2026 Market Practitioners Group

South African Reserve Bank

Jibar transition: A refresher



Naweed Hoosenmia
Financial Markets Specialist
SARB





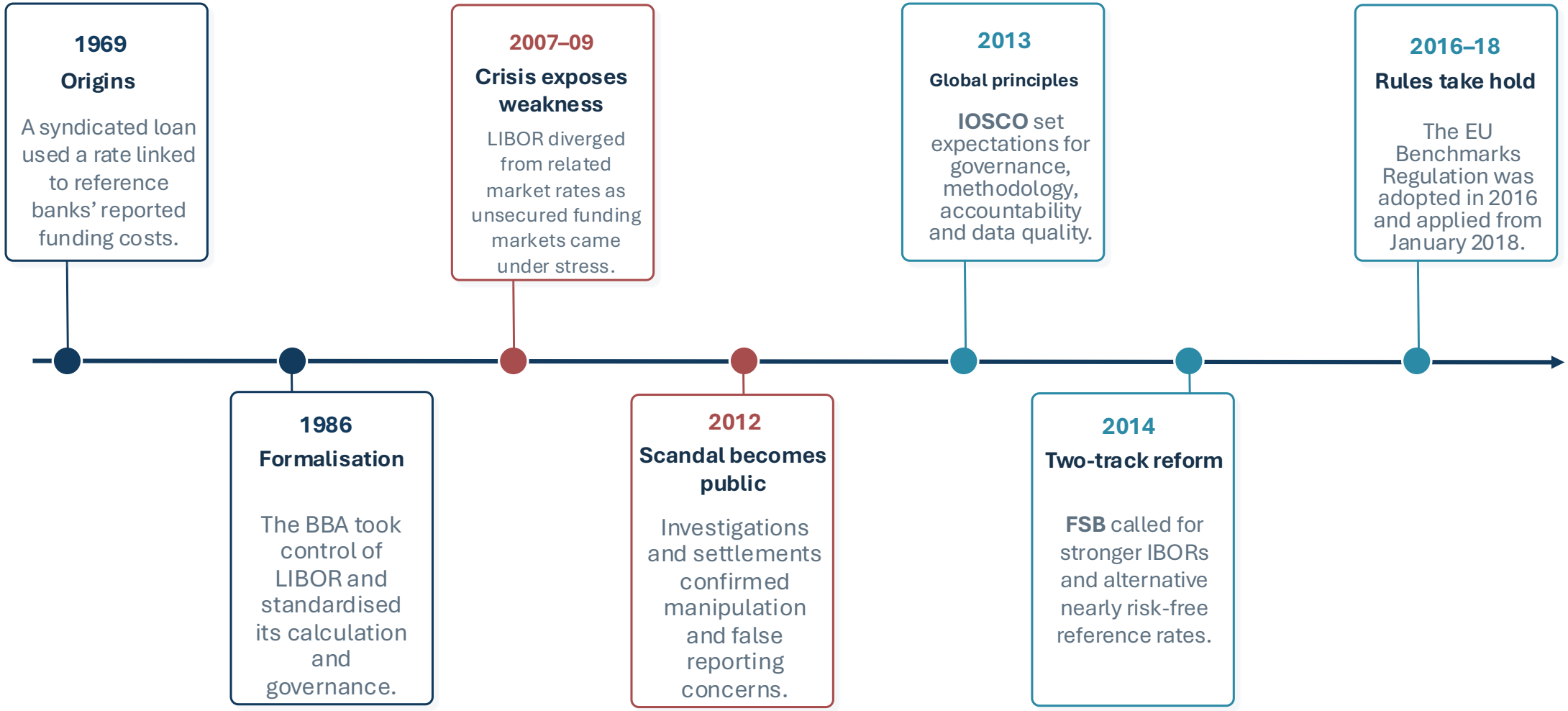
Agenda

- The case for reforming reference rates
- Initiatives of the MPG to enable the transition
- Overview of ZARONIA
- The transition as an exercise in risk management
- Overview of ancillary reference rates
- Market conventions
- The final leg of the transition
- Conclusion

The case for reforming reference rates

The rise of Libor, to eventual scandal - and global reform

A market convention became systemic infrastructure. Crisis, misconduct and declining market depth then triggered coordinated global reform.

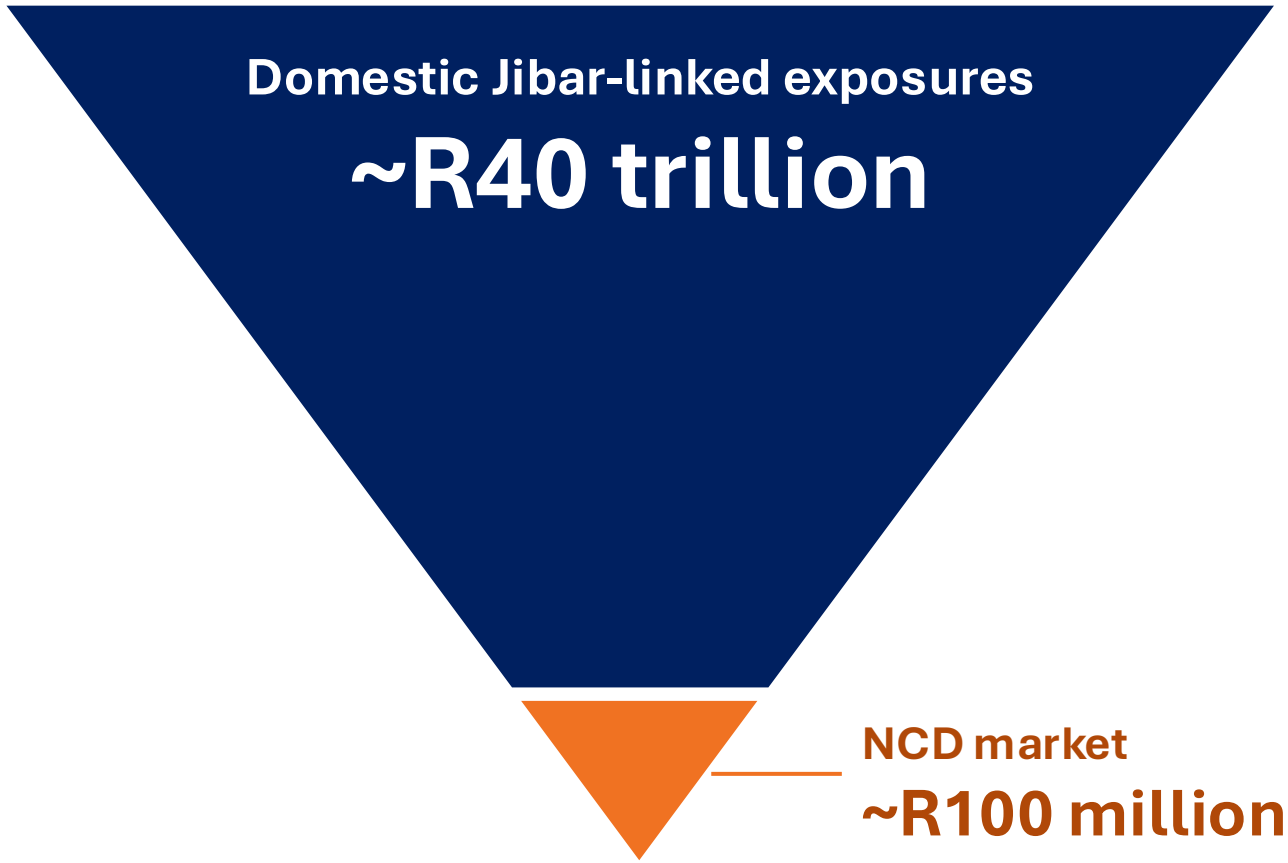


South African Reserve Bank

Overview of alternative RFRs worldwide

Currency	Legacy rate	Overnight reference rate	Administrator	Rate type	What the rate measures
USD	USD LIBOR	SOFR	Federal Reserve Bank of New York	Secured	Overnight cash borrowing collateralised by US Treasury securities.
EUR	EONIA; EURIBOR continues	€STR	European Central Bank	Unsecured	Wholesale euro unsecured overnight borrowing costs reported by banks.
GBP	GBP LIBOR	SONIA	Bank of England	Unsecured	Overnight wholesale sterling deposit transactions.
CHF	CHF LIBOR	SARON	SIX	Secured	Swiss-franc overnight repo transactions and binding quotes.
JPY	JPY LIBOR; TIBOR continues	TONA (TONAR)	Bank of Japan	Unsecured	Uncollateralised overnight call-rate transactions.
CAD	CDOR	CORRA	Bank of Canada	Secured	Overnight general-collateral repos in Canadian government securities.
AUD	BBSW	AONIA / SOFIA	Reserve Bank of Australia / ASX	Unsecured / secured	AONIA covers unsecured overnight loans; SOFIA covers repos against Australian government securities.
MXN	Term TIIE	TIIE de Fondeo	Banco de México	Secured	Overnight repos in government, IPAB and Banco de México securities.
ZAR	**Jibar**	**ZARONIA**	**South African Reserve Bank**	**Unsecured**	**Eligible rand-denominated overnight wholesale deposits obtained by commercial banks.**
KRW	CD rate	KOFR	Korea Securities Depository	Secured	Overnight repos collateralised by government bonds and Monetary Stabilisation Bonds.
BRL	CDI and other rates	SELIC	Banco Central do Brasil	Secured	Overnight repos collateralised by Brazilian federal government securities.
SEK	STIBOR	SWESTR	Sveriges Riksbank	Unsecured	Very short-term unsecured wholesale borrowing transactions in Swedish kronor.

Jibar exposures dwarf underlying NCD market



THE INVERSE PYRAMID PROBLEM

R40 trillion of exposure rests on a market of only ~R100 million (traded daily)

Domestic Jibar-linked exposures are significantly larger than the underlying NCD market — a key structural vulnerability driving the transition to ZARONIA

WHY REFORM?

- **Integrity** — submission-based rates were vulnerable to misconduct
- **Representativeness** — unsecured term markets had become thinner
- **Resilience** — governance and fallback arrangements needed strengthening

South African Reserve Bank

Benchmark reform simplifies the rates architecture

Market benchmarks

Jibar
Legacy term benchmark

SABOR
South African Benchmark Overnight Rate

SAFEX O/N
Collateral remuneration

ZARONIA
Common overnight RFR anchor

Future rate transition process

Prime Lending Rate

SARB Policy Rate
direct monetary policy anchor

Expected to be a simpler transition process

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

Initiatives to reform reference rates

Effort to reform key interest rate benchmarks

1 Strengthened existing reference rates (Jibar)

- Increased pricing commitments of Jibar contributing banks
- Enhanced transparency by disclosing primary and secondary market activity

Revised Jibar Code of Conduct and Operating Rules

Appointed Strate as Publishing Agent

2 Designed a suite of benchmarks

- Published SARB Technical Specification Paper
- Back-tested and refined proposed benchmarks using historical data
- Published final Technical Specification Paper

Implemented the Money Market Data Collection framework

Established SARB benchmark determination process

3 Selected an alternative risk-free reference rate

- MPG makes final decision on the alternative overnight rate (ZARONIA)
- Communicate MPG related developments

SARB published ZARONIA for observation and endorsement

4 Transition to the alternative RFR

- Establish supporting markets
- Consider the need for term RFR rate
- Provide guidance on accounting, taxation and legislative issues
- Promote adoption and transition

Reconfigured the MPG

Implemented the foundational phase of the transition plan

5 Cessation of Jibar

- Make provision for legacy contracts
- Communicate the cessation of Jibar
- Complete the legislative and consultation process

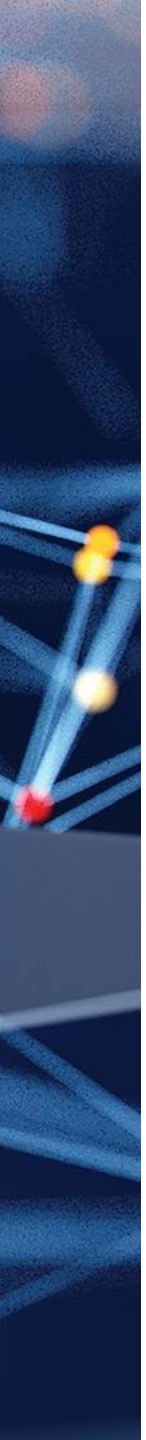
Determine the final date for the cessation of Jibar

MPG workstreams and their key publications

MPG workstream	Sep 2023	Nov 2023	Jan 2024	May 2024*	Nov 2024	Mar 2025	May 2025	Jun 2025	Aug 2025	Oct 2025	Feb 2026	Mar 2026	Apr 2026	Draft
Accounting & Tax													Tax legacy contracts	Accounting guidance
Cash Market			Loans, bonds & MM conventions + guides								Retail transition			Securitisation recommendations
Governance												No-new-Jibar supervisory guidance		
Data Collection & Infrastructure				Request for proposal										
Derivatives	Linear derivatives conventions + guide				ZARONIA First recommendations	Non-linear conventions				Non-linear & CCY ZARONIA First				Payment-in-advance
Legal		LMA screen-rate clause					LMA rate-switch overview	Bond benchmark riders						Notices for tough legacy contracts
Transition Planning & Coordination						Fallback CAS methodology			Milestone update		Transition playbook + No new Jibar			Jibar-to-Prime CAS

Market conventions / practical tools Transition policy / supervisory output Draft / not yet published

Jibar is rapidly approaching the end of the road



2022
ZARONIA designated as the Jibar successor.

3 Nov 2022
ZARONIA one-year observation period commenced

Nov 2023
ZARONIA endorsed for use

April 2025
ISDA Interest Rate Definitions updated to include Jibar fallback

May 2025
'ZARONIA-first' initiative commenced

3 Dec 2025
Jibar cessation date announced
Credit adjustment spreads fixed

1 May 2026
'No new Jibar' commenced.

LCH SwapClear Jibar swaps conversion

Final Jibar publication

First reset after cessation
Legacy contracts fallback to replacement rates

South African Reserve Bank

Overview of the alternative reference rate ZARONIA

Suite of SARB-administered benchmarks

Five benchmarks designed & tested

ZARIBOR
South African Rand interbank overnight rate

ZASFR
South African Secured overnight financing rate

ZARONIA
South African Rand overnight index average

Two term fixed-deposit benchmarks
Wholesale financial corporate and
non-financial corporate deposits

MPG shortlisted ZARONIA
and ZASFR (which had low volume).

Term rates lacked sufficient data.

ZARONIA compared with Jibar

ZARONIA	Jibar
Near-risk free rate	Includes credit and term premiums
Overnight rate	Term rate
Backward looking	Forward looking
Fully transaction based	Indicative rates
Broad range of market participants	Five contributing institutions

ZARONIA definition and calculation methodology

Statement of underlying interest

The interest rate at which rand-denominated overnight wholesale funds in South Africa are obtained by banks

Eligible transactions

- Unsecured overnight deposits placed with commercial banks
- Minimum transaction size is R20 million
- Excludes intragroup transactions

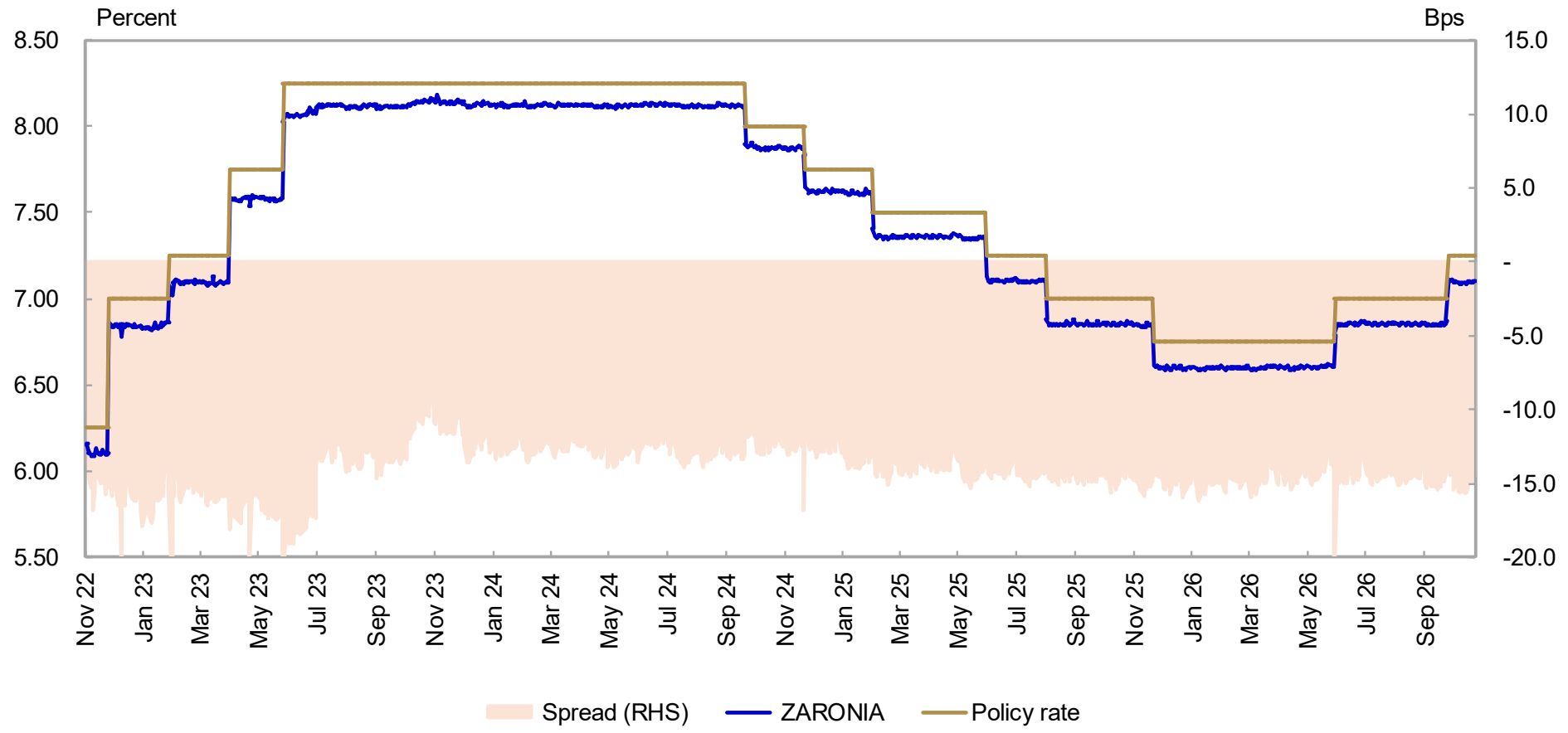
- **Formula:**

$$\text{ZARONIA} = \text{Round}\left(\frac{\sum_{i \in T} r_i \cdot v_i}{\sum_{i \in T} v_i}, 3\right)$$

- **Variables:**
  - r_i: Rate of transaction i.
  - v_i: Volume of transaction i.
  - T: Central 80% of transactions by volume (top/bottom 10% trimmed).
- **Details:**
  - Volume-weighted mean of unsecured overnight call deposits.
  - Published daily at 10:00 SAST, rounded to 3 decimal places.

ZARONIA continues to behave as expected

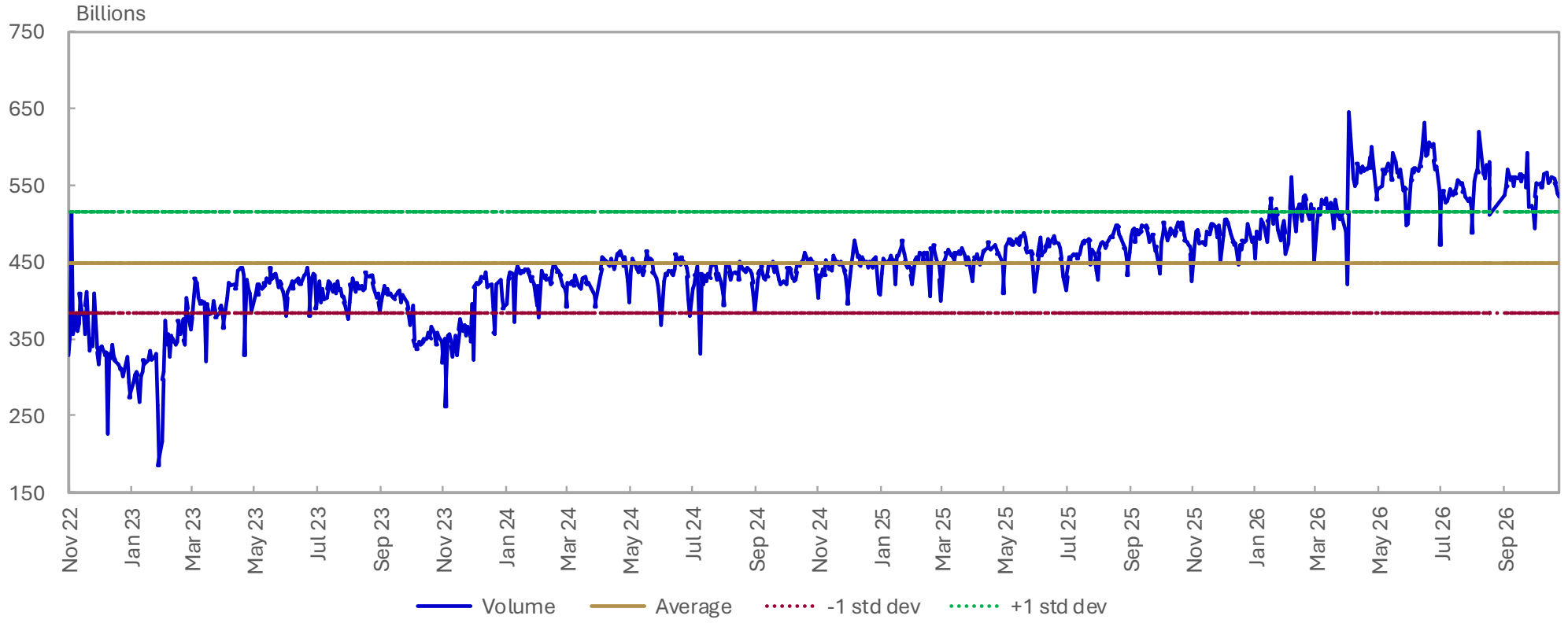
The rate is fairly stable, and responsive to SARB's policy rate



Source: SARB

South African Reserve Bank

ZARONIA is underpinned by a deep and liquid market



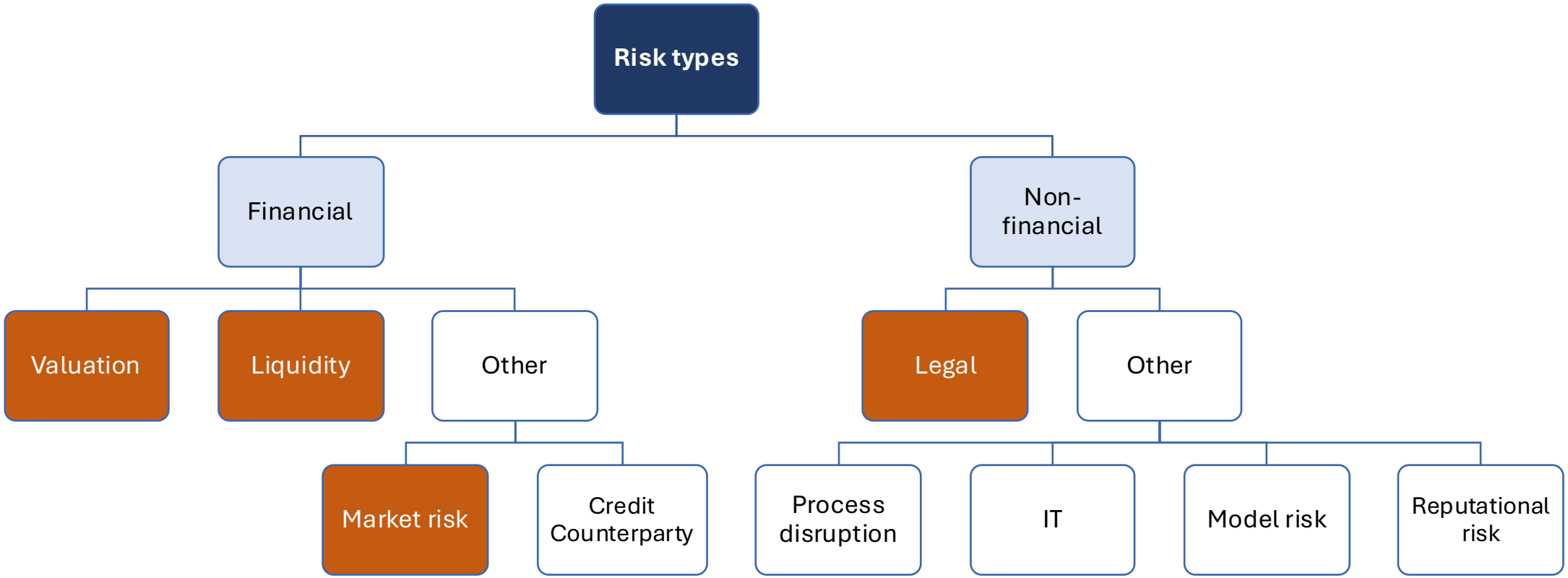
Source: SARB

South African Reserve Bank

The Jibar transition is an exercise in market development and risk management

Major change does not come without risk

The Jibar transition impacts multiple business and risk dimensions

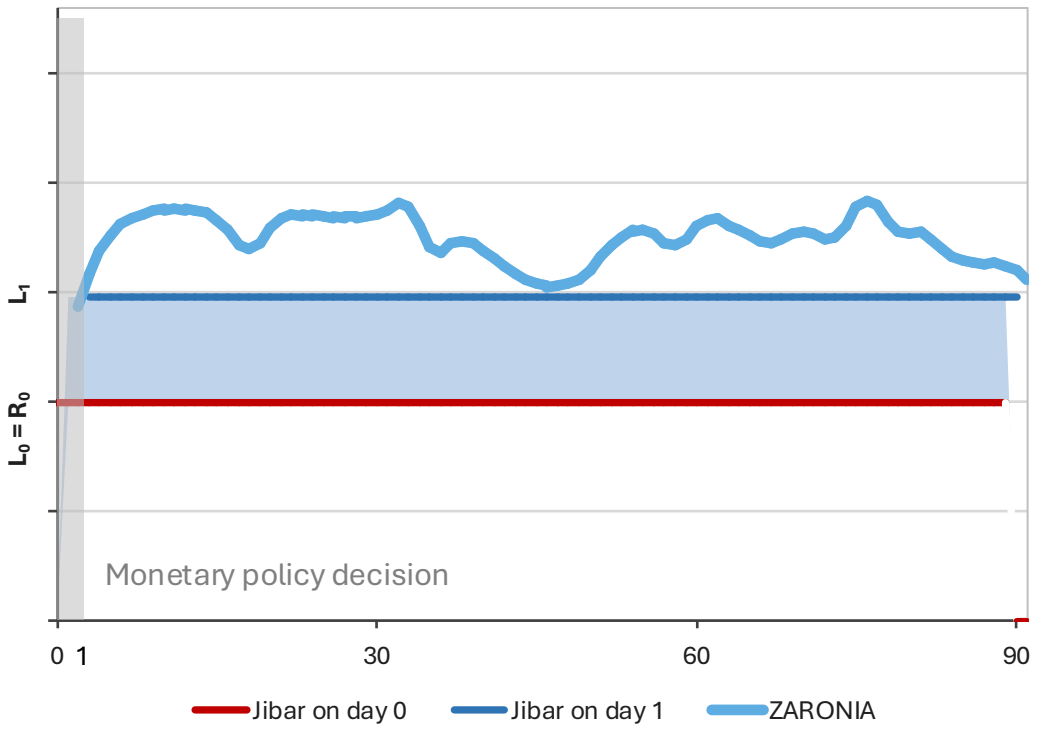


Overnight rates mitigate fixing risk

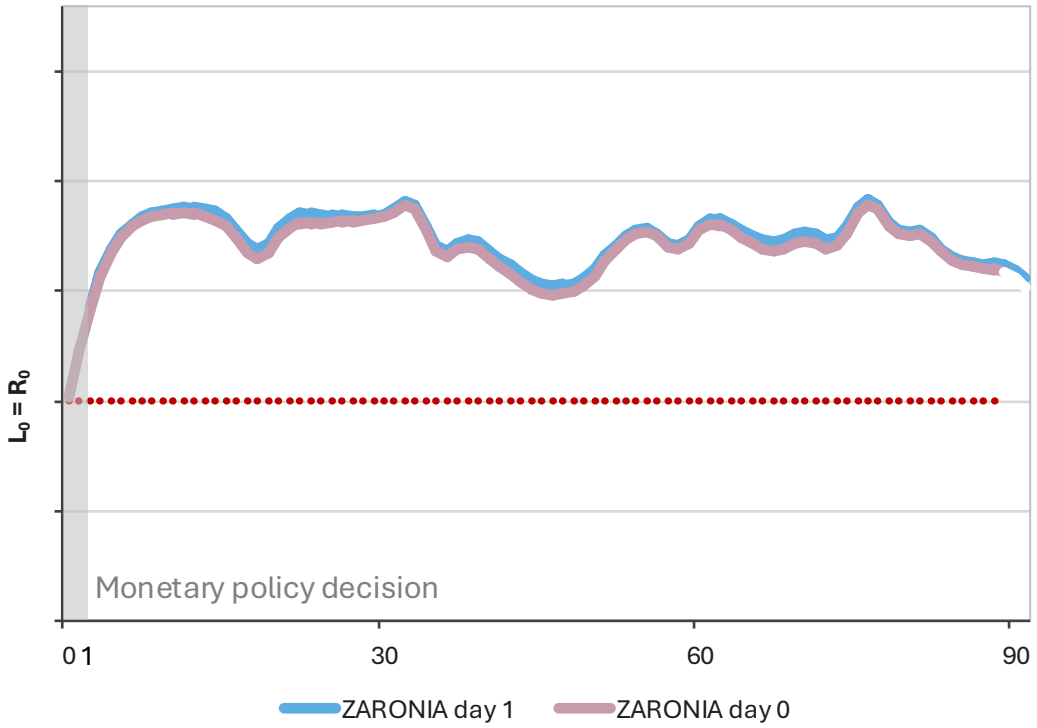
Market risk

Misaligned IBOR fixing dates can create market losses; overnight RFRs materially reduces this risk

Fixing risk is sizeable when swaps reference IBORs



Fixing risk is minimal in the RFR environment



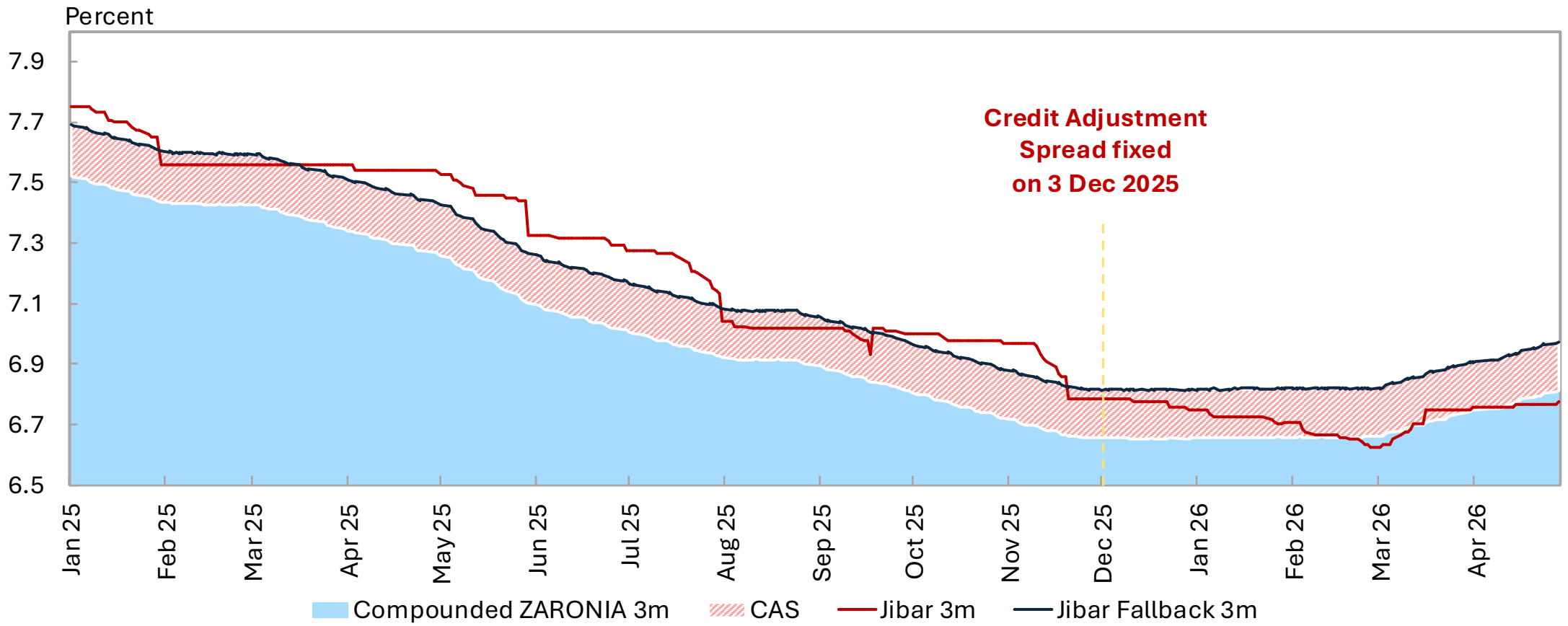
Source: BIS Quarterly (2022)

South African Reserve Bank

Basis risk emerges as a key transition risk

Market/ Hedging risk

CAS was designed to reduce the risk of economic transfer - but spread between ZARONIA & Jibar keeps moving



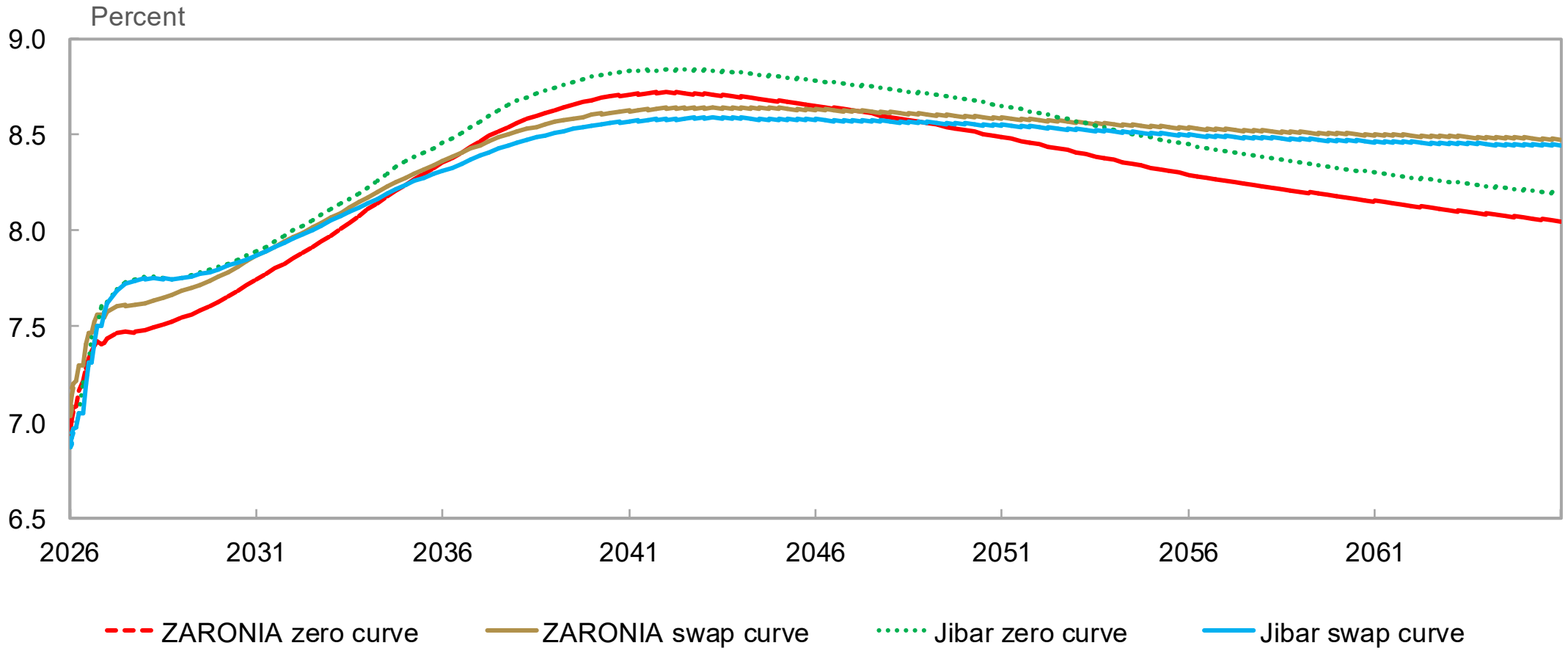
Source: Bloomberg

South African Reserve Bank

Curve structures will need to migrate

Valuation risk

Differences between ZARONIA and Jibar curves affect discounting, pricing and risk valuation



Source: JSE

South African Reserve Bank

‘No new Jibar’ initiative commenced on 1 May ‘26

Liquidity risk

Publish soft regulatory directive with exceptions

Initiate supervisory engagements and examinations

Intensify coordination and Communication efforts

Balanced implementation approach

Exceptions

- **Market-making** to support client activity related to pre-milestone transactions and associated hedges
- **Hedging** or **reducing** pre-milestone Jibar exposure or risk

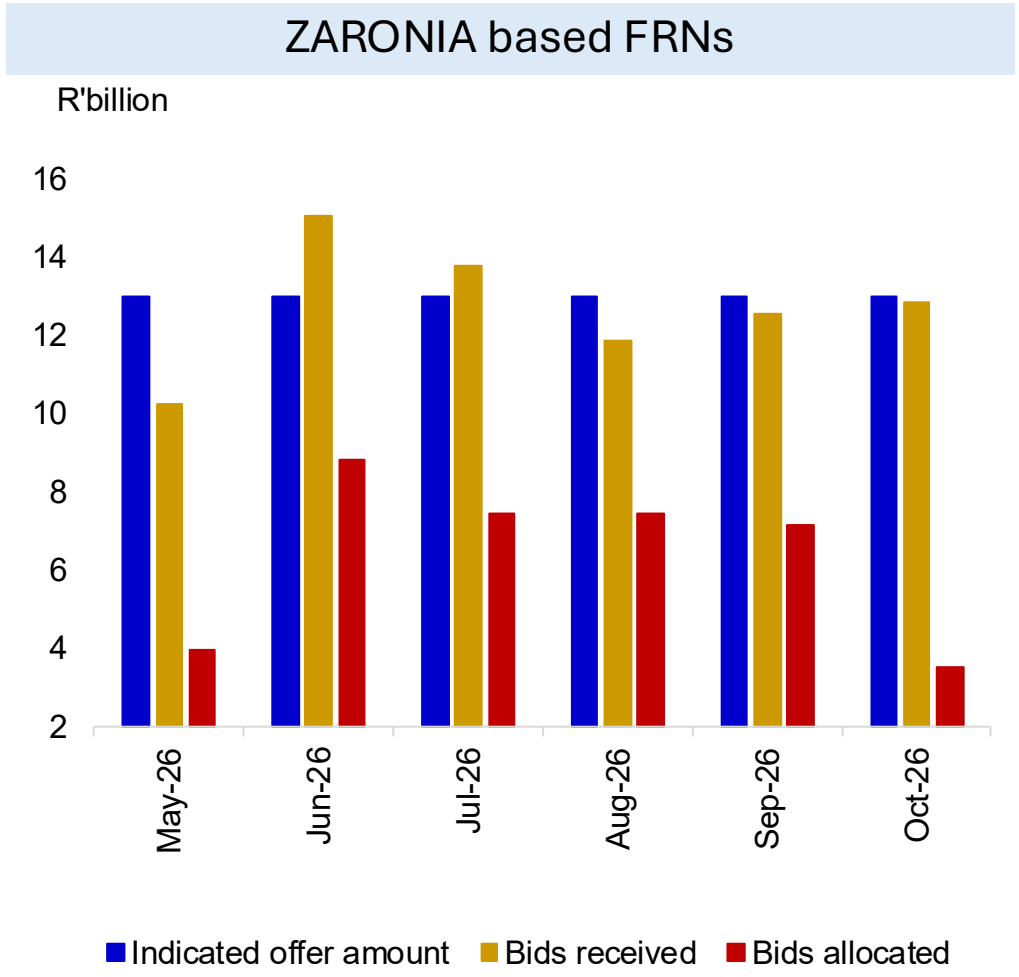
Dispensations

- **Trade finance** transactions that require a known interest rate at the start of the period
- **Jibar-linked retail home loans** – including funding transactions related to home loans linked to Jibar
- Commercial property finance in securitisation
- **Jibar-linked securitisations** that meet the stipulated criteria

ZARONIA bond issuance is growing

Liquidity risk

...but legacy Jibar exposures remain high and will mature post-cessation



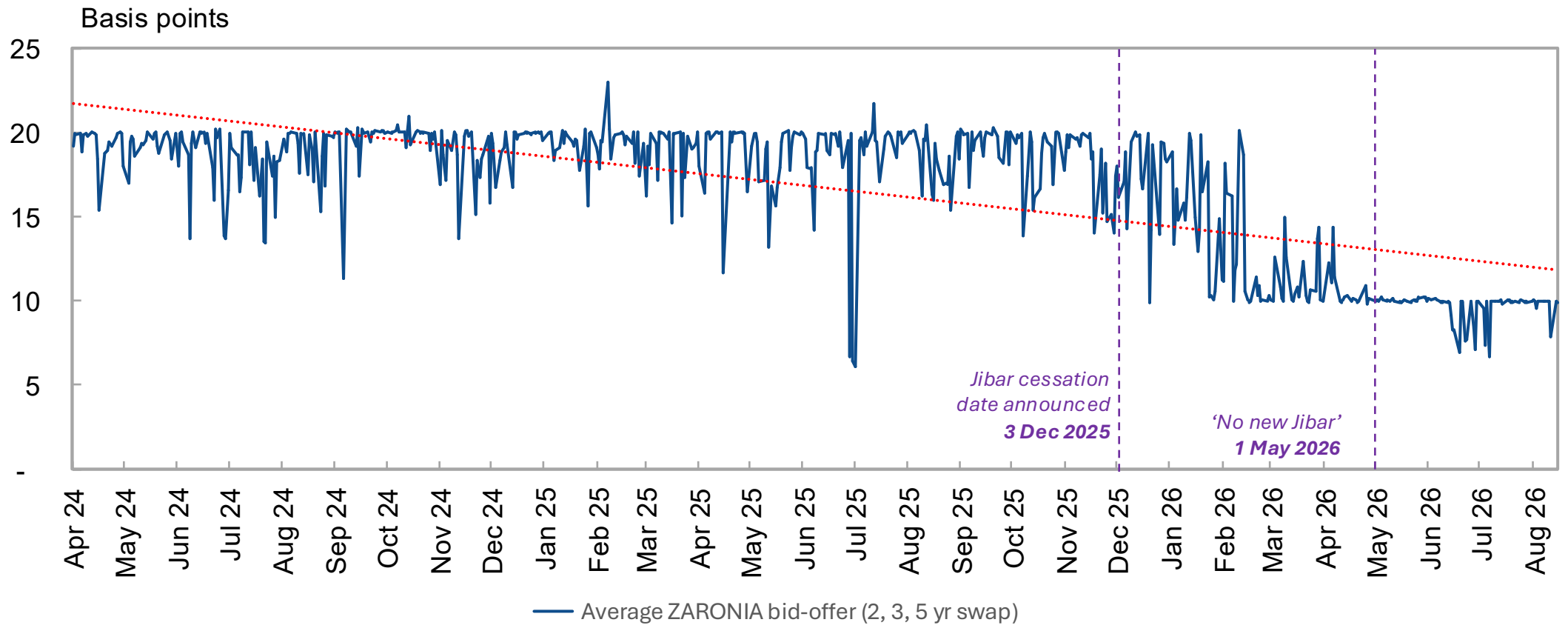
- 1,775 Jibar-linked bonds (**89%** of the outstanding bond universe) mature after **March 2027** and will require active transition or remediation.
- Only **11%** of Jibar-linked bonds are expected to roll off naturally before the transition deadline.
- ZARONIA issuance is steadily building, with 270 **ZARONIA-linked** bonds issued to date.
- The bond market remains a large residual pocket of Jibar exposure, highlighting the importance of transition planning and legislative certainty.

Source: NT, SARB, MPG, JSE

South African Reserve Bank

ZARONIA OIS bid-offer spreads have narrowed as milestones were reached

Liquidity risk



Source: Bloomberg

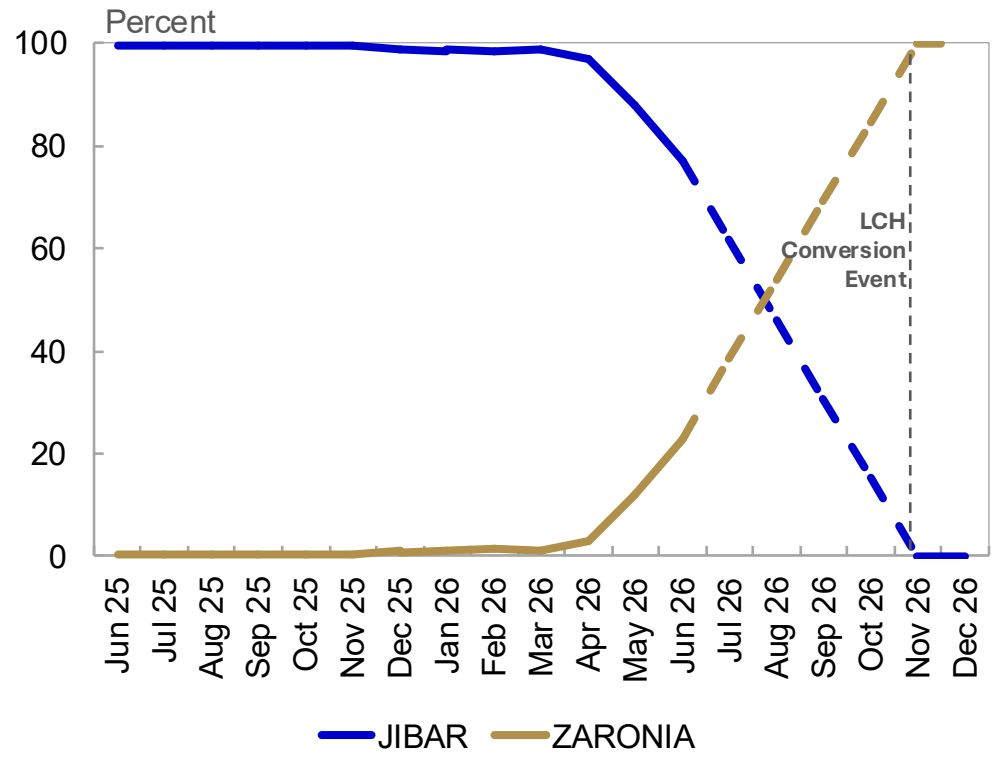
South African Reserve Bank

LCH conversion event will be a major catalyst

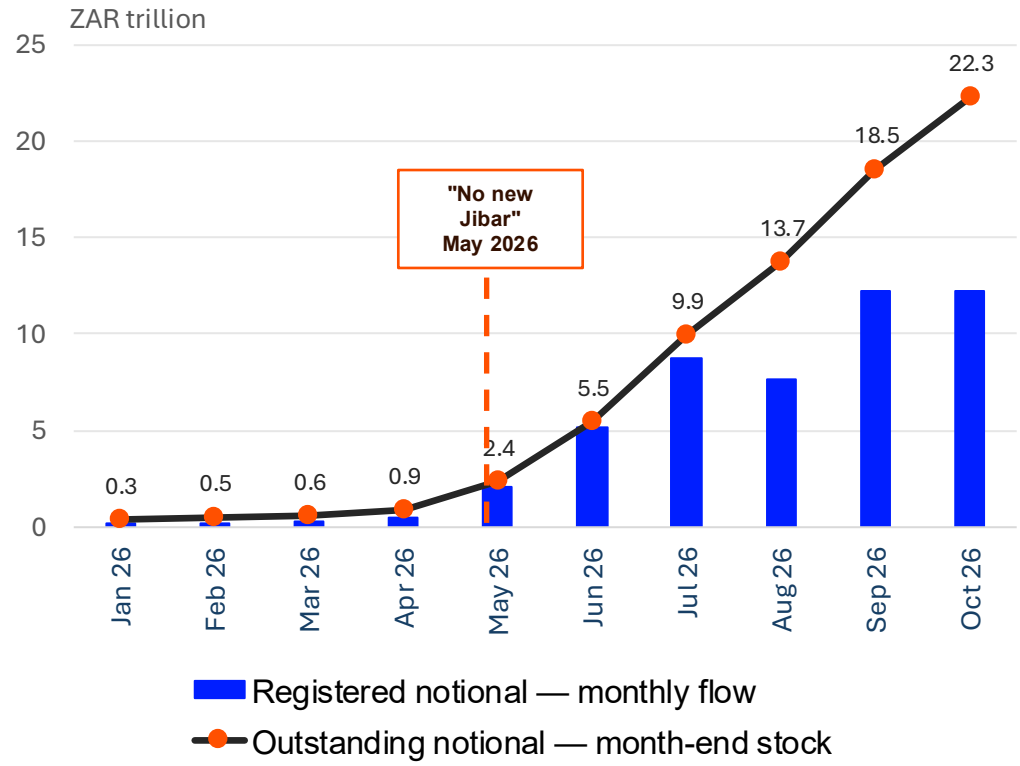
Liquidity risk

Consistent with the evolution of RFR liquidity and risk exposures observed in past RFR transitions

ZAR Registered Relative DV01 exposure



LCH-cleared ZARONIA OIS - Registered and Outstanding notional

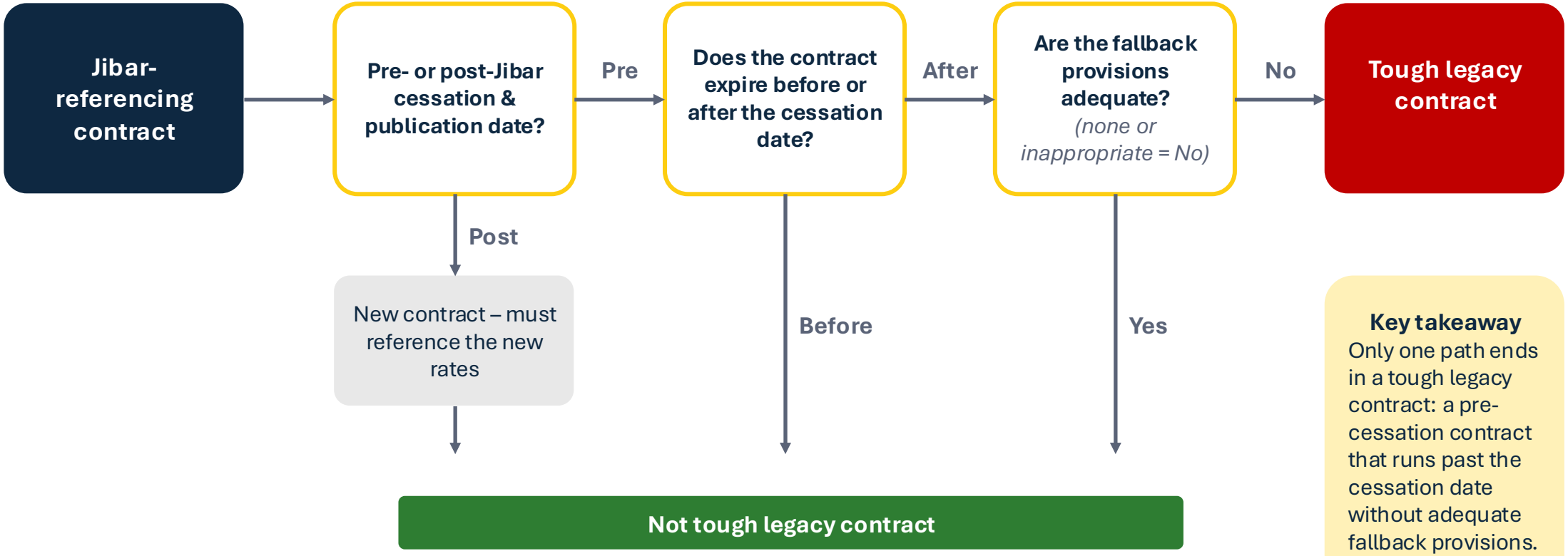


Source: LCH SwapClear

South African Reserve Bank

What is a tough legacy contract?

Legal risk



Key takeaway
Only one path ends in a tough legacy contract: a pre-cessation contract that runs past the cessation date without adequate fallback provisions.

South African Reserve Bank

Provisions for tough legacy contracts

FSRA amendment remains an important enabler of an orderly transition

Legal risk

Proposed amendments to the Financial Sector Regulation Act 9 of 2017	
31C	Designation of replacement benchmarks
31D	Replacement benchmark for any category or categories of legacy contract
31E	Safe harbour provisions

Jibar transition: legislation is the safety net

Legal risk

TIMELINE: FSR ACT AMENDMENTS (2026)

Revised draft
Following public consultation

Certification
State Law Adviser opinion; Presidency social impact certification; DRI and ministerial clusters

Parliament
National Assembly and NCOP approval; final step is the President's signature

Bill passed
Best case early Nov, worst case late Nov; 30-day comment window

Cessation
and legislative transition

Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov

Draft Notices ratified by law firms with SARB, then shared with stakeholders for input

Notices ready

KEY MILESTONES

1 May 2026
No new Jibar

31 Oct 2026
Independent TCF assurance

Oct–Nov 2026
Third supervisory round

Forthcoming...
Intended Jibar cessation

WHY THE LEGISLATION IS A SAFETY NET, NOT THE PLAN

1 Statutory backstop

SARB may designate a replacement benchmark, spread and effective date for contracts that cannot be amended. The switch preserves performance and creates no breach or termination rights.

2 Active execution

Review fallbacks, amend and obtain consent where practicable, explain changes and value transfer to customers, and track tough-legacy contracts individually.

3 Supervisors want evidence

Keep consent trails, communication testing, legal sign-off and remediation records. Readiness was uneven and the sector was rated Amber 1.

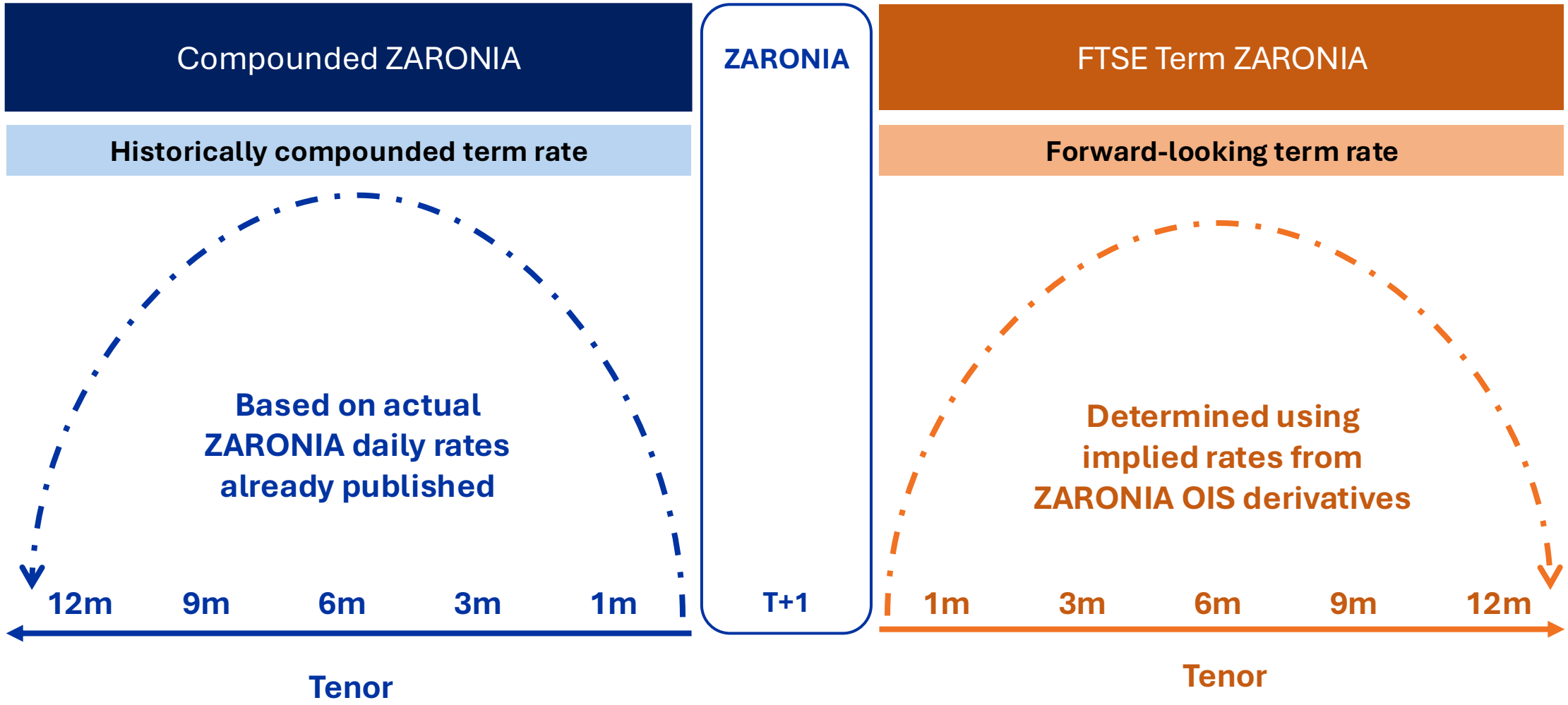
The Bill protects continuity at the edge; successful transition still depends on firms completing the work in the centre.

Overview of ancillary reference rates:

- Compounded ZARONIA
- Term ZARONIA
- Synthetic Jibar

Compounded ZARONIA is backward looking…

…but the market has expressed a need for a forward-looking rate where it is operationally important to have certainty



South African Reserve Bank

Term ZARONIA: only where advance rate certainty is genuinely needed

A targeted cash-market tool, not a broad Jibar replacement

Restrict initial use to products that genuinely need the rate known at the start of the interest period.

Overnight ZARONIA remains the default. Term ZARONIA should be used only where an overnight rate cannot reasonably meet the operational need.

Initial scope of use: focus on practical cash-market use cases with a clear need for advance certainty.

Securitisations

Where predictable cash-flow waterfalls require a rate known in advance.

Mortgage-backed securities

Where term certainty is needed to align asset and funding cash flows.

Asset-backed paper

Where funding and underlying asset cash flows need to be matched.

Trade and working-capital finance

Where discounting or financing amounts must be known upfront.

Retail and home loans

Where backward-looking rates are operationally impractical or difficult for customers.

Boundary: not for convenience, inter-dealer trading, market-making, speculation or broad use in vanilla capital-market instruments.

Use Term ZARONIA only where its forward-looking feature solves a genuine operational problem.

Synthetic Jibar: temporary bridge for tough legacy contracts

1 CESSATION

Jibar ends

Legacy contracts reset after cessation

2 INTERIM BRIDGE

Synthetic Jibar

Term ZARONIA + designated adjustment spread

Fixed methodology • same publication basis as Jibar

3 SUBSEQUENT TRANSITION

Exit in accordance with the applicable fallback framework

METHODOLOGY

Preferred approach

- Term ZARONIA + designated spread
- Jibar-style calculation retained as contingency

ELIGIBILITY

Tough legacy only

- Only defined contract categories
- Only where fallbacks are absent or inadequate

KEY CONDITIONS

Controlled use

- Parties may opt out by written agreement
- No general new use • fixed publication period

READINESS

Before activation

- Input rate must be sufficiently robust
- Tenors, licensing, channels and systems confirmed

CORE MESSAGE **Temporary, narrow and operationally practical for tough legacy — preserving continuity while allowing a controlled transition to the applicable alternative rate.**

South African Reserve Bank

Market conventions

Conventions Summary

Convention	Linear Derivatives Market	Bond Market	Money Market	Loan Market
Calculation method	Daily overnight compounded	Daily overnight compounded	Daily overnight compounded	Daily overnight compounded
Lookback	0-business day	5-business day	1-business day	5-business day
Observation method	Not applicable	No observation shift	No observation shift	No observation shift
Expression and Rounding of the rate	Simple Act/365 Rounded to 6dp	Simple Act/365 Rounded to 6dp	Simple Act/365 Rounded to 6dp	Simple Act/365 Rounded to 6dp
Margin/spread	Simple added to compounded rate	Simple added to compounded rate	Simple added to compounded rate	Simple added to compounded rate
Interest rounding	2dp	2dp	2dp	2dp
Settlement lag	2-business day	Not applicable	Not applicable	Not applicable

Key considerations for the remainder of the transition

Transition approaches for markets and products

	Derivative markets	Money markets	Bond markets	Loan markets	Retail markets
Timing for transition	Follow MPG transition timelines and market readiness to reduce significant Jibar exposure before cessation.				
Active or passive transition	**Active transition is feasible in most products.** Legislative provisions are being designed for transition on cessation.				
Pricing adjustments	**ZARONIA + Credit Adjustment Spread** Viability of forward-looking Term ZARONIA is under investigation				Prime Term ZARONIA Synthetic Jibar
Legal considerations	ISDA fallback protocol	Fallback provisions	Noteholder consent	Fallback provisions	Safe harbor provisions
Tough legacy contracts	**Unlikely**	**Likely**	**Unlikely**	**Likely**	**Highly likely**

South African Reserve Bank

Institutions: sprint to the finish line

The last stretch of the Jibar transition marathon: eight actions to take now

- **Establish** an enterprise-wide Jibar transition programme across functions and businesses
- **Quantify and monitor** Jibar-related exposures
- **Develop** a product strategy that includes creating ZARONIA-based products
- **Plan** for the required changes to technological infrastructure, processes and people skills
- **Consider** financial accounting, taxation and regulation considerations
- **Include** fallbacks in financial contracts
- **Develop** a communications strategy
- **Establish** a governance framework to oversee the enterprise-wide Jibar transition programme



Q & A


Thank you