SOUTH AFRICAN RESERVE BANK

Confidential

Minutes of the meeting of the Market Practitioners Group on Interest Rate Benchmark Reforms held via MS Teams on Friday 21 August 2020 at 09:00

Minutes No. 3/2020

Present:

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

In attendance:

M Nkuna	SARB Financial Markets Department
B Maronoti	SARB Financial Markets Department
Z Gininda	SARB Financial Markets Department
S Springfield	SARB Financial Markets Department
E Makgopa	SARB Financial Markets Department
K Makoko	Prudential Authority – on behalf of Mr Mananga
N Patel-Manga	SARB – DG Tshazibana's Office
SL Reynolds	SARB Group Secretariat

1. Welcome

1.1 The Chairperson welcomed members to the third meeting of the Market Practitioners Group on Interest Rate Benchmark Reforms (MPG or Committee) in 2020.

1.2 The meeting noted that Ms Makoko would attend the meeting on a “watching brief” at the request of Mr Mananga, who could not attend. Mr Makgopa, who was a member of the SARB Working Group, would also attend the meeting for the discussion on the proposed amendments to the JIBAR Code of Conduct.

1.3 There being a quorum present, the meeting was duly constituted.

2. Adoption of the agenda

2.1 The agenda was adopted with the following amendments:-

2.1.1 The deletion of item 4.2.1 as it would be considered under item 5 of the agenda, item 6 of this minute;

2.1.2 The inclusion of item 4.2.1 – Approval of the revised MPG Terms of Reference; and

2.1.3 The deletion of item 8 – Update on the MPG Roadmap, as there had been no amendments on the version presented previously, pending the progress with the transition.

3. Confirmation of the Anti-Competitive Statement

3.1 The Anti-Competitive Statement was noted and accepted by all members and attendees present.

4. Approval of Minutes No. 2/2020 of the meeting held on 17 June 2020

4.1 The minutes of the meeting held on 17 June 2020 were accepted as a true reflection of the deliberations and were approved for signature by the Chairperson.

4.2 The signed minutes would be published on the MPG website.

5. Matters arising

5.1 Approval of the revised MPG Terms of Reference

5.1.1 It was confirmed that the revised MPG Terms of Reference had been circulated to the members of this Committee, in track-change format, for review and consideration. No further amendments or objections had been received by the MPG Secretariat.

5.1.2 It was highlighted that the MPG Terms of Reference provided that the Chairperson of the Communications work stream would not have a vote on the MPG. It was confirmed that the Chairperson of the Communications work stream was agreed as Mr Zafar Parker, who was already a voting member of the MPG and that this was in order.

Resolution

It was resolved that the revised MPG Terms of Reference, as circulated to the members via email on 22 June 2020, was agreed and accepted.

6. Publication of the MPG work stream position papers

6.1 Mr Maronoti reported that the Risk-Free and Unsecured Reference Rate work streams' position papers that were approved at the MPG meeting in June 2020 had been presented to the SARB Governors' Executive Committee (GEC) for consideration.

6.2 It had previously been suggested that the SARB would produce its own position paper having reflected on the recommendations contained in the work streams' position papers. However, the SARB was broadly in agreement with the work streams' position papers and subsequently decided to embed its views in the findings and recommendations sections of the position papers, to ensure that there was a comprehensive understanding of the SARB's positions.

6.3 With respect to the Unsecured Reference Rate work stream's position paper, the SARB provided clarity by reiterating that the adoption of overnight rates would not necessarily preclude the adoption of multiple rates. Furthermore, clarity was provided that the central bank should ensure the credibility and reliability of the benchmark it administers. The SARB reflected on the data requirements for all benchmarks and the requirement of a broader money market statistical framework to underpin the new interest rate benchmarks. A recommendation was included that a sub-structure should be formed to deal with the operationalisation of the recommendations presented by the SARB and the MPG.

6.4 With respect to the work of the Risk-Free Reference Rate work stream, the SARB clarified that it recommended that South Africa should adopt an overnight rate as an alternative reference rate, while work continued on the development of the secured rate. The SARB further provided its perspective on transition issues, data standards and conventions and governance.

6.5 The position papers would be posted on the MPG webpage for review. The Communications work stream would be requested to facilitate a virtual workshop with all stakeholders beyond the MPG.

6.6 It was further noted that in order for the MPG to make an informed decision on the appropriate reference rate, it would be required that historical data be used to test the design of the rates. Accordingly, the Data Collection and Infrastructure (DCI) work stream would be given two deliverables, namely; to collect data form the JSE, STRATE and commercial banks for the purpose of back testing and to contemplate the requirements for data collection, benchmark calculation and dissemination in terms of infrastructure needs, which would have to be compatible with the SARB's IT architecture.

6.7 The meeting was advised that a Jibar Task Team (JTT) would be established to consider the operationalisation of recommendations 1 to 4 of the Unsecured Reference Rate work stream's position paper. This would require the JTT to propose amendments to the Operating Rules of the Jibar Code of Conduct that would give effect to the proposed increase in the pricing commitments of contributing banks and detail the nature, extent and timing of the disclosures contemplated in position paper. It was anticipated that the JTT

would be comprised of representatives from the JSE, STRATE, SARB, the Unsecured Reference Rate work stream, Jibar contributing banks and any other person deemed appropriate. The JTT would be constituted for two months and be empowered to consult any other appropriate structure as may be necessary. The JTT would present a report to the MPG detailing their recommendations and the process undertaken to arrive at them. It was anticipated that the measures to strengthen Jibar would be finalised before the end of 2020.

7. Review of the Code of Conduct

7.1 Mr Makgopa reported that the Unsecured Reference Rate work stream had recommended that the Jibar Code of Conduct (the Code) should include changes to pricing commitments, the publication of information pertaining to NCD and FRN redemption profiles and data standards for post-primary and post-secondary trade and redemption profile reporting.

7.2 The SARB was in agreement with the recommendations and had begun working on the revision of the Code, as presented to the Committee. The focus had been on revising the overarching principles and not the Operating Rules of the Code. The revision of the Operating Rules would be delegated to the JTT.

7.3 The proposed amendments to the Code would be submitted to the FMLG for review, before being presented to the Reference Rate Oversight Committee (RROC) for approval.

7.4 The MPG members expressed their satisfaction with the process and it was agreed that a representative from the Governance work stream would be invited to the JTT to assist with any gap analysis.

7.5 The MPG Secretariat noted the comments made at the meeting on the proposed amendments to the Code, which would be considered by the JTT before finalising the revised Code for presentation to the FMLG and the RROC.

8. Feedback and review of the progress reports from the MPG work streams

8.1 Transition work stream

8.1.1 The update on the Transition Position paper was taken as read and Mr Burgoyne raised certain matters.

8.1.2 It was highlighted that the key recommendations from the Risk-Free work stream had not yet been formally adopted, and once they were, a determination would have to be made as to who would be responsible for embedding the recommendations. In addition, there was no clarity on what format and when there would be any public consultation.

8.1.3 It was noted that the Transition work stream would need to work closely with the Communications work stream as public consultation would be important. Whether it was through a survey with key industry bodies or through a workshop, there needed to be an understanding of what they needed to do and the time required to make the transition.

8.2 Governance work stream

8.2.1 Ms Hamman confirmed that the Governance work stream position paper, which had been presented at the meeting in June 2020, would be submitted to the next MPG meeting for final approval.

8.2.2 A gap analysis of the Code would also be performed and presented for information at the MPG meeting in November 2020.

8.3 Data Collection and Infrastructure work stream

8.3.1 Mr Roux presented the DCI work stream Briefing Note, which was taken as read.

8.3.2 It was reported that work was being done on moving from the recommendations to implementation. The DCI would need broader technical contributions to assist with its work and Mr Roux would address this with the commercial banks.

8.4 Communications work stream

8.4.1 The draft minutes from the Communications work stream meeting held on 12 August 2020 were noted.

8.4.2 Mr Parker reported that the aforementioned meeting was the first for the Communications work stream and he thanked the MPG members for the nomination of skilled resources to join this work stream, which now had representatives from all relevant industry groups.

8.4.3 It was confirmed that the position papers that had been published, were MPG and SARB documents. Accordingly, the work stream chairpersons and the SARB would be authorised to speak to the public and/or industry representatives at any workshop or engagement on the findings and recommendations contained in the position papers.

8.4.4 The Chairperson highlighted that as the process moved forward, not all the responsibility for completion and transition should fall on the Chairs of the various work streams and they should get the necessary support from all involved.

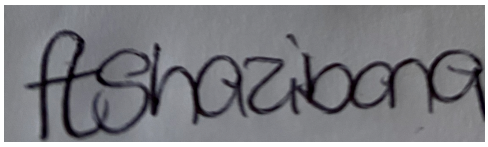
9. Date of the next meeting

9.1 It was confirmed that the next MPG meeting was scheduled to be held on Thursday, 26 November 2020, at 09:00.

10. Closure

10.1 The Chairperson thanked everyone for their attendance and contributions to the discussions.

10.2 There being no further matters for discussion, the meeting was closed.



26/11/20

DG F Tshazibana **Date**

Chairperson:

Market Practitioners Group on the Interest Rate Benchmark Reforms