Financial Markets Department

# NEWSLETTER

South African Reserve Bank

September 2025


## Inside:

# Editor's Note

This year's edition of the *Financial Markets Department (FMD) Newsletter* is published at a pivotal moment, inviting reflection on the evolution of our domestic financial markets and the role of the South African Reserve Bank (SARB) in shaping its future.

Over the past year, we have implemented several strategic reforms and launched new initiatives to strengthen market efficiency, improve transparency and align our frameworks with global best practice. These measures reflect our commitment to building a financial system that is credible, inclusive and responsive to both domestic and international developments.

In this edition, we share insights from ongoing projects in liquidity management, collateral reform, sustainable finance and regional cooperation. These initiatives are grounded in the belief that resilient markets require more than sound instruments. They demand robust infrastructure, clear policy direction and institutional agility.

One of our key focus areas has been on evolving our monetary policy implementation framework. The transition to a surplus-based system has reshaped interbank dynamics, introduced new incentives and prompted a re-examination of how short-term rates converge to the policy rate. While deviations remain modest, we continue to monitor the framework, with adjustments to quotas and liquidity under continual review.

The SARB has advanced its work on modernising collateral frameworks. As central banks worldwide begin to integrate climate-related risks into their monetary operations, we are exploring how environmental considerations might be reflected in asset eligibility and valuation practices.

Sustainability is now a cross-cutting theme in our market development agenda. The SARB is actively supporting regional efforts to build institutional capacity for environmental, social and governance (ESG) integration, recognising that meaningful change requires robust systems, skilled professionals and effective governance. Whether through training, data initiatives, or regional taxonomies, our goal is to embed sustainability at the core of financial market operations.

Closer to home, the SARB continues to refine its treasury operations and data capabilities. Automation of key liquidity management tools is underway and new platforms are being developed to support advanced analytics, interest rate benchmark reform and risk management within FMD. These upgrades are part of a broader digital transformation strategy aimed at boosting efficiency, reducing operational risk and widening access for all market participants.

As the SARB contributes to the global discourse through the Group of Twenty (G20) and other multilateral forums, we remain committed to inclusive engagement with domestic stakeholders. FMD's collaborative approach – through working groups, consultations and joint research – aims to foster a transparent, resilient and future-ready financial ecosystem.

We trust this edition provides meaningful insights and encourages ongoing dialogue. Thank you for your continued partnership.

# FMD strategic initiatives

## 1. Reform of interest rate benchmarks

Since the endorsement of the South African Rand Overnight Index Average (ZARONIA) as the country's preferred alternative near risk-free rate, there has been concerted efforts to facilitate a smooth transition from the Johannesburg Interbank Average Rate (Jibar) to ZARONIA. The Market Practitioners Group (MPG) published several market conventions for ZARONIA-linked instruments, including practical guides to inform their application in cash and derivatives markets.

Furthermore, the SARB and MPG finalised the methodology for calculating credit adjustment spreads (CAS), which may be added to compounded ZARONIA to form an appropriate Jibar fallback rate. The International Swaps and Derivatives Association (ISDA) has updated its 2021 Interest Rate Definitions and ISDA Protocol to include the Jibar fallback rate, while Bloomberg started publishing the CAS daily in May 2025.

Market activity related to ZARONIA-linked instruments picked up significantly in May 2025 following the start of the ZARONIA First initiative for linear derivatives and the completion of Strate Limited's Money Market Instruments IV Category system upgrades. The MPG encouraged market participants to prioritise trading ZARONIA-linked derivatives, using Jibar-linked instruments only when necessary.

Next steps:

- Appoint a benchmark administrator to calculate and publish forward-looking ZARONIA term rates, with a request for proposal set for release soon.
- Hold a public consultation on the transition of retail mortgage bonds.
- Officially announce the Jibar cessation date in December 2025.
- Conduct ongoing industry engagements, including an Industry Forum on 10 September 2025 and the annual MPG conference on 3 December 2025.

## 2. Foreign reserve accumulation strategy

The SARB's approach to foreign exchange reserve accumulation now incorporates strategies adaptable to various market conditions. The strategy considers a range of factors, including global market conditions, domestic liquidity dynamics and the evolving role of reserves in safeguarding macroeconomic resilience.

Next steps:

- Enhance governance arrangements that underpin foreign reserve accumulation.
- Refine measures of reserve adequacy and optimality.

## 3. ESG integration

As part of its strategic asset allocation review, the SARB has benchmarked global practices and emerging market approaches to integrate climate-related factors into investment frameworks, demonstrating a broader commitment to align reserve management and market operations to long-term sustainability objectives.

A principle-based ESG framework now guides the inclusion of ESG factors across SARB portfolios. This includes enhancements to the collateral framework and the development of internal capabilities to support ESG integration, recognising sustainability as a cross-cutting theme relevant to risk management, policy coordination and operational design.

Next steps:

- Continue refining the ESG framework and investment approach in line with strategic objectives.
- Engage stakeholders to foster understanding and alignment.
- Progressively incorporate ESG principles into the SARB's financial market operations and investment practices.

## 4. Enhancing market intelligence

FMD has established a dedicated market intelligence (MI) function to enhance its capabilities for gathering market insights and stakeholder engagement. The function will leverage advances in data and analytics to inform market analysis and produce insights on changes to market microstructure. Qualitative assessments will be augmented with data analytic tools that monitor market dynamics and emerging risks in real time.

Essentially, the goal is to deliver MI products that are tailored to the SARB's needs. These efforts are part of a broader strategy to embed MI into the SARB's decision-making processes, ensuring that relevant financial market insights inform monetary policy, financial stability and strategic planning activities.

Next steps:

- Launch a formal market expectations survey ahead of Monetary Policy Committee (MPC) meetings.
- Integrate real-time foreign exchange (FX) market analytics into MI frameworks.
- Establish formal MI networks and an oversight governance structure.

## 5. Real-time FX market monitoring

The SARB is enhancing its real-time FX market monitoring capabilities in response to technological advancements and market fragmentation, which led to significant changes in the FX market structure and price formation.

Affected authorised dealers and trading venues will be required to report FX spot and swap transactions according to the SARB's Financial Market Data Collection Framework, enabling data computation and visualisation of market liquidity, trading activity, risk and market dysfunction. This initiative will assist the SARB to respond appropriately and timeously to market stress and foster an integrated approach to MI.

Next steps:

- Socialise the expanded scope of reporting instructions with affected authorised dealers.
- Develop and test the data ingestion module.

## 6. Triparty collateral management

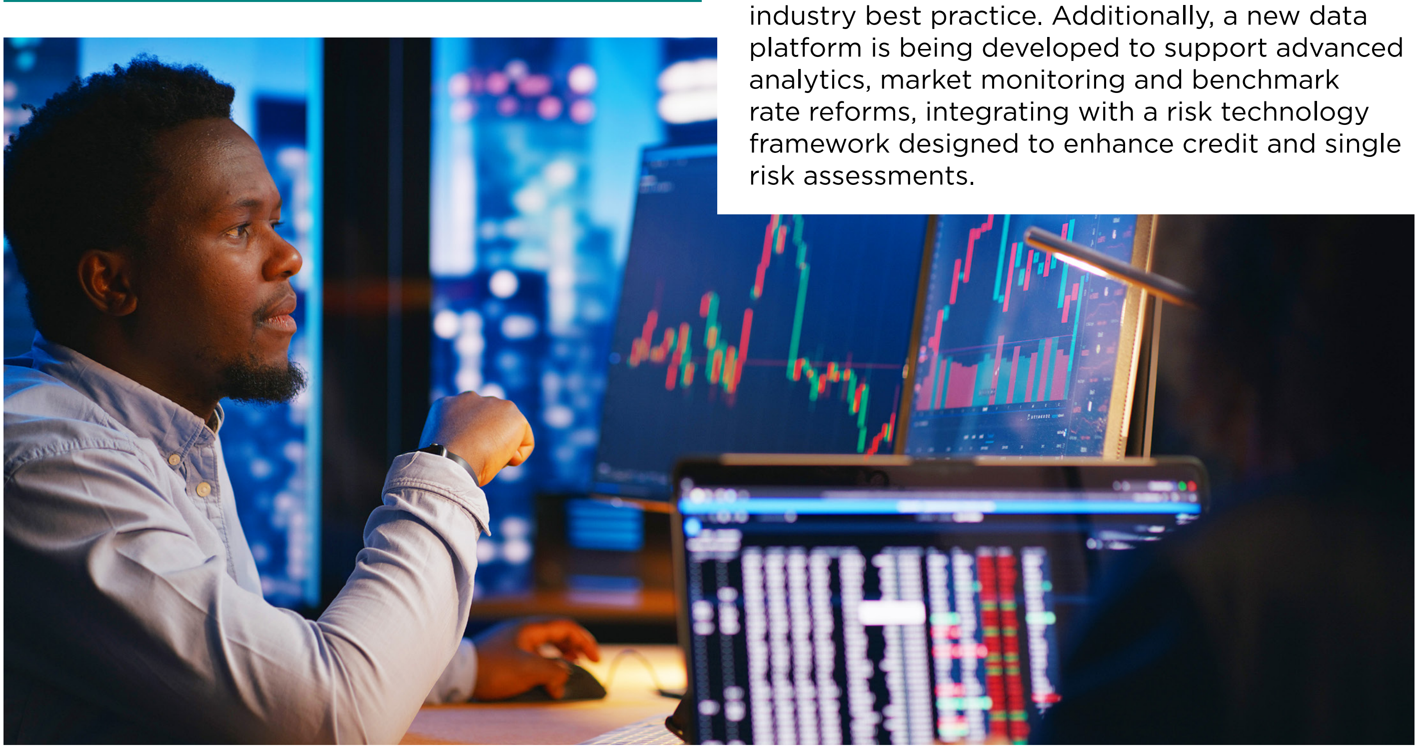
Collateral frameworks are central to financial system resilience and liquidity provision. The SARB is progressing a multi-year initiative to modernise its domestic collateral management, focusing on improving efficiency, transparency and alignment with evolving market practices. The initiative, which includes exploring a triparty collateral management (TCM) agency model is currently in a proof-of-concept (PoC) phase. Functional specifications are being refined and testing is planned to assess the feasibility of new processes and infrastructure. The SARB remains committed to engaging stakeholders and aligning the framework with international best practices, while ensuring that changes are gradual, well-communicated and consistent with its financial stability mandate. The TCM PoC is expected to be completed by December 2025.

Refer to the high-level plan depicted on page 7.

## 7. Modernising treasury operations and data capabilities

FMD is undergoing a digital transformation to modernise core functions and enhance its ability to safeguard financial stability. This includes automating key liquidity management tools such as the Supplementary Repo and Reverse Repo auctions, which will improve operational efficiency, reduce error risk and broaden access for smaller market participants.

A broader review of domestic treasury operations is also underway, with architectural assessments and stakeholder consultations informing the design of a fit-for-purpose system aligned with industry best practice. Additionally, a new data platform is being developed to support advanced analytics, market monitoring and benchmark rate reforms, integrating with a risk technology framework designed to enhance credit and single risk assessments.



Next steps:

- Deploy automated auction systems and monitor post-implementation outcomes.
- Complete treasury architecture assessments and finalise future-state design.
- Finalise and implement risk technology requirements.

## 8. Supporting the development of the repo market

The SARB continues to support initiatives aimed at enhancing the functioning and resilience of South Africa's financial markets. A diagnostic study on the domestic repo market was recently presented to key industry structures, including the Financial Markets Liaison Group and its Money Market Subcommittee. The study identified structural, regulatory and operational constraints that may hinder the market's ability to meet short-term funding and liquidity needs.

In response, a dedicated working group comprising representatives from the SARB, commercial banks, asset managers, insurers and infrastructure providers developed preliminary recommendations to address these challenges. These are currently being refined in consultation with official sector stakeholders (i.e. the SARB, Prudential Authority (PA), Financial Sector Conduct Authority (FSCA) and, implicitly, through policy coordination, National Treasury).

Simultaneously, the Treasury Bill Working Group is reviewing proposals to enhance secondary market liquidity and improve auction design. These efforts are being coordinated with regulatory and infrastructure entities such as the PA, FSCA, Johannesburg Stock Exchange (JSE) and Strate. The SARB remains committed to facilitate inclusive dialogue and support reforms for efficient, transparent and well-functioning markets.

Refer to page 13 for further details.

Next steps:

- Finalise repo market reform recommendations.
- Continue consultations with regulatory and infrastructure stakeholders.

## 9. Strategic asset allocation for foreign reserves

Global reserve management strategies are adapting to persistent inflation, geopolitical fragmentation and evolving liquidity dynamics. Traditional objectives, such as capital


preservation, liquidity and nominal returns, are increasingly difficult to achieve in a volatile environment. In response, reserve managers are diversifying across asset classes and currencies, with growing interest in gold, non-reserve currencies, and even equities and corporate bonds, despite their non-traditional status in central bank portfolios.

The SARB's strategic asset allocation review reflects these global shifts. Conservative credit risk appetites are being challenged by widespread downgrades, prompting marginal adjustments down the rating scale to preserve liquidity and access. US protectionist policies and fiscal uncertainty have led to cautious positioning on dollar assets, with the weakening dollar-treasury safety relationship signalling a broader trend towards diversification. ESG integration remains gradual but is gaining traction, with central banks increasingly adopting sustainability as a formal investment consideration despite data and liquidity challenges.

Next steps:

- Advance the SARB's strategic asset allocation review to incorporate diversification, resilience and ESG alignment.
- Monitor geopolitical and macroeconomic developments to inform currency and asset class exposures.
- Engage with global forums to support standardisation and liquidity in sustainable finance instruments, while maintaining a leadership role in ESG-aligned reserve strategies.

# Seamless optimisation and mobilisation of collateral assets

Global collateral markets have evolved considerably, with market participants actively upgrading their collateral management capabilities to optimise asset utilisation, manage credit exposures, meet liquidity requirements and comply with margining, funding and financing obligations. Investments in collateral management infrastructure have taken a holistic approach, aiming to leverage data and analytics to enhance asset monetisation, operational efficiencies, controls and governance effectiveness.[1]

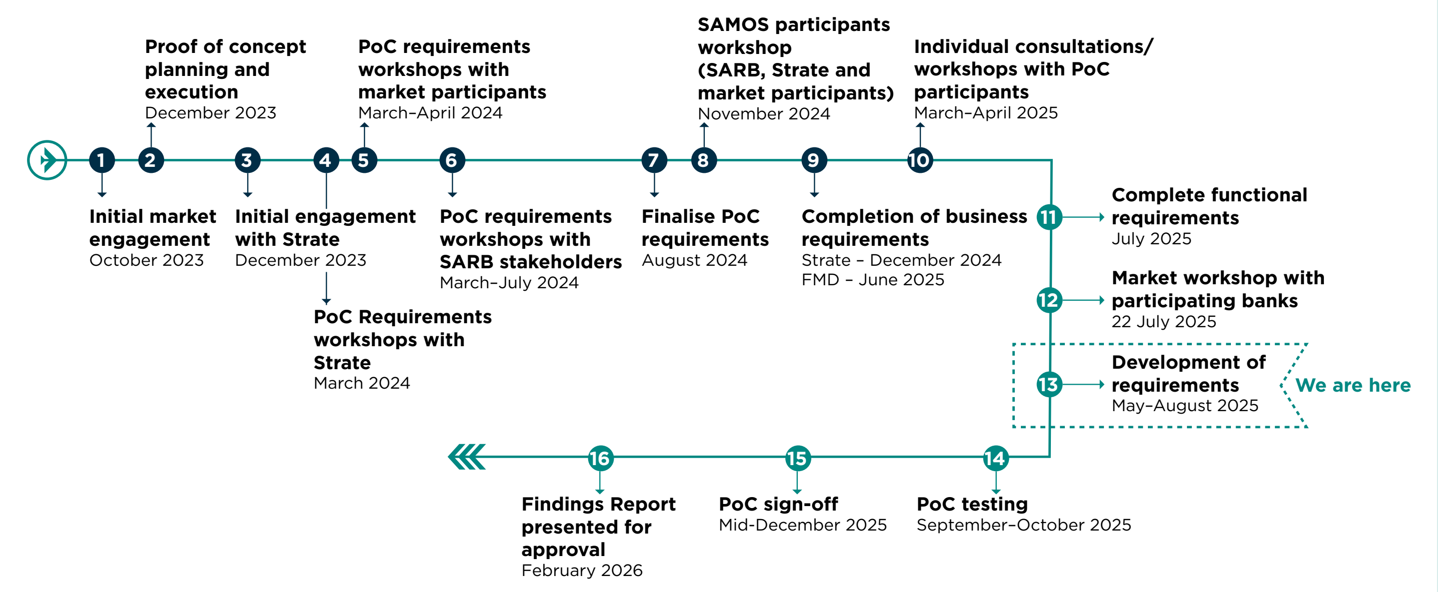
Given the SARB's role in collateral markets,[2] market participants identified the need to overhaul the SARB's bilateral collateral management framework, ensuring it aligns with changes in market functioning, collateral supply, technological innovation and evolving regulatory requirements.[3] Currently, the SARB manages the entire collateral life cycle internally, which limits collateral optimisation in a rapidly evolving ecosystem.

In 2009, the G20 highlighted the importance of adopting an ecosystem-based strategy for liquidity and collateral management. This approach is essential for unlocking new funding sources and liquidity, overcoming asset fragmentation in inventory and market operations, responding to evolving regulatory requirements and developing new collateral markets. ISDA (2025) underscored the significance of optimising collateral through cross-sector collaboration, exploring new sources of eligible collateral and investing in advanced technologies.[4] Similarly, the International Monetary Fund (IMF) has stressed in a technical note the importance of robust market infrastructure to support collateral and liquidity management in South Africa.[5]

Based on market participants' recommendation, the SARB determined that a triparty collateral management agency model is the most suitable infrastructure model to support systemic liquidity requirements. TCM services provided by triparty agents (TPAs), such as Strate, enable counterparties to optimise collateral efficiency across different products and instruments, including repurchase agreements (repos), securities lending, central bank credit facilities, secured loans and exposures from over-the-counter transactions. Typically, TPA services include automated collateral selection and allocation, valuation and substitution, composition optimisation of triparty collateral pools and the processing of corporate actions.

In late 2022, the SARB initiated a project to evaluate the feasibility of and develop capabilities for participating in a TCM ecosystem, aiming to enable the seamless optimisation and mobilisation of collateral assets. Engagements were held with various central banks to gain insights into the envisaged TCM solution, understand implementation challenges and learn from their experiences. Business requirements were gathered, followed by a request for information sent to potential service providers to support the SARB's decision-making process regarding the TCM solution. The project is now approaching a critical stage, with a PoC scheduled to be conducted in the coming months.

Below is a schematic, summarising the key project timelines:




1 Recent industry articles have highlighted significant investments in collateral management solutions, driven by heightened regulatory focus on liquidity. Refer to articles published by EY(a), EY(b) and The Global Treasurer.

2 Refer to a BIS (2015) report on the role of central banks' operating frameworks in collateral markets.

3 Refer to the Money Market Subcommittee's position paper on triparty collateral management.

4 See ISDA's 2025 report 'Collateral and liquidity efficiency in the derivatives market: Navigating risk in a fragile ecosystem'.

5 Refer to the IMF's Financial Sector Assessment Program published in June 2022.

### Seamless optimisation and mobilisation of collateral assets (continued)

Essentially, the TCM will reposition and enable the strategic use of collateral assets. It will allow financial institutions to develop and implement more efficient collateral inventory management systems, integrating all relevant activities across the entire firm. These anticipated benefits include reducing the demand for high quality assets, improving risk management, lowering funding costs and increasing liquidity where necessary.[6]

6 Refer to EY(b) (pp 8 and 9)

# Reforming South Africa's repo market: Infrastructure matters

A well-functioning repo market is crucial for supporting liquidity, strengthening market intermediation and underpinning the transmission of monetary policy, making it key for effective market functioning. Yet, South Africa's private repo market has struggled under the weight of legacy systems, fragmented infrastructure and limited access. The SARB's Working Group on Repo Market Functioning is actively seeking to change that.

## Why the repo market matters

At its core, a repo is a secured loan: one party sells a security and agrees to repurchase it later at a higher price. Globally, repo markets provide critical short-term funding, enabling efficient collateral reuse and supporting price discovery. However, these benefits can only be realised if the supporting infrastructure is efficient, standardised and inclusive.

Despite the overall sophistication of South Africa's financial system, the repo market is largely restricted to a few large participants. This limits liquidity, reduces collateral velocity and ultimately impairs the financial system's ability to respond to stress.

To address this, the SARB established a dedicated Working Group under the Money Market Subcommittee of the Financial Markets Liaison Group. The group's mission is to identify the structural barriers limiting repo market development and to propose a roadmap for reform.

## Mapping the problem: What is hindering market progress?

1. **Outdated infrastructure**: South Africa's repo transactions mainly occur through bilateral arrangements. While functional, systems currently used lack modern automation, real-time processing and advanced collateral

optimisation features seen in more developed markets.

2. **Legal uncertainty**: The enforceability of repo contracts, particularly regarding close-out netting and the transfer of collateral titles remains unclear. Most South African repos are structured as buy-sell-back agreements rather than a single secured loan. This structure favours tax and legal objectives, but it complicates standardisation, netting efficiency and alignment with global practices.

3. **Regulatory constraints**: Frameworks governing institutional investment mandates constrain the participation of non-bank financial institutions (NBFIs) in the repo market. Board Notice 90, for example, limits the types of instruments that unit trusts can hold. This has the unintended

## International lessons: A comparative view

In jurisdictions such as the United States, euro area and Japan, reforms to infrastructure, such as the introduction of central counterparties (CCPs), triparty clearing platforms and robust collateral management systems, have significantly deepened repo markets and enhanced financial stability.[6]

Triparty platforms, in particular, have played a pivotal role in broadening participation and improving settlement efficiency. By outsourcing collateral valuation, margining and substitution to a trusted intermediary, these platforms reduce operational complexity and build confidence among counterparties. In South Africa, a functional triparty system remains nascent, although past efforts have laid some groundwork.

Legal certainty is another area where international practice offers guidance. Standardisation around Global Master Repurchase Agreements (GMRAs), supported by enforceable netting opinions, has facilitated cross-border transactions, lowered counterparty risk and made repo markets more accessible to a wider range of institutions.

## Toward a reform agenda

A sequenced and pragmatic roadmap is required. The goal is to address key infrastructure frictions in a way that enables broader participation, aligns with global standards and supports South Africa's broader capital market development.

6 Committee on the Global Financial System. 2017. Repo market functioning. CGFS Papers No. 59. Bank for International Settlements. April 2017.

Four priority reform areas :

1. **Platform modernisation:** Consolidating and upgrading existing infrastructure into a more streamlined and flexible platform would enable support for both bilateral and triparty transactions. Coordinated investment and engagement between the JSE, Strate and market participants will be vital.

2. **Collateral optimisation:** Market design should encourage the efficient reuse of collateral, expand the pool of eligible securities and reduce fragmentation. Possible avenues include regulatory clarification on acceptable collateral classes and adjustments to asset eligibility rules for institutional investors.

3. **Legal certainty:** Stakeholders need clarity on the enforceability of repo transactions, especially regarding close-out netting in counterparty default scenarios. Actions could include legal opinions, promoting GMRA adoption and engaging with regulators to harmonise interpretations.

4. **Market access:** Encouraging broader participation, especially from NBFIs, is essential. This may require adjustments to regulatory instruments, targeted education, capacity building and the development of a credible triparty infrastructure to lower entry costs.

## Conclusion

A deeper, more inclusive repo market is a foundation for broader financial sector development. It supports more efficient funding, improves monetary policy transmission and enhances resilience to shocks.

The Working Group's efforts form part of the SARB's broader strategy to strengthen market functioning, promote financial stability and deepen capital markets. While the technical challenges are complex, the overarching message is simple: infrastructure matters.

## Next steps

Follow-up work may include detailed consultations with infrastructure providers, engagement with regulators on legal and prudential issues and exploration of viable models for triparty repos in South Africa.

By tackling the core systems that underpin financial markets, the paper lays the groundwork for a more resilient and inclusive market. The journey will require time and collaboration, but the direction is set: South Africa must build a repo market that is efficient, legally clear and trusted by a wide range of users.