



SOUTH AFRICAN RESERVE BANK

Media release

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Consultation paper on the cessation of the prime lending rate

The South African Reserve Bank (SARB) today published [a consultation paper](#) on discontinuing the prime lending rate (PLR) and designating the SARB policy rate (SPR), commonly known as the repurchase (repo) rate, as a replacement rate.

This would make the SPR the reference rate for PLR-linked financial contracts, ensuring a clearer link between monetary policy and lending rates, and improving public understanding of loan pricing mechanisms.

The proposed reform is part of ongoing efforts to modernise South Africa's interest rate benchmarks and align with international best practices. Furthermore, the PLR has become detached from its original purpose as the base rate for pricing credit, leading to widespread misconceptions about its function.

This, in part, reflects the evolving nature and use of the PLR since its introduction in South Africa's financial markets, which include a time when the PLR was used as a base rate for bank lending. However, since 2001, the rate has been used as an administrative reference with a fixed spread of 350 basis points above the SPR. While the simplicity of the PLR has enabled the comparability of lending rates and better monetary policy transmission, its continued use is deemed counterproductive given misconceptions about its intended purpose.

The use of the term 'SARB policy rate' instead of 'repo rate' reflects the evolution of the monetary policy implementation framework.

The term 'repo rate' was appropriate when the SARB implemented monetary policy using a structural shortage framework and the policy rate reflected the cost at which the SARB lent short-term liquidity to commercial banks using repurchase agreements. However, in 2022, the SARB transitioned to a surplus framework for monetary policy

implementation, which has reduced the need to refinance liquidity shortages significantly.

A transition from the PLR to the SPR as a key reference for lending rates, expected only after the Johannesburg Interbank Average Rate (Jibar) cessation, will be carefully managed to minimise disruptions and the risk of economic value transfer. This process will include robust fallback language in new contracts, legislative safe harbour provisions for legacy contracts and extensive stakeholder engagement to ensure a smooth migration. Lessons learnt from the recent Jibar benchmark transition will inform the approach.

All stakeholders are invited to provide comments and suggestions on the proposed cessation of the PLR by 20 March 2026. All comments, suggestions and general queries relating to this consultation paper should be sent to the SARB at sarbwgrirb@resbank.co.za.

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