



SOUTH AFRICAN RESERVE BANK

Media release

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Consultation on market conventions for ZARONIA-linked cash market instruments

The [Market Practitioners Group](#) (MPG) has published [three consultation papers](#) on market conventions for cash market products that will use the South African Rand Overnight Index Average (ZARONIA) as an alternative reference rate. The South African Reserve Bank (SARB) started publishing ZARONIA on its [website](#) on 1 November 2022 to allow market participants to observe the rate before it is formally endorsed for use in financial products.

This latest publication is a continuation of the MPG's efforts to encourage the adoption of ZARONIA in widely used financial instruments. On 20 January 2023, the MPG published a [consultation paper on 'market conventions for ZARONIA-based derivatives market products'](#). Several market participants submitted their comments on the proposed conventions, which were considered in the preparation of the [final draft](#). In addition, the MPG produced an accompanying [practical guide](#) for the final draft to assist market participants gain clarity on the technical aspects of the paper.

Similarly, the consultation papers on market conventions for cash market products are accompanied by practical guides and worked examples in Microsoft Excel. Each paper is self-contained and focuses on a particular segment of the cash market, namely, the bond, loan and money markets. The financial instruments that are primarily covered include floating rate bonds, general ZARONIA-linked loan contracts, and floating rate negotiable certificates of deposits, respectively. Market participants are requested to consider the recommendations contained in each consultation paper and provide feedback, clearly indicating the market segment to which the feedback applies.

The consultation papers were drafted by the Cash Market Workstream of the MPG, which consists of representatives from commercial banks, academia, asset managers and other

market participants with expertise in the cash markets. The workstream is mandated to make recommendations on the development of cash markets and financial contracts that will reference ZARONIA.

Responses to the consultation papers should be submitted in writing to the MPG Secretariat at MPGSecretariat@resbank.co.za by 27 October 2023.

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Note to editors:

In 2018, the SARB embarked on an initiative to strengthen the 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 MPG to make the final decisions on the proposed benchmarks.

The MPG is a joint public and private sector body, comprising representatives from the SARB, the Financial Sector Conduct Authority and senior professionals from a variety of institutions and financial market interest groups active in the domestic money market. The MPG relies on dedicated workstreams and technical subgroups to carry out its objectives. The workstreams and technical subgroups have a responsibility for providing technical input and recommendations to the MPG on specific issues that are relevant to the transition from the Johannesburg Interbank Average Rate (Jibar).

[ZARONIA](#) is based on actual transactions and calculated as a trimmed, volume-weighted mean of interest rates paid on eligible unsecured overnight deposits. The MPG has designated ZARONIA as its preferred successor rate that should replace Jibar.