific circumstances;
- potentially introducing risk where the legislative fallbacks for package transactions differ (for example, a loan and the underlying hedge could reference different replacement rates; this risk will be heightened where, for example, a synthetic Jibar rate is deemed appropriate for one transaction in the package but not another); and
- the same operational risks which apply in a passive transition exist, since the legislative provisions will read in the designated replacement benchmark upon cessation of the discontinued benchmark (or the next fixing date).

The proposed legislative solution is an important tool in the transition arsenal that is available to market participants. However, the MPG reiterates that the most robust transition is likely an active one, where parties can design a transition that is most appropriate to their needs and those of their contracting parties and proactively limit their Jibar exposures. The legislative solution will be an important resource where parties have been unable to transition despite their efforts or where the limited extent of exposures does not justify taking any additional steps. This will need to be determined on a case-by-case basis, taking into account all relevant circumstances.

Table 1: Considerations for market participants when determining their transition approach strategy

Considerations	Active transition	Passive transition	Legislative
Consistency with existing RFR market conventions	Maintains consistency with current market conventions for new ZARONIA products and allows parties to retain economic control over their contracts.	Methodologies for fallen back trades may be inconsistent, since they are subject to negotiation.	Likely adopts conventions that participants are accustomed to. The SARB must undertake a consultation process before designating replacement rates.
Resource requirements	**Demanding.** Requires identification of impacted contracts, outreach and active renegotiation.	**Less demanding** for derivatives due to ISDA Fallback Protocol. For other positions, potentially demanding as contractual amendment is required (parties could elect to proactively include appropriate fallback language in all contracts).	**Low intensity.** Market participants can rely on the automatic application of legislation to legacy contracts in defined circumstances, without needing to undertake remedial action.

System development	**Demanding.** The ability to calculate repayments based on ZARONIA convention incorporated contractually is a precondition.	**Less demanding.** System development can be delayed until cessation date or other trigger event.	**Less demanding.** System development can be delayed until legislative provisions apply (on cessation date or the next interest rate reset).
Operational risk	Individual amendments can give rise to operational risks, but less so compared to a 'big bang' approach.	Possible cliff edge effects if a large number of contracts transition at the same time. Risks may be concentrated around cessation date.	Possible cliff edge effects if a large number of contracts transition at the same time. Risks may be concentrated around cessation date.
Trading cost	Charges could be incurred to close and rebook positions.	Will become known in derivatives markets once the ISDA fallback spread is fixed.	Unknown.
Alignment with hedges	Loans and associated hedges can be renegotiated together to maintain alignment.	Imperfect alignment between hedges and underlying exposure (different asset classes may have different fallbacks) when the ISDA fallback is adhered to (unless parties proactively include different fallbacks).	Imperfect alignment between hedges and underlying exposure (different asset classes will likely have different designated replacement rates).
Retain economic control	**Full control.**	**Limited control** (e.g. for derivatives, the ISDA Fallback Protocol will automatically apply once adhered to if no other action is taken. Market spread and CAS may diverge).	**No control.** Once the legislative provisions apply, market participants cannot contract out of them. This risk is minimised as sufficient visibility will be provided regarding designated replacement rates and market acceptable alternatives likely to be legislated (ZARONIA plus CAS in most instances).
Client communication/ outreach	Significant effort required to identify impacted contracts, renegotiate contracts and ensure that contracting parties understand their options and the impact.	May be required to support contracting parties to understand the options available (such as adhering to the ISDA protocol or incorporating other passive language) and their impact.	No mandatory outreach, although recommended as best practice.
Contractual certainty	**High.** Market participants renegotiate contracts to their preferences.	**Medium**. Fallbacks may not be sufficiently robust and could be open to dispute. Not all passive language has been rigorously tested or applied previously and outcomes may be uncertain.	**Medium**. Legislative solution aims to enhance contractual certainty through safe harbour provisions; however, market participants cannot select their preferred benchmark replacement rate (the SARB designates the replacement rate, which then applies automatically in certain circumstances).
Supervisory approaches	Likely preferred as market participants are taking active steps to reduce their reliance on Jibar before cessation.	Some mechanisms like the ISDA Fallback Protocol have received widespread market support and this is likely an acceptable approach for most derivatives positions.	Less preferred. Unlikely to be a satisfactory mechanism to transition entire portfolios, but available in needed. Parties should proactively assess their exposures and take a risk-based approach in line with internal risk appetite.

3.3.1 Synthetic Jibar

It is the SARB's stated intention that the majority of Jibar exposures be transitioned to ZARONIA, which is deemed adequately robust and compliant with the International Organization of Securities Commissions (IOSCO) principles for benchmarks. This suggests that all legislatively designated replacement rates will likely incorporate and reference ZARONIA in some form. However, there may be limited circumstances where the SARB may designate the use of

synthetic Jibar.[13] This is expected to be restricted to usage in the retail market only and market participants are advised to be cautious about decisions that assume the continued ability to reference Jibar synthetically after December 2026. It will not be possible to actively select synthetic Jibar in other types of contracts; the intention is that it applies only to contracts where synthetic Jibar is specifically designated as the replacement rate.

Amendments to the FSR Act described above are intended to take effect prior to the cessation of Jibar and the relevant notices regarding designated replacement rates should be published by [**Q4 2026**]. Even with the safety net of the legislative solution providing contractual certainty and continuity, it may still be wise to inform contracting parties of the impact of automatic application to this legislation where an active transition has not occurred, or fallbacks are not included or deemed insufficient. Market participants should also assess the fallback language included in their contracts to determine if there are any requirements (such as requirements for a poll) that may render these fallbacks inadequate.

Recommendation (R8): *Market participants are encouraged to keep abreast of developments relating to the amendments referenced above and in relation to the designation of any specific replacement rate and the implications on specific positions.*

Recommendation (R9): *Market participants should ensure that the fallback provisions already included in contracts do not conflict with the robustness requirements set out in the draft legislation, as this could result in those provisions being considered unenforceable and the legislative provisions applying instead.*

Recommendation (R10): *Market participants should not view the legislative solution as a 'silver bullet' for the transition and should consider some of the risks referenced above (including the potential inability to align the treatment of exposures across asset classes where different benchmark replacement rates may be designated).*

4. Product specific recommendations

Having set the scene regarding the general transition approaches available, along with relevant considerations for each approach, the document now turn to product-specific recommendations from the respective workstreams. Each recommendation below is based on consultation within the respective workstreams and reflects widespread support from respondents. It is important to note that, in all instances, market participants are encouraged to understand their exposures and to actively transition where possible. Where this is not feasible, participants should ensure their contracts include robust language that allows them to retain economic control over the outcomes of the transition as much as possible, or ensures their contractually (or legislatively, as applicable) incorporated fallback provisions align with the systems specifications developed.

5. Recommendations for derivatives market

The Derivative Workstream (DWS) of the MPG has collaborated closely with industry stakeholders and other MPG workstreams to establish the necessary conditions for the adoption of ZARONIA-based derivatives. These efforts have resulted in the publication of market conventions for linear, non-linear and basis derivatives, as well as recommendations regarding the commencement of a ZARONIA First initiative. Since the inception of the ZARONIA First initiative, liquidity in ZARONIA-based derivatives has steadily increased, with the monthly traded notional on UK-based clearing house entity LCH Limited's (LCH) SwapClear accelerating from R3 billion before the initiative to nearly R100 billion by July 2025. The use of ZARONIA in new derivatives positions is well underway.

[13] The methodology underpinning 'synthetic JIBAR' has not yet been finalised.

The MPG's reform plan is now approaching a critical juncture. While the 'new' use of ZARONIA in derivatives can proceed using the various published conventions, the transition of legacy derivative instruments from Jibar to ZARONIA requires careful consideration. The DWS, together with the Transition Workstream (TWS) of the MPG, formed a dedicated subworking group (WG) and began a process to develop detailed recommendations for the transition of derivative instruments. The discussions considered current market structure, linkages to the cash market, infrastructure availability and the MPG's timelines. The recommendations[14] are outlined below and are intended to serve as a resource for market participants to support the derivative transition from Jibar to ZARONIA.

5.1 Gross notional exposure recommendation

To encourage the adoption and transition from Jibar-based derivatives to ZARONIA, the WG has proposed that firms to reduce the gross notional exposure of Jibar-based derivatives. This recommendation is intended to prevent a large volume of Jibar-based trades from requiring transition close to the planned cessation date in December 2026. The key points of the WG's notional reduction recommendation are as follows:

- **Measurement commencement date:** 30 April 2026.
- **Measure:** The gross notional exposure (defined as the absolute value of notional) of Jibar-based derivatives that have not been actively transitioned into ZARONIA.
- **Measurement tool:** The MPG's monthly trade survey may be used by supervisors as required.

Recommendation (R11): *From 30 April 2026, firms are requested to show a consistent reduction in the gross outstanding notional of Jibar-based derivatives compared to their December 2025 measure, as defined above.*

5.1.1 Compression as a tool to reduce gross notional exposure

Multilateral compression involves the early termination of existing trades and serves as an efficient mechanism for firms to reduce their gross notional in both cleared and uncleared derivatives.

Firms can apply various compression methodologies that align with their needs and technical capabilities. Basic compression includes fully terminating a trade or reducing the notional value of an existing trade. For multilateral compression runs in a clearing house, more advanced compression methods – such as adjusting the coupon rate, start date, or end date – typically lead to significantly higher compression efficiency.

As at September 2025, the ZARONIA population in the cleared space is still low, but this is expected to change in the coming months when the 'No new Jibar' directive is issued. As ZARONIA liquidity builds, benchmark conversion of trades from Jibar to ZARONIA can be implemented during the multilateral compression runs for firms able to price ZARONIA template trades. This development will further enhance the compression efficiency of the Jibar population.

Similarly, in the uncleared space, multilateral compression remains key to reducing the outstanding Jibar population. In addition, firms may engage service providers to further reduce their uncleared Jibar exposure through innovative mechanisms, such as multilateral backloading of uncleared trades into clearing. For firms and certain products that do not clear, multilateral conversion of interest rate swaps (and cross-currency swaps) into ZARONIA remains an option. To minimise the impact of converting uncleared trades, a fallback spread can be added to the converted ZARONIA trades. A key requirement for these conversion runs is the determination of Jibar fallback rates, expected by the end of 2025 (see INTERNATIONAL Swaps and Derivatives Association below). Market infrastructure

[14] Prior to formulating these transition recommendations, the subworking group (WG) conducted a comprehensive study of benchmark reform paths in various jurisdictions that have occurred over the past five years. The jurisdictions examined included the United States (US), Singapore, United Kingdom (UK), Mexico, Canada and Israel.

providers such as OSTTRA MarkitWire can be used to facilitate post-cycle processing of these runs, further streamlining the operational processes for firms.

For intra-entity and intra-group trades, firms can schedule ad hoc compression runs to leverage the compression mechanism offered by their service providers. By reducing the number of trades, firms can minimise the impact on their operational teams and technology infrastructure.

A preliminary compression timetable is shown in Error! Reference source not found.. Compression providers will announce more specific compression run dates in early 2026.

Table 2: Preliminary compression cycle timeline

Date	Compression event
2026Q1 onwards	Cleared compression cycles
May 2026	**No new Jibar**
2026Q2 onwards	Uncleared compression cycles
2026Q3 onwards	Cleared and uncleared compression cycles
2026Q3	Backloading of uncleared trades onto clearing houses (if required)
December 2026	**Jibar cessation**

Recommendation (R12): *Firms are encouraged to proactively adopt and utilise compression opportunities to reduce gross notional exposure ahead of the cessation event (January 2026 onwards). When doing so, it is imperative that all firms consider any attendant hedge accounting consequences of compression and consult with their accountants and advisors as necessary.*

5.2 International Swaps and Derivatives Association Fallback Protocol

Fallback methodology: In March 2025, following a consultation process, the MPG published a recommendation for Jibar fallback provisions.[15] The recommendation specified that, where appropriate, the MPG suggests using the ISDA Fallback Protocol for amending existing Jibar transactions, including fallbacks to maximise participation in the Jibar transition and to eliminate the need for market participants to renegotiate derivative and other 'covered' contracts bilaterally. The fallback methodology addresses the difference between Jibar and compounded ZARONIA using a historical median of observed differences over a five-year lookback period. The approach aligns with the standard fallback methodology for other fallbacks published by BISL and included in ISDA documentation. Following this publication, ISDA incorporated the methodology into its fallback provisions under its updated 2021 ISDA Interest Rate Derivatives Definitions and the April 2025 benchmark module to the 2021 fallbacks protocol (see below). In April 2025, BISL, began publishing the official ISDA IBOR Fallback for Jibar (ZAR Jibar). This covers the adjusted RFR, spread adjustment and 'all-in' fallback rates.[16]

Updated 2021 ISDA Interest Rate Derivative Definitions: In April 2025, ISDA published the updated 2021 interest rate derivative definitions to include Jibar fallback provisions (see [9]). This means that any Jibar-based derivative contract traded on or after 25 April 2025 that incorporates the 2021 ISDA Definitions will automatically reference Jibar with embedded fallback provisions. Upon cessation of Jibar, these contracts will migrate to a BISL-published ZARONIA-based fallback. The updated definitions do not apply to contracts traded before 25 April 2025.

[15] SARB (March 2025). Jibar transition and fallback credit adjustment spreads for the South African interest rate market.
[16] ISDA (April 2025). IBOR Fallbacks: Introduction of additional ISDA IBOR Fallbacks.

Updated 2021 Fallback Protocol: In April 2025, ISDA also published an updated 'benchmark module' to its 2021 Fallback Protocol.[17] This module amends Jibar-based contracts that do not currently reference the new fallbacks to ZARONIA – specifically, Jibar-based contracts entered into prior to 25 April 2025. This protocol is effective only if both counterparties adhere to it. Adherence to the protocol provides an efficient way to amend contracts with willing counterparties. By adhering to the protocol, any Jibar-based derivative contract traded before 25 April 2025 will automatically reference Jibar with fallback provisions and, upon Jibar's cessation, migrate to a BISL-published ZARONIA-based fallback. Note that the ISDA Fallback Protocol allows for the exclusion of a subset of trades from the protocol.

Adherence to the protocol is available to both ISDA members and non-members. Adherence can be completed online via the following link, where you can also find a full list of legal entities that have already adhered.

Additionally, ISDA has published a document summarising a product table that describes the conversion mechanics for various product sets.[18] Further details are provided in the next sections of this document.

Recommendation (R13): *To support an efficient transition of legacy contracts, firms are requested to review their adherence to the ISDA Fallback Protocol no later than June 2026.*

5.3 Linear interest rate derivatives

Jibar-based linear derivatives are traded bilaterally or through clearing houses.

Bilateral derivative exposure occurs when two parties trade derivatives directly, with each party bearing the other's counterparty risk. According to SARB statistics, the notional value of bilateral (uncleared) linear derivatives as at 30 June 2025 was R17.8 trillion. See summary in Table 3 gives a breakdown of the outstanding notional of uncleared Jibar-based derivatives as reported by South African banks.

[17] ISDA (April 2025). ISDA 2021 Fallbacks Protocol – April 2025 benchmark module.
[18] ISDA (October 2021). RFR Conventions and IBOR Fallbacks – Product Table.

Table 3: Outstanding notional (ZAR billions) of uncleared linear derivatives as reported by South African banks

Tenor ▶ / Reported counterparty ▼	0–1y	1–2y	2–3y	3–4y	4–5y	5–10y	10–15y	15–30y	30+y
Bank	3 871	1 358	606	461	448	696	236	193	-
Insurer	132	50	38	35	37	89	80	49	-
Hedge Fund	2 260	714	181	128	80	132	1	8	-
Asset Manager	2 648	1 028	193	179	131	78	13	11	-
Corporate	136	96	73	37	38	102	11	5	-
Other	3 871	1 358	606	461	448	696	236	193	-

Source: SARB

Cleared derivatives are financial contracts that are transferred to and guaranteed by a CCP after the original two parties agree to a trade. The CCP becomes the buyer to every seller and the seller to every buyer, which helps reduce counterparty risk. This central clearing process involves the CCP taking margin, or collateral, from clearing members to cover potential losses, ensuring market stability and increased transparency. Jibar-based derivatives are primarily cleared through the LCH's SwapClear and the Chicago Mercantile Exchange (CME).

The gross outstanding notional of Jibar-based cleared linear derivatives was R105 trillion as at June 2025. Table 4 provides a breakdown of the gross outstanding notional of cleared Jibar-based linear derivatives:

Table 4: Gross outstanding notional (ZAR billions) of cleared linear derivatives: June 2025

Tenor ▶ / Clearing house ▼	0–1y	1–2y	2–3y	3–4y	4–5y	5–10y	10–15y	15–30y	30+y
LCH	64 475	20 251	5 318	3 918	4 744	6 038	833	228	1
CME	227	131	111	164	46	35	0	0	0

Sources: LCH and CME

5.3.1 Transition – Bilateral interest rate derivatives (linear)

The transition of bilateral Jibar-based derivative contracts from Jibar to ZARONIA can be achieved by participants signing up to the ISDA Fallback Protocol, resulting in a passive transition of contracts.

Illustrative booking methodology: According to the methodology for fallbacks in ISDA documentation, original payment dates are preserved for bilateral transactions. All resets after Jibar ceases (presumed on 31 December 2026) will reference the Bloomberg 3-month Jibar fallback as outlined in INTERNATIONAL Swaps and Derivatives Association. Table 5 presents an example:

Table 5: Illustrative reset application: Transitioned ZARONIA swap using a ZAR holiday calendar

Original trade end date: 17 September 2030							
Reset date	**17-Mar-2025**	**…**	**17-Sep-2026**	**17-Dec-2026**	**17-Mar-2027**	**…**	**18-Jun-2030**
Original payment date (and amended payment date)	**17-Jun-2025**	**…**	**17-Dec-2026**	**17-Mar-2027**	**17-Jun-2027**	**…**	**17-Sep-2030**
Original floating Jibar	3m Jibar	…	3m Jibar	3m Jibar	3m Jibar	…	3m Jibar
BISL record date	N/A	…	N/A	N/A	**17-Mar-2027**	**…**	**18-Jun-2030**
BISL publication date	N/A	…	N/A	N/A	**14-Jun-2027**	**…**	**13-Sep-2030**
Amended floating reference	3m Jibar	…	3m Jibar	3m Jibar	**BISL 3m Jibar fallback***	**…**	**BISL 3m Jibar fallback***

* As per the ISDA IBOR Fallback Guidance[19]

"The IBOR fallbacks are implemented in the ISDA Definitions as 'screen rates' rather than a form of 'calculated rate'. A screen rate requires no input from the Calculation Agent to determine the rate; the rate is observed from a specified source at a specific time/day. In contrast, a calculated rate requires the Calculation Agent to make a calculation to determine the rate using a specified formula or methodology. Under the ISDA Definitions, if the IBOR fallbacks apply and are triggered, the rate for a Reset Date will be determined based on the fallback rate that has been published by BISL as of the cut-off time on the Fallback Observation Day (i.e. the date that is two payment Business Days prior to the Payment Date):

- *if the fallback rate for the relevant Original IBOR Rate Record Day which corresponds to the IBOR fixing date is published by BISL as of the cut-off time on the Fallback Observation Day, then that fallback rate will apply; and*
- *if the fallback rate for the relevant Original IBOR Rate Record Day which corresponds to the IBOR fixing date has not been published by BISL as of the cut-off time on the Fallback Observation Day, then the fallback rate for the most recent Original IBOR Rate Record Day that has been published by BISL as of [the cut-off time on that Fallback Observation Day will apply, notwithstanding that such day does not correspond to the IBOR fixing date].*
- *This ensures that parties know the rate that applies and therefore the amount to be paid at least two payment Business Days before payment needs to be made.*
- *The cut-off time on the Fallback Observation Day will apply notwithstanding that this Original IBOR Rate Record Day does not correspond to the IBOR fixing date."*

Active transition: As mentioned above, an active transition is generally considered preferrable to a passive transition in many instances. This aligns with the recommendations from offshore transition journeys.[20] These considerations have been incorporated into the broader MPG plan, which positions active transition as the preferred method. Some relevant benefits of an active transition in derivative markets include:

- enabling parties to maintain economic control over contracts;

[19] ISDA (September 2022). Bloomberg published Fallback Rates: Interaction between RFR publications, IBOR Fallback publications and the ISDA Definitions.
[20] Bank of England (BoE). Active transition of legacy GBP LIBOR contracts.

- ensuring a contract remains consistent with current market overnight index swap (OIS) conventions (a 2-day backward shift methodology is applied with the fallbacks in ISDA documentation);
- allowing a contract to be backfilled for clearing (fallen back trades are not eligible for clearing);
- permitting contractual changes to be implemented over a longer period, potentially reducing concentrated operational risk;
- allowing hedges to be transitioned in a more bespoke manner; and
- operating relatively efficiently (with reduced potential charges) if implemented after the crystallisation of the spread in fallbacks published by BISL.

Recommendation (R14): *Firms should generate and maintain a summarised counterparty exposure report for all bilateral Jibar-based derivative inventory.*

Recommendation (R15): *Firms should regularly monitor the list of ISDA protocol adhering counterparties. Non-adhering parties should be engaged well before the intended cessation date to discern transition intention – it may be possible to agree to the protocol provisions bilaterally. ISDA protocol adhering parties should also be contacted to confirm transition ahead of any trading system changes.*

Recommendation (R16): *The MPG recommends an active transition approach rather than relying solely on the ISDA Fallback Protocol. However, a crystallised ISDA spread can serve as a valuable active transition mechanism by enabling a comparison of the economic outcomes of relying on the ISDA protocol versus an active transition using the market spread.*

Recommendation (R17): *For contracts transitioned passively, the MPG recommends the ISDA Fallback Protocol as the standard transition mechanism for bilateral linear derivatives – once adherence is activated by both counterparties to a derivative, this mechanism amends all derivative resets observed post the cessation date to ZARONIA-based, using the BISL published adjustment spread. Where a counterparty has not adhered to the Protocol, parties may still agree to incorporate the fallback provisions bilaterally in the relevant confirmations.*

5.3.2 Transition – Cleared interest rate derivatives (linear)

Trades executed through a CCP are generally governed by a rule book that addresses the transition from interbank offered rates to alternative, overnight risk-free rates. Representatives from the respective clearing houses contributed to drafting the recommendations in Table 6. The following matters were discussed:

Key CCP events: Two key events are relevant within the transition timeline:

Table 6: CCP events within the transition timeline

Event	Date	Dependency
Price Alignment Interest (PAI/PAA) and discounting switch event: It is expected that CCPs will migrate to using ZARONIA for PAI and a ZARONIA curve for discounting purposes. This event does not impact on coupon payments, which remain linked to Jibar. This switch will place ZARONIA-based derivatives in a clean discounting regime (i.e. single yield curve used to project and discount cash flows)	Mar 2026 – Jul 2026	N/A
Conversion event:* Ahead of Jibar cessation, CCPs will perform a conversion event, migrating Jibar swaps to ZARONIA. The migration will make use of the spread in fallbacks published by BISL.	Oct 2026 – Dec 2026	Cessation date is known with certainty

** A CCP conversion event is normally preceded by a dress rehearsal conducted within a system test environment 1–2 months before the event.*

Booking methodology: CCPs will implement a sequence of trade bookings to effect transition. These booking methodologies are likely to differ between the respective CCPs and may include:

- terminating legacy Jibar trades;
- rebooking legacy trades as ZARONIA equivalents; and
- using overlay bookings to preserve Jibar fixings that occurred before the cessation date.

It is important to note that CCPs will apply transition amendments to legacy Jibar trades with slight variations from what is described in **Transition – Bilateral interest rate derivatives (linear)**. Table 7 outlines an illustrative example.

Table 7:Illustrative net reset application of a CCP transitioned swap using a ZAR calendar

Original trade end date: 17 September 2030							
Original reset date (Original and amended accrual start date)	**17-Mar-2025**	…	**17-Sep-2026**	**17-Dec-2026**	**17-Mar-2027**	…	**18-Jun-2030**
Original payment date (Original and amended accrual end date)	**17-Jun-2025**	…	**17-Dec-2026**	**17-Mar-2027**	**17-Jun-2027**	…	**17-Sep-2030**
Original floating Jibar	3m Jibar	…	3m Jibar	3m Jibar	3m Jibar	…	3m Jibar
Amended payment date	17-June-2025	…	21-Dec-2026	17-Mar-2027	**21-Jun-2027**	…	**19-Sep-2030**
Amended floating reference	3m Jibar	…	3m Jibar	3m Jibar	**3m comp ZARONIA + CAS***	…	**3m comp ZARONIA + CAS***

**CAS: Crystalised credit adjustment spread as per fallbacks published by BISL*

Compensation: Previous CCP transitions in other jurisdictions have featured both compensated and non-compensated switches in various contexts. For **conversions**, the relevant CCPs are expected to compensate for account-level net present value (NPV) differences between the legacy trades and their ZARONIA equivalents, such as those resulting from a change in payment date; and these are expected to be minimal. CCPs are not expected to provide compensation for account-level NPV differences following the **discounting switch event**.

Detailed methodologies: At the time of publication, official transition details for the respective CCPs were not yet available. CCPs are, however, likely to publish transition details once all consultation and governance processes have been concluded.

Recommendation (R18): *Firms holding Jibar-based inventory through CCPs are requested to familiarise themselves with the transition procedures of the relevant CCPs, including timelines and operational requirements.*

Recommendation (R19): *Firms originating transactions in the uncleared space and hedging in the cleared space should adequately prepare for a potential mismatch in discounting regimes resulting from the CCP discounting switch event (March 2026 – July 2026).*

Recommendation (R20): *Firms holding Jibar-based inventory through CCPs should not rely solely on the conversion event to effect transition – a combined strategy of early ZARONIA adoption (minimising the build-up of Jibar inventory), compression and the actual conversion event is recommended.*

5.3.3 Transition – Derivatives traded as a package with cash instruments (linear)

Jibar-based derivatives are frequently traded bilaterally in conjunction with cash instruments. These derivatives transform the interest rate profile of a cash instrument from floating to fixed or vice versa and are typically transacted as a package by one end user with one or more derivative providers. As a result of this dependency, firms (predominantly non-bank participants) may request the simultaneous transition of both cash and derivative instruments. Historically (within other jurisdictions), these derivatives have generally required a concerted effort to transition and can generally be classified as 'tough legacy contracts'.

For these classes of instruments, it may be impractical to maintain all the exact transition mechanics described in the preceding sections. Nevertheless, important features of the derivative transition, such as the recommended fallback spread, can support an efficient transition of this class of instruments. This class of derivative may require the following considerations:

- Cash market instrument remediation as a trigger to remediate the derivative.
- Customisation of the derivative to match a cash instrument.
- Possible remediation into an alternative rate (e.g. Prime, Licensed Term Reference Rate).
- Coordination with a broader syndicate to effect remediation.
- Specific exclusion of these instruments from the ISDA Fallbacks Protocol.

Recommendation (R21): *Firms are encouraged to create a combined Jibar derivative/cash inventory list when these instruments are traded as a package with a participant (January 2026).*

Recommendation (R22): *Firms should aim to transition these instruments as a package and, where necessary, match conventions between cash and derivative instruments. The MPG recommends using the ISDA fallback spread as a consistent mechanism for transitioning these package transactions if migrating to an overnight ZARONIA rate is sought. To facilitate ease of transition, firms may consider effecting this transition on a reset date. (January–December 2026).*

Recommendation (R23): *The MPG recommends an active approach to transitioning cash-dependent derivatives, taking into account bespoke parameters, including the potential use of alternative rates (if appropriately licensed for use).*

5.4 Non-linear interest rate derivatives

Within the South African interest rate derivative market, caps, floors and Swaptions form the majority of transacted non-linear derivatives. Jibar-based non-linear derivatives are generally transacted bilaterally with counterparties as there is currently no clearing capability available for Jibar-based non-linear derivatives.

5.4.1 Caps and floors

The transition of caps and floors from Jibar to ZARONIA using the ISDA protocol follows a similar approach to bilateral linear interest rate derivatives. Refer to Error! Reference source not found.**Transition – Bilateral interest rate derivatives (linear)** for an illustration of the reset application of a transitioned cap and floor.

Annex B of the RFR Conventions and IBOR Fallbacks – Product Table mentioned above[21] provides useful information about the transition mechanics of cap and floor instruments. The recommendations provided in **Transition – Bilateral interest rate derivatives (linear)** should be seen as applicable for cap and floor instruments as well.

It is important to note that underlying implied volatility for overnight compounded ZARONIA caps and floors may differ from the implied volatility of Jibar caps and floors. In addition,, ZARONIA-based caps and floors embed an effective increase in time to expiry due to dependency on each observed overnight rate within a reset period – combined, these factors can potentially result in a value transfer.

Recommendation (R24): *Firms holding Jibar-based caps and floor inventory are requested to quantify the potential impact of transitioning cap and floor instruments. To mitigate any unintended impact, firms are requested to actively transition cap and floor instruments (January 2026).*

5.4.2 Swaptions

Within South Africa, Swaption contracts referencing Jibar-based swaps are generally traded bilaterally under a credit support annexure (CSA). Market trading conventions typically effect exercise of a Swaption physically via a clearing

[21] ISDA (October 2021). RFR Conventions and IBOR Fallbacks – Product Table.

house. The transition of Swaption contracts requires careful consideration given the potential for differing discounting regimes between a CSA (Swaption) and CCP (physical exercise onto CCP).

ISDA Definitions – Swaptions: On 30 March 2020, ISDA published amendments to its 2006 definitions via Supplement 64.[22] These amendments allowed parties to specify a discount rate in Swaption confirmations for which 'Cleared Physical Settlement' or 'Collateralised Cash Price Settlement Method' is applicable. The updated provisions from Supplement 64 were then substantively incorporated into the 2021 ISDA Interest Rate Derivatives Definitions.[23] This change of CCP discounting rate impacts on the value of certain Swaptions. Given the expected discounting rate/PAI change to ZARONIA by CCPs, (see **Transition – Cleared interest rate derivatives (linear)**), similar considerations may be applicable for Jibar Swaptions.

Discounting Swaptions generally requires two curves to be considered. The curve specified by the bilateral CSA between the parties is used for discounting the Swaption payoff from the expiry date to today. The CCP discounting curve is used for the underlying swap in payoff calculations.

Under Cleared Physical Settlement, where a mutually agreed clearing house is specified, the underlying swap will be cleared at that mutually agreed clearing house. Any change in the discounting rate at the clearing house may change the value of that swap compared to its value had discounting remained calculated using the original rate.

Supplement 64 addresses this by introducing the concept of an 'Agreed Discount Rate', which can be specified in a confirmation, coupled with an obligation for certain Swaptions to provide compensation if this Agreed Discount Rate differs from the discounting rate/PAI of a specified CCP. This confirmation field can be populated for any Swaption that applies 'Cleared Physical Settlement' or 'Cash Settlement – Collateralised Cash Price', or for any transaction that includes an Optional Early Termination right (OET) or Mandatory Early Termination (MET) and applies 'Cash Settlement – Collateralised Cash Price'.

ISDA published a Guidance Note[24] to accompany the publication of Supplement 64, providing a comprehensive overview of its mechanics.

The Supplement will only apply to transactions that incorporated the 2006 ISDA Definitions where the trade date was on or after 30 March 2020. It will not apply to legacy transactions unless the parties amend those transactions to apply Supplement 64. Any transactions that incorporate the 2021 ISDA Interest Rate Derivatives Definitions will have substantively equivalent provisions applicable compared to those in the Supplement.

Other Swaption fallback considerations: As there is no screen-based Swap Rate available and applicable for Cash Settlement of Jibar-based Swaptions, there are no additional Swap Rate fallback considerations required in this transition as were required in other jurisdictions. For example, those where the ICE Swap Rate or Tokyo Swap Rate screen rates were specified as the Settlement Rate for purposes of Cash Settlement.

Considerations for post-cessation exercise of Jibar Swaptions where Cleared Physical Settlement is applicable: Where Jibar Swaption positions remain open post-cessation, there are additional factors to consider with regards exercise processing:

- Following any future cessation of Jibar or following a CCP's own Jibar cleared trades conversion event, a CCP may no longer accept for clearing a Jibar-based fixed vs floating interest rate swap.
- If a Jibar Swaption, where Cleared Physical Settlement is applicable, is exercised after the mutually agreed clearing house no longer accepts swaps with the terms of the underlying swap for clearing, then fallback to Cash Settlement may apply.
- Alternatively, parties may agree at exercise to clear a ZARONIA-based self-compounding OIS with broadly equivalent economic terms as the original Jibar-based underlying swap and agree and settle any additional cash compensation consideration bilaterally.

[22] ISDA. Supplement number 64 to the 2006 ISDA Definitions.
[23] ISDA (June 2021). 2021 ISDA Interest Rate Derivatives Definitions InfoHub.
[24] ISDA (April 2020). Swaptions: 'Agreed Discount Rate' – Supplement to the 2006 ISDA Definitions.

- OSTTRA MarkitWire (used by market participants for trade processing and workflow solutions) has developed optional functionality to facilitate the simultaneous amendment of an IBOR-based underlying swap into an RFR-based equivalent at the point of an IBOR Swaption exercise, supporting the ongoing management of exercise processing for legacy USD LIBOR Swaption portfolios. MarkitWire has communicated plans to extend this functionality to facilitate the simultaneous amendment of a Jibar-based underlying swap into a ZARONIA-based equivalent OIS when a Jibar Swaption is exercised on the MarkitWire platform, where the parties elect to do so.

Multilateral switching programmes: Successful migration of Swaptions in other jurisdictions has relied on multilateral switching programmes, which coordinated between dealers to switch legacy IBOR-based Swaptions into Overnight RFR-based Swaptions. The WG will attempt to engage these switching providers to offer similar functionality for participants switching Jibar-based Swaptions into ZARONIA and will communicate any initiation of such programme via the MPG.

Recommendation (R25): *Firms holding Jibar-based Swaption inventory are requested to familiarise themselves with the relevant ISDA definition changes pertaining to the transition of Swaptions. Firms who transact new Jibar-based Swaptions in the interim should ensure that they bilaterally agree and include the pertinent trade parameters to support a more efficient transition of these Swaptions (January 2026).*

Recommendation (R26): *Firms holding Jibar-based Swaption inventory are requested to compile an inventory list of Swaptions, summarising the applicable ISDA regime for each transaction. For transactions traded before 30 March 2020, the mechanics needed to effect the transition (such as the definitions and provisions related to the terms 'Agreed Discount Rate', 'Mutually Agreed Clearing House' and 'Cleared Physical Settlement') may either be absent, or vary over time, depending on the Supplements incorporated and may create additional challenges for the transition (January 2026).*

Recommendation (R27): *In line with the MPG's general transition approach to transition and given the lack of an associated ISDA protocol (as is the case for linear derivatives) to support this transition, the MPG strongly recommends an active transition strategy. Firms are requested to prepare for bilateral negotiations, including potential compensation using the established ISDA parameters. Firms are also encouraged to make use of multilateral switching programmes as a means to transition, should these become available (January 2026 onward).*

5.5 Credit support annexures

Bilateral derivative transactions are often supported by CSAs to mitigate credit risk. In the South African context, these CSAs are underpinned by a remunerated rate on ZAR collateral variation margin that references the South African Futures Exchange overnight (SAFEX o/n) rate. The choice of remuneration rate within the CSA also determines the discounting curve used to value the referenced derivative.

Historically, the SAFEX-based derivative market in South Africa has never incepted in any meaningful size – therefore, the ability to hedge any discounting risk from a derivative underpinned by a SAFEX-denominated CSA is largely absent.

Given the lack of hedging capability within the SAFEX derivative space, moving CSAs from SAFEX to ZARONIA will likely enhance the precision of interest rate risk management from CSAs and consolidate these derivatives under a single discounting regime. Trades under a ZARONIA-based CSA will also align to CCP treatment.

However, it should be noted that the process of transitioning CSAs is likely to be lengthy, as it involves bilateral negotiation and amendments to legal contracts. The WG summarised the competing trade-offs of potential approaches to remediating CSAs. These discussions were informed by guidance from the respective clearing houses regarding their discounting switch events.

Table 8: Tentative clearing house approach to discounting switch event vs potential CSA remediation approaches

Employ a discounting spread	Require MPG recommended spread	Compensation calculation	Value transfer	Transition ease[25]	Discounting ease[26]	SAFEX representativeness announcement
No	No	No	Yes[27]	Yes (rule book)	Yes	No

Table 9: Potential CSA remediation approaches

Potential CSA remediation approaches Three methodologies:								
	Embed a spread within CSA	Require MPG recommended spread	Clearing house alignment	Compensation calculation	Value transfer	Transition ease	Discounting ease	SAFEX representa-tiveness announcement
1.	No	No	Yes	No	Yes	No	Yes	No
2.	Crystallised MPG recommended spread	Yes, embed within CSA	No	No	No	Yes	No	Yes
3.	No	Yes, assist compensation calculation	No	Yes	No	Yes	Yes	Yes

The WG is of the opinion that **Methodology 1** above is likely to be the most operationally efficient way to migrate CSAs. This approach appears to align with the methodology tentatively outlined by clearing houses for the discounting switch events. However, it should be noted that, due to the likelihood of value transfer occurring, not all market participants may agree with this methodology. **Methodology 2** is operationally complex. Owing to an embedded spread within the CSA, valuation system constraints could make this approach tough to implement. The WG therefore recommends **Methodology 3** as the preferred CSA remediation approach. This methodology does not embed a spread within the CSA; rather, a recommended MPG spread is used as an input to guide the calculation of compensation. However, it must be acknowledged that Methodology 3 is unlikely to align with the clearing houses' discounting switch methodology. The WG is currently in engagements with ISDA to consider the necessary standardised documentation to effect CSA transition. It is important to note that it is possible that this documentation may not be completed in time for Jibar's cessation and as such there may be a period where this risk may persist.

Any developments in this area will be communicated by the MPG.

Recommendation (R28): *Firms holding derivative inventory underpinned by a SAFEX-denominated CSA should consider migrating their respective CSAs from SAFEX to ZARONIA by June 2027. Firms are requested to consider the recommended remediation approach outlined in Methodology 3 above.*

Recommendation (R29): *Firms are requested to reference all newly created CSAs to ZARONIA (immediate).*

[25] Transition ease refers to the ability to migrate a CSA without the need for prolonged negotiation – the WG believes that the production of an MPG recommended spread can facilitate easier transition.
[26] Embedding a spread within a CSA is likely to be operationally difficult to implement.
[27] In the absence of a crystallised MPG recommended spread in time for the discounting switch event, it will not be possible to objectively quantify value transfer.

5.6 Accounting and tax considerations

Interest rate derivative instruments are often traded within hedge accounting programmes. Hedge accounting for derivatives enables an entity to accurately represent its risk management activities in its financial statements. This is achieved by aligning the gains or losses on financial hedging instruments (derivatives) with the corresponding losses or gains on the risk exposures they are intended to hedge. Implementing a hedge accounting programme is usually preceded by a calibration of hedge accounting models and may also require approval from relevant audit firms. The transition from Jibar to ZARONIA has the potential to disrupt existing hedging relationships.

Recommendation (R30): *Firms using hedge accounting programmes for Jibar-based derivatives are requested to calibrate relevant hedge accounting models and complete any necessary governance processes before the 'No new Jibar' milestone and in preparation of transacting ZARONIA-based derivatives. Firms should also carefully consider any potential sources of ineffectiveness arising from transitioning legacy Jibar-based derivatives to ZARONIA (May 2026).*

The transition from Jibar to ZARONIA has the potential to trigger a taxable event. To help mitigate unintended taxable implications, authorities in many offshore jurisdictions have introduced special relief provisions to facilitate the IBOR transition. The Accounting and Tax Workstream (ATW) of the MPG has drafted a paper addressing any potential accounting and tax consequences of adopting ZARONIA and transitioning legacy Jibar derivatives to ZARONIA. A summary of the ATW's deliberations will be published on the SARB MPG webpage.

Recommendation (R31): *Firms transitioning derivatives from Jibar to ZARONIA are requested to perform the necessary tax due diligence in anticipation of the transition of contracts as early as possible.*

5.7 Operational considerations

The transition of contracts from Jibar to ZARONIA requires robust operational support. Careful consideration should be given to the supporting platform that will enable a smooth transition. These include the following:

- Summarised trade and counterparty reports to initiate and track transition.
- Automated trade booking tools to reflect accurate trade transition both bilaterally and within the cleared space.
- Adequate staffing over key periods, such as December 2026.
- The facilitation of a 'single view' across the organisation, particularly the ability to link cash market products to underlying hedges.

The recommended milestone for the end of the third quarter is intended to encourage all relevant parties to identify these key touchpoints and action their transition plans accordingly, well ahead of Jibar's proposed cessation.[28]

Recommendation (R32): *Firms transitioning derivatives from Jibar to ZARONIA are requested to ensure that all necessary operational conditions (including transition tracking tools, staffing and automated trade booking tools) are in place to support an efficient transition (January 2026).*

Recommendation (R33): *Given the strong likelihood of reduced staffing during the December holiday period, firms may consider completing their transition programme before this period (November 2026).*

6. Recommendations for cash markets

The Cash Market Workstream of the MPG established dedicated subgroups to highlight issues that may arise in the transition of discrete areas of cash markets. The work of these subgroups led to the recommendations below, listed by product. It is important to note that a successful transition across cash markets will require the active involvement of market infrastructures such at the JSE, Strate and custodians. These infrastructure providers are encouraged to begin the necessary development and testing for required changes to support the transition as soon as possible. Market participants in cash markets have also discussed the potential benefits of creating an e-consent platform to solicit consent in money markets and bonds (where such consent is necessary based on the relevant terms and conditions). Onboarding to this platform remains voluntary and we recommend engaging with relevant asset managers, issuers and arrangers to determine whether they plan to use this technology once developed.

6.1 Loans

Borrows and lenders participating in loan markets require clear guidance as they navigate the transition of legacy loans. The Cash Market Workstream (CMWS), through discussion, has proposed industry milestones to be achieved for a successful transition in the relevant market and has outlined requirements and responsibilities of various parties at each milestone. As referenced above it is recommended that, wherever possible, the issuance of new Jibar-linked instruments be limited going forward.[29] Where this is not possible, loan market participants should include robust fallback language in all new contracts to ensure the contractual parties understand and agree on the replacement rate that will be used upon Jibar cessation. For contracts that cannot be transitioned through these means, the legislative override will apply.

The recommendations below are intended to address facilities referencing borrowers of syndicated or bilateral loans (e.g. revolving credit facilities, term facilities, drawn and committed undrawn facilities). These recommendations apply to new and existing facilities, including renewals and refinancings, with maturities after 31 December 2026 (i.e. those facilities that extend past the Jibar cessation date).

The recommendations aim to address the timing of legal requirements, vendor and operational readiness necessary to meet the major milestones established by the MPG Transition Workgroup. These milestones include the Cessation Announcement, 'No new Jibar' and, ultimately, Jibar Cessation. Although industry timelines may vary, institutions should take active steps to meet the timelines set out in the recommendations below. Where timelines have been indicated as the responsibility of the borrower or lender, these dates are the points by which, if the relevant activity has not commenced, the overall transition could be at risk. These dates are not intended to signal that the relevant

[28] "Active transition of legacy GBP LIBOR loan contracts", published by the Working Group on Sterling Risk Free Reference Rates
[29] This recommendation aligns with the proposals set out in the "No New Jibar" discussion document, which can be accessed here:

activity should not commence before then. Market participants should take a risk-based approach, considering the extent of their own exposures.

Table 10: Loan market milestones

Date	Milestones relevant to loan markets
Nov 2025 – Mar 2026	**Contract language:** LMA rate switch language to be finalised in recommended form. Exposure draft for a Day 1 ZARONIA facility released for comment and feedback. Day 1 ZARONIA to be moved into recommended form.
Dec 2025	**Term rate:** Deadline for completion of term rate investigations and recommendations on scope of use. Loan market participants should monitor term rate developments but are advised not to wait for its availability. The SARB has consistently noted that a term rate may not be available or could be delayed (given dependencies on ZARONIA liquidity).
Dec 2025	**Cessation announcement:** Formal Jibar cessation announcement expected, resulting in CAS fixing.
Jan 2026	**Ensure legal, technology, administrative and operational readiness:** Market participants should ensure that all relevant vendors, lenders and borrowers complete the necessary enhancements to support ZARONIA (e.g. compounding in arrears, trading). This will also support the 'No new Jibar' milestone.
Mar 2026	**Contractual considerations and exposure measurement:** ▪ Market participants should assess available approaches for active or passive transition within their contracts and exposures. ▪ For syndications and bilateral facilities, notifications should be sent bilaterally or to facility agents. ▪ Remediation can expedited in bilateral and syndicated facilities if standard documentation is used, reducing legal risk. ▪ Multiple loans per client can be remediated together. ▪ Consider operational aspects and timing of the rate switch. ▪ For Jibar-hedged instruments, timing lags and market convention differences during hedge execution or transition may result in hedge ineffectiveness. ▪ Term rate may potentially be used for qualifying loans. ▪ Consider tax and accounting implications of transition.
May 2026	**No new Jibar:** Cease issuance of new loans referencing Jibar. Keep informed of any possible exemptions.
Jan–Nov 2026	**Contractual remediation process:** In line with MPG Transition timeline for active transition, market participants should focus on remediating legacy contracts and identifying those that cannot be remediated and will require legislative intervention.
Sept 2026	**Primary legislation:** Legislative amendments to the FSR Act should be completed by this date. This will provide clarity regarding the SARB's designated replacement rates per product/asset class.
Oct 2026	**Disclosure of designated replacement rates:** Although designated replacement rates will take effect by law, market participants are advised to communicate the impact of this designation.

Recommendation (R34): *Market participants should familiarise themselves with the milestones and expected timing of the relevant updates outlined above and ensure they understand how these apply to their business and exposures.*

Recommendation (R35): *Markets participants are requested to actively transition loans where possible and consider including fallback language into all new loans. The use of non-standard language is discouraged as it may cause delays and introduce legal risk to all parties.*

Recommendation (R36): *Even where legislative transition is considered most appropriate, proactive and early communication between all parties is recommended to ensure the transition process is efficient and everyone understands the implications.*

Recommendation (R37): *Market participants are discouraged from assuming a term rate will be available and therefore taking no action. Even if such a rate becomes available, there may be usage limitations that prevent its use in specific instances. Market participants should make all good-faith efforts to transition and rely on legislative provisions only when necessary.*

6.2 Bonds

The following guidance has been prepared for issuers and investors active in the bond market, particularly regarding floating issuances, to support them in navigating the transition process. Similar to recommendations for the loan market above, the CMWS has, through discussion, proposed industry milestones aimed at a successful transition in the bond market. It has also outlined the requirements and responsibilities of various parties at each milestone. These milestones apply to both listed and unlisted bonds that reference Jibar, either directly as the interest payment benchmark or indirectly through other contractual clauses. The recommendations below do not cover securitisations, which will be addressed separately. Unlisted notes issued under the same programmes as listed bonds are included in these milestones and will follow the same process. Unlike the loan market, given the potential difficulties in soliciting consent for an active transition to ZARONIA or for the inclusion of contractual fallback language, it is likely that bond market participants may need to rely on the legislative transition process. It is therefore essential for bond markets that designated benchmark replacement rates, their respective CAS and benchmark conforming changes are published and communicated to market participants well in advance of the cessation date.

Table 11: Bond industry milestones

Date	Milestones relevant to bond markets
Dec 2025	**Cessation announcement:** Formal Jibar cessation announcement and CAS fixing.
Jan 2026	**Valuations and curves:** JSE to automate Jibar curve integration into the JSE bond evaluation system. Jibar and ZARONIA curves will operate in parallel.
Jan 2026	**Ensure technology, administrative and operational readiness:** Bond market participants should ensure that all relevant vendors complete enhancements to support ZARONIA (e.g. compounding in arrears, trading).
Feb 2026	**Language:** Market participants should draft or amend APSs and/or programmes to allow for the issuance of new ZARONIA-linked instruments. ▪ This can be accomplished via APS with recommended language.
Mar 2026	**Asset manager e-consent platform onboarding (active transition):** ▪ Market participants are considering the benefits of creating an e-consent platform to solicit consent, if necessary. Onboarding to this platform remains voluntary.

	▪ Asset managers may onboard for participation in the consent process and should secure mandates for e-voting. The process is driven by international securities identification numbers (ISINs); an ISIN cannot be remediated if consent levels are not achieved. ▪ Extend the meeting notice period (typically 15–21 days) to accommodate the extra time required for mandate amendments (which can take up to three months) and proxy vote collection. ▪ Consider cost structure and onboarding requirements.
Mar 2026	**Convention alignment:** Market guidance to ensure technical, administrative, or operational changes are made to ensure valuations can be performed.
Mar 2026	**Contractual considerations and exposure measurement:** ▪ Identification of ISIN holders. ▪ Multiple ISINs per client may be remediated together. ▪ ISINs split between multiple holders may require a different approach. ▪ Noteholders: Review trust deeds and internal authorisation procedures to clarify amendment rights. ▪ Coordinate derivative transitions, including hedges and transition of derivatives or other market instruments. ▪ Consider tax and accounting implications as part of the overall transition process.
May 2026	**No new Jibar:** Cease issuance of FRNs referencing Jibar and maturing after cessation, as per the 'No new Jibar' guidance.
End May 2026	JSE Platform readiness required for transition.
Jan–Nov 2026	▪ **Contractual remediation process** (Active transition to ZARONIA or inclusion of fallback language): – Amend transactions at interest reset dates to minimise operational risk at cessation. – Include a communications strategy of impending coupon and reference rate changes. ▪ Issuers and noteholders should review trust deeds, internal authorisation procedures and ISIN splits for remediation and voting rights if consent is sought. ▪ **Identify capacity constraints early** – Legal advisors may not have the capacity to process a large volume of amendments quickly.
Sept 2026	**Primary legislation:** Date by which legislative amendments to the FSR Act should be implemented. This should also provide visibility regarding the SARB designated replacement rates per product/asset class.
Oct 2026	**Disclosure of designated replacement rates:** Although the designated replacement rates will apply by law, it is recommended that market participants communicate the impact of this designation.
Dec 2026	▪ **Bulk transition**: Consider the impacts of a bulk transition of legacy Jibar contracts to ZARONIA, including testing, communications and alignment with market dynamics (derivatives) to avoid basis risk. ▪ Where possible, consider transition at reset dates to avoid cliff edges on cessation date. ▪ A single supplement to APS or programme can cover all instruments for transition purposes.

Recommendation (R38): *Given the expected difficulties in obtaining consent from multiple bond holders, it is anticipated that legislative transition will likely be the main approach in bond markets, with active transition pursued only where consent is achievable.*

Recommendation (R39): *Even if a legislative solution is deemed suitable for multiple exposures across bond markets, market participants should still ensure their systems are prepared to support the transition and communicate the impacts of applying legislative provisions related to the designation of replacement benchmarks. Market participants should also consider incorporating fallback language in new issuances.*

6.3 Money markets

The money market operates in a dematerialised form, ownership represented by an electronic entry in the central securities depository (CSD). These instruments are traded in the secondary market, meaning that the original depositor may not be the current holder. These recommendations apply to money market instruments that reference Jibar, including deposits. The scope includes vanilla money market floating rate notes (MM FRNs), non-dematerialised, cat4 instruments and deposits. The recommendations below are intended to provide clear guidance to participants in the money market, particularly those involved dematerialised Jibar-linked deposits, as they navigate the transition.

Many of the milestones specified above for bond markets will also apply to money markets.

Table 12: Money market industry milestones

Date	Milestones relevant to money markets
Nov 2025	**Contractual terms:** Depositors and issuers should review the contractual language governing the issuances of these deposit products (discussions within the subgroup indicate a range of variations among issuers).
Jan 2026	**Ensure technology, administrative and operational readiness:** Market participants should ensure that all relevant vendors complete enhancements to support ZARONIA (e.g. compounding in arrears, lookback, books closed dates, etc.).
Mar 2026	**Asset manager e-consent platform onboarding**: ▪ Market participants are considering the benefits of creating an e-consent platform to solicit consent, if necessary. Onboarding to this platform remains voluntary. ▪ Asset managers may onboard for participation in the consent process, which is based on each ISIN. ▪ ISINs cannot be split in the case of a split vote. ▪ Consider cost structure and onboarding requirements.
Mar 2026	**Contractual considerations and exposure measurement**: ▪ Identify ISIN holders and use Central Securities Depository Participants (CSDPs). ▪ Many money markets instruments are dematerialised and may not require formal contract remediation, but client notification and internal governance are essential. ▪ Remediate multiple ISINs per client together where possible. ▪ Consider ISINs split between multiple clients. ▪ Deposit holders should review trust deeds and internal authorisation procedures to clarify amendment rights. ▪ Deposit issuers should consider the terms and conditions governing deposits. ▪ Address hedges and the transition of derivative or related market instruments. ▪ Consider tax and accounting implications of the transition.

	▪ Ensure any secondary trading done is aware of possible amendments. ▪ Maintain a communication strategy using Strate and CSDPs.
May 2026	**No new Jibar:** Cease issuance of money market FRN loans referencing Jibar and maturing after cessation, in line with the 'No new Jibar' guidance.
Jan–Nov 2026	**Contractual remediation process:** Market participants should determine the most appropriate remediation strategy after reviewing their contractual terms. This may require consent solicitation or simply communicating a change, depending on the contract. Consider amending transactions at interest reset dates to avoid a 'big bang' transition on cessation date and minimise operational risk.
Sept 2026	**Primary legislation:** Legislative amendments to the FSR Act should be implemented by this date. If consent is required to remediate contracts, issuers may need to rely on the designation of replacement rates applied under the relevant legislation.
Oct 2026	**Disclosure of designated replacement rates:** This should provide visibility regarding the SARB's designated replacement rates per product or asset class. Although these rates will apply by law, market participants should communicate the impact of this designation.
Dec 2026	**Bulk transition:** Consider the impacts of a bulk transition of legacy Jibar contracts to ZARONIA, including testing, communications and alignment with market dynamics (derivatives) to avoid basis risk. Where possible, actively transition earlier or at interest rate reset dates to minimise cliff edges on cessation date.

Recommendation (R40): *Market participants should assess the terms and conditions of their money market instruments, particularly to determine if consent is required. The subgroup has noted that requirements vary among issuers, with consent needed some instances but not others.*

Recommendation (R41): *If consent is not required, issuers can simply communicate the relevant changes to support transition. If consent is required, this could mean a legislative transition is necessary.*

7. Recommendations for retail markets[30]

Although the prime rate has traditionally been the main reference rate for loans in South African retail credit markets, a notable portion of the South African residential mortgage market consists of Jibar-linked mortgage loans. Like their prime-linked counterparts, Jibar-linked mortgage loans typically provide for monthly instalments, with interest rates based on 3-month Jibar. The cessation of Jibar and transition to ZARONIA will present unique challenges for retail Jibar-linked mortgages, particularly within the framework of consumer-focused legislation such as the National Credit Act 34 of 2005 (NCA) and the Consumer Protection Act 68 of 2008 (CPA).

The size of the Jibar-linked residential mortgage market, as at 31 March 2025, is shown in **Table 13**. Most of these mortgage loan contracts have final repayment dates that extend beyond the Jibar cessation date.

Table 13: Retail Jibar-*linked mortgage market size*

	Number of retail contracts	Aggregate principal balance of mortgage loans
Total	c.129 307	R77.356 billion

Two types of lenders participate in Jibar-linked mortgage lending: banks and non-bank financial institutions (NBFIs). These lenders either source funding through capital market securitisations and/or direct bond issuances, which will

[30] These recommendations extend to funding transactions related to retail markets (e.g. retail home loans), where consistency will be required in treatment between the underlying loans and related financing arrangements.

also be impacted by Jibar cessation, or, in the case of banks, from retail deposits linked to the repurchase (repo) rate published by the SARB.

7.1 NBFI perspective

From the perspective of NBFIs operating in this space, the transition introduces additional complexity, as their mortgage lending businesses are often funded through the issuance of Jibar-linked debt instruments to banks and institutional investors via residential mortgage-backed securitisations.

The competitiveness and affordability of Jibar-linked mortgage loans offered by NBFIs rely partly on maintaining basis-matching between their assets (mortgage loans) and liabilities (securitisation bonds).

7.2 Bank perspective

Banks operating in the Jibar-linked mortgage market may choose to transition agreements to a prime-linked rate based on their internal funding arrangements being linked to the repo rate. The transition to prime may create other complications, including determining an economically equivalent fair rate to move from Jibar to prime to help facilitate the transition and when writing new deals. Ensuring that the legislative provisions provide for the prime rate as the designated benchmark replacement rate would be necessary for these lenders.

7.3 Consumer protection legislation applicable

The NCA and CPA find application in the context of Jibar-linked retail mortgages. Both confer numerous benefits and protective covenants in favour of retail borrowers, including the requirement that certain changes to retail credit agreements must be managed transparently and with mutual consent. A change in the underlying reference rate is arguably a material change in the terms of the contract and thus the parties to the contract would have to agree to such a change. This creates a complex environment for transitioning Jibar-linked retail loans to an alternative reference rate, as obtaining individual consent and recontacting with each retail borrower is (depending on the size of the existing book of a credit provider as well as the number of contracts that extend beyond the anticipated Jibar cessation date) extremely onerous and potentially not feasible. Furthermore, negotiation of rates between borrowers and lenders may result in some of the contractual amendments not being finalised before the anticipated Jibar cessation date, creating risks to contractual certainty.

Further, in terms of section 103(4) of the NCA, credit providers are required to apply the same reference rate to similar credit agreements currently being issued by them. This implies that a lender cannot provide loans that reference multiple floating rates at a single point in time. This potentially poses a problem for lenders who wish to reference ZARONIA in new mortgages while Jibar exists, as this will result in a single lender having both Jibar-linked legacy mortgages and ZARONIA-linked new retail mortgages, in contravention of the NCA.

Table 14: NCA transition impact

Summary of relevant sections of the NCA and their impact		
Impacted legislation	**Applicable clauses**	**Impact**
National Credit Act and Regulations to the National Credit Act	These sections are potentially a hindrance to the adoption of ZARONIA from a retail credit perspective. Section 92(2)(b) Section 101(1)(d) Section 103(4) Section 104(1)(b) Section 104(3) Section 116 Regulation 40(1)	In terms of the NCA, the credit provider must, among other things, set out the interest rate applicable to the credit agreement and total cost of credit in the pre-quotation agreement. The interest rate must be expressed in percentage terms as an annual rate calculated in the prescribed manner (regulation 40(2)) of the Regulations to the NCA or any other method provided that the amount calculated for any year may not differ by more than 0.1% from the amount that would have resulted if calculated in the prescribed manner. In the current Jibar environment, where the rate quoted today applies for a future period (three months), the interest rate based on Jibar allows for the interest to be known at the date of issuing the pre-quotation agreement to the consumer, which interest rate will be used to calculate the instalments due under the loan. Accordingly, the instalment payments would be calculated based on a known interest rate (unless it has changed, in which event, the NCA requires market participants to communicate this change to the consumer within 30 days of the change). Adopting ZARONIA (as is), where the interest rate would be known at least five business days prior to the instalment due date and which interest rate may differ from the interest rate which was applicable to the previous month's instalment, is unlikely to meet the requirements of the NCA and its Regulations.

Whilst some Jibar-linked retail contracts include robust fallback provisions, their implementation is anticipated to generate a substantial number of consumer complaints to the National Financial Ombud Scheme. Concerns are likely to focus on how applicable interest rates are determined for instalment calculations, particularly as the fallback rate may lack the transparency of Jibar, which is publicly quoted and independently administered. The perceived lack of clarity and transparency in this process could result in customer dissatisfaction and an increased risk of client attrition to competitors, potentially causing unintended material financial harm to the affected retail lender.

Given these challenges and to facilitate the smooth and orderly transition of Jibar-linked retail loans and related financing arrangements, it is recommended that reliance be placed on a legislative transition, via the provisions of FSR Act detailed above, for this specific market segment. It is further recommended that, when designating benchmark replacement rates for retail Jibar-linked mortgages, consideration be given to allowing market participants to transition to alternative rates best suit their own requirements.

7.4 Potential alternative reference rates

Given the challenges involved in transitioning Jibar-linked residential mortgage loans noted above, there is a need for suitable alternative reference rates to be developed and made available for such markets before the Jibar cessation date, as observed in other jurisdictions.

An analysis of potential alternative reference rates is provided below.

7.4.1 Prime rate

The prime rate is a viable alternative to Jibar given its current dominance as a benchmark for mortgages and for some institutions whose funding is linked to the repo rate.

Retail considerations

The prime interest rate is the prevailing benchmark for most residential mortgage loans in South Africa and presents a natural alternative for retail lenders affected by Jibar cessation. Retail borrowers also view this rate as acceptable and adopting prime for new contracts would be straightforward. However, if existing Jibar-linked contracts that extend beyond cessation convert to prime, the contract must include an appropriate adjustment spread to maintain neutrality in 'all-in' interest rate perspective. This adjustment would need to be determined and vetted in a manner similar to the Jibar to ZARONIA CAS endorsed by the MPG after rigorous scrutiny and consultation.

Lender considerations

For NBFIs reliant on wholesale funding markets expected to transition to ZARONIA, shifting to prime would introduce basis risk that, due to its magnitude, could be difficult to hedge economically at scale. This may place an undue financial burden on affected mortgage lenders and could result in the need to use more than one reference rate across portfolios to fully manage basis risk. For lenders such as banks that are not exposed to basis risk, transitioning to a prime rate could be a practical and viable option.

7.4.2 Indices published by the SARB (3-month average ZARONIA)

The SARB publishes indices and average backward-looking ZARONIA rates on its website at the following link: https://www.resbank.co.za/en/home/what-we-do/financial-markets/compounded-zaronia-period-averages-and-index

Retail considerations

Retail mortgage lenders could apply the average of the compounded ZARONIA rate from the past three months for the upcoming 3-month interest period, using the average rate published by the SARB. However, this approach may impose an unfair burden on borrowers, particularly during rate-cutting cycles, as the backward-looking 3-month period does not fairly represent the forward-looking interest period to which it would apply. This misalignment could result in clients paying higher rates than the current market conditions warrant.

Lender considerations

Funders are unlikely to accept an average rate, as it is not dynamic, and would sooner accept a standard backward-looking ZARONIA. This may again potentially cause mismatched cash flows.

7.4.3 Backward-looking ZARONIA

Retail considerations

As noted above, adopting a backward-looking reference rate in retail markets may be prohibited by the NCA. Besides legislative constraints, a backward-looking variant of ZARONIA may be difficult for retail clients to understand due to the complex compounding needed to calculate the interest rate.

Lender considerations

Given that a substantial portion of affected retail mortgage loans is funded through securitisation structures, adopting a backward-looking variant of ZARONIA, where the interest rate for each interest period is only determined five days before each payment date, would be challenging. This is due to the inherent complexities of securitisations, which typically require longer ‘look back’ periods for administering payment waterfall calculations. This creates a timing issue, unless the collection periods can be changed. While this is unlikely to be feasible for existing securitisations, it may be addressed in new securitisations by changing collection periods and interest payment dates.

Funders (primarily banks and institutional investors) would, however, likely face minimal difficulty as they are preparing to engage in a bond market expected to comprise floating rate bonds predominantly linked to a backward-looking ZARONIA benchmark rate.

7.4.4 Simple average as an alternative provided by the cash market

This would suffer the same shortcomings as in 7.4.3 above but would be slightly simpler to implement given averaging rather than compounding.

7.4.5 Forward-looking term ZARONIA

For NBFIs and some banks, a forward-looking term ZARONIA rate would be well-suited as an alternative long-term reference rate for residential mortgages and corresponding securitisation markets.

Retail considerations

The forward-looking term ZARONIA rate is a strong replacement for affected contracts in the residential mortgage market due to its nature being similar to Jibar. A forward-looking rate also ensures minimal disruption to existing retail mortgage loan contracts, given the rate's nature (which is more closely aligned with the currently adopted Jibar rate).

Lender considerations

The residential mortgage securitisation sector's reliance on predictable term-based reference rates necessitates a forward-looking rate. For some bank lenders, the ZARONIA rate plus CAS may create some uncertainty and risk during transition, particularly when funding is repo-linked.

The adoption of a forward-looking term ZARONIA rate also maintains essential term and basis matching between mortgage assets and securitisation liabilities, ensuring the financial sustainability of NBFIs operating in this space. While a forward-looking term ZARONIA rate would indeed be suitable, this rate does not exist as at the time of publication of this document. As such, the MPG cautions against a transition strategy that relies solely on the timely availability of a term rate.

7.4.6 Synthetic Jibar

Synthetic LIBOR was used in the US and UK to provide market participants with a 'synthetic' version to seamlessly replace LIBOR while contracts were remediated or legislation was completed. The rates were constituted in an equivalent way to LIBOR but composed of different data. In both the US and UK, synthetic LIBOR was only allowed for a predetermined amount of time and was based on existing term rates.

In the US, synthetic LIBOR used CME's Secured Overnight Financing Rate (SOFR) plus the relevant ISDA fixed spread adjustment as the methodology for a synthetic US dollar LIBOR. Synthetic US dollar LIBOR was permitted for all legacy contracts other than cleared derivatives.

In the UK, synthetic LIBOR was calculated by observing the interest rates for LIBOR and term Sterling Overnight Index Average (SONIA) from 2016 to 2021. The average difference between the two rates was then determined. SONIA swaps were actively traded for an extended period before the discontinuation of pound sterling (GBP) LIBOR.

The primary advantage of implementing a synthetic Jibar rate is its ability to mitigate immediate disruptions within local retail loan markets (and securitisations linked to these markets). By maintaining a familiar reference rate, it provides continuity and stability, which is particularly valuable during the initial transition phase. This could ease concerns for both lenders and borrowers, allowing them to adapt gradually to the changes rather than facing the shock of an abrupt shift to a completely new reference rate, the impact of which is particularly difficult to mitigate in retail credit markets.

However, it is crucial to acknowledge that a synthetic Jibar (however calculated) is not a long-term solution. It will likely have a limited shelf life due to the eventual need to align the market with a more sustainable and widely accepted benchmark that aligns with IOSCO principles. Therefore, an extended period of reliance on a synthetic Jibar may introduce new complexities and risks over time. Given similarities in their use cases, it is likely that synthetic Jibar will be necessary until a robust and SARB-endorsed ZARONIA term rate is made available.

Recommendation (R42): *From an NBFI perspective, it is important to ensure that the transition of retail loans is aligned with that of the related funding instruments to maintain term and basis matching between assets and securitisation bonds (liabilities), supporting ongoing commercial viability and avoiding potential rating downgrades. If relying on legislative transition, market participants must ensure proper alignment between the underlying loans and the associated securitisation bonds, which is critical for basis matching (this may require the proactive inclusion of fallback language in relevant securitisation products to ensure consistency in the fallback rates applied).*

Recommendation (R43): *Market participants should monitor the conditions in relevant funding markets before transitioning. Liquidity during and after the transition period is particularly important to facilitate ongoing funding through the issuance of securitisation bonds that reference the same rate as the underlying retail loans. This will ensure that affected retail lenders can continue to access the necessary capital markets.*

Recommendation (R44): *Market participants should stay abreast of developments regarding the designation of replacement rates in retail markets and consider available options. Internal systems should be capable of accommodating the most appropriate option for each lender (based on internal considerations, such as funding).*

Recommendation (R45): *Given the NCA provisions requiring the use of similar rates across similar credit agreements, an active transition to ZARONIA or using ZARONIA in new retail loans may not be suitable. Nevertheless, market participants are encouraged to include fallback language in new retail loans. This fallback language should provide for clear and transparent mechanisms for transitioning from Jibar to an alternative rate on the cessation date, in compliance with the NCA.*

Recommendation (R46): *In light of the complexities involved with Jibar transition in retail markets, market participants should actively engage with proposed legislative solutions likely to apply. if several alternative rates may be designated as potential replacements in retail markets, market participants should engage with borrowers to ensure that they understand the designated rate for their contracts.*

Recommendation (R47): *Market participants must proactively engage with and educate retail borrowers about the impact of transition. Information should be provided to retail clients in good time, allowing them to make informed decisions about relevant products and the risks involved. Those active in retail markets should continue focusing on identifying and mitigating conduct risks and on treating customers fairly during the Jibar transition.*

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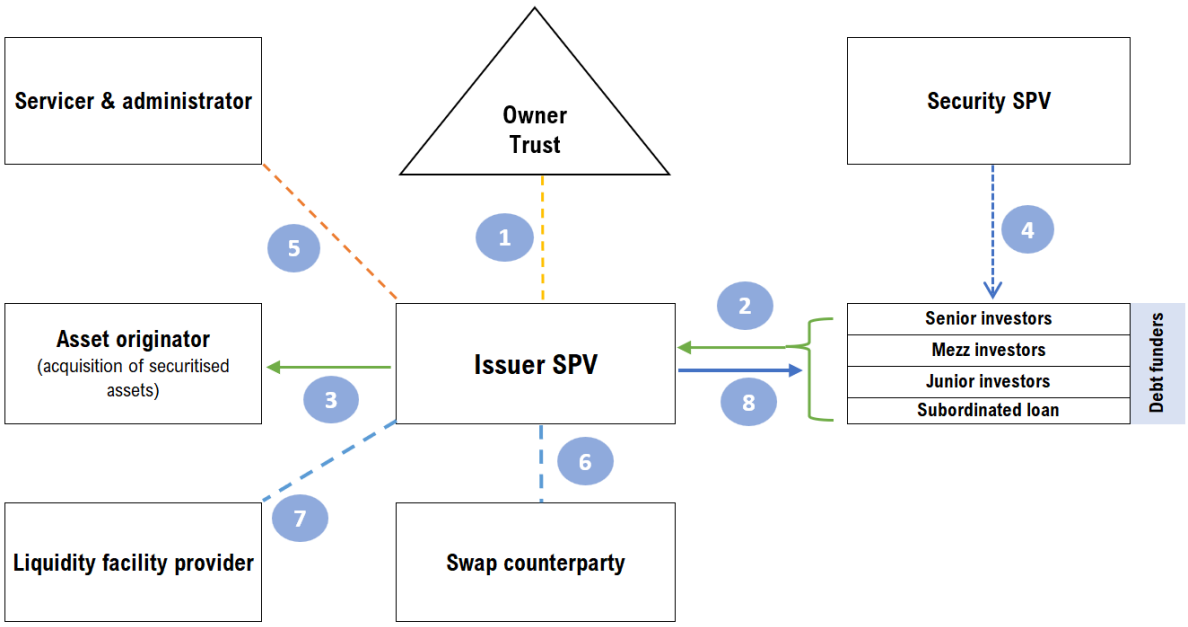
8. Securitisation recommendations

Securitisation is a financing technique whereby pools of financial assets are acquired by special-purpose vehicles (SPV) using the proceeds from the issuance of Notes to banks and debt capital market participants. There are two broad types of securitisations:

- **Traditional securitisations:** The underlying assets are legally transferred (true sale) to the SPV, which then issues debt backed by those assets.
- **Synthetic securitisations:** The assets remain on the originator's balance sheet, but the credit risk is transferred through derivatives or guarantees.

Figure 4 illustrates the standard structure for traditional securitisations:

Figure 4:Traditional structure for securitisation



8.1 Common structure notes

1. A key feature of securitisation structures is that they are designed to be **bankruptcy-remote** from the institution originating (and servicing) the underlying assets (Originator and Servicer). This is achieved using a **special-purpose vehicle (Issuer SPV),** whose ordinary shares are generally held by an independent owner trust.

2. The Issuer SPV establishes an Asset-Backed Note Programme through which limited-recourse notes are issued to investors, subject to a predefined Programme Limit. The Originator of the underlying assets typically provides a subordinated loan as a form of credit enhancement to noteholders. Given the time and costs involved in executing individual securitisation transactions, originators often set up securitisation 'Programmes' that enable them to raise multiple tranches of funding under a single structure, offering the scalability necessary to maintain operational effectiveness for institutions that rely on securitisation as a funding tool.

3. The SPV uses the proceeds from the note issuance to purchase portfolios of underlying assets from the Originator (such as residential mortgage loans, vehicle loans, or trade receivables).

4. The notes issued to investors are secured by a limited recourse guarantee from an independent Security SPV, which is established to hold security over the underlying securitised assets.

5. The Issuer SPV appoints a Servicer to administer the underlying securitised assets and an administrator to manage the overall structure.

6. Interest rate risk (whether basis risk or fixed-for-floating risk) is typically hedged by the Issuer SPV using interest rate swaps with bank counterparties. For rated securitisations, these are usually bespoke OTC swaps concluded under ISDA agreements, supported by 'one-way' CSAs in favour of the Issuer SPV.

7. To mitigate liquidity risk, the Issuer SPV may obtain a liquidity facility (or equivalent arrangement) from eligible bank counterparties. Under specified circumstances, the Issuer SPV may draw on this facility to address liquidity shortfalls arising in the ordinary course of the transaction.

8. The cash flows generated by the underlying securitised assets during each 'collection period' are used to meet the Issuer SPV's payment obligations – including interest and principal on the notes – on each Interest Payment Date and in accordance with a predetermined 'waterfall' or Priority of Payments –

    - Importantly, the end of each Collection Period (the 'Calculation Cut-Off Date') is usually set more than five business days before the Interest Payment Date (typically between 5 to 25 days prior to the Interest Payment Date). This timing recognises that securitisation structures require a complex sequence of calculations, including aggregation of asset cash flows, waterfall allocations, performance trigger testing, reserve funding and potential liquidity facility draws, all to be completed after the Calculation Cut-Off Date and prior to the Interest Payment Date.
    - By setting the Calculation Cut-Off Date well ahead of the Interest Payment Date, the appointed servicer, administrator, or calculation agent reconcile any discrepancies, and prepare and circulate payment advices. For these processes to be administered effectively, the contractual cash flows to be made by the Issuer SPV must be finalised and known on the Calculation Cut-Off Date.

8.2 Securitisation in South Africa

The use of securitisation differs between banks and NBFIs.

Banks:

- Primarily use securitisations for balance sheet management and/or capital optimisation.
- Securitisations can also be a funding source, but banks typically have diversified wholesale funding channels (senior unsecured and deposits) as well as a retail deposit franchise.

NBFIs:

- Rely on securitisations as a primary funding tool that connects them to the capital markets and without which their businesses cannot operate, since they do not have deposit-taking capacity.
- Securitisation structures allow NBFIs to raise competitively priced, long-term funding directly from institutional investors.
- These issuances are critical to support ongoing funding requirements, providing an alternative to bilateral bank funding.

In South Africa, the market is dominated by traditional securitisations, particularly in the residential mortgage-backed securities (RMBS) and asset-backed securities (ABS) space. The size of the listed securitisation market, based on information as at 16 September 2025, is presented in Table 15:

Table 15: SA's securitisation overview

Category	Description	Number of programmes	ZAR value of debt (August 2025)
RMBS	Residential mortgage-backed securitisations	14	R26.2bn

CMBS	Commercial property-backed securitisations	1	R2.6bn
ABS	Vehicle or other asset-backed securitisations	12	R20.4bn
ABCP	Asset-backed commercial paper	1	R2.86bn
Total		**28**	**R52.0bn**

Source: JSE

Beyond traditional listed securitisations (as defined under the Banks Act 94 of 1990), there is a broader private market for structured finance transactions that use similar structuring principles. A key feature of these transactions is the use of a waterfall mechanism to allocate cash collections among funders and other creditors.

The unlisted securitisation market, broadly defined to include programmes where issued notes are cleared via the Central Securities Depository (CSD/Strate), is significantly larger than the traditional listed securitisation market.

Current market data indicates:

- Number of programmes: 45
- Number of instruments: 219
- Outstanding ZAR Jibar-linked notes: R164.0 billion

In addition, the market for unlisted structured finance transactions (which use similar design principles but involve instruments not cleared through Strate) is believed to be even larger, though less visible due to its private nature.

8.2.1 Regulatory and governance considerations

Securitisations in South Africa are governed by the **Securitisation Exemption Notice**, which sets out the regulatory framework under which such transactions operate. Securitisation programmes are usually registered with the Johannesburg Stock Exchange (JSE), with Notes issued under these programmes typically listed on the JSE's interest rate market.

For individual Notes, market practice (for listed securitisations) is to align with the standard bond market conventions, particularly where the notes are exchange-listed. Most Notes are issued in dematerialised form and settled through Strate, ensuring consistency with the broader fixed-income market infrastructure.

Amendments to securitisation programmes are tightly controlled.[31] In addition to requiring the prior written consent of the Security SPV, such changes typically necessitate: (i) approval from the JSE in the case of listed programmes; and (ii) approval from noteholders by way of special resolution. Where the Notes underlying a securitisation have been externally rated, amendments to Programme documents will likely trigger a need to obtain a 'Rating Affirmation'. In certain cases, securitisations are also required to obtain prior written approval from the Prudential Authority (PA) before implementing any amendments to the Programme Memorandum. Where this applies, proposed changes may also necessitate a review by the Issuer's auditors to confirm the amendments do not contravene the provisions of the Securitisation Exemption Notice.

These conditions are designed to prevent post-inception changes to the securitisation structure from altering the transaction's credit quality or prejudicing existing participants. Unlike vanilla bonds, where repayment is supported by multiple sources, repayment of securitisation notes depends solely on cash flows generated by the underlying assets. As a result, securitisation note performance is far more sensitive to structural variations, and any changes to note interest rates must be managed carefully to avoid materially affecting credit metrics. These strict securitisation governance arrangements will complicate implementing changes needed to support the transition from Jibar (including changes to base rate eligibility criteria in existing programmes).

[31] Through the JSE listings requirements and Securitisation Exemption Notice.

At this stage and given the nuances and complexities associated with securitisations (and their bespoke nature), the CMWS is still preparing its final recommendations for securitisations. However, as an initial step, it is recommended that each Issuer follow a structured process to amend programme documents:

1. Appoint legal counsel and/or an arranging bank to manage the change process.
2. Prepare draft amendments to the Programme documents (including introducing additional basis risk mitigations in the structure, if required).
3. Obtain Security SPV approval for the proposed changes.
4. Submit proposed changes to the PA for written approval, where required.
5. Engage the rating agency to review the draft changes and confirm that their implementation will not result in a downgrade of outstanding notes.
6. Submit draft amendments to the JSE for approval.
7. Once conditional approval is received from the JSE, issue a notice convening a Noteholder meeting to approve the changes by special resolution.
8. Following Noteholder approval, submit the voting results and final drafts of the transaction documents to the JSE for formal approval.
9. Provide the final documents to the rating agency for rating affirmation.
10. Once JSE formal approval and rating agency confirmation are received, execute the amendments to the relevant transaction documents.

This process typically takes three to six months, depending on the availability of banks, rating agencies and attorneys. Given the unique impact of the Jibar transition on securitisations, it is critical that the industry adopts common fallback methodologies. Standardisation will enhance consistency across programmes and facilitate engagement with stakeholders – particularly Noteholders – when implementing the necessary amendments to securitisation programmes.

As at the date of publication, there is no standardised mechanism available by which to agree bulk updates across all programmes (similar to the ISDA fallback methodology available for derivatives markets). As such, there is a significant risk that existing active securitisation programmes may not be remediated in time for Jibar cessation. This could result in a material increase in liquidity risk for Issuers that rely on securitisation as a primary funding tool. It is thus likely that many securitisations will be transitioned in reliance on the legislative transition mechanism, given the onerous and costly steps required to amend underlying programmes.

Addendum A – Recommendation Table

Section/Link	No	Recommendation
Passive transition	R1	*Market participants are encouraged to make an active and informed decision on how their contracts are transitioned, which includes defining an approach and prioritisation strategy for repapering contracts. The approach should consider the work required to remediate in advance and how to realise economies of scale.*
	R2	*Market participants are encouraged to familiarise themselves with the available fallback language that has been settled at industry and to proactively incorporate these fallbacks into their contracts. It is imperative that the fallback mechanism is well understood, including the relevant trigger event (and whether a pre-cessation trigger is contemplated), the fallback rate, contract governing law.*
	R3	*If not already commenced, market participants should begin either amending contracts to incorporate enhanced fallback language, or given the time remaining to cessation, determining if contracts can be renegotiated away from Jibar or closed out prior to end-December 2026*
	R4	*Market participants should consider incorporating contractual fallbacks in respect of the replacement rate (e.g. ZARONIA) to future proof for the situation where that rate may one day be unavailable or discontinued.*
Active transition	R5	*Market participants are encouraged to consider the active transition of their legacy Jibar contracts as soon as possible where feasible, either to ZARONIA utilising the conventions and guidance published to date, or to other rates deemed appropriate in the circumstances.*
	R6	*Market participants should take steps to engage with contracting parties around the available transition options as well as potentially seek legal, accounting or other external advice and update systems to accommodate alternative rates.*
	R7	*Market participants should consider the economic impacts of their transition strategy. As the cessation date approaches, liquidity in Jibar settings may decrease. Actively transitioning earlier may therefore allow borrowers to avoid any costs or difficulty associated with potentially lower liquidity. This is particularly relevant to those who intend to use market led strategies to transition their exposures*
Legislative path	R8	*Market participants are encouraged to keep abreast of developments relating to the amendments reference above, as well as in relation to the designation of any specific replacement rate and the implications on specific positions.*
	R9	*Market participants should ensure that the fallback provisions already included in contracts do not fall foul of the provisions related to robustness included in the draft legislation, which may mean that those provisions are deemed unenforceable and the legislative provisions will apply instead*
	R10	*Market participants should not view the legislative solution as a "silver bullet" to transition and should consider some of the risks referenced above (including the potential inability to align treatment of exposures across asset classes where different benchmark replacement rates may be designated*
Derivatives	R11	*From 30 April 2026, firms are requested to demonstrate a consistent reduction in the gross outstanding notional of Jibar-based derivatives relative to their respective December 2025 measure as per the defined measure above*
	R12	*Firms are encouraged to proactively adopt and utilise compression opportunities to reduce gross notional exposure ahead of the cessation event (January 2026 onward*
	R13	*To facilitate efficient transition of legacy contracts, firms are requested to consider their adherence stance to the ISDA Fallback Protocol by no later than June 2026*

R14	*Firms should generate and maintain a summarised counterparty exposure report for all bilateral Jibar-based derivative inventory.*
R15	*Firms should regularly monitor the list of ISDA protocol adhering counterparties. Non-adhering parties should be engaged well in advance of the intended cessation date to discern transition intention – it may be that the provisions of the protocol can be agreed bilaterally between the parties. ISDA protocol adhering parties should also be contacted to confirm transition prior to any trading system changes*
R16	*The MPG recommends an active transition approach rather than a sole reliance on the ISDA Fallback Protocol. A crystallised ISDA spread can however serve as a valuable active transition mechanism by enabling a comparison of the economic outcomes of relying on the ISDA protocol versus an active transition using the market spread*
R17	*For contracts transitioned passively, the MPG recommends the ISDA Fallback Protocol as a standard transition mechanism for bilateral linear derivatives – once adherence is activated by both counterparties to a derivative, this mechanism amends all derivative resets observed post the cessation date to ZARONIA-based using the BISL published adjustment spread. Where a counterpart has not adhered to the Protocol, parties may still agree to incorporate the fallback provisions bilaterally in the relevant confirmations*.
R18	*Firms holding Jibar-based inventory through CCPs are requested to familiarise themselves with the transition procedures of the respective CCPs, including timelines and operational requirements*
R19	*Firms who originate transactions within the uncleared space and hedge within the cleared space are requested to adequately cater for a potential mismatch in discounting regimes resulting from the CCP discounting switch event (March 2026 - July 2026).*
R20	*Firms holding Jibar-based inventory through CCPs should not rely solely on the conversion event to effect transition – a combined strategy of early ZARONIA adoption (minimising the build-up of Jibar inventory), compression and the actual conversion event should be sought*
R21	*Firms should consider constructing a combined Jibar derivative/cash inventory list where these instruments are transacted as a package with a participant (January 2026)*
R22	*Firms should consider effecting the transition of these instruments as a package, and where necessary, match conventions between cash and derivative instruments accordingly. The MPG recommends using the ISDA fallback spread as a consistent mechanism of transition for these package transactions if migration to an overnight ZARONIA rate is sought. To facilitate ease of transition, firms may consider effecting this transition on a reset date. (January-December 2026).*
R23	*The MPG recommends an active approach to the transition of cash dependent derivatives with considerations of bespoke parameters including the potential use of alternative rates (if appropriately licensed for use)*
R24	*Firms holding Jibar-based caps and floor inventory are requested to quantify the potential impact of transitioning of cap and floor instruments. To mitigate any unintended impact, firms are requested to actively transition cap and floor instruments (January 2026).*
R25	*Firms holding Jibar-based Swaption inventory are requested to familiarise themselves with the associated ISDA definition changes pertaining to the transition of Swaptions. Firms who transact new Jibar-based Swaptions in the interim are reminded to bilaterally agree and populate the pertinent trade parameters that can facilitate more efficient transition of Jibar-based Swaptions (January 2026)*)

	R26	*Firms holding Jibar-based Swaption inventory are requested to construct an inventory list of Swaptions summarising the associated ISDA regime associated with each transaction. For transactions traded pre-30 March 2020, the mechanics to effect transition (i.e. the definitions of "Agreed Discount Rate", "Mutually agreed clearing house" and "Cleared physical settlement) are absent and may provide additional complication to transition. (January 2026)*
	R27	*In line with the MPGs general approach to transition and given the lack of an associated ISDA protocol (as is the case for linear derivatives) to facilitate transition, the MPG strongly recommends an active transition approach. Firms are requested to prepare accordingly for bilateral negotiation including potential compensation using the defined ISDA parameters. Firms are also encouraged to make use of multilateral switching programmes as a mechanism to transition should these programs become available (January 2026 onward).*
	R28	*Firms holding derivative inventory underpinned by a SAFEX denominated CSA should consider migrating their respective CSAs from SAFEX to ZARONIA by June 2027. Firms are requested to consider the recommended remediation approach articulated in Methodology 3 above*
	R29	*Firms are requested to consider referencing all newly created CSAs to ZARONIA (immediate).*
	R30	*Firms who make use of hedge accounting programs for Jibar-based derivatives are requested to calibrate relevant hedge accounting models and effect any required governance process prior to the no new Jibar milestone and in anticipation of transacting ZARONIA-based derivatives. Firms are also requested to carefully consider any potential sources of ineffectiveness as a result of transitioning legacy Jibar-based derivatives to ZARONIA (May 2026).*
	R31	*Firms transitioning derivatives from Jibar to ZARONIA are requested to perform the necessary tax due diligence in anticipation of the transition of contracts as early as possible*
	R32	*Firms transitioning derivatives from Jibar to ZARONIA are requested to ensure all the necessary operational conditions (including transition tracking tools, staffing, automated trade booking tools) are in place to support an efficient transition (January 2026).*
	R33	*Given the strong likelihood of reduced staffing over the December holiday period, firms may consider completing their transition program prior to this period (November 2026)*
Cash and money market products	**R34**	*Market participants should familiarise themselves with the milestones and expected timing of relevant updates set out above and ensure that they understand the application to their business and exposures*
	R35	*Markets participants are requested to actively transition loans where possible and to consider including fallback language into all new loans. The use of non-standard language is discouraged as it can introduce delays and legal risk to all parties*
	R36	*Even where the legislative transition is deemed most appropriate, pro-active early communication between all parties is advised to ensure the transition process can be affected efficiently and parties understand the implications thereof.*
	R37	*Market participants are discouraged from not taking any steps to transition on the assumption that a term rate will be available. Even once available, there are likely to be limitations of usage which may preclude usage in specific instances. Market participants should take all good faith steps possible and rely on the application of the legislative provisions in need.*

R38	*Given the likely difficulty of soliciting consent amongst a number of bond holders, it is expected that a legislative transition will be a likely path in bond markets, with active transition pursued only where consent can be obtained*
R39	*Even where a legislative solution is likely appropriate for a number of exposures across bond markets, market participants must still take steps to gear their systems to support transition and to communicate the impacts of the application of the legislative provisions relating to designation of replacement benchmarks. Market participants should also consider incorporating fallback language in new issuances.*
R40	*Market participants should assess the terms and conditions applicable to their money market instruments, in particular with a view to understanding whether consent is required. The subgroup has observed variation amongst Issuers, such that consent may be required in some instances but not all.*
R41	*Where consent is not required, Issuers may simply communicate the relevant changes to support transition. Where consent is required, this may indicate a need to rely on a legislative transition*
R42	*From an NBFI perspective, it is essential to align the transition of retail loans with the transition of the associated funding instruments to maintain term and basis matching between assets and securitisation bonds (liabilities), ensuring continued commercial viability and avoiding potential rating downgrades. Where a legislative transition is being relied on, it is essential that market participants are able to ensure proper alignment between the underlying loans and the associated securitisation bonds, which is critical for maintaining basis matching (this may require the proactive inclusion of fallback language into the relevant securitisation products to ensure harmony in the fallback rates applied)*
R43	*Market participants should be aware of the conditions in the relevant funding markets prior to transition. Liquidity throughout and following the transition period is particularly important to facilitate ongoing funding through the issuance of securitisation bonds referencing the same rate as the underlying retail loans. This will ensure that affected retail lenders can continue to access the necessary capital markets*
R44	*Market participants should stay abreast of developments in respect of the designation of replacement rates in retail markets, and consider the options that may be available, ensuring that internal systems are able to accommodate the option deemed most appropriate for that particular lender (based on internal considerations, such as funding*
R45	*Given the provisions of the NCA detailed above, requiring the use of similar rates across similar credit agreements, an active transition to ZARONIA or the use of ZARONIA in new retail loans may not be suitable. Market participants are however encouraged to include fallback language into new retail loans which fallback language should provide for clear and transparent mechanisms for transitioning away from Jibar to an alternative rate on cessation date, in a manner that complies with the NCA*
R46	*Given the complexities associated with Jibar transition in retail markets, market participants should actively engage in respect of the legislative solutions being proposed and which are likely to find application. Where it is likely that a number of alternative rates may be designated as potential replacement rates in retail markets, market participants must take proactive steps to engage with borrowers to ensure that they understand the designated rate for their contracts*
R47	*Market participants must take steps to proactively engage with, and educate, retail borrowers around the impact of transition. Information to retail clients should be presented in good time to allow them to make informed decisions about relevant products and the risks to which they may be exposed. Market participants active in retail markets are expected to continue their focus on*

	identifying and mitigating conduct risks and treating customers fairly during Jibar transition