



Financial Markets Department

Record of proceedings of the Financial Markets Liaison Group (FMLG) meeting held at the Head Office of the South African Reserve Bank, Pretoria, 6 November 2013

- Present:**
- Daniel Mminele (Chairperson), SARB
 - Videshree Rooplall (Secretary), SARB
 - Leon Myburgh, SARB
 - Callie Hugo, SARB
 - Tom Khosa, SARB
 - Samantha Springfield, SARB
 - Mike Harvey, Absa Bank
 - Garth Klintworth, Absa Bank
 - Justin Nichols, Absa Bank
 - Andries du Toit, FirstRand / Rand Merchant Bank
 - Stephen Charles, FirstRand / Rand Merchant Bank
 - CJ Giddy, FirstRand / Rand Merchant Bank
 - Donna Oosthuysen, International Banking Association
 - Darren Behrendt, Investec Bank
 - Natalie Labuschagne, National Treasury
 - Rodney Mkansi, National Treasury
 - Hendrik Oosthuizen, National Treasury
 - John Chemaly, Nedbank
 - Peter Lane, Nedbank
 - Arno Daehnke, Standard Bank
- Apologies:**
- Tim Masela, SARB
 - Clive Sindelman, Investec Bank
 - Richard Wainright, Investec Bank
 - Thuto Shomang, National Treasury
 - Roy Havemann, National Treasury
 - Andrew Hall, Standard Bank

Summary of discussions

1. General

- 1.1. A progress report and a demonstration of the proposed Financial Markets Liaison Group (FMLG) website was done. A final demonstration would be provided at the next FMLG meeting for approval to go live.
- 1.2. The International Banking Association provided feedback on the constraints placed on local branches of international banks by their respective head offices regarding their participation in reference rate panels.
- 1.3. Update on payment system matters
 - 1.3.1. The Southern African Development Community (SADC) cross-border payments system pilot project had gone live on 22 July 2013, initially with four Common Monetary Area (CMA) countries included as the first phase of the SADC Integrated Regional Electronic Settlement System (SIRESS).
 - 1.3.2. The SADC Committee of Central Bank Governors (CCBG) had approved that if the pilot was successful up to four more SADC countries could join SIRESS in the first quarter of 2014.

2. Feedback from Subcommittees

2.1. *The Money Market Subcommittee*

- 2.1.1. A document on the Floating Rand Note (FRN) pricing had been completed and published on the website of the Johannesburg Stock Exchange (JSE) Limited.
- 2.1.2. The Financial Markets Department's (FMD) research on the different monetary policy operating frameworks of the major central banks and those of the countries forming BRICS (Brazil, Russia, India, China and South Africa) was nearing completion.

- 2.1.3. A Money Market Questionnaire had been issued in for the purpose of evaluating the efficiency in the workings of the local interbank market.
- 2.1.4. The SARB gave feedback on its monitoring of the effectiveness of the changes to the monetary policy operational procedures introduced in March 2012, as well as on progress with the implementation of the new Money-Market Liquidity Management Strategy that was announced on 21 August 2013.
- 2.1.5. The utilisation of cash reserve account (CRA) balances for the liquidity coverage ratio (LCR) versus squaring-off and the FMD's readiness to implement the Committed Liquidity Facility (CLF) was discussed.
- 2.1.6. The revised Johannesburg Interbank Average Rate (Jibar) Code of Conduct had been presented at the Reference Rate Oversight Committee (RROC) meeting held on 31 October 2013. The Financial Services Board (FSB) had been requested to conduct a gap analysis on the Code of Conduct against the International Organization of Securities Commissions (IOSCO) principles for financial benchmarks published in July 2013. Furthermore, the operating rules of the South African Benchmark Overnight Rate (Sabor) document were to be revised due to a conflict of interest and a possible reputational risk given that SARB is the Calculation Agent for the Sabor and would also be responsible for the governance process.

2.2. *The Fixed Income & Derivatives Subcommittee*

- 2.2.1. The project on the establishment of a Rand Overnight Indexed Swap (OIS) market was put on hold pending the revision of the Sabor operating rules.
- 2.2.2. A request that the SARB Monetary Policy Committee (MPC) provide a timetable of scheduled meeting dates more regularly and over a longer horizon to enable better price discovery in the market and for more rigorous risk management practices was discussed. The SARB undertook to consider the matter and revert back to the FMLG.

2.3. *The Foreign Exchange Subcommittee*

- 2.3.1. The Financial Markets Association (ACI) Committee and the FSB had agreed that the current regulatory exams appeared to be inadequate for ACI accreditation.
- 2.3.2. The South African Rand Fixing page had been completed and the fixing was being published on the JSE website. Publishing on third-party systems such as Bloomberg and Reuters was still work in progress. The JSE was maintaining the governance around fixing, but a Code of Conduct was needed.
- 2.3.3. The meeting discussed new regulations and industry requirements such as the United States' Dodd Frank Act and its possible impact on banks operating in South Africa.

2.4. *The Bond Market Development Committee*

- 2.4.1. The development of an Electronic Trading Platform (ETP) for government bonds was proceeding. According to the Master Framework Agreement, the objectives of an ETP include improved transparency, fairness, liquidity, access and supervision. For the ETP to work successfully, the National Treasury will need to mandate primary dealers (PD) to quote continuously on the ETP. The JSE's obligation is to source ETP technology, in agreement with the National Treasury (NT) and to write the ETP trading rules, subject to approval from the ETP Market Committee. The ETP Market Committee is made up of the National Treasury, The JSE, Primary Dealers, and Association for Savings & Investment South Africa (ASISA), FSB, SARB and STRATE. The rules are to be approved by the Registrar (FSB).
- 2.4.2. In terms of the way forward, outstanding issues include ETP rules and membership criteria (that is, PDs versus non-PD-authorized users, banks versus non-banks, and external versus domestic authorized users), an agreement on clearing, settlement and trade reporting for the ETP and over-the-

counter (OTC), system requirements and specifications of the ETP, and the determination of timelines for implementing the ETP.

3. Annual review of the Financial Markets Liaison Group Terms of Reference

- 3.1. The Terms of Reference (ToR) of the FMLG were reviewed to extend the tenure of the Chairpersons of both the Foreign Exchange and the Fixed Income & Derivatives Subcommittees to two years from the current one year. Membership of these subcommittees was extended to international banks.

Enquiries

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