



South African Reserve Bank

Confidential

Minutes of the meeting of the Market Practitioners Group on Interest Rate Benchmark Reforms held in the 30th floor boardroom of the South African Reserve Bank, 370 Helen Joseph Street, Pretoria on Friday, 14 June 2019 at 09:00

Minutes No. 1/2019

Present:

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| AD Mminele | (Chairperson – Deputy Governor of the SARB) |
| G Haylett | Banking Association of South Africa |
| J Mol | Association of Corporate Treasurers of Southern Africa |
| J Boyd | Financial Sector Conduct Authority |
| Z Parker | SARB |
| E Hamman | Chair – Governance |
| A Du Toit | Chair – Risk Free Reference Interest Rate |
| P Burgoyne | Chair – Transition |
| D Raju | Chair – Unsecured Reference Interest Rate |
| R Roux | Chair – Data Collection and Infrastructure |

In attendance:

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| M Nkuna | SARB Financial Markets Department |
| B Maronoti | SARB Financial Markets Department |
| Z Gininda | SARB Financial Markets Department |
| S Springfield | SARB Financial Markets Department |
| P Mananga | Prudential Authority |
| SL Reynolds | SARB Group Secretariat |

Apology:

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| G Raine | Association for Savings and Investment South Africa |
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1. Welcome

- 1.1 The Chairperson welcomed members to the second meeting of the Market Practitioners Group (MPG or Committee) and the first in 2019.
- 1.2 A quorum was present and the meeting was duly constituted.
- 1.3 The Chairperson recorded that Mr Zafar Parker would be serving as the


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Acting Head of Department for the Financial Markets Department (FMD), pending the appointment of a replacement for Mr Leon Myburgh, who had resigned from the SARB. In addition, Ms Samantha Springfield would also be joining the MPG meetings as an attendee.

1.4 Before starting the meeting, the Chairperson solicited views on the request from the Prudential Authority (PA) for a representative to attend the MPG meetings as an observer. There being no objections, Mr Pierre Mananga from the PA was invited into the meeting as an attendee.

2. **Adoption of the agenda**

2.1 The Chairperson afforded members an opportunity to raise additional items for inclusion in the proposed agenda.

2.2 The agenda was adopted with an additional matter under agenda item 6 – Financial Sector Conduct Authority (FCSA) Consultation Paper.

3. **Approval of Minutes No. 1/2018 of the meeting held on 19 October 2018**

3.1 The minutes of the meeting held on 19 October 2018 were accepted as a true reflection of the deliberations and were approved for signature by the Chairperson.

3.2 **Matters arising from the minutes**

3.2.1 The schedule of Matters Arising was taken as read and noted. The following matters were highlighted for discussion:-

3.2.1.1 It was agreed that the various work streams would need to be formally established and start working on their initial reports to the MPG. This would enable the MPG Secretariat to present a detailed roadmap and project plan. It was anticipated that this would be presented at the next MPG meeting, after the initial work stream reports had been presented for review.

3.2.1.2 It was noted that a more descriptive name for this Committee should be


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agreed to enable easier identification of the forum by the public. After considering various suggestions, it was agreed that the MPG should be called the “Market Practitioners Group on Interest Rate Benchmark Reforms”, which could continue to be abbreviated as MPG.

3.2.1.3 It was reported that the input into the final paper on selected interest rate benchmarks in South Africa would be moved into the fourth quarter of the year.

3.3 Mr Haylett reported on item 6 of the previous minutes and confirmed that he and Mr Myburgh had attended an introductory meeting of the FSB Official Sector Steering Group in Basel on 26 November 2018. Each of the regions had given feedback on the progress being made in their jurisdictions. Messrs Haylett and Myburgh had reported that a consultation paper had been prepared and circulated in South Africa and that the MPG had been established. The underlying work streams would soon be established.

4. **Endorsement of the work stream Chairpersons**

4.1 It was recorded that a round robin resolution had been circulated to the MPG members to endorse the elected chairpersons of the various work streams.

4.2 The resolution had been approved via email and it was agreed that this would be formally ratified at this meeting and recorded in the minutes.

Resolution:

The MPG endorsed the election and appointment of the chairpersons of the MPG work streams with effect from 1 June 2019, as follows:-

- Unsecured Reference Interest Rates – Mr Deon Raju, Group Treasurer, Absa Bank Limited;
- Risk-Free Reference Interest Rates – Mr Andries du Toit, Group Treasurer, FirstRand Group;
- Transition – Mr Paul Burgoyne, Treasurer, Standard Bank South Africa Limited;


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- Data Collection and Infrastructure – Mr Ruan Roux, Head: Enterprise Information, South African Reserve Bank; and
- Governance – Ms Elmarie Hamman, Regulatory Framework Specialist, Financial Sector Conduct Authority.

4.3 The Chairpersons of the work streams advised the meeting that they may decide to contract with external service providers to perform the secretariat function for their committees, where necessary. This was agreed on condition that appropriate confidentiality agreements were put in place.

4.4 Mr Haylett highlighted that a representative from SAICA should be invited to attend the Transition work stream meetings, as there may be IFRS and other accounting and tax implications as the project progressed. It was agreed that the chairpersons of the work streams would invite experts and additional resources to their committees, as they see fit.

5. **Terms of Reference of the MPG work streams**

5.1 The draft Terms of Reference of the work streams of the Market Practitioners Group, together with the proposed marked-up amendments, were taken as read.

5.2 Mr Gininda recorded that the amendments had been made to address the proposals agreed to at the combined work streams meeting held on 24 May 2019, which were as follows:-

5.2.1 That the work streams would make recommendations to the MPG for consideration and formal decision making;

5.2.2 The reference to bi-monthly meetings was intended to ensure that a minimum of one meeting should be held every two months; however, the work streams could meet more regularly, as required.

5.3 It was proposed that the Terms of Reference of the work streams should also include a confidentiality clause or that this could be confirmed as a standing agenda item at every meeting. Mr Haylett agreed to forward a copy of a



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standard Anti-Competitive Policy Statement to the MPG Secretariat, which could be included at the start of every meeting agenda going forward.

- 5.4 It was confirmed that the minutes of the work streams, together with relevant documentation and/or presentations, would be shared with the MPG Secretariat for record purposes, but not publication.

6. **Financial Sector Conduct Authority (FSCA) Consultation Paper**

- 6.1 Ms Hamman reported that the FSCA had issued a Consultation Paper on the Implementation of a Financial Benchmark Regulatory Regime in September 2018 and circulated it to interested parties. The aim of the consultation paper was to receive “feedback from the market on how to improve governance and controls over the benchmark process, how to ensure that administrators avoid conflicts of interest, how to improve the quality of input data and methodologies used by benchmark administrators, how to ensure that contributors to benchmarks and the data that is provided are subject to adequate controls with the aim of further protecting consumers and investors through greater transparency and adequate rights of redress.” The FSCA would also use the consultations to collect valuable market information that could be of assistance when testing and interacting with the European Union counterparts.

7. **Presentation by Mr Francois Jordain: “(L)ibor to Risk Free Rates – Challenges and Opportunities”**

Mr Francois Jordain joined the meeting via teleconference at 09:45 and was welcomed by the Chairperson.

- 7.1 The presentation had been circulated to the members prior to the meeting. Mr Jordain recorded that the views in the presentation were his personal views intended to assist and guide the work streams in their work.

- 7.2 Mr Jordain took the meeting through his presentation and answered some questions and comments that were raised during the presentation.


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Messrs Du Toit and Boyd excused themselves from the meeting at 10:35 and 10:55 respectively.

7.3 Mr Raju noted that it would be beneficial for the work streams to have direct access to Mr Jordain to consider specific questions in each area. Mr Jordain indicated that he would be happy to assist.


7.4 The Chairperson thanked Mr Jordain for his input and contributions to this meeting. It was agreed that it would be most beneficial for all involved to interact further with Mr Jordain. The Chairperson suggested that perhaps arrangements could be made to bring Mr Jordain to South Africa for a few days, when he could interact with all the work streams. Mr Jordain was asked to consider whether he would be open to this suggestion and that further communication could happen after the meeting.

8. **Date of the next meeting**

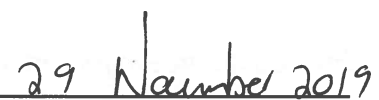
8.1 It was agreed that the date for the next MPG meeting would be advised in due course.

9. **Closure**

9.1 The Chairperson thanked everyone for their attendance and contributions. There being no further matters for discussion, the meeting was closed.



DG F Tshazibana
Chairperson:
Market Practitioners Group on the
Interest Rate Benchmark Reforms



Date