2026 Market Practitioners Group

South African Reserve Bank

Transition strategies for financial institutions

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Vuwani Nthakheni

Head: Balance Sheet and Liquidity Management
Standard Bank

Governance and Programme structure

GROUP ALCO / BOARD OVERSIGHT

GROUP RAND RATE REFORM STEERCO

ALCO = the Asset and Liability Committee

Business units accountable for own execution

Global Markets	Investment Banking	Transactional Banking	Personal & Business / Business & Commercial	Insurance & Asset Mgmt	Africa Regions

Specialist workstreams established , cross cutting requirements and dependencies

Adoption/ new products	Exposure risk management	Risk management & reduction	Legal & documentation	Accounting & Tax	Communication

MPG standards flowed into execution, material delivery risk and cross unit dependencies escalated through Group SteerCo and where relevant industry forums

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Governance and Programme structure

Internal workstreams converted MPG industry standards into Group requirements; business units owned implementation and client execution

MPG INDUSTRY WORKSTREAMS
Define sector conventions and standards

↓

GROUP RAND STEERCO
Align standards, set milestones, manage risks and dependencies

↓

INTERNAL WORKSTREAMS
Convert standards into policies, systems, models, controls and communications

↓

BUSINESS UNITS
Own exposure data, client journeys and portfolio execution

Feedback and escalation flow upward

INTERNAL WORKSTREAM	KEY FOCUS	MPG ALIGNMENT
Adoption / new products	System readiness; new products; models	DCI • Derivatives • Cash & Money Market • Transition
Exposure risk management	Exposure view and tracking; valuation disclosure; endowment hedge impact	DCI • Transition
Risk management & reduction	Transition plan; milestones; FTP; client journeys; basis risk; governance	DCI • Derivatives • Cash & Money Market • Transition Sub-groups: CAS • Term ZARONIA • Securitisation • Synthetic JIBAR
Legal & documentation	Remedial tasks; fallback language; product and business-unit legal strategy	Legal • Transition
Accounting & tax	Accounting and tax impact; economic equivalence; IFRS disclosures	Accounting & Tax • Transition
Communication	External and internal client communications; industry updates; training; events; website	Communication • Transition

REPRESENTATION
Programme • BU • technology • product • NFR • governance & compliance • specialist leads

CADENCE & CONTROL
Monthly minimum • dashboards • milestones • risks • dependency escalation

Industry standards moved into execution; delivery risks and practical constraints moved back into industry forums

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Balance sheet, funding, liquidity and ALM considerations

Treasury/ALM had to assess the economic chain as a whole

CUSTOMER CONTRACTS
Transition dates • CAS • conduct

HEDGING & MARKET RISK
Derivative basis • timing • hedge effectiveness

TREASURY / ALM
BALANCE-SHEET VIEW

FUNDING & LIQUIDITY
Benchmark basis • liquidity premia

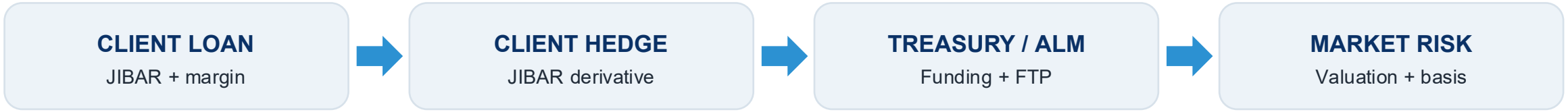
VALUATION & MODELS
Curves • discounting • market data

FUNDS TRANSFER PRICING
Internal price of funding; drives product pricing

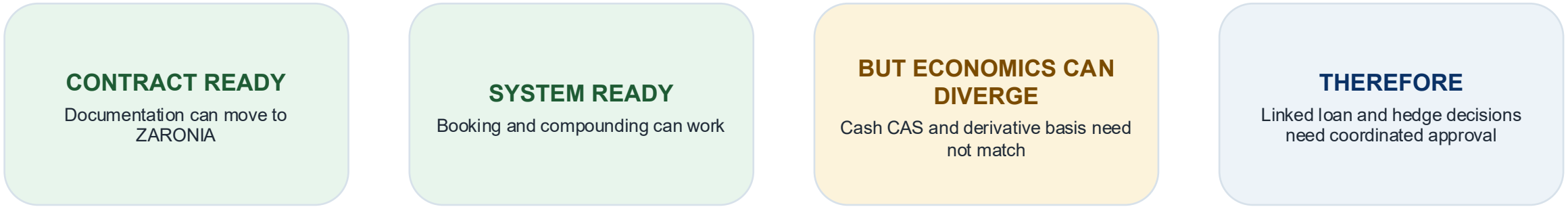
Customer products, hedges, funding and internal pricing move on different paths and at different times.

Example 1 : Client linked loan and hedge

Key lesson : Operational readiness does not necessarily mean economic readiness



The practical issue



Transition decisions has to consider customer outcome, hedge alignment, basis, valuation and P&L together

Example 2: Models, systems and product changes

Managing transition risk alongside system and market infrastructure readiness

PRICING (FTP)

Run JIBAR and ZARONIA side by side

Keep funding and liquidity premia economically coherent

CURVES & VALUATION

Remove JIBAR dependency

Change discounting and forecasting curves; validate sensitivities

SYSTEMS & DATA

Compounding and reconciliation across Trading and Banking systems

Bulk conversion, exception handling and recovery

HEDGING

Avoid transitioning in silos

Align linked instruments, timing and conventions

Control objective: the same economics must flow through pricing, booking, valuation, settlement, accounting and reconciliation.

Example 3: Portfolios and transitioning route

Transition routes are shaped by product, client, legal, market and operational considerations

ACTIVE

Transition before cessation

Loans; NCDs and deposits

Bilateral engagement and planned conversion

Risks: basis, pricing, capacity

PASSIVE

Fallback or bulk conversion

Selected derivatives and portfolios

Protocol, clearing or bulk conversion

Risks: system readiness, concentration

LEGISLATIVE

Rely on the statutory mechanism

Treasury bonds, structured notes and tough legacy contracts

Conversion triggered by notice or cessation

Risks: timing, legal dependency

The route depended on more than legal capability:

- **Customer outcome**
- **Linked hedge / basis**
- **System readiness**
- **Legal pathway**
- **Execution capacity**
- **Accounting / tax**

Client engagement became part of risk management: understand preferences, timing and economics early enough to avoid an execution cliff.

Lessons learned and remaining priorities

LESSONS LEARNED

1. **Cross-functional coordination is a control**
   Linked exposures cannot transition independently.

2. **Customer outcomes are part of the economics**
   Consistent treatment and transparent pricing matter.

3. **Evidence beats plans**
   esting, dress rehearsals, reconciliation and audit trails demonstrate readiness.

REMAINING PRIORITIES

1. **Trade-level ownership**
   Pathway, owner, economics and escalation for each trade.

2. **Capacity to the finish line**
   Milestones, specialist dependencies and client responses can bind.

3. **A business-as-usual end state**
   idual exposures, controls, model governance and monitoring must outlast the programme.

A benchmark does not transition in isolation. A balance sheet, and the institution around it, does.


Thank you

Transition strategies for financial institutions



Agenda

1

Key takeaways

Economic equivalence, accounting vs tax relief, and why documentation matters

2

Accounting paper summary

IFRS 9 / IAS 39 reliefs, leases, hedge accounting and IFRS 7 disclosures

3

Key tax matters

Section 24J, CGT, credit adjustment spread, transfer pricing, withholding tax and transition costs

Key Takeaways



Economic equivalence is the key test: the IASB Phase 2 reliefs, and the expected tax outcome, depend on changes being a direct consequence of the reform and economically equivalent to the previous basis.



Accounting relief does not automatically mean tax relief: the IFRS practical expedients avoid profit or loss volatility, but the Income Tax Act has its own tests (section 24J, CGT disposal rules, transfer pricing).



Documentation is the best defence: contracts, hedge documentation, economic equivalence assessments and transfer pricing files should be updated and retained to withstand auditor and SARS scrutiny.

Accounting Paper Summary

Area	Key point	Practical consideration
Phase 1 reliefs (pre-replacement)	Temporary hedge accounting relief (IFRS 9 / IAS 39) while uncertainty about the reform exists	Identify when uncertainty ends for each hedge, as this is when Phase 1 reliefs cease
Phase 2 practical expedient	Changes required by the reform are treated as an update to the effective interest rate (IFRS 9 para 5.4.7), with no immediate gain or loss	Applies only if the change is a direct consequence of the reform and economically equivalent
Other contract changes	Changes beyond those required by the reform fall under the IFRS 9 modification/derecognition guidance	Apply the practical expedient first, then assess the remaining changes for substantial modification
Leases (IFRS 16)	The relief applies to lessees only, where lease payments are indexed to JIBAR	Remeasure the lease liability using a revised discount rate that reflects the change in interest rate
Hedge accounting	Hedge designations may be amended without discontinuing the relationship; groups of items may be moved into sub-groups	Update documentation by the end of the reporting period in which the change occurs; ineffectiveness still goes to profit or loss
Disclosures (IFRS 7)	Disclose the nature and extent of risks from the reform, progress in transitioning, and exposures not yet transitioned	December 2026 year-ends will be the key reporting period for transition disclosures

Key Tax Matters

Tax area	Issue	Practical consideration
Section 24J – interest accruals	Yield to maturity must be recalculated as future interest differs from original projections	Confirm whether the accrual or alternative method applies and redetermine accrual amounts from the transition date
Capital gains tax	A "disposal" includes the variation of an asset (paragraph 11(1) of the Eighth Schedule); the question is whether a rate amendment is a disposal	Changes limited to reference rate reform are not a variation, therefore no disposal. Assess legacy contracts individually, particularly where changes go beyond the rate replacement
Credit adjustment spread (CAS)	The proposed General Finance Laws (Official Benchmarks and Procurement) Amendment Bill empowers the SARB to designate a replacement benchmark and CAS; a negotiated CAS that differs creates uncertainty about whether the excess is "interest"	The working group asked SARS to include this in the binding ruling. If it is not included, taxpayers will need to make own assessments, approach SARS for a ruling or submit returns and maintain evidence that negotiated CAS retained economic equivalence.
Fair value instruments and derivatives	Tax treatment differs for covered persons and other taxpayers	Align tax computations with IFRS fair value movements where section 24JB applies
Interest limitation and hybrid rules	Sections 23M, 23N and 8FA may be affected by changes to interest calculations	Re-test limitation computations and hybrid interest classification after transition
Transfer pricing and withholding tax	Intra-group loans priced at "JIBAR plus margin" must remain arm's length under section 31; interest withholding tax computations will change	Update intercompany agreements and transfer pricing documentation to support economic equivalence
Transition costs and VAT	Deductibility of legal, system and advisory costs under sections 11(a) and 11(c); VAT treatment of fees and financial services	Track transition costs separately and assess deductibility and VAT recovery

Transition strategies for financial institutions

1. Joint PA and FSCA supervisory examination strategy

Four pillars of the examination strategy

01 Overarching and direct governance

02 Robust transition strategy

03 Disciplined and precise execution

04 Independent assurance

Joint PA and FSCA supervisory examination

1. Joint PA and FSCA supervisory examination strategy

Supervisory mechanisms

01 Direct supervisory examinations

02 Joint PA and FSCA JIBAR transition series engagements over 2026

03 Joint communications and/or notices

1. Joint PA and FSCA supervisory examination strategy

Supervisory considerations

01 Type of FI: sell-side, buy-side or financial market infrastructure

02 Strategy, business model, underlying activities and risk/exposure profile

03 Relevant and deliberate transition programme

2. Credible evidence of preparedness

What credible preparedness looks like

01

Foundational building blocks in place

02

Milestones under control

Internal milestones are aligned to cessation timelines, with external dependencies actively managed.

03

Assurance and remediation complete

Independent reviews validate completed milestones and remediation is closed timeously.

3. Customer outcomes and conduct risks

Core conduct expectations

01 Adherence to Treating Customers Fairly principles

02 Effective client communication strategies

03 Sound management of customer complaints

4. Independent assurance expectations

01 Governance and board accountability

02 Transition programme and milestone management

03 Exposure data and management information integrity

04 Contract remediation, repapering and fallback provisions

05 Market data objects, valuation and model risk

06 Valuation, risk, margin and regulatory capital impacts

07 Financial, accounting and tax impacts

08 “No New JIBAR” controls and exception management

09 Operations, technology, external and third-party readiness

10 Conduct and fair customer outcomes

11 Other material risks

Audit committee approval
Close remediation actions before cessation

5. Common weaknesses and gaps

1a Weak board oversight and challenge to JIBAR transition steering committees

1b Weak steering committee direction and challenge to underlying workstreams

2 Poorly conceptualised transition strategies

3 Incomplete, inexhaustive and imprecise execution

4 Weak independent review and assurance

6. Supervisory concerns

Key areas of supervisory concern

01 Weak strategy and poor execution

Contributes to compromise of JIBAR transition

02 Regulatory non-compliance

Non-compliance with prudential and conduct regulations and MPG directives and guidelines

03 Financial, legal, regulatory, reputational risk and consequential manifested issues

Transition strategies for financial institutions



Q & A


Thank you