



SOUTH AFRICAN RESERVE BANK



A purposeful journey

File ref. no.: 11/26/18/1

**Minutes of the meeting of the Market Practitioners Group on Interest Rate
Benchmark Reforms held via MS Teams on Friday 11 June 2021 at 09:00**

Minutes No. 2/2021

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 (ACTSA)
Z Parker	SARB – Chair: Communications
A Du Toit	Chair – Risk Free Reference Interest Rate
E Hamman	Chair – Governance
P Burgoyne	Chair – Transition
R Roux	Chair – Data Collection and Infrastructure
G Raine	Association for Savings and Investment South Africa (ASISA)

Apology:

D Raju	Chair – Risk based Reference Interest Rate
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In attendance:

Z Gininda	SARB Financial Markets Department
B Maronoti	SARB Financial Markets Department
S Springfield	SARB Financial Markets Department
P Mananga	Prudential Authority
N Patel-Manga	SARB – DG Tshazibana's Office
SL Reynolds	SARB Group Secretariat

By Invitation:

P Gokaldas	Absa Group Treasurer
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1. Welcome

- 1.1 The Chairperson welcomed members to the second meeting of the Market Practitioners Group on Interest Rate Benchmark Reforms (MPG or Committee) in 2021.
- 1.2 The Chairperson advised that Mr Raju had recently been appointed as the Group Chief Risk Officer at Absa Bank Limited (Absa) and that Mr Parin Gokaldas had been appointed in his stead as the Group Treasurer and was in attendance at this meeting. It was recorded that Mr Raju had been appointed to the MPG by the Banking Association of South Africa and not Absa. Mr Gokaldas confirmed that the intention was for him to replace Mr Raju on the MPG, as he had worked closely with him on the MPG matters, and that he would liaise with BASA outside of the meeting to confirm the process to be followed for his appointment. Mr Gininda noted that with the possible change in work streams, as the MPG moved forward with its activities, there may be a need to facilitate new nominations for chairpersons and members of these work streams.
- 1.3 There being a quorum present, the meeting was duly constituted.

2. Adoption of the agenda

- 2.1 The agenda was adopted as proposed, with no amendments.

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. 1/2021 of the meeting held on 12 March 2021

- 4.1 The minutes of the meeting held on 12 March 2021 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 Update on the implementation of the revised Jibar Code of Conduct

5.1.1 Mr Maronoti reported that the Jibar Code of Conduct and Operating Rules (the Code) came into effect on 12 April 2021. The Jibar contributing banks were advised in writing on 1 April 2021 that the Code would be implemented on 12 April 2021. The SARB had also met with representatives of contributing banks on 7 June 2021 to clarify some of the revisions to the Code.

5.1.2 The SARB and Strate had completed the development of end-to-end solutions for the publishing of Jibar-related post-trade disclosures on their respective websites. Strate went live on 24 May 2021 and the SARB soon followed on the 26 May 2021.

5.1.3 It was confirmed that all the Jibar strengthening initiatives had been implemented successfully and, thus, this would allow the MPG to focus on the transition plan to adopt an alternative near risk-free rate and ensure an orderly transition. The Chairperson noted that this was a significant milestone and thanked the Unsecured Reference Rate Work Stream, the Jibar Task Team and the MPG members for their contributions towards strengthening Jibar.

5.2 Update on the Governance Position Paper and the Financial Sector Conduct Authority Regulatory Framework

5.2.1 It was noted that a decision had been taken previously that the Governance Position Paper would be published as a reference document after the Financial Sector Conduct Authority (FSCA) had finalised the regulatory framework for financial benchmarks.

5.2.2 Ms Hamman reported that she had met with the newly appointed Commissioner and Deputy Commissioner of FSCA and highlighted the

urgency required in legislating the framework. The National Treasury had also confirmed that the matter was with the Minister for review and approval to release the framework for consultation. The MPG would be advised of the developments.

6. Feedback and updates from the MPG work streams

6.1 Data Collection and Infrastructure work stream

6.1.1 The Data Collection and Infrastructure (DCI) work stream's progress report for June 2021 and minutes of the meeting held on 1 June 2021 were noted and taken as read.

6.1.2 Mr Roux reported that the DCI work stream was focusing on the back-testing of the benchmarks contained in the Technical Specification Paper and that it was envisaged that this would be completed by July 2021.

6.1.3 In parallel, the SARB was looking into possible technology solutions for the process of determining benchmarks daily and had identified three options. Mr Roux noted the need for the DCI work stream to align with the tentative transition plan as there was an expectation that ZARONIA would be observed for some time prior to market adoption. Consequently, the implementation of the technology solution forms a dependency for transition process.

6.2 Communications work stream

6.2.1 The draft minutes of the Communications Work Stream (CWS) meeting held on 3 June 2021 were taken as read.

6.2.2 Mr Parker reported that the CWS had considered the need to increase the visibility of the MPG, which included the revamp of the dedicated MPG page on the SARB's website. The SARB's communications team had started the process of establishing a landing page with background information on the MPG and dedicated sub-pages for the work streams, transition issues, consultations, etc.

- 6.2.3 The CWS had also proposed that there should be industry-focused engagements, which could be used to share information on the MPG's initiatives and to obtain further information on industry specific views and expectations around the transition. Plans were being made to host two industry forums with ACTSA and ASISA during 2021. A larger consolidated MPG forum was being planned to take place in the first quarter of 2022.
- 6.2.4 Mr Parker confirmed the industry forums would likely follow a similar format as the one that was used in the forum that took place in 2020. The CWS would need to obtain the assistance of experts in the field to assist in answering questions. A Q&A schedule would also be drafted to address many of the questions and concerns that the CWS was already aware of.
- 6.2.5 It was noted that relevant professional bodies that supplied common services across different industries, e.g., the accounting and legal profession, would need to be included in the industry-focused engagements to guide the discussions where necessary. Furthermore, it was highlighted that employees in technical and operating functions of the affected organizations should be invited, instead of inviting front office staff only, as they would need to effect the necessary changes in response to the transition.

7. Reconfiguration of the MPG and the Roadmap for 2021

- 7.1 Mr Burgoyne presented the Transition Work Stream's (TWS) proposal on the formation of new technical sub-groups and industry task forces. The technical sub-groups would consider and make recommendations on transition-related issues raised by the industry task forces and the MPG. Hence, it would be necessary that their mandate came directly from the MPG to ensure that they had direct access and an effective channel for escalating matters to the MPG.
- 7.2 The industry task forces would be constituted and mandated by the TWS. It was proposed that a survey should be drafted and shared with the industry task forces (once constituted) to catalogue some thoughts on transition issues, which could be used to form a discussion document.

- 7.3 It was highlighted that, for a truly successful market-led transition to be achieved, buy-in from all affected stakeholders would be necessary, together with their active involvement. The TWS would need to work closely with the CWS to ensure that any concerns raised were adequately and appropriately addressed and communicated.
- 7.4 It was noted that members were broadly in agreement with the proposals and that any further comments or suggestions should be forwarded to the MPG Secretariat and/or Mr Burgoyne. Furthermore, the Chairperson requested the SARB Working Group to complete a draft of the Terms of Reference for the various technical sub-groups and to consider the possibility of re-assigning the chairpersons of the retired risk-free and risk-based work streams to chair some of the proposed technical sub-groups. It would be advantageous for the MPG to continue to draw from their experience and knowledge. It was suggested that the aforementioned work streams and the Governance Work Stream could also be re-purposed into other appropriate technical sub-groups.
- 7.5 The Chairperson recorded her preference that the MPG should not become too large as it may become inefficient.

8. Next meeting

- 8.1 The next MPG meeting was scheduled to take place on Friday, 10 September 2021 at 09:00.

9. Closure

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

DG F Tshazibana

Date

Chairperson:

Market Practitioners Group on the Interest Rate Benchmark Reforms