



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,**

**29 October 2014**

**Present:** Leon Myburgh (Chairperson), SARB  
Videshree Rooplall (Secretary), SARB  
Callie Hugo, SARB  
Tom Khosa, SARB  
Edward Leach, SARB  
Johan Redelinghuys, National Treasury  
Mike Harvey, Absa Capital  
Justin Nichols, Absa Capital  
Mike Keenan, Absa Capital  
Stephen Charles, FirstRand / Rand Merchant Bank  
Andries du Toit, FirstRand / Rand Merchant Bank  
Lourens van Rensburg, Investec Bank  
John Chemaly, Nedbank  
Peter Lane, Nedbank  
Richard de Roos, Standard Bank

**Apologies:** Daniel Mminele, SARB  
Tim Masela, SARB  
Peter Wharton-Hood, International Banking Association  
Garth Klintworth, Absa Bank  
CJ Giddy, FirstRand /Rand Merchant Bank  
Richard Wainright, Investec Bank  
Clive Sindelman, Investec Bank  
Roy Havemann, National Treasury  
Arno Daehnke, Standard Bank  
Andrew Hall, Standard Bank

## **Summary of discussions**

### **1. General**

- 1.1 A presentation was made by Absa Capital on rand offshore trading. It was reported that the South African Reserve Bank's (the Bank) rand turnover statistics were significantly lower than that of the Bank for International Settlements (BIS) and Continuous Linked Settlement (CLS) data, implying that the Bank's turnover figures might not be capturing rand trading activity between some offshore counterparts.
- 1.2 The FMLG webpage had been launched on 2 July 2014, with more than 5 000 hits so far, which was deemed satisfactory. In addition, the "Markets" section on the Bank's website had been redesigned, with more enhanced data published on money-market operations.
- 1.3 A presentation was made by a bank on proposals for the calculation of an overnight interbank rate for the domestic market. It was resolved that a system based on the South African Multiple Option Settlement System (SAMOS) be developed to calculate an overnight interbank reference rate and that the National Payment System Department (NPS) would participate in the working group to be established for this purpose. The project scope would be widened to enhance transparency in the broader market to enable improved reference rate calculations.

### **2. Feedback from subcommittees**

#### **2.1 *The Money Market Subcommittee (MMS)***

- 2.1.1 Reviews of the Johannesburg Interbank Average Rate (Jibar) and South African Benchmark Overnight Rate (Sabor) Codes of Conduct: The Official Sector Steering Group (OSSG) and revised International Organization of Securities Commissions (IOSCO) documents had been finalised and published. The MMS

was awaiting the Financial Services Board's (FSB) proposals on ensuring that domestic reference rates complied with international standards with respect to rules and governance processes.

- 2.1.2 Committed Liquidity Facility (CLF): Implementation was still on track despite new developments surrounding the finalisation of collateral. The Bank Supervision Department (BSD) had distributed the draft CLF agreement between the Bank and the commercial banks via the Banking Association of South Africa (BASA) for inputs from banks.
- 2.1.3 Development of the money-market yield curve: The Johannesburg Stock Exchange (JSE) was in the process of drafting a document on the development of a money-market yield curve. The document would be distributed to individual institutions for comment once completed.

#### 2.1.4 Feedback from the Reference Rate Oversight Committee (RROC)

- (i) Following the appointment of Mr Kganyago as Governor, the chairmanship of the RROC would be taken over by the Deputy Governor responsible for Financial Stability, currently Deputy Governor Groepe.
- (ii) Participating banks' compliance with the Jibar Code of Conduct was discussed.
- (iii) A report about commercial banks' negotiable certificates of deposit (NCDs) issuance patterns was discussed. The report highlighted that there had been a change in commercial banks' funding patterns, whereby banks had shifted their NCD issuance from traditional maturities to other maturities. There had also been a shift from issuance of NCDs to fixed deposits (according to the BA 900 returns). It was agreed that further analysis be done on the BA 900 returns as well as from the perspective of the Liquidity Coverage Ratio (LCR).

### 2.1.5 Feedback from the Liquidity Form meetings

- (i) End-of-day square-off: It was highlighted that the challenge facing some banks at end-of-day square-off was that they were being forced to use their cash reserve balances when they were short of cash or borrow on standing facility rates, while others left surplus funds in their settlement and cash reserve accounts. It was confirmed that the Bank had tabled proposals on how to address this issue.
- (ii) Secured interbank market: STRATE gave a presentation on its collateral management system that could be used for the secured interbank market. The National Payment System Department would assist STRATE in setting up the final system.
- (iii) Utilisation of cash reserves for Liquidity Coverage Ratio (LCR) purposes: Commercial banks would be able to utilise cash reserves for LCR compliance purposes on a daily basis. At the end of day, the portion of cash reserves not used in SAMOS could be used in the calculation of the LCR.

### 2.1.6 Feedback from the Special Money-Market Subcommittee meeting.

- (i) A meeting had been held with smaller banks to provide feedback on the projects of the FMLG subcommittees and to discuss these banks' responses to the money-market questionnaire. There were no serious concerns raised. It was agreed that such meetings should take place twice a year and that feedback from the FMLG meetings would be provided.

## 2.2 *Fixed Income & Derivatives (FI&D) Sub-committee*

- 2.2.1 Scope benchmark paper: This project was in the early stages of development. The JSE was working (i) on getting information from interdealer brokers' (IDB) screens in order to have swap futures and; (ii) with the banks on a process to offer fair rates.

### 2.3 *Foreign Exchange (Forex) Subcommittee*

- 2.3.1 The Code of Conduct for the South African rand fixing: No formal changes to the ACI Model Code had been made. However, more work needed to be done in consultation with the FSB if the code was to be adopted as a model code for the domestic market.
- 2.3.2 JSE/Thompson Reuters Feedback: An amicable solution was found to use data provided by Thompson Reuters to generate the fixing rates for the currency futures traded on the JSE platform.
- 2.3.3 Financial Stability Board Foreign Exchange Benchmarks document: The Financial Stability Board Foreign Exchange Benchmarks document had been published for wider consultation so that all market participants would have a chance to submit their comments on a proposed course of action.

### 2.4 *Bond Market Development Committee*

- 2.4.1 Electronic Trading Platform (ETP): The established working groups were continuing with their work. The Request for Information document had been distributed to 12 vendors and 9 responses had been received. The responses would be evaluated to identify three possible vendors. The ETP Market Committee had also met with the World Bank advisors on 29 October 2014 to review progress made.

## **3. Update on payment system matters**

- 3.1 It was reported that the total number of countries participating in the Southern African Development Community (SADC) Integrated Regional Electronic Settlement System (SIRESS) totalled nine, with 63 banks (58 commercial and 5 central banks). The value of settlements in September 2014 exceeded R50 billion and was expected to increase thereafter. The number of banks having SIRESS overnight balances (between August and September) totalled 43, averaging

between R200 million and R300 million.

- 3.2 On the issue of a settlement cycle date, South African participants proposed that the SAMOS system close 10 minutes later, that is, at 16h55 on a daily basis. The changed settlement schedule was implemented on 20 October 2014.

#### **4. Review of Authorised Dealer Foreign-Exchange Trading Operations**

- 4.1 The Chairperson gave a brief overview of the recent joint Bank/FSB press release titled “Review of Authorised Dealer Foreign-Exchange Trading Operations” (the Review). Members enquired about the motivation for the Review, to which the Chairperson responded that it was part of global good practice and adherence to global standards. The Review was expected to be completed by mid-2015, subject to the findings and recommendations of the Foreign-Exchange Review Committee.

Enquiries

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