



South African Reserve Bank

**Record of proceedings of the Financial Markets Liaison Group (FMLG) meeting  
held at the Head Office of the South African Reserve Bank,  
Pretoria, 13 May 2013**

**Present:** Daniel Mminele (Chairperson), SARB  
Videshree Rooplall (Secretary), SARB  
Callie Hugo, SARB  
Tom Khosa, SARB  
Samantha Springfield, SARB  
Mike Harvey, Absa Bank  
Garth Klintworth, Absa Bank  
Justin Nichols, Absa Bank  
Parin Gokaldas, Barclays Bank  
Stephen Charles, FirstRand /Rand Merchant Bank  
Andries du Toit, FirstRand / Rand Merchant Bank  
Donna Oosthuysen, International Banking Association  
Alison McPhee, Investec Bank  
Clive Sindelman, Investec Bank  
Roy Havemann, National Treasury  
Phumzile Maseko, National Treasury  
Natalie Labuschagne, National Treasury  
John Chemaly, Nedbank  
Peter Lane, Nedbank  
Arno Daehnke, Standard Bank  
Colin Illes, Standard Bank

**Apologies:** Tim Masela, SARB  
Leon Myburgh, SARB  
CJ Giddy, FirstRand / Rand Merchant Bank  
Clive Sindelman, Investec Bank  
Richard Wainright, Investec Bank  
Thuto Shomang, National Treasury  
Andrew Hall, Standard Bank

## Summary of discussions

### 1. General

- 1.1. The FMLG received a presentation on the *Implementation of the Twin Peaks Financial Regulatory Architecture in South Africa*, outlining four priority areas, namely financial stability, consumer protection, access to financial services and combating financial crime.
- 1.2. In terms of the future structure of financial sector regulation, it was indicated that the South African Reserve Bank (SARB) would be responsible for the Financial Stability Oversight Committee (FSOC), the Prudential Regulatory functions, Financial Markets Infrastructure (FMI) Oversight, and the Financial Surveillance and Resolution Authority. The Resolution Framework requires South Africa to comply with the *Key Attributes of Effective Resolution Regimes*, which had been adopted by the Group of Twenty Finance Ministers and Central Bank Governors (G-20) in 2012.
- 1.3. The Insurance Supervision Department of the Financial Services Board (FSB) was expected to relocate its offices to the SARB in 2014, and the regulatory and supervisory integration phase was also expected to be implemented in 2014. The FSB would continue regulating pension funds for the time being, but a final decision would be made once the four priority areas of the Twin Peaks legislation have been implemented.

### 2. Feedback from subcommittees

#### 2.1. *The Money Market Subcommittee*

- 2.1.1. A research document on Floating Rand Note (FRN) pricing was being finalised for publication on the Johannesburg Stock Exchange (JSE) Limited website.
- 2.1.2. The Financial Markets Department (FMD) of the SARB had started a research project to investigate different monetary policy operating frameworks of the major central banks and those of the countries forming

BRICS (Brazil, Russia, India, China and South Africa). The SARB's current framework would be assessed against 'best international practice'.

- 2.1.3. The Johannesburg Interbank Average Rate (Jibar) Code of Conduct had been implemented on 1 March 2013. The Reference Rate Oversight Committee (RROC), which was an interim arrangement to give effect to the governance responsibility outlined in the Jibar Code of Conduct pending the finalisation of the Twin Peaks legislation, had been established. In addition, a review of the South African Benchmark Overnight Rate (Sabor) had begun.
- 2.1.4. Concerns were raised about banks' over-bidding in the main repurchase (repo) auctions. This issue was referred to the Liquidity Forum, a working group of the Money Market Subcommittee (MMS), for discussion.
- 2.1.5. In an effort to evaluate pricing in the interbank market, the FMD was planning to survey the market by means of a Money Market Questionnaire. The focus would be on the effectiveness of South Africa's current monetary policy operating framework and the functioning of the interbank market.

## 2.2. *The Fixed Income & Derivatives Subcommittee*

- 2.2.1. A presentation was given on the *Rand Overnight Index Swap (OIS) Market*. In exploring the formulation of new benchmarks, international best practice had been investigated in the United States, Europe (including Hungary, Poland and the United Kingdom), Canada and India. In the international jurisdictions considered, all overnight benchmarks are determined using onshore unsecured funding only. It was therefore important to revise the Sabor.
- 2.2.2. A presentation was done on the *Placement of Rand Collateral with Offshore Central Counterparties (CCPs)*. As a member of the G-20, South Africa had committed itself to complying with the 21 recommendations contained in the October 2010 report on *Implementing Over-the-Counter (OTC) Derivative Market Reforms* issued by the Financial Stability Board. These commitments include the clearing of OTC derivative transactions through CCPs and

reporting all OTC derivative transactions to trade repositories. The main objectives of the proposed reforms are to increase transparency in the OTC derivatives markets and to reduce systemic risk.

### 2.3. *The Foreign Exchange Subcommittee*

2.3.1. The FSB had amended the requirements for the accreditation process of the Financial Markets Association (ACI) Dealing Certificate by adding a new general criteria section where a meaningful proportion of the new criteria was not relevant to banking. This has pushed out the accreditation requirement further than the deadline, and accreditation can proceed only once the general criteria have been formalised.

2.3.2. On the development of a South African Rand Fixing, it was agreed that the times for publication of the fixings would be 11:00 Johannesburg time and 10:00 New York time. The JSE was currently testing this and was also awaiting dates from Reuters for implementation.

### 2.4. *The Bond Market Development Committee*

2.4.1. An agreement was reached that the JSE would provide the institutional structure needed for the development of the domestic bond market. A draft Code of Conduct was being prepared, and the next step of the process would be setting up the actual electronic platform, deciding who would be included, and determining the prices and workings of the model.

3. The SARB would investigate the establishment of a Financial Markets Liaison Group (FMLG) website by assessing the experiences of other central banks. Feedback would be provided at the next FMLG meeting.

Enquiries

Ms V Rooplall

[Videshree.Rooplall@resbank.co.za](mailto:Videshree.Rooplall@resbank.co.za)

Secretary of the FMLG