



SOUTH AFRICAN RESERVE BANK

Markets Practitioners Group

Legal Industry Webinar

10 September 2025

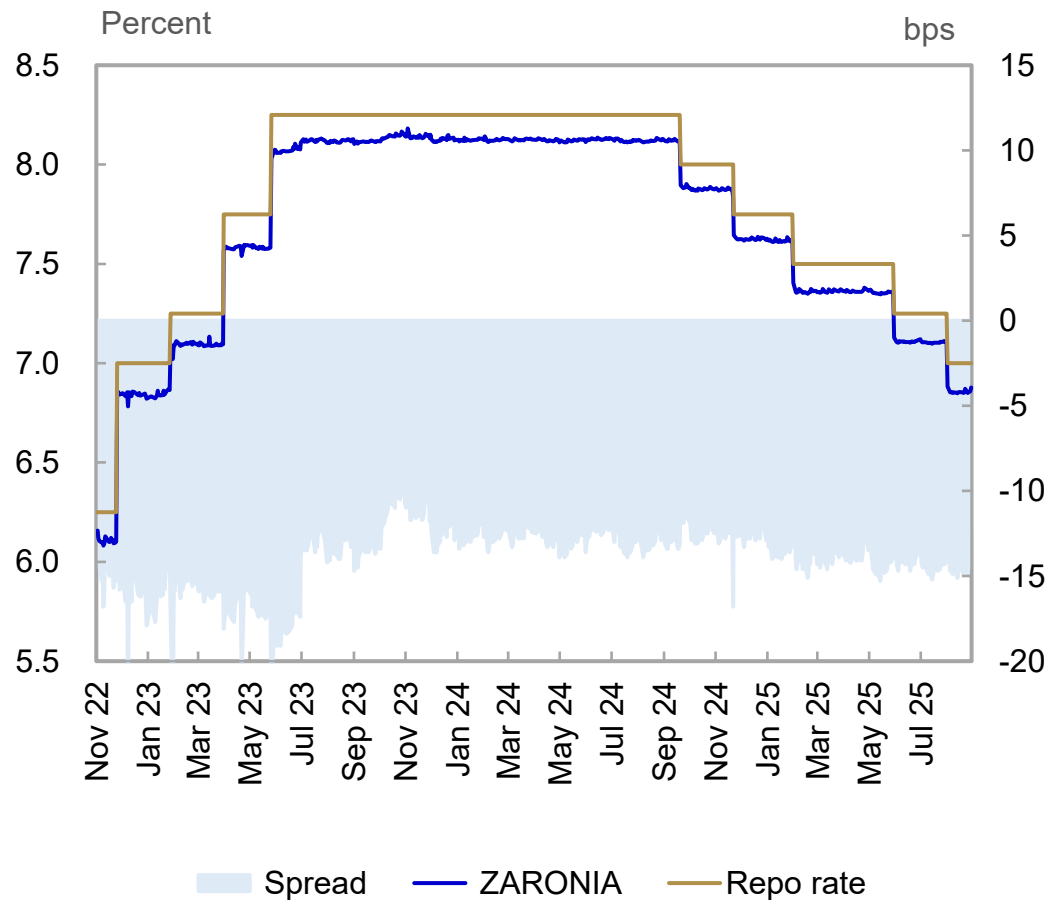


SOUTH AFRICAN RESERVE BANK

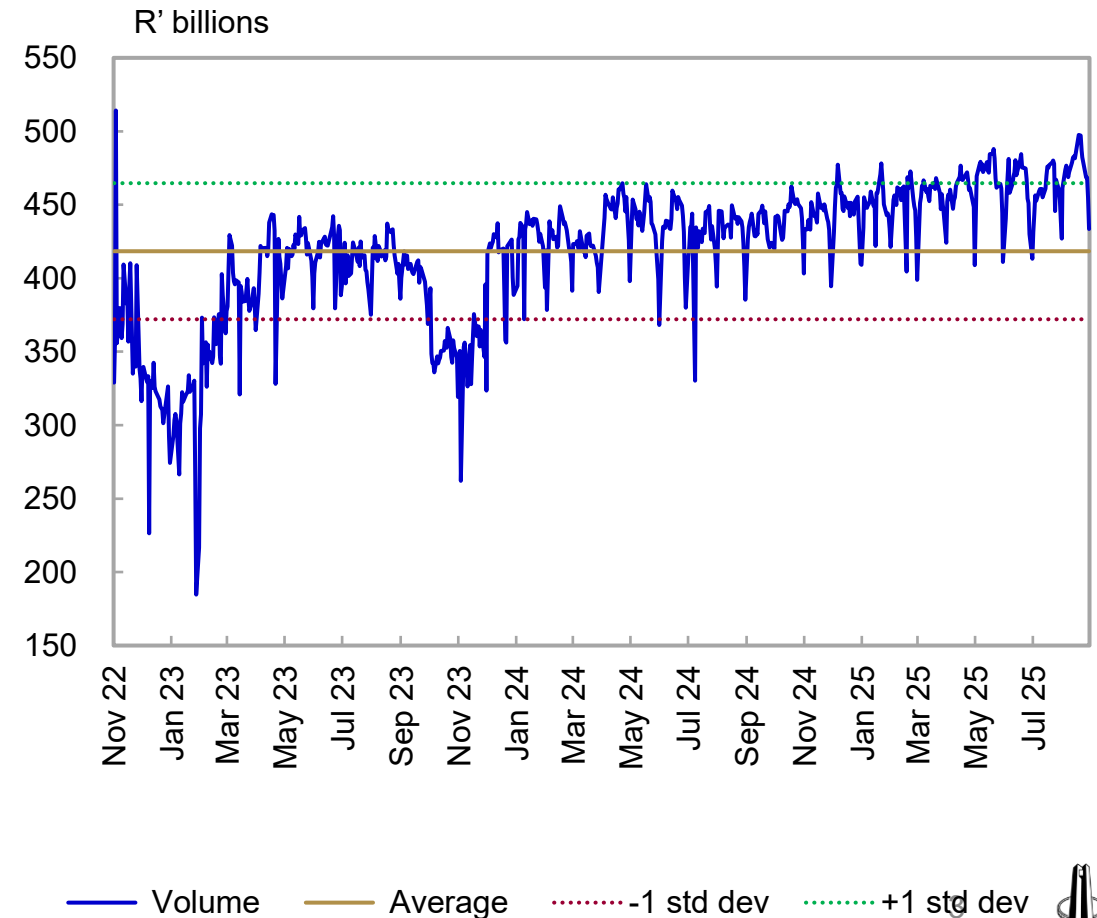
Overview of ZARONIA & Jibar exposures

ZARONIA – an alternative near risk-free rate

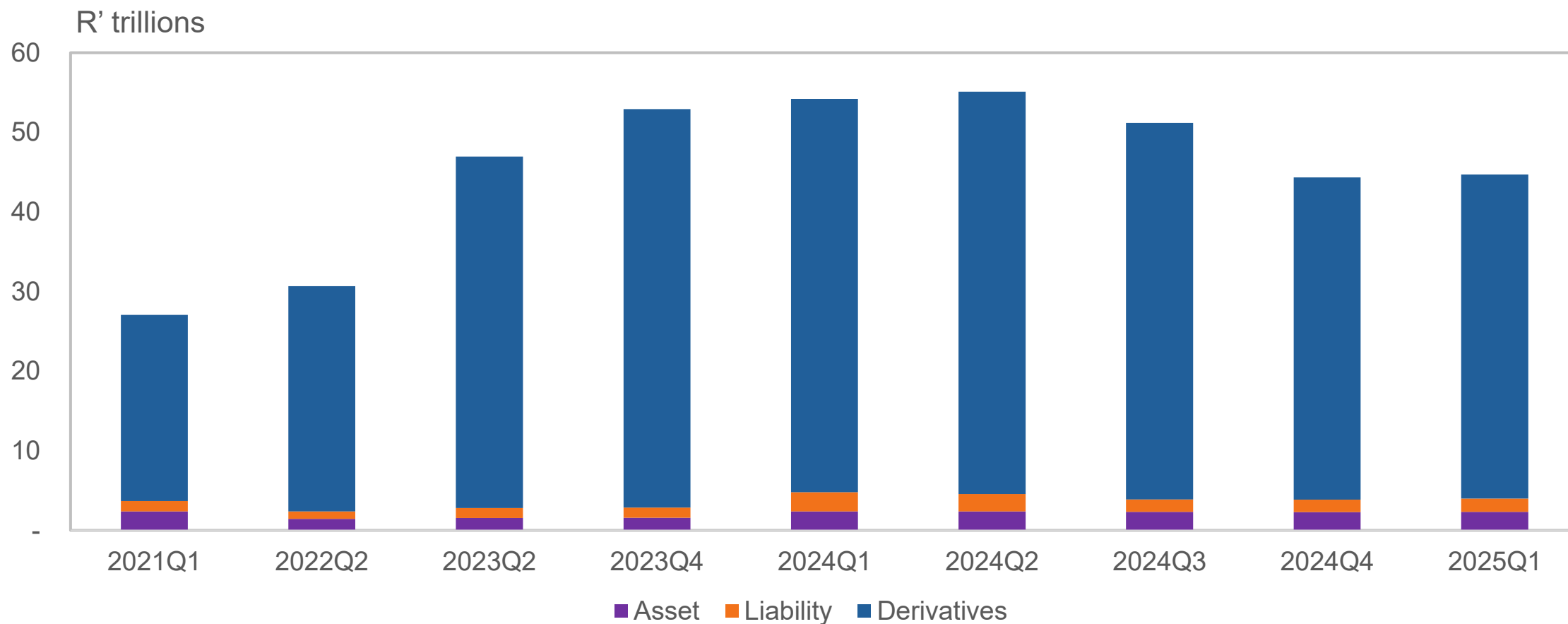
ZARONIA is fairly stable and responsive to the policy rate



Value of O/N unsecured deposits underpinning ZARONIA

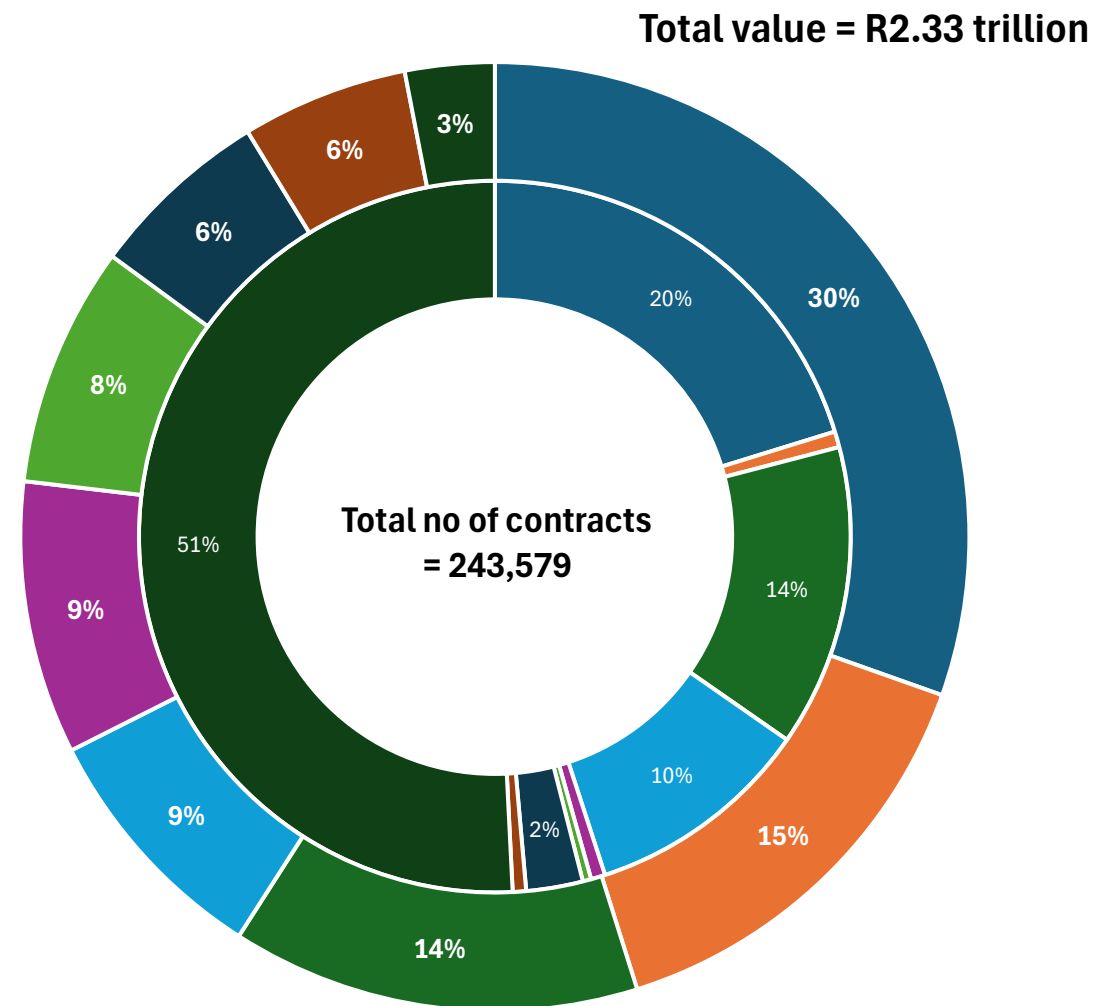


Aggregate Jibar exposures just over R44 trillion (as at 31 March 2025)



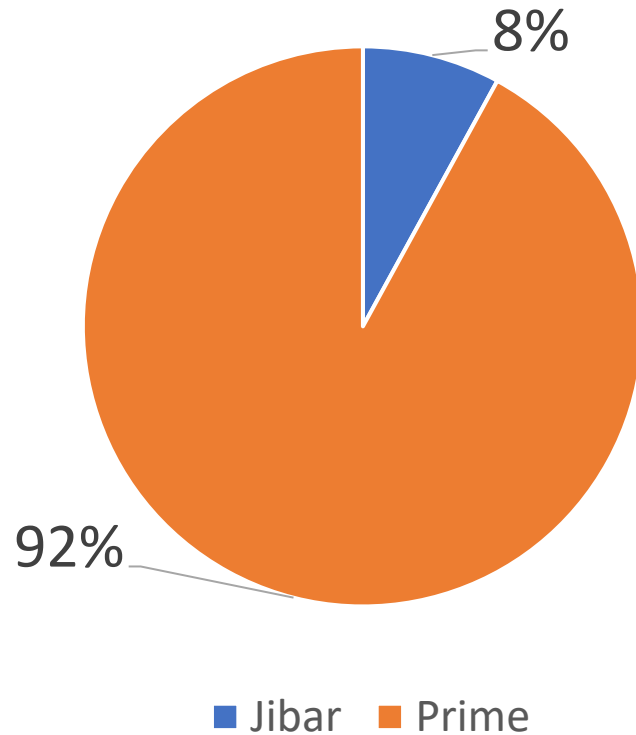
Assets: Jibar-related exposures as at 31 Mar 2025

- Floating Rate Notes
- Syndicated Loans
- Other assets
- Bonds and securitisation (including CLOs)
- Commercial Mortgages
- Bilateral Corporate & Sovereign Loans
- Money market instruments and unit trusts
- Bilateral Business Loans
- Retail Mortgages and Consumer Loans

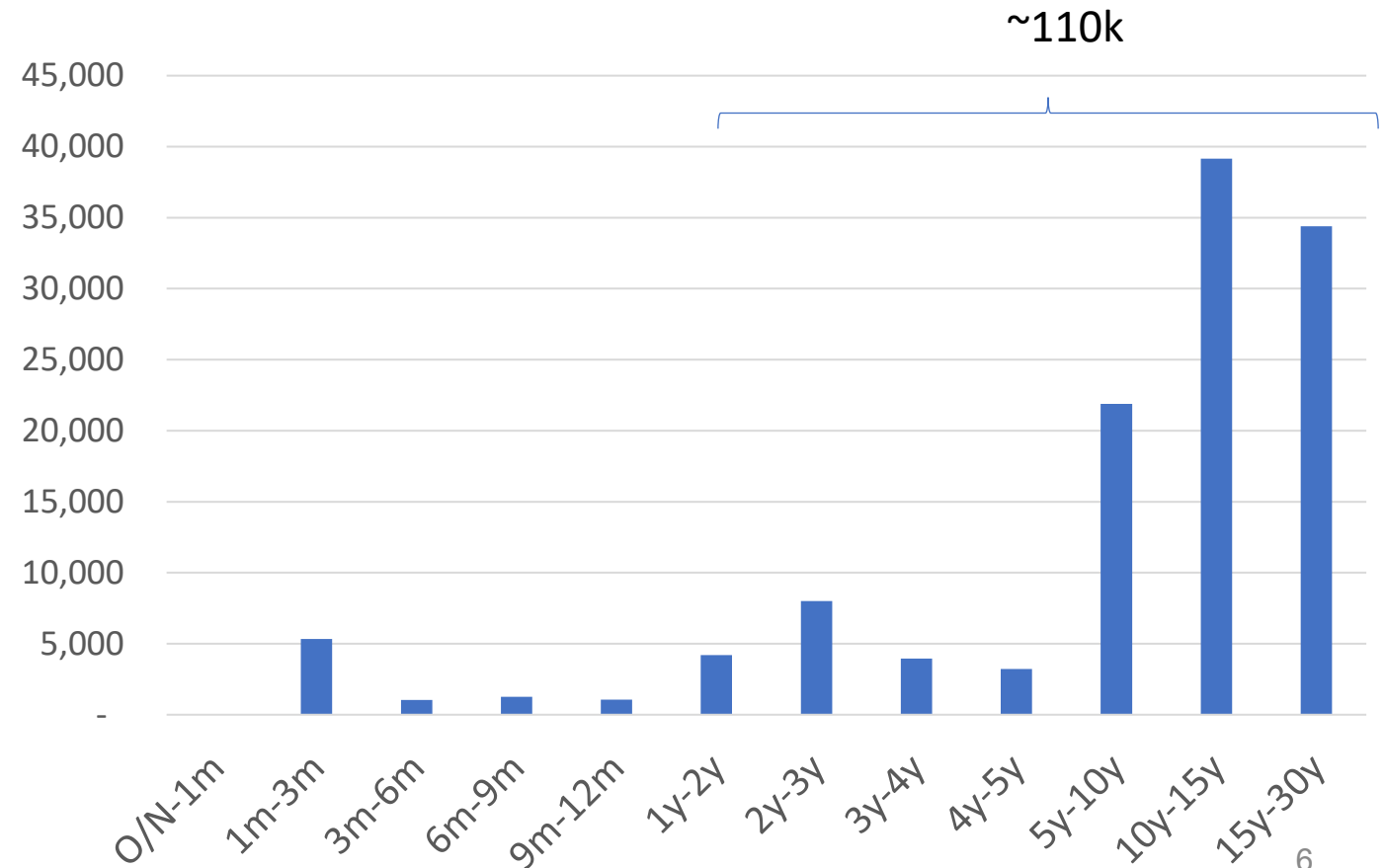


Profile of Retail Mortgages referencing Jibar

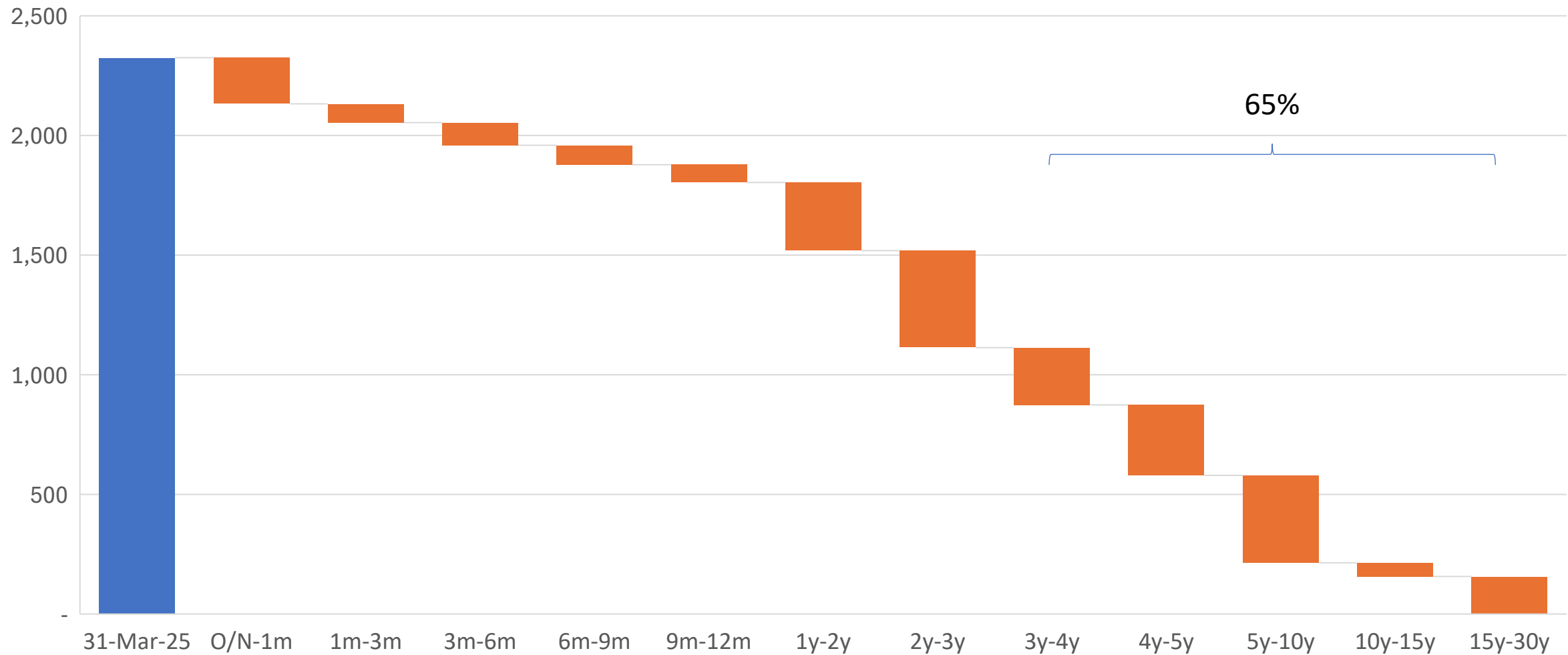
No. of Retail Mortgage contracts
(1.55m in total)



Maturity profile by no. of Jibar contracts (123.7k total)



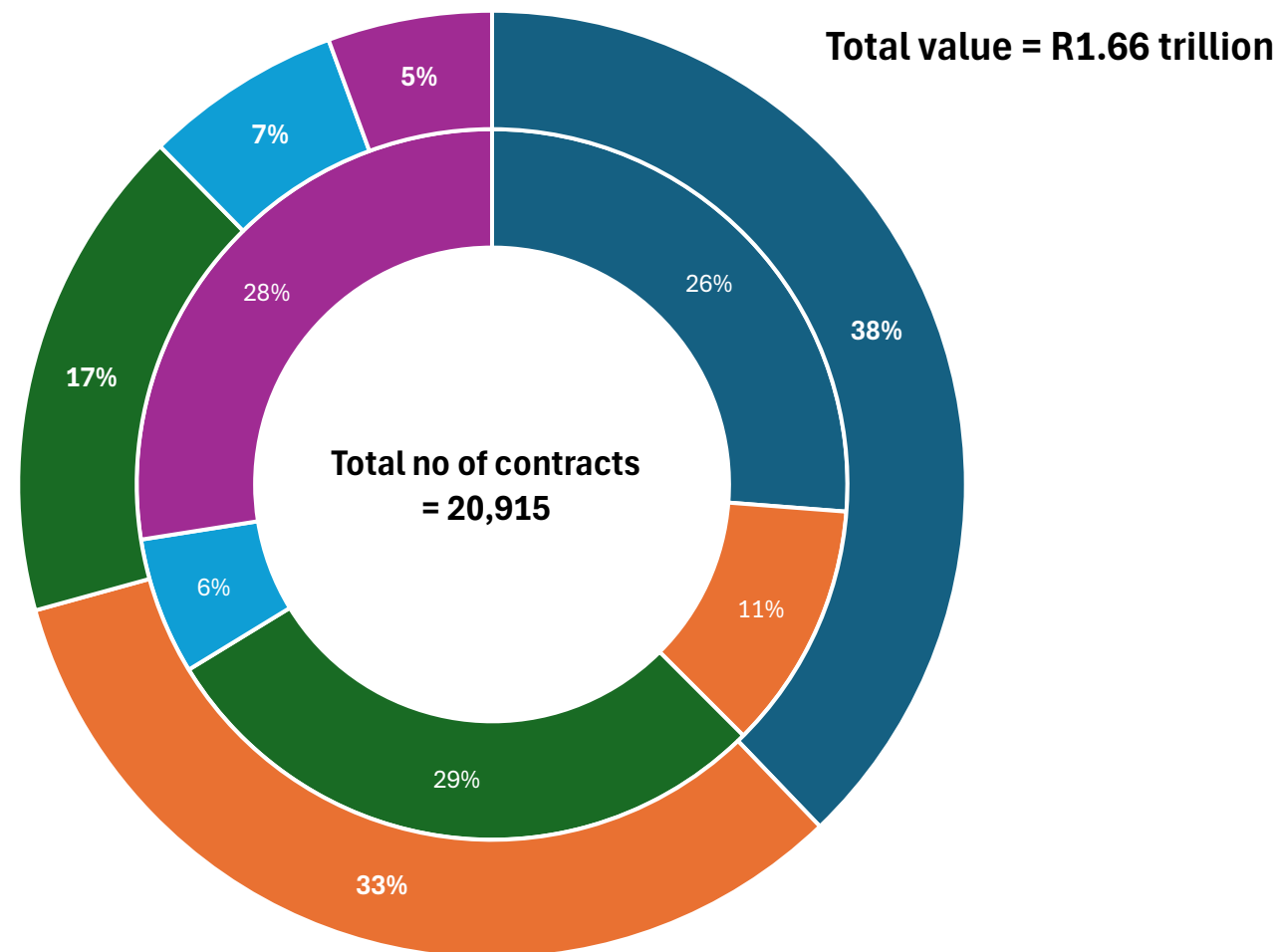
Assets: Maturity profile (R'bn)



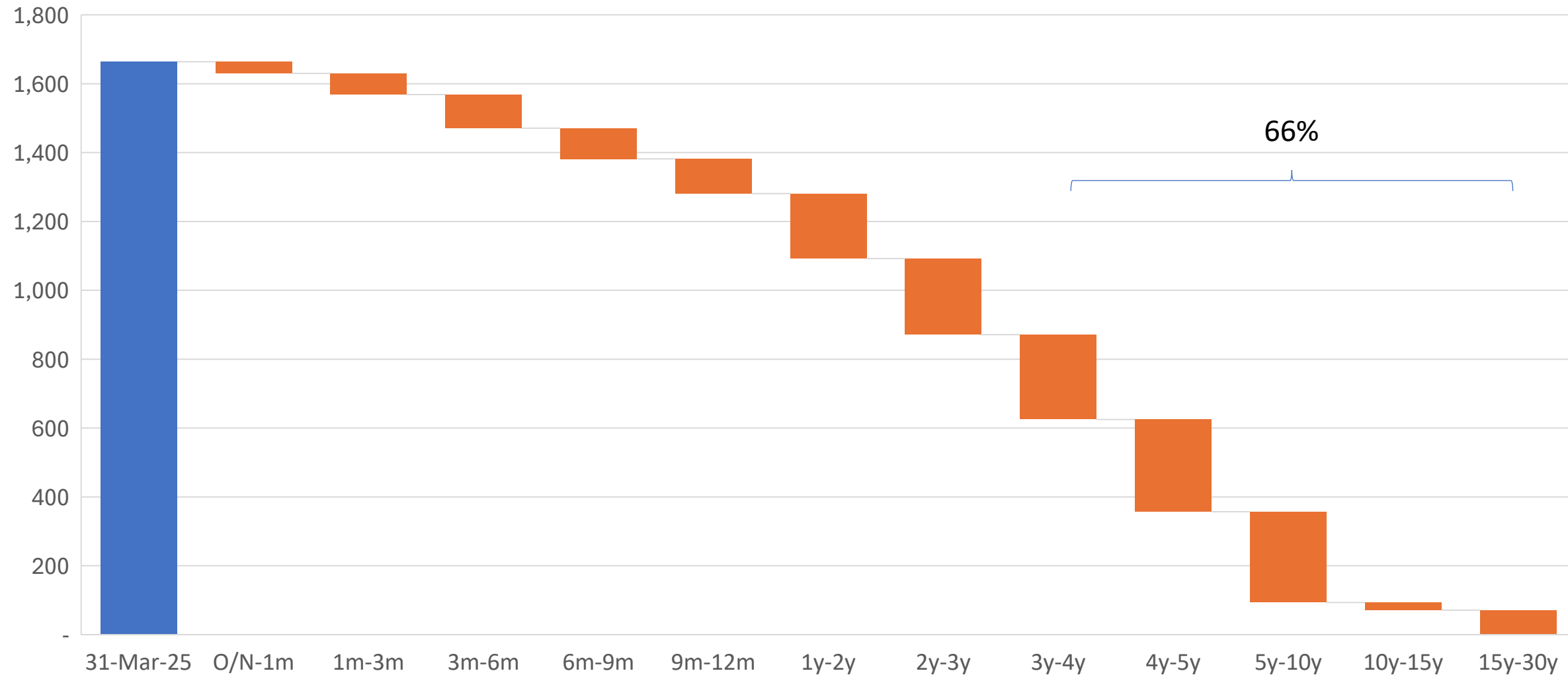
Source: SARB Jibar quantitative exposure survey

Liabilities: Jibar-related exposures as at 31 Mar 2025

- Deposits (and CDs)
- Other liabilities
- Senior debt
- Subordinated debt
- Trading liabilities

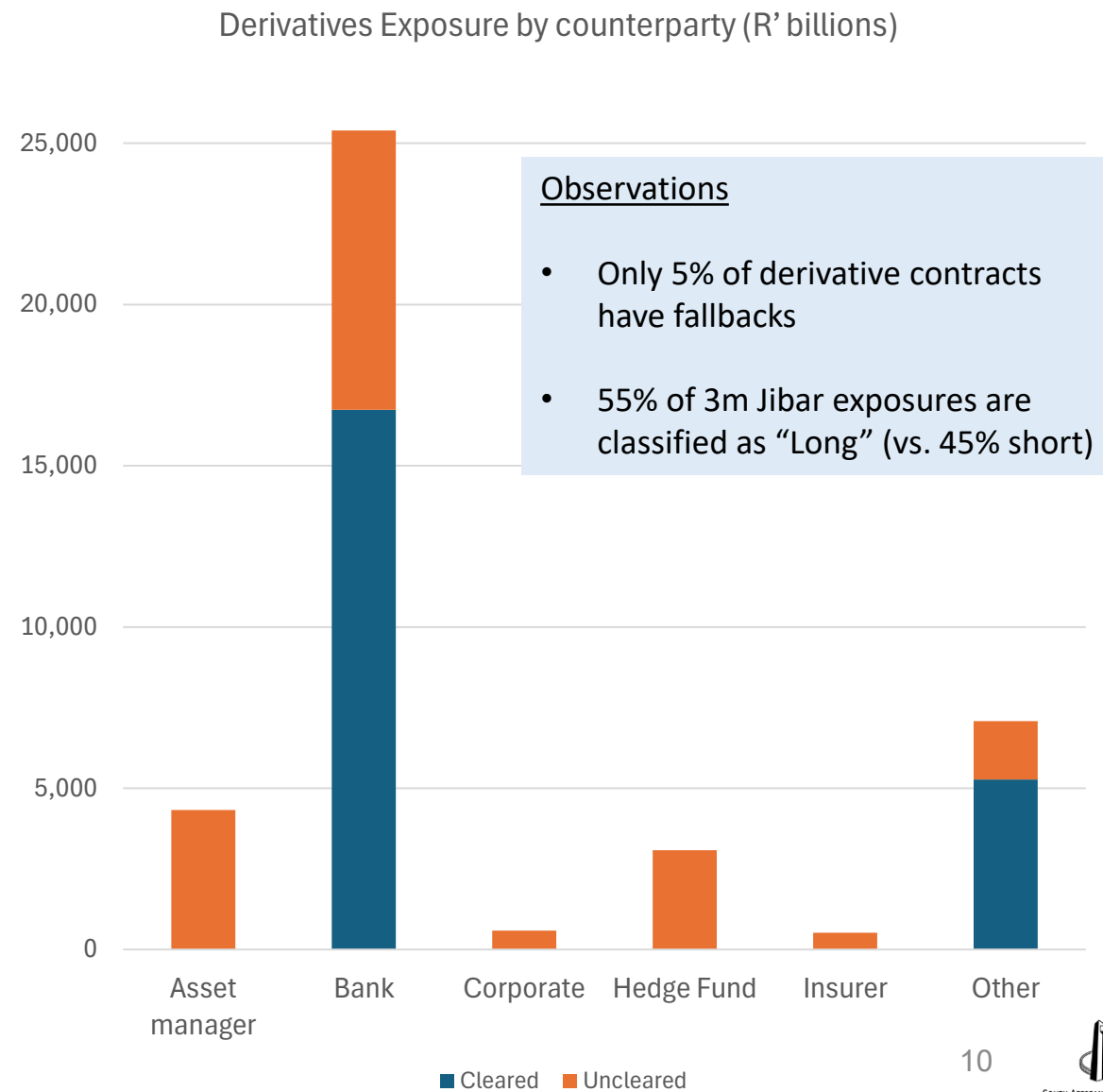
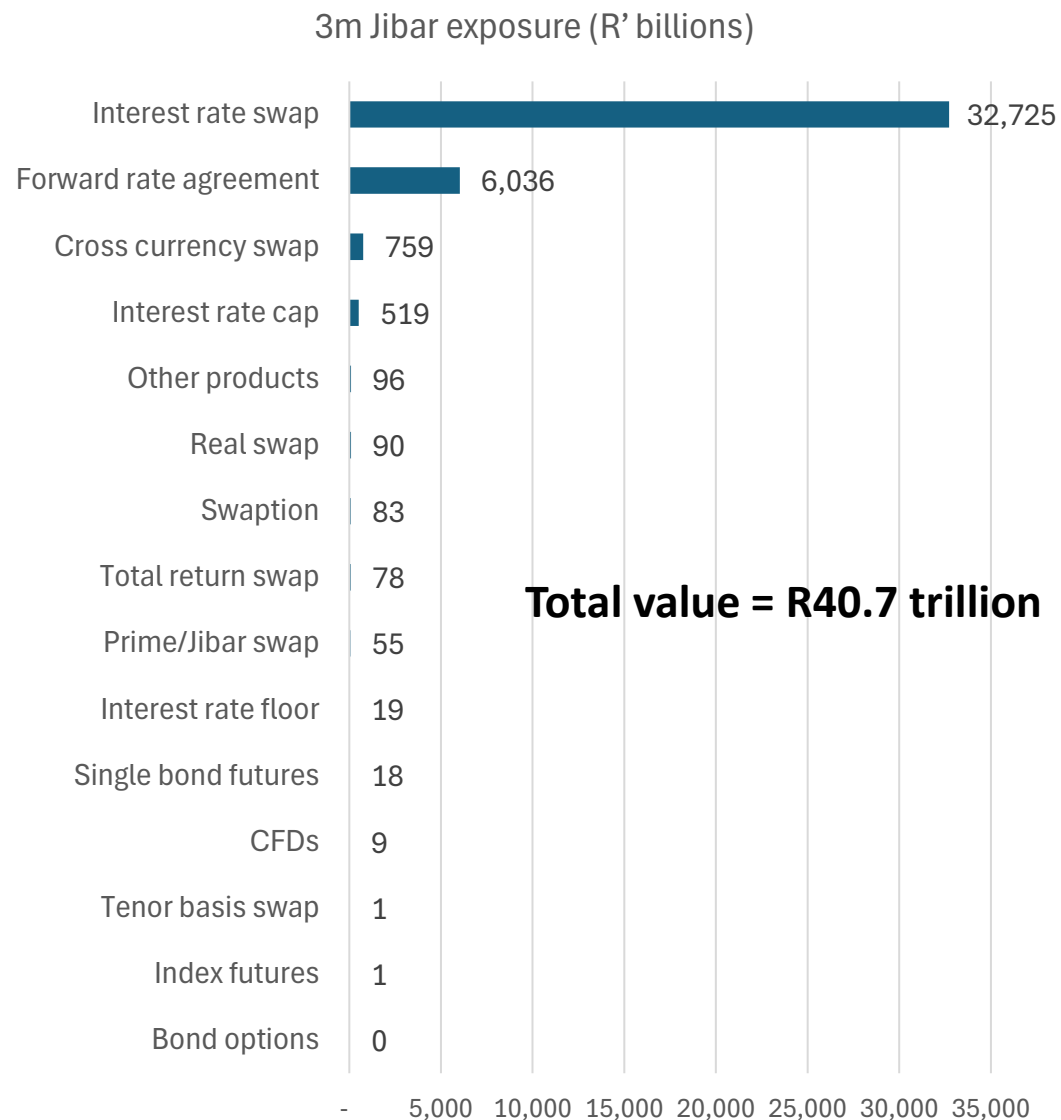


Liabilities: Maturity profile (R'bn)



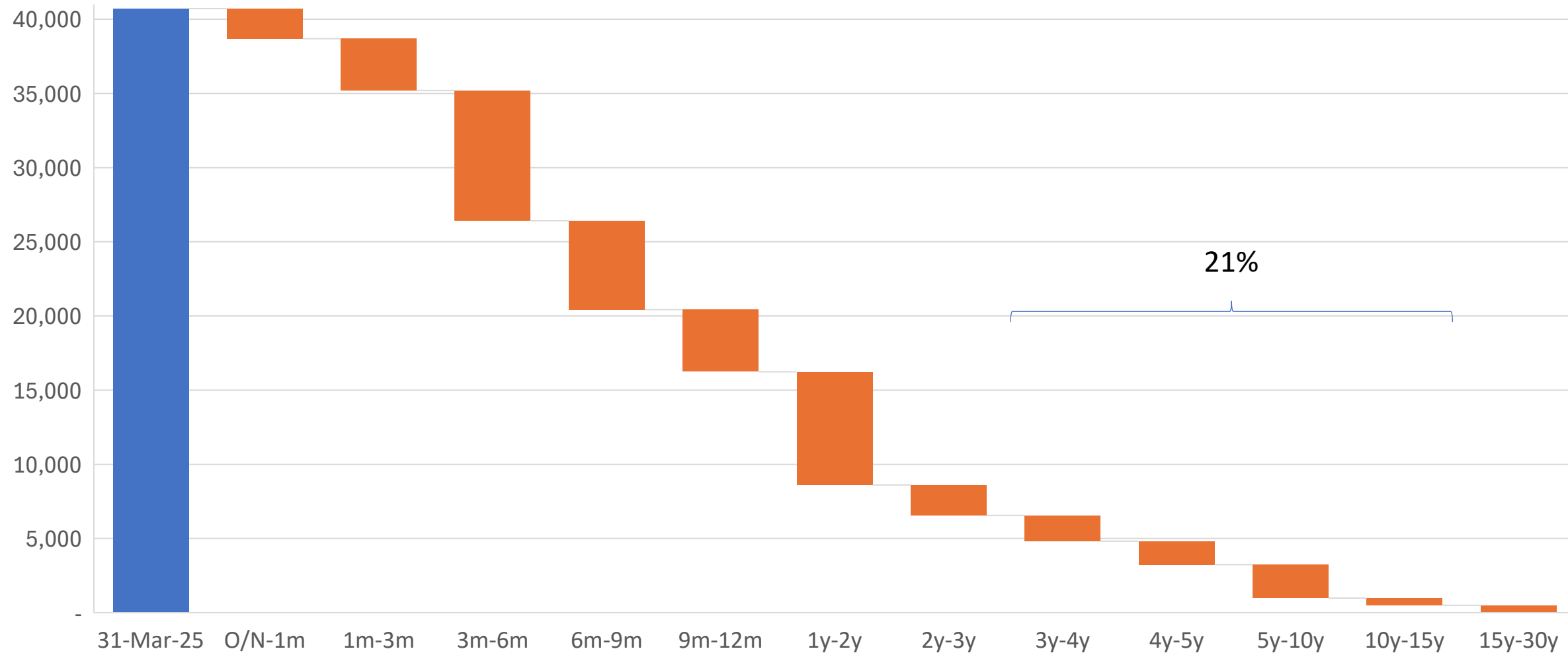
Source: SARB Jibar quantitative exposure survey

Derivatives: Jibar-related exposures as at 31 Mar 2025



Source: SARB Jibar quantitative exposure survey

Maturity profile of derivatives (R'bn)



Source: SARB Jibar quantitative exposure survey

Derivatives



Linear Derivatives:

2024/2025 has focused largely on infrastructure and adoption



Conventions and pricing

- Linear derivatives conventions
- Basis derivative conventions
- Fallback methodology



Infrastructure

- Clearing Houses
 - LCH complete
 - CME Q4 2025
- Booking Platforms: Markitwire
- Screens: brokers and market makers
- Test trades 3 complete rounds

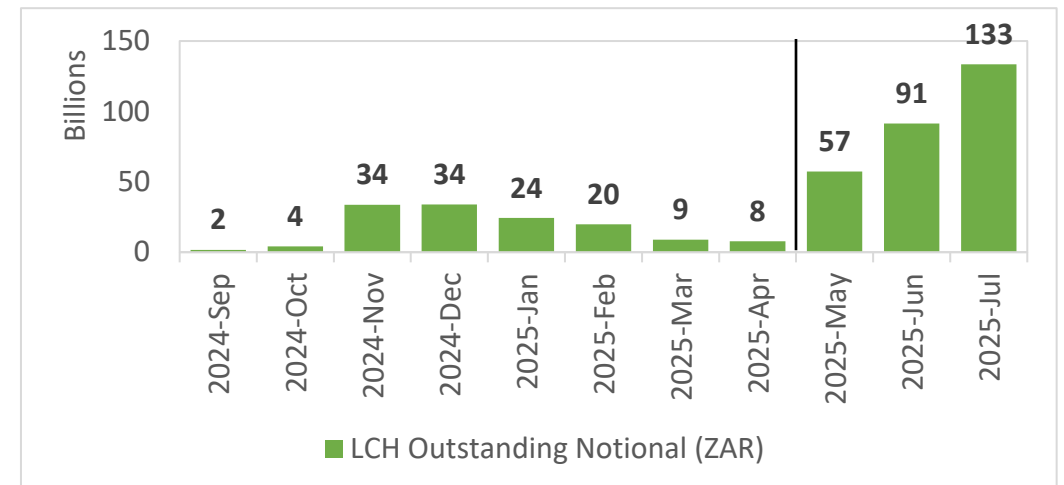
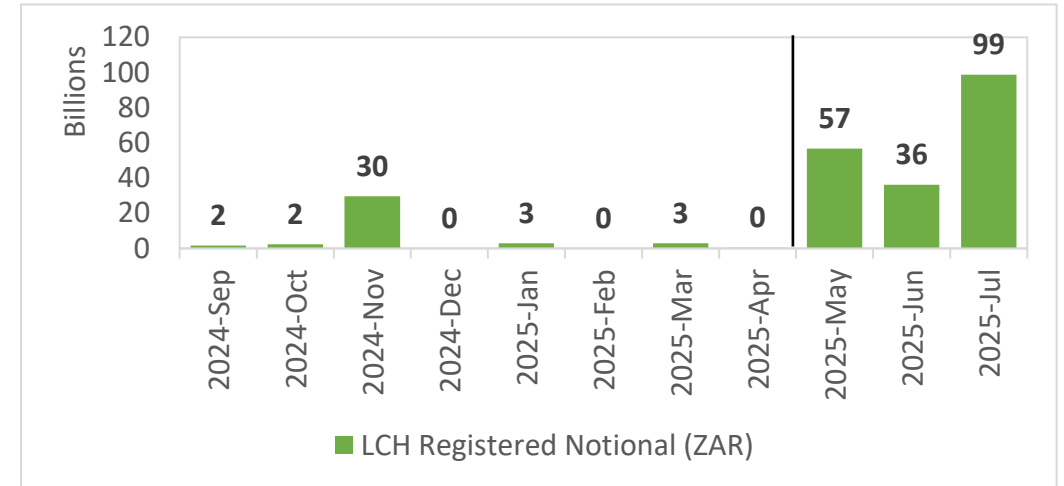


Liquidity Build

- Market maker quoting
- ZARONIA first commencement

Linear Derivatives: Adoption progress

- Market maker feedback suggest continued incremental improvement in interest and volume in ZARONIA.
- LCH ZARONIA statistics demonstrate continued increase in volume of ZARONIA trades



Non-Linear Derivatives:

2024/2025 has focused largely on infrastructure and adoption



Conventions and pricing

- Non-Linear derivatives conventions
- Caps/Floors, Swaptions



Infrastructure

- Booking Platforms: Markitwire
- Screens quotes: brokers and market makers
- Test trades: 2 complete rounds



Liquidity Build

- Upcoming ZARONIA First
- Market maker quoting

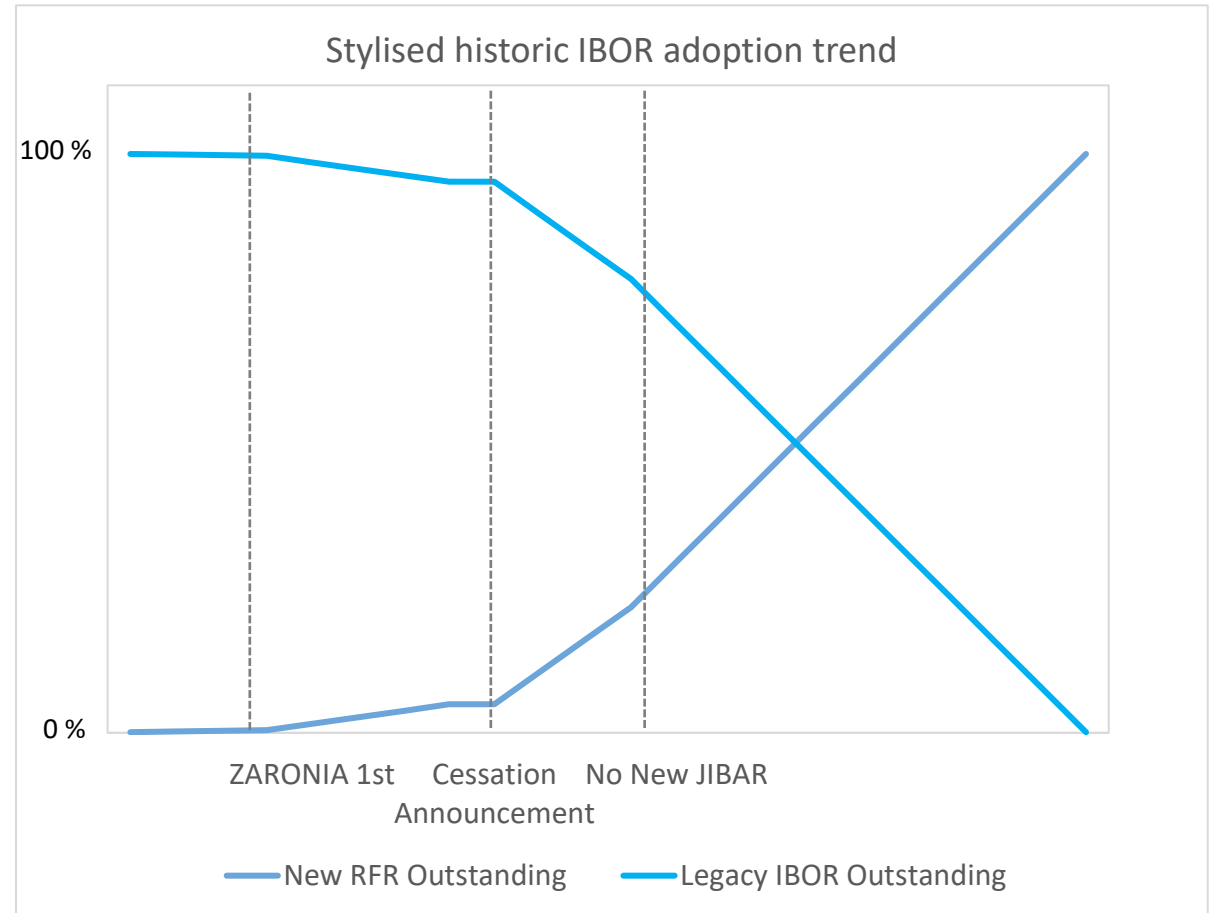
Derivative Adoption Catalysts

- The ZARONIA First initiative has accelerated ZARONIA adoption.
- It is anticipated that upcoming MPG milestones** will substantially accelerate further adoption.

** MPG milestones

Dec25: Cessation announcement

Mar26: No new JIBAR



Derivative Transition

The DWS is currently deliberating specifics for derivative transition

ISDA fallback spread



Operational considerations
(December 2026
resourcing and trade
automation)



Accounting and Tax

Adherence to ISDA
fallback protocol



Trade compression
(cleared and uncleared)
to feature regularly

Cleared trades:
discounting switch and
conversion event

Uncleared trades: CSA
migration, trade
conversion



No new JIBAR
exemptions

Swaption specifics



Gross notional
outstanding
recommendation

Dependency: Safe
harbour legislation in
place



Dependency: Cessation
date required to be
known with certainty



ISDA fallback spread

Spread crystallizes upon cessation announcement: Dec-25



Transition

CSA migration considerations

CSA migrations

Migrate

Phrased as recommendation



Do not migrate



**Migrate using adjustment spread methodology
(SAFEX-ZARONIA spread):**

**Recommendation to move CSAs to ZARONIA-based
using the methodology (ZARONIA+x) without
compensation – “protocol based”**

**Negotiation process: Preferred position would be to
migrate “one step further” to ZARONIA+0 (with
compensation guided by the adjustment
methodology)**



Migrate without adjustment spread methodology



**SAFEX discounting risk will not be immunized. It is
impossible for SAFEX derivatives market to incept
given robustness of underlying rate. Risk/basis risk
will remain unhedged**





Concluding remarks

- **MPG timelines likely to remain firm**
 - December 2025: cessation announcement
 - March 2026: No new JIBAR
 - December 2026: cessation
 - *2025: adoption*
 - *2026 transition*

Early adoption implies less legacy JIBAR stock

Early client engagement implies less concentrated effort in December-2026

Appendix: Derivatives Workstream publications

- [Market conventions for ZARONIA-based derivatives](#)
- [Market conventions for ZARONIA-based non-linear derivatives](#)
- [Addendum to market conventions for ZARONIA-based derivatives](#)
- [Recommendations for a ZARONIA-first initiative for the derivatives market](#)

Expected publications 2025:

- *ZARONIA OIS Historic Backfill*
- *Derivative Transition Recommendations*

Cash Markets



Cash Market Update

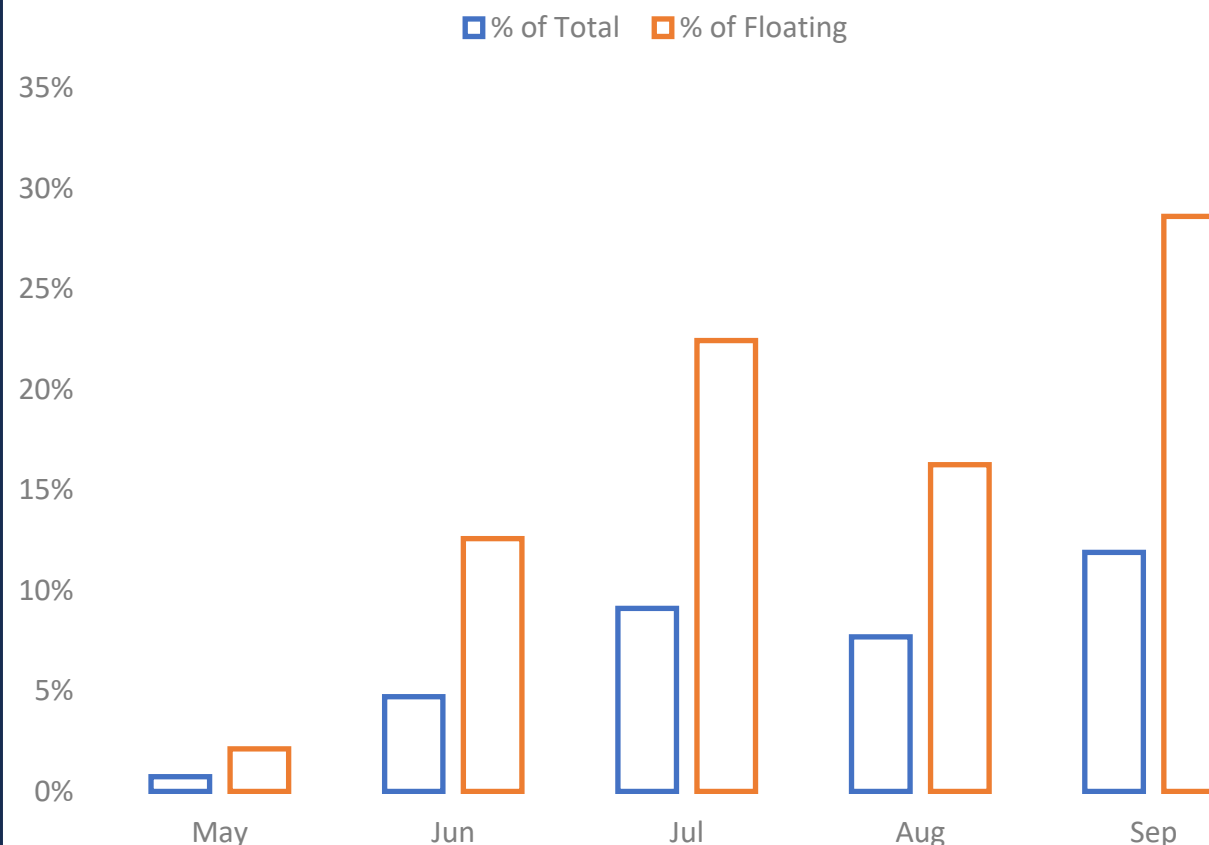
Progress to Date

- Conventions
 - Bonds
 - Money Market
 - Loans
- Platforms
- Testing
- Screens
- Live on 19th of May 2025

Market Activity

- Bond Market
 - 3 bonds, 1 structured note
 - Consistent 5-day lookback
 - Less consistent ex-period
- Money Market
 - Active trading

Growth in MM issuance



Forward looking term rates

A forward-looking term rate will greatly support the transition, especially for cash products

Approaches used

OIS-based methodology:

- Averaging executable quotes and executed trades.
- Already used for SONIA, TONA, ESTR.

Futures-based methodology:

- More complex calculation methodology.
- Used for CORRA, SOFR.

If a forward-looking term rate becomes available, internationally it was scoped for particular use:

Loans:

- Retail, Business, Middle Market, Trade Finance, Supply Chain Finance.

Securitisations:

- Referencing assets linked to term rates.

Derivatives:

- Not supported for Wholesale Derivative Markets.
- Limited use in end-user facing Derivatives designed to Hedge Cash products.

Next Steps:

MPG has established a dedicated workstream to investigate a ZARONIA forward-looking term rate.

Retail market

- **Unique challenge:**

High contract volumes make re-contracting difficult, and backward-looking rates place additional burden on retail borrowers.

- **Funding structures:**

The funding structures backing many of these loans complicate the transition, creating the potential for two different paths:

1. Switching to Prime-linked loans – would enable active transition but requires a JIBAR-to-Prime credit adjustment spread (CAS).
2. Forward-looking term rate ZARONIA – dependent on administrators, market development and regulatory guidance.

- **Current status:**

The retail market approach is likely to differ depending on funding structure and product type.

Future work and associated timing - Cash

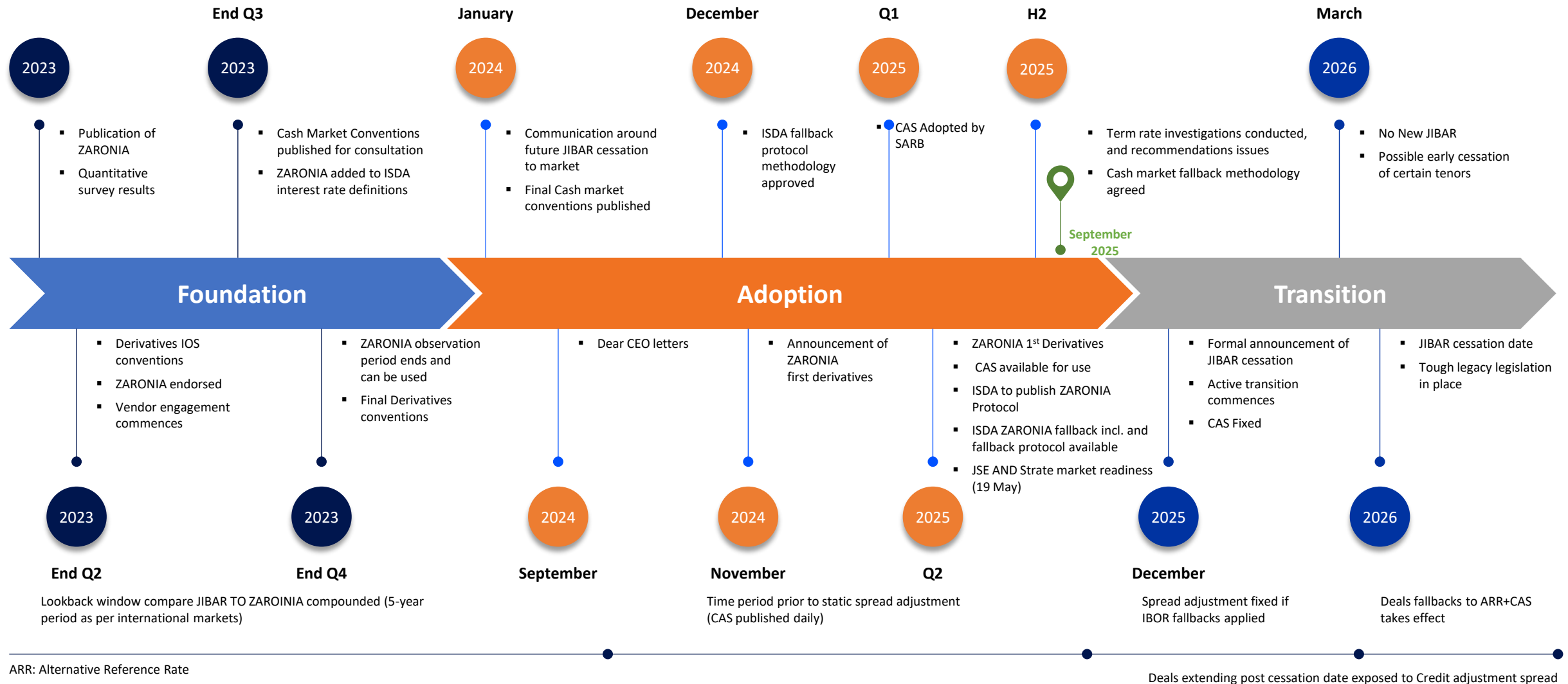
Workgroup	Status	Dependency	Timeline (dates are subject to change based on dependencies)	Legal Workstream Responsibilities
Transition Planning – Cash Market	In progress	DCI – system enablement	Dec 2025 - Transition plan for Loans, Bonds (including securitisations), and Money Market instruments.	Draft language for the specific products.
Term Reference Rates	RFP and scope of use in progress	Derivatives Market Liquidity build	Dec 2025 – Term rate investigations concluded, and recommendations issued.	If term rates are made available. Legal clauses to be worked on for the impacted markets.
Securitisations	Document drafted with recommendations	Legal, Retail, Term Rate	Dec 2025 – Publication of document and recommendation.	Legal clauses specific to securitisation language.
Valuation and curve construction	Proposal in progress	Derivatives Market Liquidity build	Oct 2025 – proposal to be presented to Cash Market – MPG, followed by main MPG. Dec 2025 – Industry curve available	None



Transition timeline



Industry timelines



ARR: Alternative Reference Rate

CAS: Credit Adjustment Spread

Critical industry steps for JIBAR transition

	Derivative Markets	Money Markets	Bond Markets	Loan Markets	Retail Markets
Timing for transition	Market participants should be guided by MPG transitioning timelines as well as setting internal milestones. Aim to reduce significant JIBAR exposure prior to JIBAR cessation date				
Active or Passive transition	Passive is achievable where fallback provisions have been inserted in legal agreements				
Pricing Adjustments	ZARONIA + Credit Adjustment Spread (applicable for the JIBAR index being replaced) Viability of forward-looking term ZARONIA currently being investigated				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

Critical industry programme steps

Prioritise trading referencing ZARONIA

- Reduce market participant's reliance on JIBAR
- Build sufficient liquidity in ZARONIA linked derivatives to enable a viable ZARONIA term rate



ZARONIA First Initiatives

Market Segment	Commences on
Linear derivatives	30 April 2025
Non-Linear derivatives	30 September 2025
Cross Currency basis swaps	31 October 2025

Include fallbacks in JIBAR linked contracts

- Recommend an appropriate credit adjustment spread to minimise economic value transfer



Jibar transition and fallback credit adjustment spreads for the South African interest rate market

prepared by

The Market Practitioners Group's
Transition Planning and Coordination
Workstream



Make provision for Tough legacy contracts

- Propose legislative provisions that will facilitate the transition of contracts that cannot be renegotiated

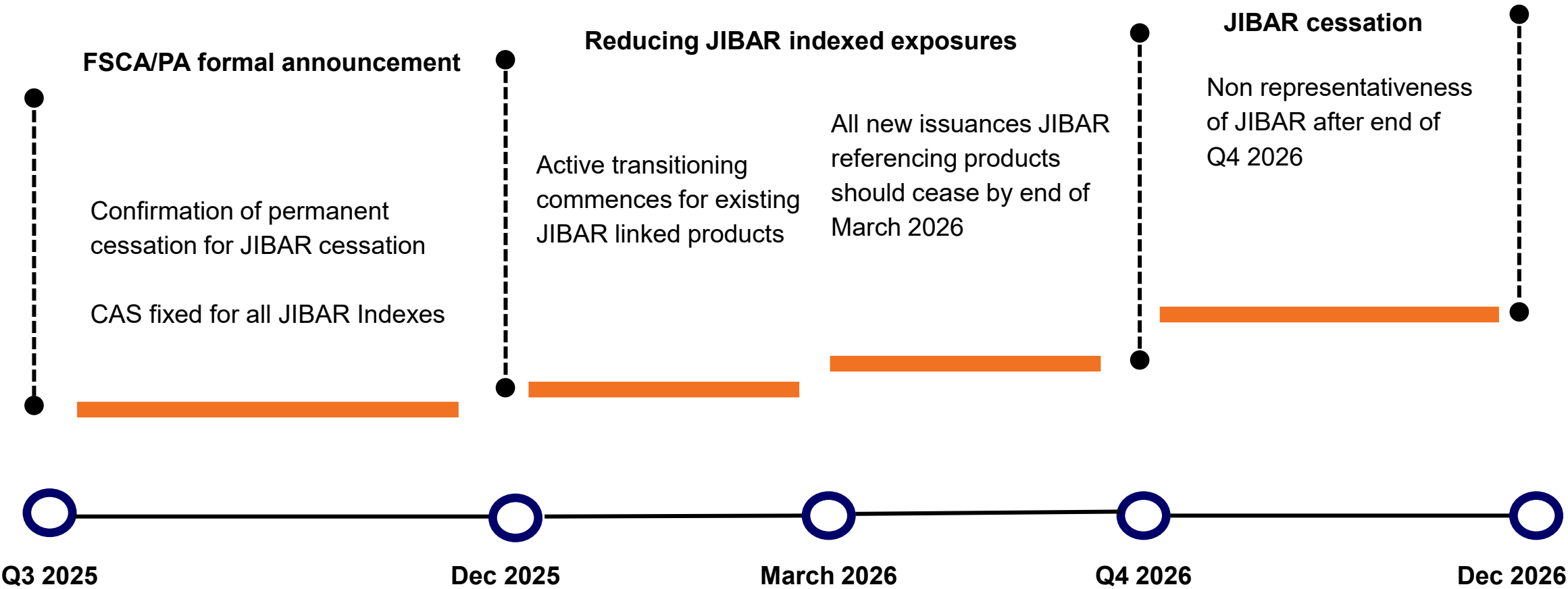


Amendment of the Financial Sector Regulation Act 9 of 2017

31C	Designation of replacement benchmarks
31D	Replacement benchmark for any category or categories of legacy contract
31E	Safe Harbour provisions

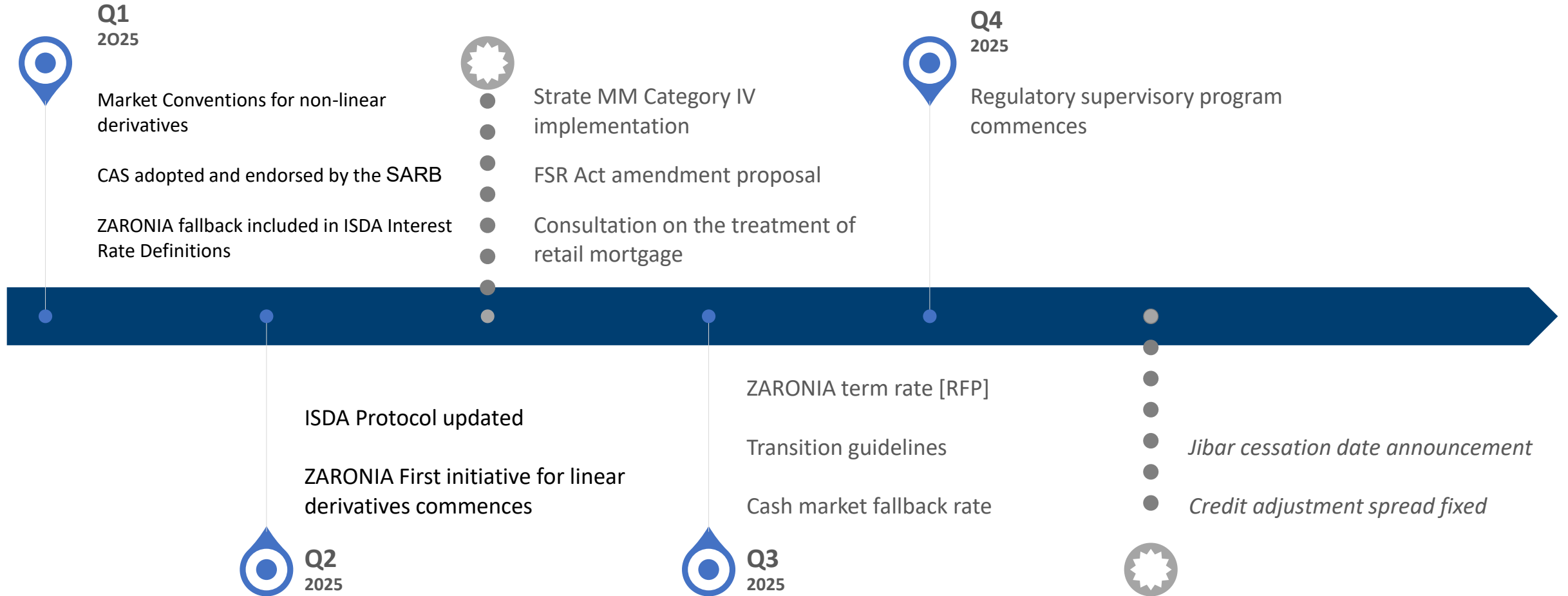
Critical steps for the Jibar transition

Reducing JIBAR related exposures



Jibar transition roadmap

Key milestones for 2025



Template ZARONIA Rate Switch Amendment Agreement

- Addendum to a facility agreement (not an amended and restated facility agreement)
- Incorporates both (1) Rate Switch mechanism and (2) Compounding ZARONIA terms and definitions
- Can be used or simplified further
- **Link** to the Amendment Agreement on the MPG website: [here](#)

Appendix: Relevant MPG publications

- [JIBAR Fallback Methodology – Final MPG Recommendation](#)
- [FSCA Communication 9 of 2025 \(FM\).pdf](#)
- [An overview of the Loan Market Association SA Rate Switch Agreement](#)
- [Benchmark Discontinuation Riders for the bond market in South Africa](#)
- [https://www.fsca.co.za/Regulatory%20Frameworks/Regulatory%20Frameworks%20Documents/FSCA%20Communication%20%2010%20of%202025%20\(CIS\)%20.pdf](https://www.fsca.co.za/Regulatory%20Frameworks/Regulatory%20Frameworks%20Documents/FSCA%20Communication%20%2010%20of%202025%20(CIS)%20.pdf)