



South African Reserve Bank

## **Financial Markets Department**

### **Record of proceedings of the Financial Markets Liaison Group meeting held at the South African Reserve Bank in Pretoria on 29 May 2019**

#### **1. Overview**

##### **1.1 The Financial Markets Liaison Group (FMLG) meeting discussed the following key issues:**

- The Integrated Trading and Clearing (ITaC) Project;
- The Fundamental Review Trading Book;
- The impact of declining industry volumes on liquidity; and
- Progress reports from the FMLG subcommittees and the South African Foreign Exchange Committee (SAFXC).

#### **2. Summary of discussions**

##### **2.1 Presentation by the JSE on the ITaC Project**

2.1.1 ITaC is a multi-year and multi-phase programme aimed at migrating the derivatives markets to a new trading and clearing platform. The first phase went live on 29 April 2019 and involved the migration of equity and currency derivatives.

2.1.2 Some technical challenges were encountered during the implementation of the first roll-out, but have since been resolved.

## 2.2 **Presentation on the Fundamental Review Trading Book**

2.2.1 Members of the FMLG discussed possible implications of the Fundamental Review Trading Book (FRTB) and agreed that there was a need for increased collaboration between National Treasury, various departments within the South African Reserve Bank (SARB), the Association for Savings and Investment South Africa and commercial banks, to inform end-to-end scope and to gauge the impact on the economy.

## 2.3 **Presentation on the impact of declining industry volumes on liquidity**

2.3.1 It was noted that volumes, particularly in the foreign exchange markets, were declining globally and were further exacerbated by increased market volatility and regulations.

2.3.2 Declining volumes were negatively impacting liquidity, and banks' profit margins.

## 2.4 **Feedback from the Money Market Subcommittee (MMS) and Reference Rate Working Group**

2.4.1 Reference rate reform project: The SARB published a report on stakeholder feedback on the reform of interest rate benchmarks in South Africa on 24 May 2019. The SARB acknowledged concerns raised about the alternative benchmark rates proposed in the consultation paper and was open to alternative proposals.

2.4.2 Treasury Bill Market Working Group: The development of the secondary market for Treasury Bills (TBs) in South Africa was underway. The NT and the SARB were consulting with banks and asset managers in this regard, and there was general support for developing the secondary TB market.

2.4.3 Extension of the pool of securities eligible in the SARB's refinancing operations: The pool of eligible securities in the SARB refinancing operations would not be

extended as it was concluded that there were sufficient high-quality liquid assets in the domestic market.

2.4.4 Collateral substitution for the main repo auction: The SARB had made good progress in enhancing its system to enable collateral substitution for the main refinancing auction. Relevant stakeholders would be informed once the process had been completed.

## 2.5 **Feedback from the Fixed Income and Derivatives Subcommittee**

2.5.1 The Fixed Income and Derivatives Subcommittee was in the process of making inputs into the reference rate reform process through the Banking Association of South Africa.

## 2.6 **Feedback from the South Africa's Foreign Exchange Committee**

2.6.1 Mr Richard de Roos was elected as the Deputy Chairperson of the South African Foreign Exchange Committee (SAFXC), replacing Mr David Gracey.

2.6.2 ABSA, represented by Mr Justin Nichols, was elected to represent authorised dealers.

2.6.3 The SAFXC was, as with the Global Foreign Exchange Committee, lobbying the buy-side to endorse the Global Foreign Exchange Code.

Enquiries:

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Secretariat of the FMLG

**Attendance of the FMLG meeting 29 May 2019**

<b>Members who attended</b>	<b>Apologies</b>
Daniel Mminele, (FMLG Chairperson), SARB Edwin Makgopa, (Secretariat), SARB Taalya Phekun, (Secretariat), SARB Leon Myburgh, SARB Zafar Parker, SARB Mukelani Nkuna, SARB Linda Motsumi, SARB Nomwelase Skenjana, SARB* Garth Klintworth, ABSA Capital Deon Raju, ABSA Capital Andries du Toit, FirstRand Randall Habana, IBA* Denvin Naidoo, Investec Lourens van Rensburg, Investec George Kerby, Nedbank James Glover, Nedbank Anthony Julies, NT Roy Havemann, NT Bhulesh Singh, RMB* Richard de Roos, (SAFXC) David Kingsey, Standard Bank <b><u>By Invitation</u></b> Garth Saunders, ABSA Capital Alex Comminos, JSE	Tim Masela, SARB Vikas Khandelwal, IBA Clive Sindelman, Investec Theo Thomas, RMB Andrew Hall, Standard Bank

\*Stand-in representative