

2023 Market Practitioners Group Conference

19 April 2023

Reference rate reform: the transition from Jibar to ZARONIA



SOUTH AFRICAN RESERVE BANK

Agenda*

09:05-09:20	Welcome - Zakhele Gininda (Lead Financial Markets Specialist, SARB)
09:20-09:55	Keynote address - Rashad Cassim (Deputy Governor, SARB) Dr Cassim, the Chairperson of the MPG, will reflect on South Africa's journey to reform reference rates and the choice of ZARONIA as a replacement rate for Jibar.
10:00-10:55	Panel discussion: The implications of discounting Jibar and adopting ZARONIA Considering the developments in reference rate reforms globally, the SARB has indicated that the inherent weaknesses in the design of Jibar and the structural shifts in the market activity that underpins it, threaten the sustainability of the rate in the long term. Hence, market participants should transition away from Jibar to ZARONIA, the MPG's choice of an alternative near risk-free rate, as soon as possible. The panel discussion will examine whether Jibar remains reliable and consider whether the measures taken to enhance its credibility are sufficient. It will also discuss the implications of a Jibar cessation for the asset managers, banks, corporates, the central bank and the public. The SARB began publishing ZARONIA in November 2022 to allow market participants to observe the rate before its official approval for use. The panel will reflect on the design and performance differences between Jibar and ZARONIA and consider the opportunities and risks for adopting ZARONIA. The panel will also discuss the role of other reference rates (e.g. SAFEX Overnight Rate) in an environment where the market is expected to use ZARONIA extensively in derivatives and cash market products. Facilitator: Samantha Springfield (SARB) Panelists: Gill Raine (ASISA), Elmarie Hamman (FSCA), Andries du Toit (FirstRand), Parin Gokaldas (Absa), Zafar Parker (SARB)
10:55-11:15	Tea break

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11:15–12:00	<p>Presentation:</p> <p>The MPG's Jibar transition plan</p> <p>Mr Paul Burgoyne, Chairperson of the MPG Transition Planning and Coordination Workstream, will outline the roadmap for transitioning away from Jibar. He will highlight the critical path of the transition and the rationale for sequencing certain milestones. Also, he will reflect on the Libor transition and distil the key lessons for the Jibar transition.</p>
12:00–12:15	<p>Comfort break and move to breakaway rooms</p>
12:15–13:15	<p>Breakaway sessions</p> <p>The main plenary will continue with an in-depth panel discussion on various aspects of the Jibar transition. Specialists in derivatives and cash markets will be invited to join technical discussion on the adoption of ZARONIA in their respective markets.</p> <p>Panel discussion (main plenary): Jibar transition</p> <p>The use of reference rates is embedded in regulation, information technology, institutional processes, accounting standards and legal contracts that enable trade, risk management, valuations and policy making. Therefore, the Jibar transition requires a holistic assessment of its likely impact on all these touch points at an institutional and financial system level. All affected institutions need to prepare themselves for an active transition and minimise the stock of legacy contracts.</p> <p>The panel discussion will focus on the key issues that form part of the MPG's work programme, including:</p> <ul style="list-style-type: none">• market infrastructure readiness• the determination of adjustment spreads• general guidance on incorporating fallback language in legal contracts• ISDA definitions and protocol• strategies for a voluntary transition• regulatory implications <p>The panel will opine on what companies should do to prepare for their transition programmes and consider the possibility of a mandatory transition.</p> <p>Facilitator:</p> <p>Samantha Springfield (SARB)</p> <p>Panelists:</p> <p>Elmarie Hamman (FSCA), Gizelle Boyce (Standard Bank), Mosidi Sibaya (SARB), Ajay Bhowan (Absa), Paul Burgoyne (Standard Bank), Ruan Roux (SARB)</p>

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	<p>Derivatives Market Session (Breakaway Room 1)</p> <p>This session will provide derivatives market specialists and interested persons the opportunity to engage the representatives of the MPG Derivatives Workstream on the proposed market conventions for ZARONIA-based derivatives. The session will also cover the ISDA protocol, credit adjustment spreads and derivatives discounting. Pragmatic strategies for the adoption of ZARONIA post the observation period will also be considered.</p> <p>Facilitator:</p> <p>Parin Gokaldas (Chairperson of the MPG Derivatives Workstream)</p> <p>Discussants:</p> <p>Gill Raine (ASISA), Jurgens Steyn (Momentum Metropolitan), Graham Bruce (True North Partners)</p>
	<p>Cash Market Session (Breakaway Room 2)</p> <p>The cash market will face a unique set of challenges regarding the adoption of ZARONIA. While the bond market is expected to adapt relatively easily, certain segments of the loan market may find it difficult to use ZARONIA averages. This session will discuss how the MPG intends to solve this challenge for the bond and loan markets. The discussion will focus on the market conventions and the differentiated strategies being considered.</p> <p>The session will provide market participants the opportunity to provide input to the MPG prior to the finalisation of the workstreams' recommendations, which will be published in the third quarter of 2023. As such, this session will act as a focus group.</p> <p>Facilitator:</p> <p>Andries du Toit (Chairperson of the MPG Cash Markets Workstream)</p> <p>Discussants:</p> <p>Kim Robertson (FirstRand)</p> <p>Ivan Ruscic (FirstRand)</p>
13.15-14.30	Lunch and networking session

* Subject to change. The final agenda and other relevant documents will be sent to invitees ahead of the event.