



SOUTH AFRICAN RESERVE BANK

Media Release

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Publication of a new interest rate benchmark, the South African Overnight Index Average, for observation by market participants

The South African Reserve Bank (SARB) today commenced publishing the [South African Rand Overnight Index Average](#) (ZARONIA), which is a financial benchmark that reflects the interest rate at which rand-denominated overnight wholesale funds are obtained by commercial banks. ZARONIA is based on actual transactions and calculated as a trimmed, volume-weighted mean of interest rates paid on eligible unsecured overnight deposits.

The publication of ZARONIA signifies an important milestone in the effort to reform interest rate benchmarks that are widely used as reference rates in the South African financial markets.

In 2018, the SARB embarked on an initiative to strengthen widely used reference rates and introduce alternative benchmarks that complied with the International Organization of Securities Commissions' (IOSCO) '[Principles for Financial Benchmarks](#)'. The SARB proposed various benchmarks in a [consultation paper](#) and established the [Market Practitioners Group](#) (MPG) to make final decisions on the proposed benchmarks. Due to the shortcomings of the proposed benchmarks, a new suite of benchmarks was designed and published in the technical specification paper (TSP) '[The Draft Statement of methodology and policies governing SARB-administered interest rate benchmarks](#)' in June 2020.

After much consideration, the MPG designated one of the new benchmarks, ZARONIA, as its preferred successor rate that should replace the Johannesburg Interbank Average Rate (Jibar). Following a period of rigorous testing of the benchmarks, the results of the back-testing exercise were summarised in a report titled ['Feedback on the draft statement of methodology and policies governing the SARB-administered interest rate benchmarks'](#).

Further information on the specification of ZARONIA can be found in the TSP. With each benchmark determination, the SARB will publish the headline rate and the following related information:

- the nominal value of the transactions underpinning the headline rate;
- the rates occurring at the 10th and 90th percentiles; and
- the calculation method to indicate whether the headline rate was determined in accordance with the 'normal' methodology or a 'contingency' arrangement.

For comparison purposes, ZARONIA will be published together with the South African Rand Interbank Overnight Rate (ZARIBOR), a subset of ZARONIA that focuses on the interbank market segment (refer to the TSP for the statement of underlying interest and calculation methodology for the benchmark). In addition, the SARB will make available a six-year historical record of ZARONIA and ZARIBOR in due course to give market participants a sense of the benchmarks prior to their publication.

The SARB has appointed 10 commercial banks as reporting institutions that will send bona fide transactions data for the determination of the benchmark rates daily. The reporting institutions and the SARB spent much of the last twelve months developing and implementing the technology that enables the extraction, transmission and validation of the data as specified in the 'SARB Money Market Data Collection – Reporting Instructions'.

Market participants should not use ZARONIA and ZARIBOR in financial contracts until the SARB and the MPG indicate otherwise. The duration of the observation period will be communicated in due time and may depend on the MPG's information needs,

transition plans, as well as the SARB's decision regarding the cessation date for Jibar and the South African Benchmark Overnight Rate on Deposits (Sabor).

The SARB would like to thank all stakeholders for their participation in the programme to reform the reference rates. The investment made by reporting institutions in terms of time commitment, human resources and capital expenditure is commendable.

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