

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, 30 June 2014

Present:	Daniel Mminele (Chairperson), SARB Videshree Rooplall (Secretary), SARB Leon Myburgh, SARB Callie Hugo, SARB Tom Khosa, SARB Tim Masela, 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 C J Giddy, FirstRand / Rand Merchant Bank Donna Oosthuysen, International Banking Association Clive Sindelman, Investec Bank Natalie Labuschagne, National Treasury Roy Havemann, National Treasury Monale Ratsoma, National Treasury John Chemaly, Nedbank Peter Lane, Nedbank Arno Daehnke, Standard Bank Andrew Hall, Standard Bank Cecily Carmona, AT Kearney Graham Smale, Johannesburg Stock Exchange Limited Siobhan Cleary, Johannesburg Stock Exchange Limited Monica Ambrosi, Johannesburg Stock Exchange Limited
Apologies:	Richard Wainright, Investec Bank Johan Redelinghuys, National Treasury

Summary of discussions

1. General

- 1.1 A presentation on “*Vision 2030: South African a leading financial centre*” was made by AT Kearney, a consulting firm appointed by the Johannesburg Stock Exchange Limited (JSE). The vision contended that the South African financial sector was expanding rapidly and was well-positioned to become the leading financial centre in Africa. However, the Dubai and London financial centres were also competing for market share on the African continent. The initiators of the vision aimed to garner support from the Chief Executive Officers (CEOs) of the banking industry, the Minister of Finance and regulatory authorities.
- 1.2 A progress update on the Southern African Development Community (SADC) Integrated Regional Electronic Settlement System (SIRESS) was presented. Since the project went live on 22 July 2013, initially with the four Common Monetary Area (CMA) countries included as the first phase of the SIRESS, further progress was made. So far, in total, seven countries have been included in SIRESS and more than 22 000 payments were made with a total value of around R300 billion. Another three countries are planning to join SIRESS in September 2014.
- 1.3 A demonstration was done on the proposed Financial Markets Liaison Group (FMLG) webpage. It was envisaged that the launching of the website would take place mid-July 2014 and that it would be hosted on the website of the South African Reserve Bank (the Bank) via a link.

2. Feedback from subcommittees

2.1 *The Money Market Subcommittee*

- 2.1.1 The Financial Markets Department's (FMD) research on the different monetary operating frameworks of major central banks and those of BRICS (Brazil, Russia, India, China and South Africa) was near completion. The findings would be shared internally with the Bank first before being presented to the Money Market Subcommittee (MMS) and subsequently to the FMLG.
- 2.1.2 It was reported that a proposal had been made that the calculation of the Johannesburg Interbank Average Rate (Jibar) should use deposit rates instead of negotiable certificate of deposit (NCD) rates. This matter would be discussed further at the next MMS meeting. Limited progress had been made on the South African Benchmark Overnight Rate (Sabor), largely due to obstacles preventing the Bank from being able to independently verify submissions to the rate-setting process. The Bank indicated the need to enhance the transparency of the broader money market as this would enable a robust reference rate setting process.
- 2.1.3 The Bank's Legal Services Department (LSD) was close to finalising the Committed Liquidity Facility (CLF) agreement.

2.2 *The Fixed Income & Derivatives Subcommittee*

- 2.2.1 In the absence of the Bank being able to provide Monetary Policy Committee (MPC) meeting dates for a longer period in advance, the Bank advised that it would consider the subcommittee's request to provide a rolling 12-month calendar of MPC meeting dates at each MPC meeting.

2.2.2 The development of the Overnight Indexed Swap (OIS) market was dependent on the establishment of a credible interbank rate. More work would be done to come up with proposals for a credible and transparent interbank rate.

2.3 *The Foreign Exchange Subcommittee*

- 2.3.1 The subcommittee discussed the allegations of foreign exchange manipulation in international markets. However, it was stated that banks might be hesitant to discuss internal matters in a forum like this subcommittee and would prefer to interact directly with the regulator in necessary.
- 2.3.2. The SARB informed the FMLG that the SARB is monitoring developments with regard to various international investigations into possible misconduct in fx markets.

3. **Secured interbank market**

- 3.1 A presentation on the establishment of a secured interbank market was made. This market would be important in the event that a crisis emerged where banks would experience liquidity problems that could threaten the stability of the entire banking system. The MMS was mandated to investigate the possibility of developing a secured interbank market.

4. **Electronic Trading Platform**

- 4.1 A progress update was given on the Electronic Trading Platform (ETP). The ETP Market Committee was established and included representatives from National Treasury (Chairperson), the Association for Savings and Investment South Africa (ASISA), the Primary Dealers Association (PDA), the JSE and the Bank. The request for information (RFI), which would request information on the technology options available, was approved by the ETP Market Committee and

would be sent to potential service providers.

Enquiries

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