



SOUTH AFRICAN RESERVE BANK

Media release

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Consultation on market conventions for ZARONIA-based derivative instruments

The [Market Practitioners Group](#) (MPG) has published a [white paper](#) that proposes market conventions for derivative products that will use the newly launched South African Rand Overnight Index Average (ZARONIA) as an alternative reference rate to the Johannesburg Interbank Average Rate (Jibar). This marks a significant step in the effort to reform domestic reference rates, as the white paper considers the ways in which the derivatives market will adopt a more robust interest rate benchmark. ZARONIA is based on actual transactions and is 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. The South African Reserve Bank (SARB) started publishing ZARONIA on its [website](#) on [1 November 2022](#) to allow market participants to observe the rate.

The transition away from Jibar to an alternative reference rate will have a significant impact on the derivatives market. The gross notional exposure of financial contracts that reference Jibar was estimated to be approximately R27 trillion as at the end of 2021. Derivative instruments account for the largest portion of the exposure, totalling just under 90% of financial instruments traded in South Africa that reference Jibar. Thus, it is essential that market participants consider the recommendations contained in the white paper and provide their comments to ensure a smooth transition. The recommendations provide a framework for interest rate and cross currency swaps that will reference ZARONIA.

The white paper was drafted by the Derivatives Workstream (DWS) of the MPG which consists of representatives from commercial banks, academia, asset managers and other market participants with expertise in derivatives. The DWS is mandated to make recommendations on the development of derivatives markets and contracts that will reference ZARONIA.

The MPG has published the white paper for review and comment by market participants. Comments should be submitted in writing to the MPG Secretariat at MPGSecretariat@resbank.co.za by 20 February 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 to provide technical input and recommendations to the MPG on specific issues that are relevant to the transition away from Jibar.