



Financial Markets Department

Record of proceedings of the special Financial Markets Liaison Group meeting held via teleconference on 19 March 2020

1. The Financial Markets Liaison Group (FMLG) convened a special meeting on 19 March 2020 to discuss the economic and financial market risks arising from COVID-19.
2. Summary of discussions
 - 2.1 It was noted that the impact of COVID-19 on asset prices and the real economy, harboured potential financial stability risks.
 - 2.2 The Johannesburg Stock Exchange Limited and Strate Limited confirmed that unprecedented trade volumes were processed on account of the crisis.
 - 2.3 Banks demand for liquidity had increased, on account of investors and corporates liquidating assets for cash, including Negotiable Certificates of Deposit. Banks were concerned that they could subsequently breach the regulatory liquidity ratios¹. The SARB reminded market participants that naked short selling was not permissible in the South African financial markets.

¹ Liquidity Cover ratio and Net Stable Funding Ratio

- 2.4 It was recommended that the SARB review its liquidity management strategy during the COVID-19 financial market crisis, in light of pressures being experienced in various funding markets. The SARB confirmed that it had been discussing its liquidity management strategy over the past few weeks and any changes deemed necessary would be communicated to the market.
- 2.5 Participants in the teleconference confirmed that they had contingency plans in place in the event that government implemented a complete lockdown.
- 2.6 Despite the level of risk in the country at the time of the special FMLG meeting, the South African market's operating hours would not be extended, nor would the financial markets be shut down.

Enquiries:

Mr E Makgopa

Edwin.Makgopa@resbank.co.za

Secretariat of the FMLG

Attendance of the Special FMLG meeting 19 March 2020

Institutions represented in the teleconference

SARB – Financial Markets Department

SARB – Prudential Authority

SARB – Financial Stability Department

SARB - National Payment System Department

National Treasury

Financial Sector Conduct Authority

ABSA

FirstRand

Investec

Nedbank

Standard Bank

FMLG Subcommittees

South African Foreign Exchange Committee

Banking Association South Africa

International Banking Association

Johannesburg Stock Exchange Limited

Strate Limited

Association of Corporate Treasurers of Southern Africa

Association for Savings and Investment South Africa