



SOUTH AFRICAN RESERVE BANK

Confidential

**Minutes of the meeting of the Market Practitioners Group on Interest Rate
Benchmark Reforms held via MS Teams on Thursday 26 November 2020 at 09:00**

Minutes No. 4/2020

Present:

F Tshazibana	(Chairperson – Deputy Governor of the SARB)
G Haylett	Banking Association of South Africa
J Mol	Association of Corporate Treasurers of Southern Africa
Z Parker	SARB
A Du Toit	Chair – Risk Free Reference Interest Rate
E Hamman	Chair – Governance
P Burgoyne	Chair – Transition
D Raju	Chair – Risk based Reference Interest Rate
R Roux	Chair – Data Collection and Infrastructure
G Raine	Association for Savings and Investment South Africa

Apology:

J Boyd	Financial Sector Conduct Authority
B Maronoti	SARB Financial Markets Department

In attendance:

Z Gininda	SARB Financial Markets Department
S Springfield	SARB Financial Markets Department
K Maropefela	SARB Financial Markets Department
P Mananga	Prudential Authority
N Patel-Manga	SARB – DG Tshazibana's Office
SL Reynolds	SARB Group Secretariat

1. Welcome

- 1.1 The Chairperson welcomed members to the fourth meeting of the Market Practitioners Group on Interest Rate Benchmark Reforms (MPG or Committee) in 2020.

1.2 The meeting noted the apologies from Messrs. Boyd and Maronoti.

1.3 There being a quorum present, the meeting was duly constituted.

2. Adoption of the agenda

2.1 The agenda was adopted as proposed, with no amendments.

3. Confirmation of the Anti-Competitive Statement

3.1 The Anti-Competitive Statement was noted and accepted by all members and attendees present.

4. Approval of Minutes No. 3/2020 of the meeting held on 21 August 2020

4.1 The minutes of the meeting held on 21 August 2020 were accepted as a true reflection of the deliberations and were approved for signature by the Chairperson.

4.2 The signed minutes would be published on the MPG website.

5. Matters arising

5.1 Feedback from the SARB MPG Forum

5.1.1 Mr Parker presented feedback on the MPG Forum held on 6 November 2020. He indicated that the organising team had initially targeted participation of 150-200 people from a larger data base of 459 stakeholders, and eventually 206 stakeholders had attended.

5.1.2 There was a concern that the WebEx facility may not have been suitable for the complex and technical body of work to be presented and considered. The presenters were, however, commended for the way they had delivered the complex issues and there was meaningful interaction with the stakeholders online.

- 5.1.3 The attendees' questions were mainly concerned with:-
- the revised Jibar Code of Conduct and Operating Rules (the Code) and the date on which it would become effective;
 - the measures that would be put in place for term structures upon the cessation of Jibar, i.e. whether forward-looking and/or backward-looking term rates would be made available; and
 - the anticipated impact on the Forward Rate Agreements (FRAs) and the interest rate swap curve in the run-up to the proposed transition.
- 5.1.4 Mr Parker requested the Committee members to provide any feedback they may have or have received from the participants, to assist the Communications work stream when considering a follow-up session and how that session could be improved.
- 5.1.5 The members generally confirmed that they had received positive feedback from a broad range of stakeholders and that there was general satisfaction that the information had been shared early in the process and that the communications had reached the broader market. It was further agreed that additional similar forums should be arranged as the transition progresses.
- 5.1.6 A number of specific questions were highlighted by the members from their constituencies and it was proposed that small and focused interventions among specific sectors should be considered to address their concerns.
- 5.2 **Feedback from the Jibar Task team and update on the amendments to the Jibar Code of Conduct and Operating Rules**
- 5.2.1 Mr Gininda reported that the Jibar Task Team (JTT) had met four times between September and October 2020. The minutes of those meetings had been included in the meeting pack for review and were taken as read.
- 5.2.2 The members of the Committee were thanked for nominating their colleagues to participate on the JTT, which was able to fulfill its mandate within a period of six weeks.

- 5.2.3 After receiving input from the Financial Markets Liaison Group, the proposed amendments to the Code were presented to the Reference Rate Oversight Committee (RROC) at its meeting held on 13 November 2020. The RROC accepted and approved the proposed amendments to the Code, which would come into effect on 1 April 2021.
- 5.2.4 It was highlighted that it would be necessary to provide clarity regarding the provisions that would apply in the instance where a contributing bank was not able to submit quotes for the determination of Jibar due to various difficulties that were unique to that bank. It was confirmed that such a scenario had been considered by the RROC and it was agreed that it would be a matter for the Prudential Authority to manage. The Code did, however, make provision for the disqualification of a bank at the discretion of the RROC.
- 5.2.5 The JTT was congratulated on the speed and precision with which the process was conducted.

6. Feedback and updates from the MPG work streams

6.1 Governance work stream

- 6.1.1 The final Governance Position Paper from the Governance Work stream, was noted and taken as read.
- 6.1.2 Ms Hamman reminded the meeting that the draft governance position paper had been presented in June 2020 for the Committee's review and requested that this final document be approved at this meeting.
- 6.1.3 It was noted that the recommendations were based on the IOSCO principles and the Financial Sector Conduct Authority's draft Conduct Standard, to be published in 2021.
- 6.1.4 It was noted that the recommendations set out a broad framework for governance and, thus, it would be necessary to apply them more specifically on the various proposed interest rate benchmarks. Ms Hamman confirmed

that the framework was intended to be a broad overarching framework for governance to be implemented in the future.

- 6.1.5 The Chairperson requested that the Committee be given an opportunity to review the document in detail and provide any suggested amendments or comments to Ms Hamman by Friday, 11 December 2020. Once these comments had been incorporated, the report could be finalised and published on the MPG website by the SARB, as it had done with the other position papers.

6.2 **Data Collection and Infrastructure work stream**

- 6.2.1 The draft minutes of the Data Collection and Infrastructure work stream meeting held on 26 October 2020, together with an update to the MPG on its activities, were taken as read and noted.

- 6.2.2 Mr Roux highlighted the three-phase approach to data collection and infrastructure development, including the implementation of the Jibar strengthening measures, back-testing of the benchmarks contained in the Technical Specifications paper and the development of a solution for benchmark determination.

- 6.2.3 Mr Roux reported that the SARB was establishing a project team that would focus on building a solution that would allow the benchmark administrator to calculate the benchmark interest rate on a daily basis. The project team would engage with the Bank of England and the European Central Bank, who had already implemented similar solutions. The high level plan for the analysis and design phase was anticipated to be completed by April/May 2021 and the outcome of this process would inform the decision to either acquire a solution or build a solution internally within the SARB.

6.3 **Communications work stream**

- 6.3.1 The minutes from the Communications work stream were taken as read and noted. Mr Parker and the work stream would consider the guidance presented at this meeting when considering further engagements and

communications events.

7. Update on the MPG Roadmap

- 7.1 The Chairperson noted that there was no specific roadmap at the time, however, a lot of work had been done to conceptualise the path for reference rate reforms in South Africa. The MPG position papers and the SARB's Technical Specification Paper had been published on the website and presented to the MPG Forum. Hence, this Committee would need to shift its focus towards implementation and transition in 2021.
- 7.2 It was acknowledged that it would be impractical to assign all the upcoming work to the Transition work stream. New work streams would need to be formed to focus on specific issues such as: the development of derivative markets; the construction of a money market yield curve that can be used in valuations; determining the appropriate replacement benchmarks to be used in performance attribution; the development of term rates; and the implication for legal, accounting and tax matters, among others. The establishment of some of these work streams would need to be sequenced and others would start work immediately after the transition plan was finalised.
- 7.3 It was agreed that consideration could be given to dissolving the Risk-Based and Risk-Free work streams as they had essentially fulfilled their mandates and that the members of these work streams could potentially be assigned to the new work streams.
- 7.4 It was agreed that proposals should be made as to the new work streams to be established and the MPG Terms of Reference should be updated and revised, accordingly. The tentative Transition Plan of the Transition work stream should be considered in this regard.

8. Proposed meeting dates for 2021

- 8.1 It was agreed that the 2021 meeting dates should be scheduled as follows:-
- 12 March 2021
 - 11 June 2021
 - 10 September 2021

- 2 December 2021

9. Closure

- 9.1 The Chairperson thanked everyone for their attendance and contributions to the discussions and wished them a very happy and relaxed festive season.
- 9.2 There being no further matters for discussion, the meeting was closed.

DG F Tshazibana

Date

Chairperson:

Market Practitioners Group on the Interest Rate Benchmark Reforms