2026 Market Practitioners Group

South African Reserve Bank

Benchmarks: Reforms, regulation and resilience



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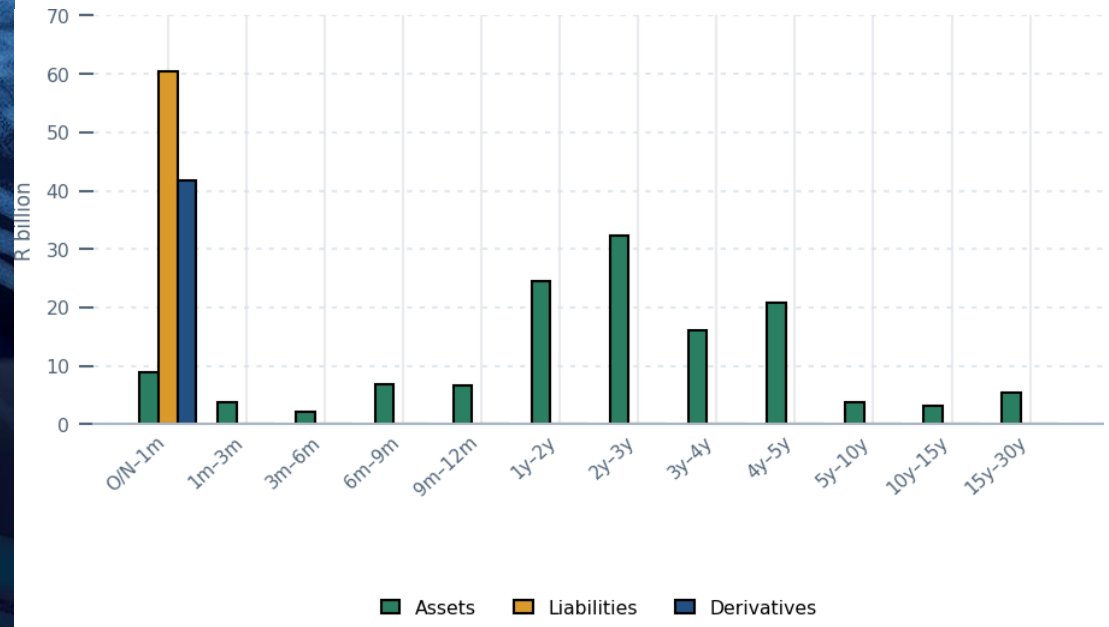
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SABOR and Prime exposure profiles

SABOR

Assets extend across the curve; liabilities and derivatives are concentrated within one month.

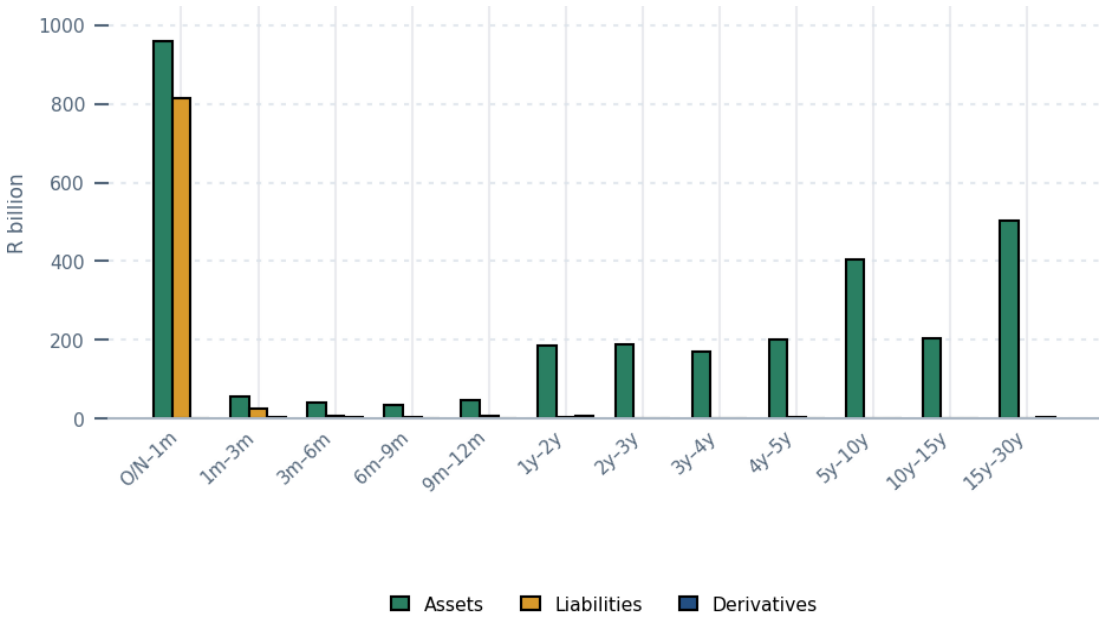


R236 bn exposure across 5.2k contracts

Assets + liabilities + derivatives

Prime

Assets dominate exposure across the curve, while liabilities are concentrated within one month.



R4 trillion exposure across 13m contracts

Assets + liabilities + derivatives

Source: SARB Quantitative Exposure Survey as at 30 September

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Development Timeline: Financial Benchmarks Framework

STEP 1

Designation

The Regulations make providing a benchmark a regulated financial service, with the FSCA as the responsible Authority

STEP 2

Per-benchmark scope

Like the revised EU rules, only critical and significant benchmarks are in scope, by public notice.

Proposed, over six months: ZAR 10–16bn average value is significant, ZAR 16bn+ critical. Qualitative criteria also apply.

STEP 3

The Conduct Standard

Requirements on governance, methodology and data for administrators (licensed if designated), and contingency plans for users.

Not intended to apply to the SARB for official rates such as Jibar and ZARONIA

2019–21
Groundwork, draft Regulations

2022–23
Two consultations on draft Standard

2023–24
Discussion papers on thresholds

March 2026
Third draft published

May 2026
Consultation closed

FSCA team considering comments

Next
Aim is to Submit to Parliament, effective date

What good benchmark governance looks like

ADMINISTRATORS AND CONTRIBUTORS

- Accountable governing body, with an independent oversight committee
- Conflicts of interest and complaints managed
- Published benchmark statement and controlled methodology changes
- Input data controls, with suspected manipulation reported
- Published change and cessation procedures
- Contributors follow a code of conduct, assessed annually

USERS: WHAT TO DO NOW

- Know which benchmarks your contracts depend on
- Keep a written contingency plan for change or cessation
- Name a suitable alternative where feasible
- Build the transition into customer contracts early

Shared responsibility: administrators, contributors and users each own their part.

Conduct risks while old and new benchmarks coexist

RISK 1

Fair treatment

An economically fair move to the new rate, not necessarily an identical outcome, as Jibar and ZARONIA differ. Products still perform as customers expect.

RISK 2

Transparency

Early, plain-language notice of what changes, why, and what it means, before, during and after.

RISK 3

Comparability

Disclosure and advertising must not mislead. Products suit the customer group, and advice fits their circumstances.

RISK 4

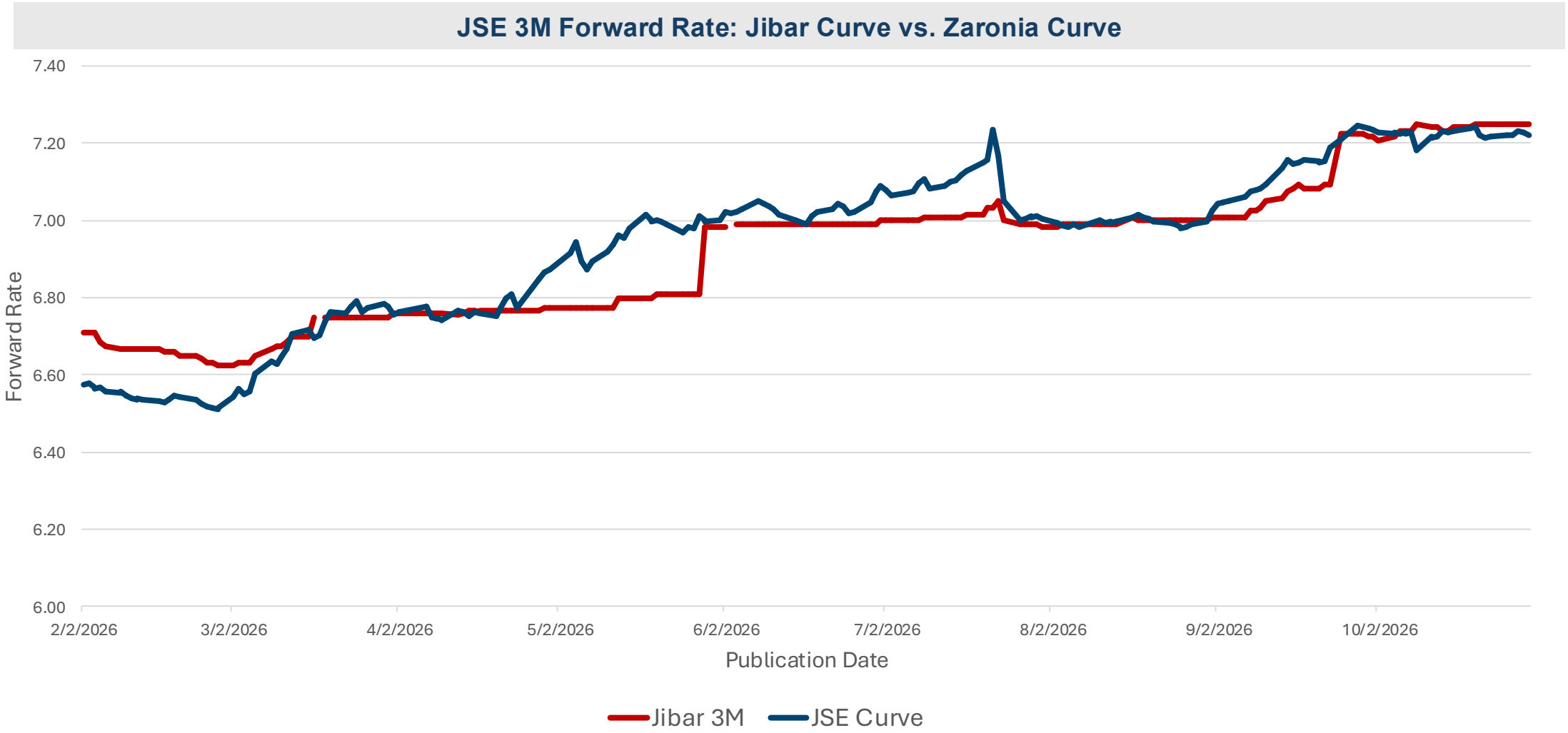
Economic neutrality

Replacement of JIBAR should not create an unintended transfer of value between counterparties or change the commercial intent of an existing contract. It should preserve contract's intended economic outcome.



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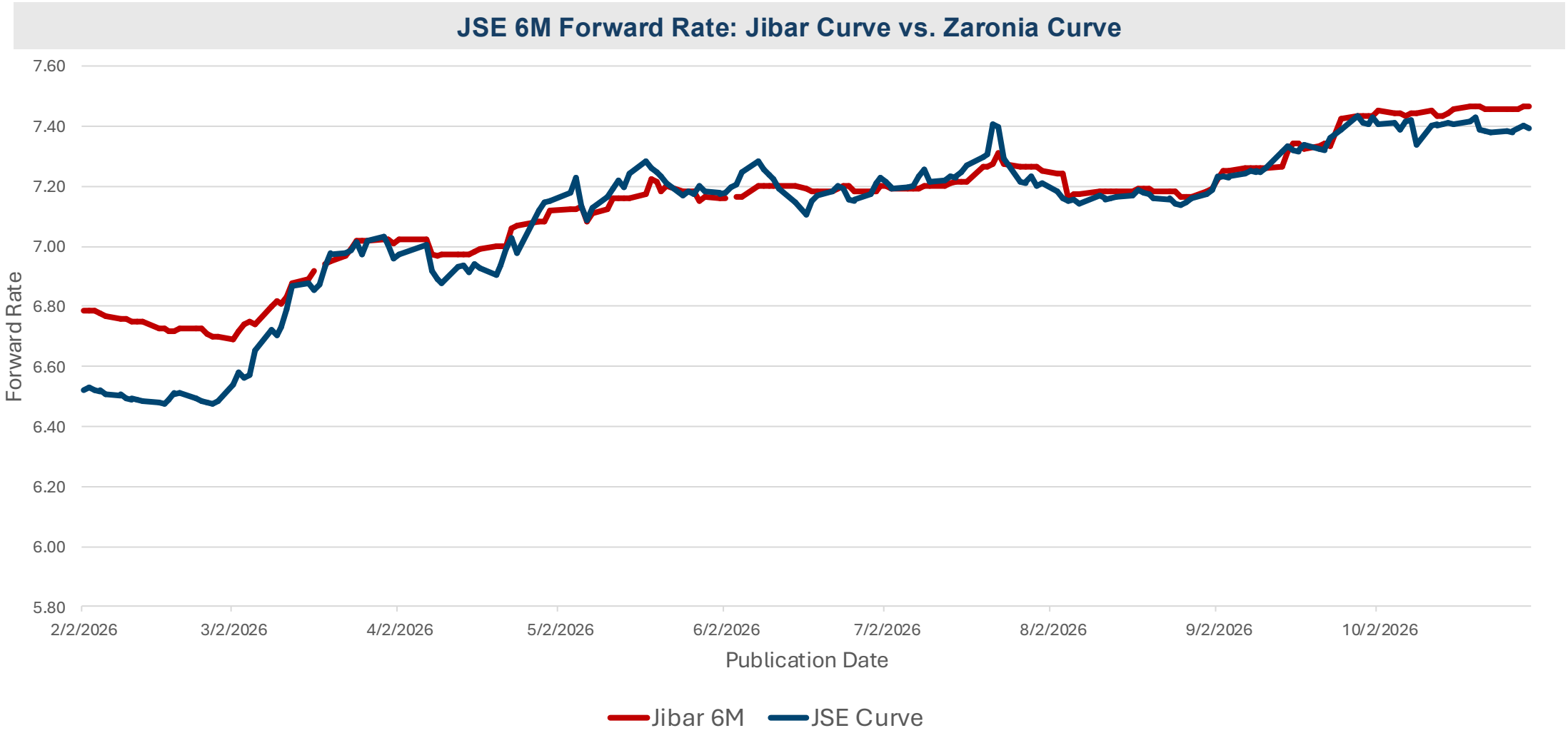
STeFI Inputs: 3-Month Term Rate



Source: JSE

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STeFI Inputs: 6-Month Term Rate

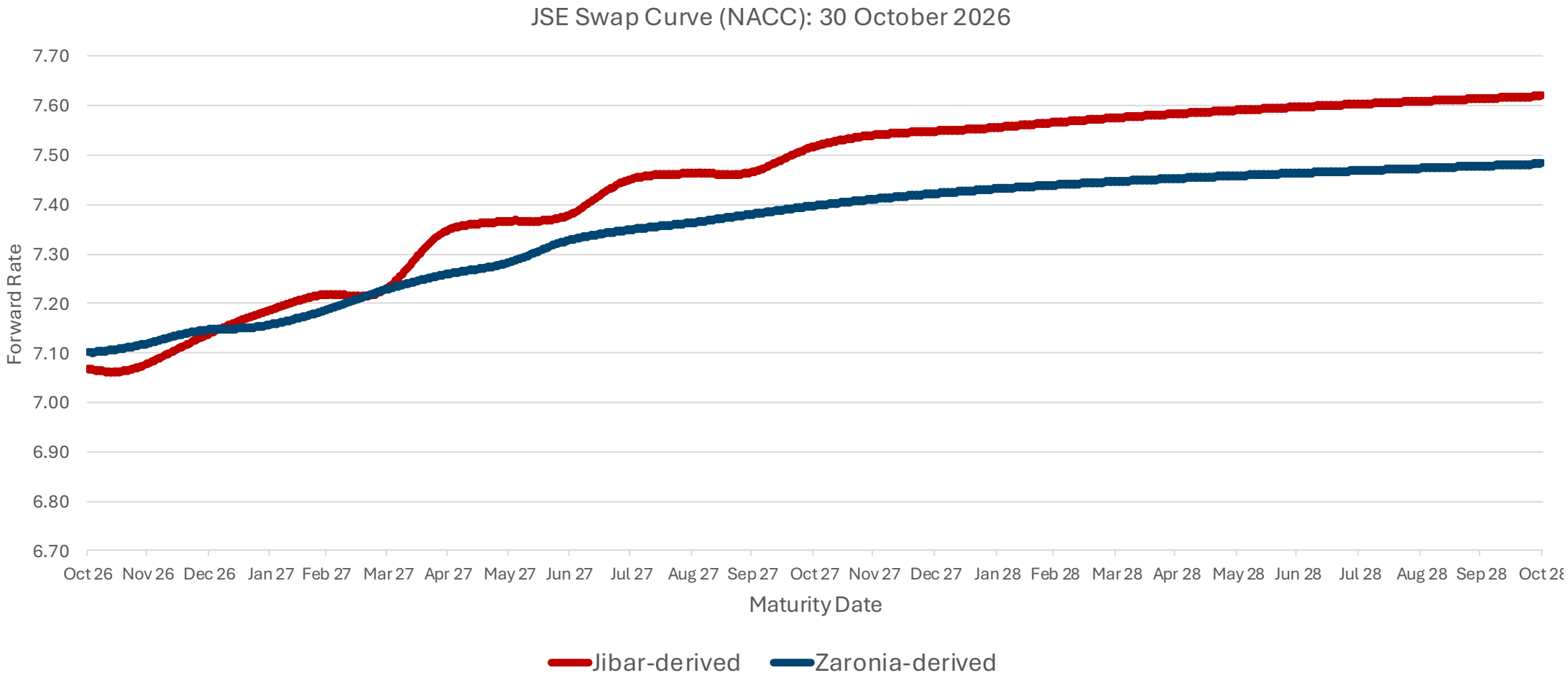


Source: JSE

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JSE Swap Curve: snapshot comparison

JSE 2-YEAR SWAP CURVE (NACC): 30 OCTOBER 2026



Source: JSE

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Swap Curve Inputs

Jibar Curve			Zaronia Curve	
Code	**Yield**		**Code**	**Yield**
SAFEX Overnight	7.070		Zaronia	7.105
1m JIBAR	7.100		OIS_SWAP 1M	7.142
			OIS_SWAP 2M	7.191
3m JIBAR	7.250		OIS_SWAP 3M	7.221
1x4	7.333		OIS_SWAP 4M	7.270
2x5	7.359		OIS_SWAP 5M	7.339
3x6	7.581		OIS_SWAP 6M	7.394
4x7	7.635		OIS_SWAP 7M	7.441
5x8	7.699		OIS_SWAP 8M	7.511
6x9	7.729		OIS_SWAP 9M	7.556
7x10	7.762		OIS_SWAP 10M	7.595
8x11	7.772		OIS_SWAP 11M	7.638
9x12	7.784		OIS_SWAP 1Y	7.678
12x15	7.798			
15x18	7.798			
18x21	7.797			
2y	7.688		OIS_2y	7.768

Source: JSE, 30 October 2026



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Gaps have moved from planning to execution and evidence

85.8%
of JIBAR-linked bonds (1,767) mature after March 2027

21 Nov
LCH converts cleared JIBAR swaps; contingency date 5 Dec

29 Sep
Finance committee paused the benchmark Bill; timing unclear

Amber 1
PA/FSCA sector rating for treating customers fairly

Gap area	Banks	Insurers and asset managers	FMIs and market-wide
Exposure inventory	Dashboards miss source data: undrawn facilities, exclusion rules	Exposure data comes from external managers, rarely reconciled	Members must reconcile cleared positions before the conversion
Testing and cut-over	Build ahead of testing: UAT and bulk dry runs late; Q4 peak	Readiness rests on administrator sign-offs, not own testing	LCH converts 21 Nov; JSE switches listed-note reference data
Contract remediation	Loan repapering behind plan; legal capacity; weak prioritisation	Depend on issuers and agents; mandates, treaties, STeFI to amend	Bond consent is slow; statutory backstop (FSR Act Bill) not yet law
Consequential impacts	Valuation, margin and capital impacts still being assessed	IFRS 13/17 and SAM impacts called immaterial without workings	Compensation cash and spread-adjusted legs to verify
Market data and models	Open validation findings on ZARONIA curves and models	Sparse 15–21M quotes; no inflation OIS inputs; no curve-specific checks	Term ZARONIA still a prototype; offshore JIBAR trading until 23 Nov
Contingency and customers	Plans for Bill delay, CCP slippage, silent clients untested	Client and policyholder communication still being finalised	LCH fallback date 5 Dec; residual exposure relies on the Bill

Boards should ask for evidence, not RAG status reports

Governance

Who decides, challenges and answers for it

- Named accountable executive; board-approved plan tied to MPG and FMI dates
- Steerco with mandate, quorum, approved minutes and escalation triggers
- Second line challenges first-line readiness ratings with evidence
- Internal audit covers pre- and post-cessation; findings tracked to closure
- Group view across subsidiaries, cross-border entities and outsourced managers

Controls

What prevents and detects errors

- Exposure inventory reconciled to source systems, sub-ledgers and CCP records
- 'No new JIBAR' blocked at booking; exceptions mapped to MPG
- Contracts classified by fallback strength, with independent review
- ZARONIA curves, price verification and basis limits under model-change control
- Documented rules and sign-off for regulatory exposure returns
- Written assurance from asset managers, administrators and agents

Evidence in the board pack

What proves the work is done

- Residual exposure after 31 Dec by product; remediation run-rate vs required
- End-to-end test and dress-rehearsal results by product class
- Valuation, IFRS, capital (CET1, SAM) and tax impacts, with workings
- Value transfer by client segment; proof clients understood the change
- Tested playbooks: Bill delay, date change, CCP slippage, no client response
- Independent assurance opinion; open findings with owners and dates

THE TEST Could an independent reviewer re-perform the exposure figure and readiness rating from the pack alone?

Six lessons from markets and firms further ahead

Lesson	Evidence from other markets	What South African front-runners do
1. Hold the date and govern to it	Canada held 28 Jun 2024: no extension, no synthetic CDOR. Indonesia ended JIBOR on 1 Jan 2026, as announced.	Plan to 31 Dec 2026; CRO/FD-chaired steering; quarterly reporting to the board risk committee
2. Use conventions and CCPs to move liquidity	SOFR First (2021) and CORRA First (2023) moved interdealer quoting; CCP conversions moved swaps in a weekend.	Discounting switched to ZARONIA OIS early; ISDA protocol adherence, including as non-members
3. Stop new exposure early	'No new' ahead of cessation: Canada 12 months (bonds, derivatives), 8 (loans); Japan 6; Mexico TIIE 28 from 2025.	Monthly checks that JIBAR falls and ZARONIA rises; each increase investigated. Next step: block at booking
4. Work the long tail by risk	Canada: syndicated loans led by foreign banks lagged on legal capacity. Singapore converted ~87,000 retail SIBOR loans.	Group-wide impact analysis in early 2025; simpler books (transaction banking) moved first
5. Put third parties on the critical path	US Fed (SR 21-7) required inventories of vendor-dependent systems and plans for vendors that cannot deliver.	Manager data consolidated monthly; written readiness confirmations from administrators
6. Prove readiness before go-live	Malaysia: MYOR operational readiness by 1 Oct 2026, nine months before no new KLIBOR. CCPs run dress rehearsals.	Bulk-conversion dry runs; independent replication of ZARONIA curves; post-implementation audit in 2027

Months from the "no new" date to cessation

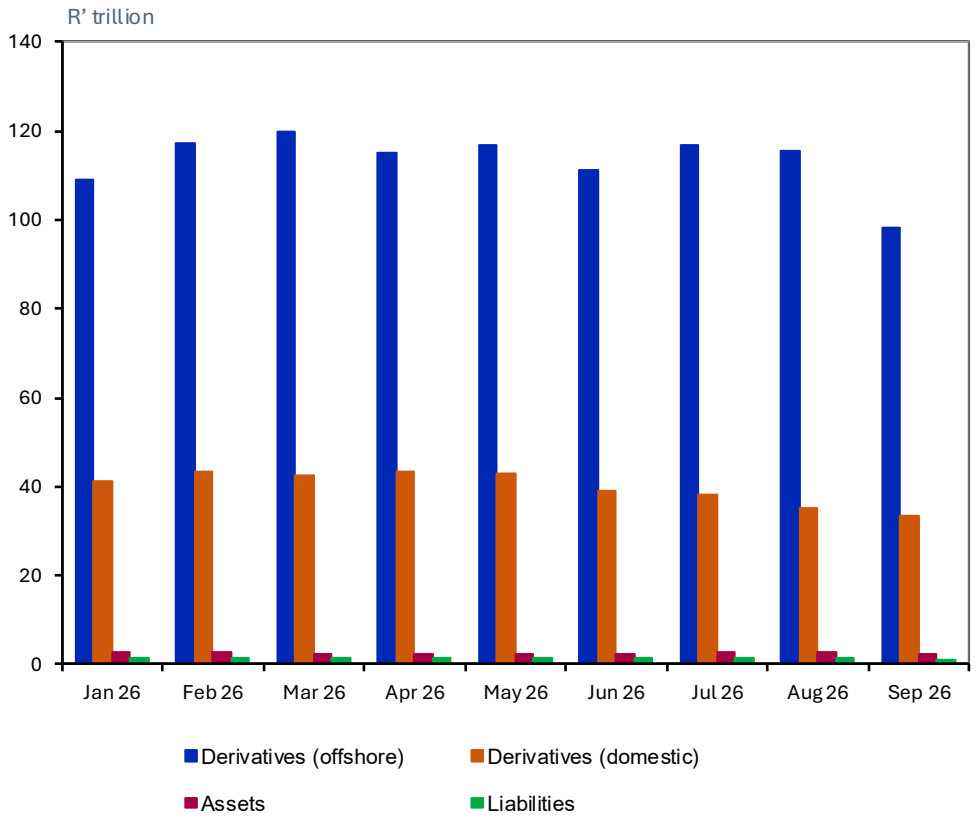


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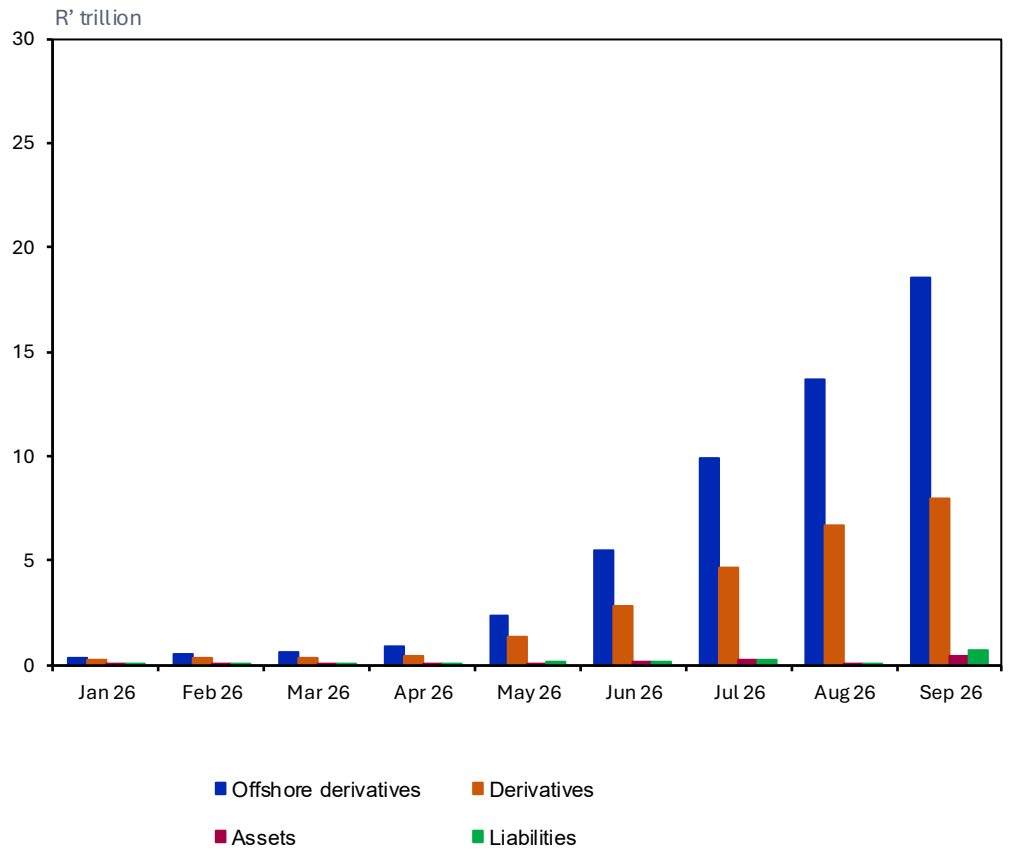
ZARONIA exposures are accelerating, both domestically and offshore

However, Jibar exposures remain sizeable

Jibar exposures



ZARONIA exposures



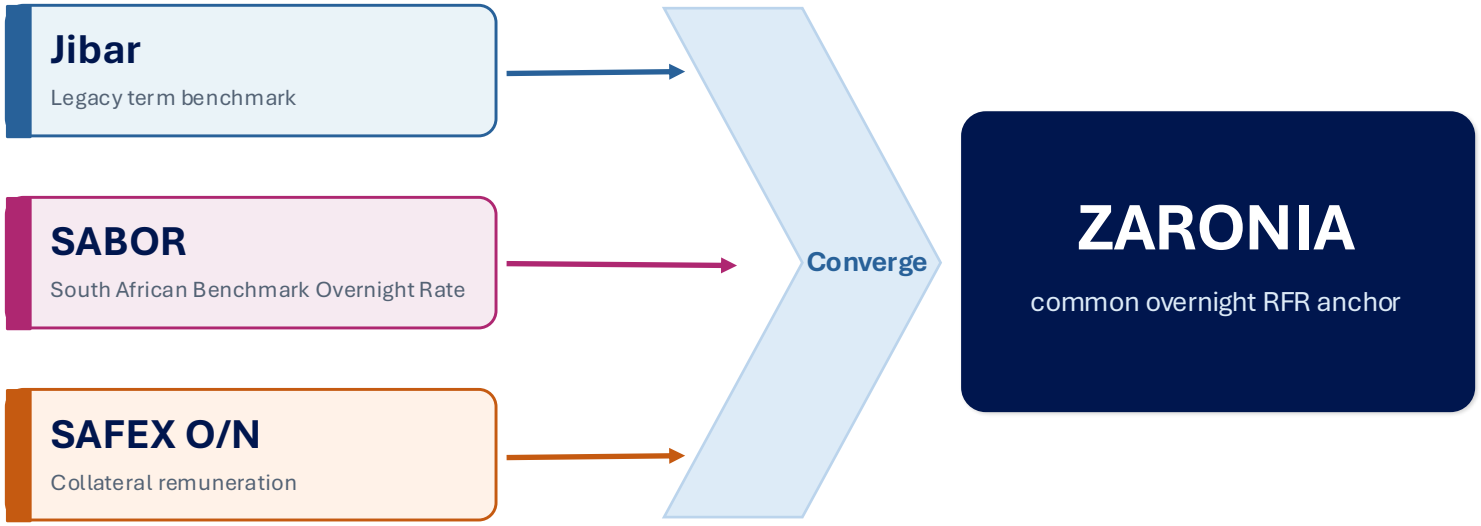
Source: SARB, LCH SwapClear

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Benchmark reform simplifies the interest rate architecture

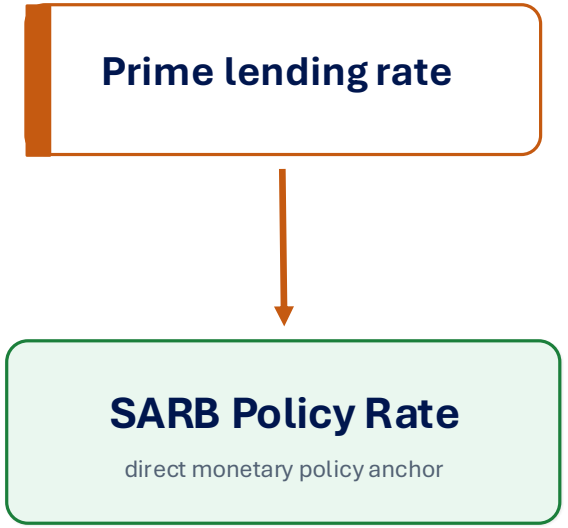
Three market benchmarks converge into ZARONIA, while the Prime lending rate moves directly to Policy Rate

Market benchmarks



Implication Market products, valuation curves and collateral arrangements increasingly align around ZARONIA.

Upcoming rate transition process



Expected to be a simpler transition process

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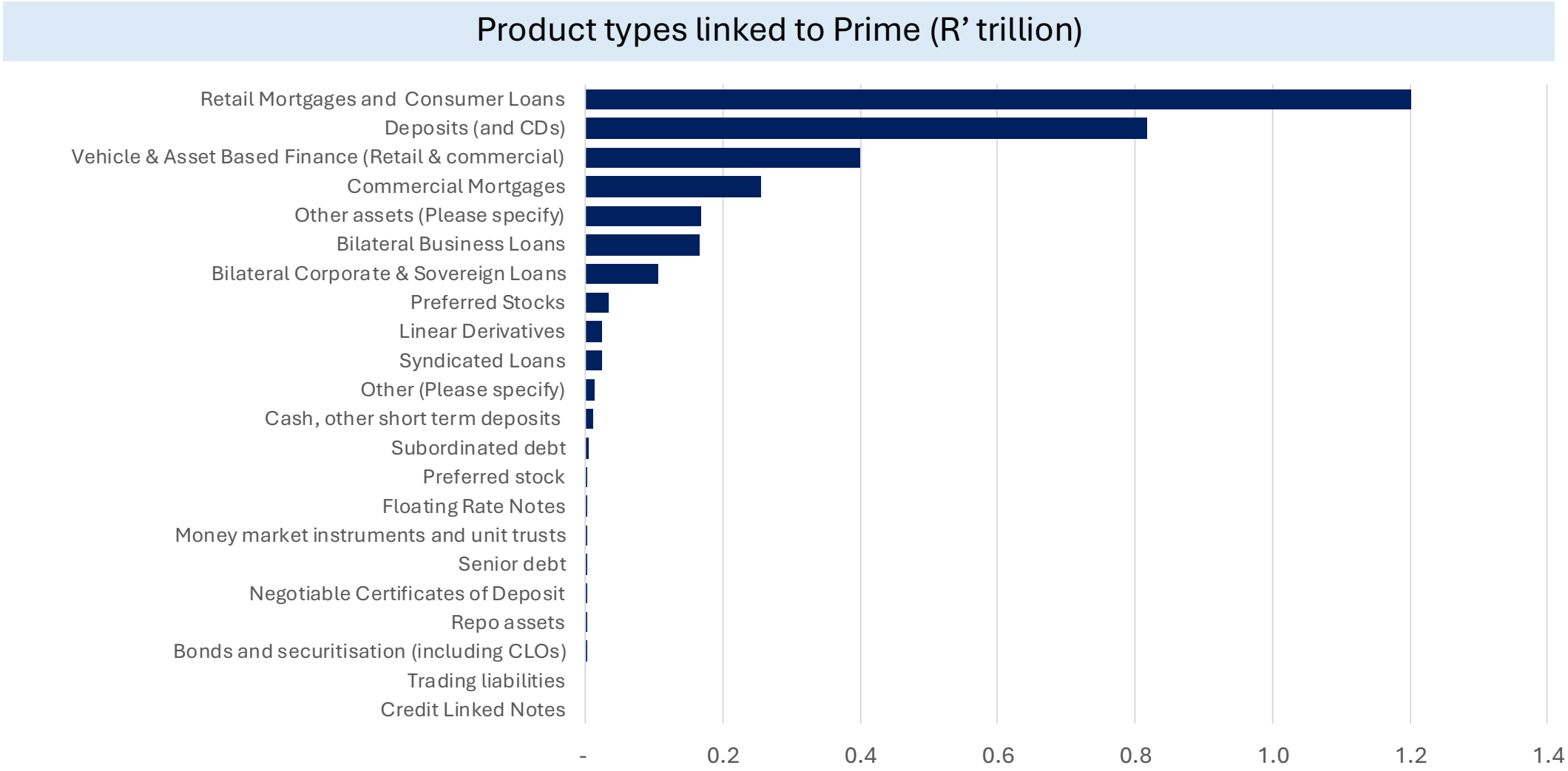
Issues with the prime lending rate (PLR)

- Compliance with IOSCO principles on financial benchmarks
- Loss of information value due to change in 'meaning'
- Misconceptions about guaranteed interest margins for banks

- Prime rate no longer reflects the risk environment or market liquidity conditions but rather serves as static markup
- No longer reflective of ‘economic interest’ it seeks to measure

Prime lending rate exposures are concentrated in retail markets

Home loans and vehicle finance are predominant exposure types



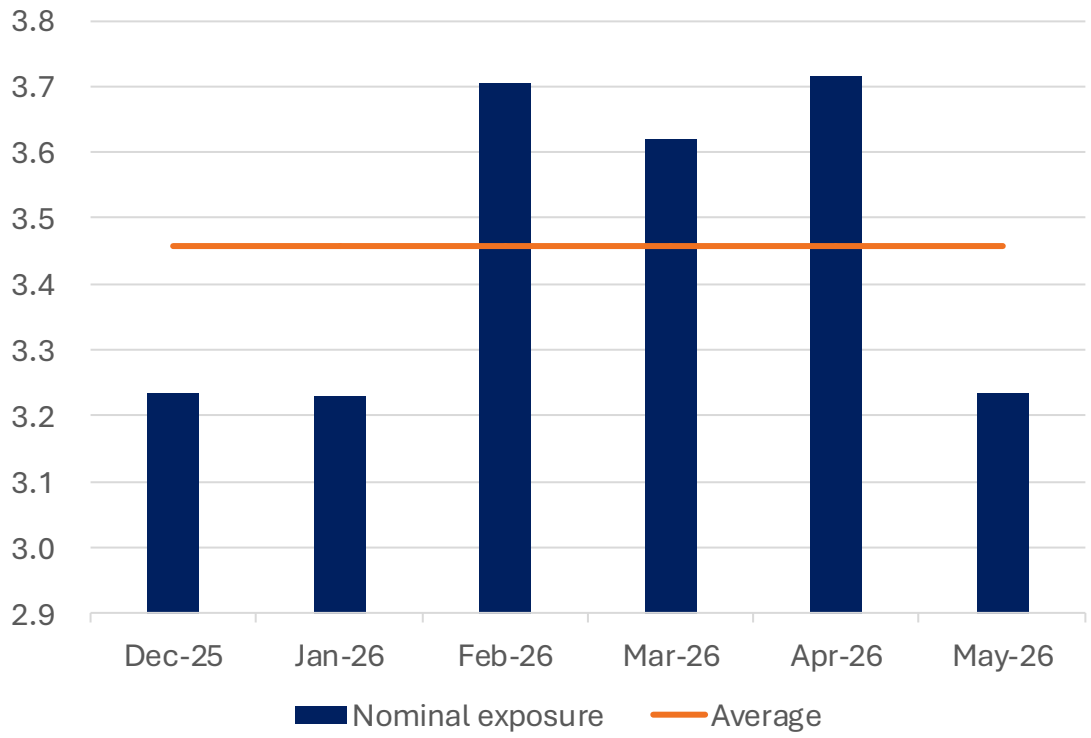
Source: SARB Quantitative exposure survey

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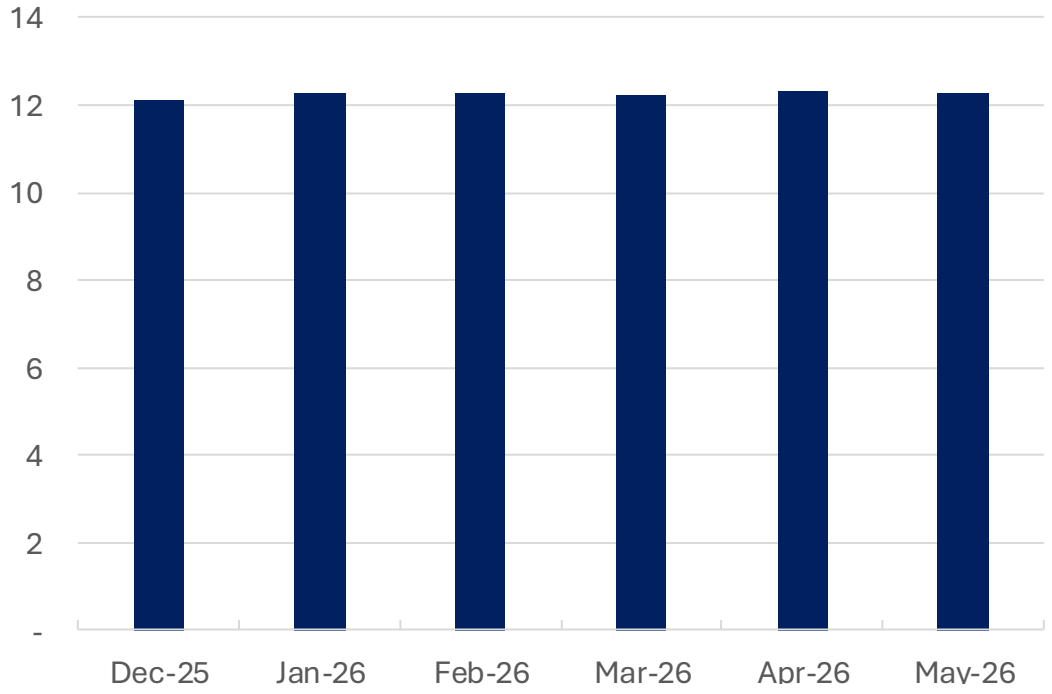
Large volume of PLR-linked contracts favour legislative solution

Transition is likely to be simpler once safe harbour legislation is promulgated

Total exposures over time (R' trillion)



Number of contracts (millions)



Source: SARB Quantitative exposure survey

Next steps in prime lending rate cessation

1. **Finalisation of public consultation**
2. **Transition plan and timing**
3. **Financial Sector Regulation Act amendment**
4. **Commencement of transition process**



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Q & A



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