South African Reserve Bank

29 January 2018

Jibar: Code of Conduct, Governance Process and Operating Rules

The Johannesburg Interbank Average Rate (Jibar) is the most important reference rate in the domestic financial markets and is calculated for various maturities up to 12 months. The three-month Jibar rate, in particular, is the key reference rate used to reset most variable rate financial contracts, including derivative transactions.

The first revision of the Jibar's calculation method and rate-setting process occurred towards the end of 2011. This review culminated in the release of the *Jibar Code of Conduct, Governance Process and Operating Rules (Code),* first published on 1 March 2013. The *Code* forms the basis for the South African Reserve Bank's (SARB) surveillance of the Jibar rate-setting process. In order to enhance the effectiveness of the Jibar surveillance mechanism, the *Code* is reviewed on a regular basis for relevance and alignment with international standards. The most recent review of the *Code* was finalised in August 2015, following a gap analysis conducted by the Financial Services Board to ensure compliance with the International Organisation of Securities Commissions' (IOSCO) principles for financial benchmarks. Since then, as part of the ongoing reassessment process, further changes have become necessary, based on experience of working with the *Code*.

The revised *Code* includes the following, as endorsed by the Financial Markets Liaison Group (FMLG) and approved by the Reference Rate Oversight Committee (RROC) in September 2017:

1. revised eligibility criteria to qualify for, and remain on, the Jibar Panel (paragraph 2.4 of the *Code*);
2. the formalisation of the surveillance of forward-starting negotiable certificates of deposit (NCDs) (within paragraphs 2.4 and 2.5 of the *Code*);
3. the approval of revisions to the *Code* by the RROC (paragraph 4.4.2 of the *Code*);
4. independent reporting of malpractice (paragraph 4.6 of the *Code*);
5. reporting of abnormal market conditions causing the extension, breach or broadening of the recommended 25 basis point spread between NCD bid and offer rates (paragraph 2.2.2 of the operating rules of the *Code*); and
6. the recalculation and republishing of the Jibar (paragraph 2.10 of the operating rules of the *Code*).

The effective date for the implementation of the changes to the *Code* is 30 January 2018.

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Note to the editors:

The FMLG is a consultative forum and is chaired by the Deputy Governor: Markets of the SARB. Membership comprises the Treasurers and Heads of Global Markets of the five major domestic banks, the Chairperson of the International Banking Association, as well as representatives from National Treasury and various departments of the SARB.

Further details about the FMLG, are contained in its terms of reference, available at http://www.resbank.co.za/Markets/FMLG/Pages/ default.aspx

The RROC is a subcommittee of the Financial Stability Committee of the SARB and is chaired by the Deputy Governor of the SARB responsible for Financial Stability. The purpose of the committee is to give effect to the governance responsibility of the SARB pertaining to the Jibar rate-setting process. Membership of the committee comprises the Deputy Governor: Markets, and representatives from the Prudential Authority as well as the Financial Stability and Financial Markets departments of the SARB.