



South African Reserve Bank

Media release

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Reform of interest rate benchmarks in South Africa: Market Practitioners Group

The South African Reserve Bank (SARB) embarked on a public consultation process on 30 August 2018 to solicit input on proposals for the reform of key interest rate benchmarks used in South Africa. The ['Consultation paper on selected interest rate benchmarks in South Africa'](#) (Consultation Paper) was open for public comment until 30 November 2018.

The SARB's initial assessment of the comments received is that there is broad-based in-principle support for the recommended reforms, and valuable input has been received in respect of the composition and/or the calculation methodology of some interest rate benchmarks. These comments include the following:

- There is general agreement that the current calculation of the Johannesburg Interbank Average Rate (Jibar) be phased out over time, and that interest rate benchmark calculations should be based on actual transactions.
- There is general acceptance that risk-inclusive reference rates should be used for the pricing of unsecured on-balance sheet (Jibar-linked) items and that risk-free reference rates should be used for derivative contracts.
- There is support for the reform of the South African Benchmark Overnight Rate (Sabor), including the proposed Sabor Money Market as well as the introduction of the South African Rand Interbank Overnight Rate (ZARibor).
- There appears to be limited support for the government bond repurchase rate as the secured overnight rate for the derivative market, due to current

inefficiencies/deficiencies in the domestic market for buy- and sell-back transactions.

As part of developing an implementation paper to be released during the second quarter of 2019, the SARB will consider all the responses in detail in consultation with the Market Practitioners' Group (MPG).

The MPG is a public-private sector body, comprising members of the SARB, the Financial Sector Conduct Authority, the Banking Association of South Africa, the Association of Corporate Treasurers of South Africa and the Association of Savings and Investment South Africa. The primary purpose of the MPG will be to facilitate final decisions on the choice of interest rate benchmarks to be used as reference interest rates for financial and derivative contracts, as well as to provide input to the SARB and the FSCA on the operationalisation of the interest rate benchmark proposals.

The SARB today published the [Terms of Reference \(ToR\) of the MPG](#).

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