




SOUTH AFRICAN RESERVE BANK

2023 Market Practitioners Group Conference

19 April 2023



JIBAR transition plan

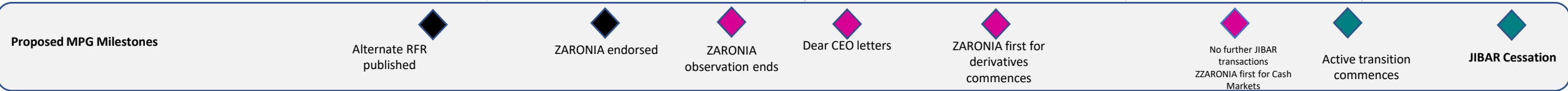
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1. Background
 2. MPG Transition Approach (Pillars)
 3. Draft Transition Plan with Milestones

Background to the Transition Plan

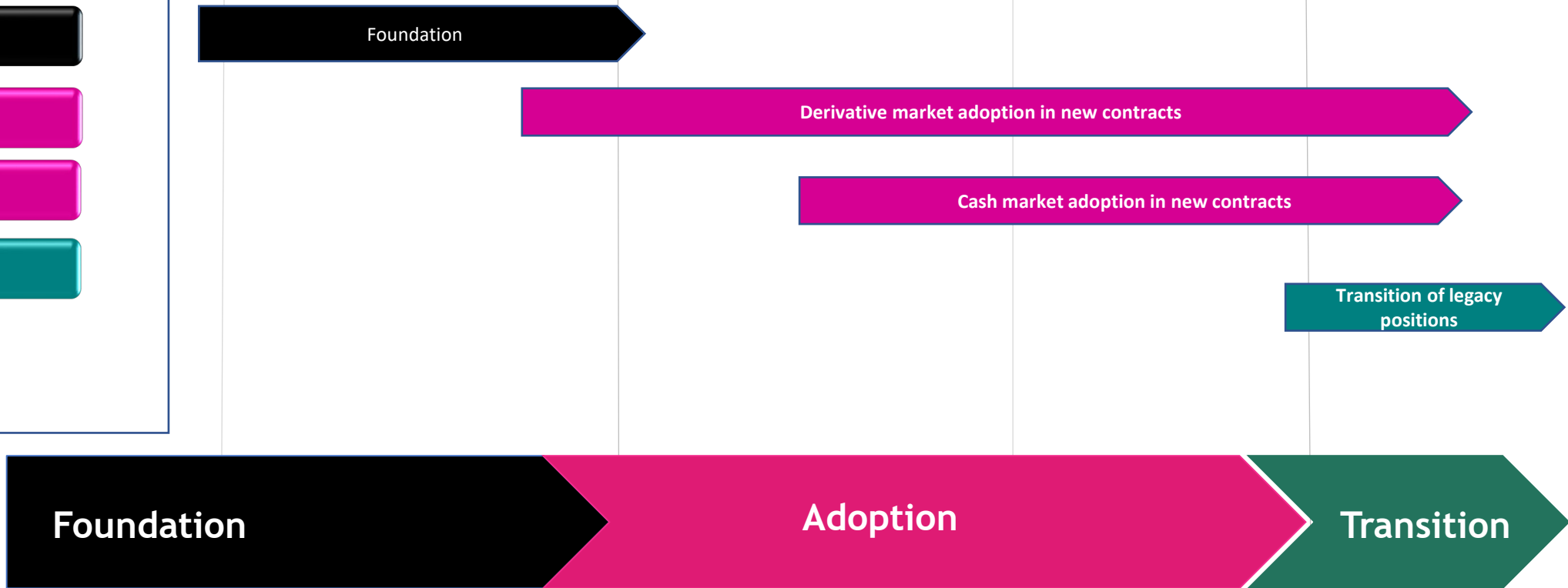
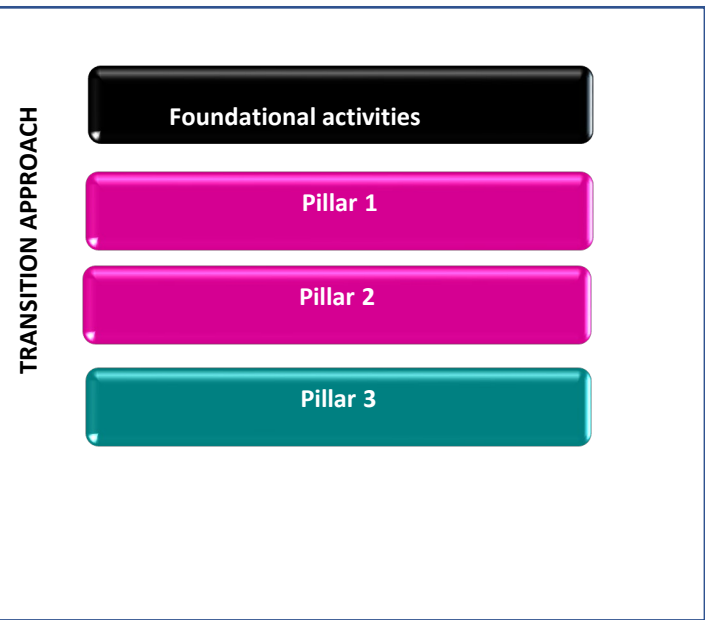
- The MPG Transition Co-ordination and Planning Workstream is mandated with examining options for transition from legacy reference rates to ZARONIA
- In developing transition approaches, the MPG Transition Co-ordination and Planning Workstream reviewed the recommendations from international standard setting bodies such as IOSCO, the FSB and ISDA, as well as practises developed through the LIBOR transition
- The Transition Plan has been developed in line with these recommendations, and currently defines transition along 3 key Pillars
- There will be a limited period of parallel run, where both JIBAR and ZARONIA exists, prior to JIBAR's indefinite cessation
- A Transition Plan has been prepared, which details the proposed transition approach for the South African market, in line with these international recommendations and learnings
- Importantly, the plan recommends that JIBAR cessation be preceded by a period where JIBAR is no longer allowed in **new** positions. This will ensure that the stock of positions referencing JIBAR is decreased ahead of the cessation date, to minimise cliff-edge effects

MPG Transition Approach (Pillars)

2023				2024				2025		2026	
H1		H2		H1		H2		H1	H2	H1	H2
Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4				

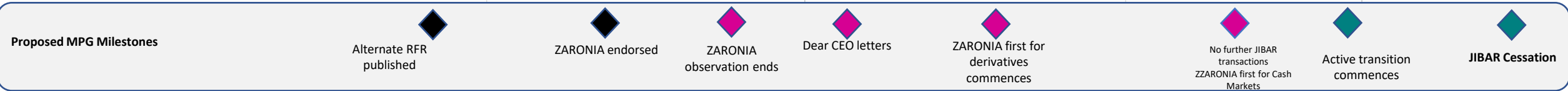


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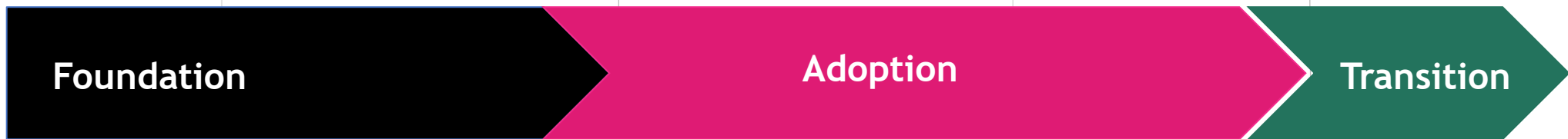
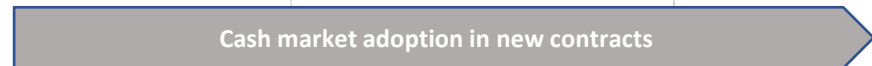
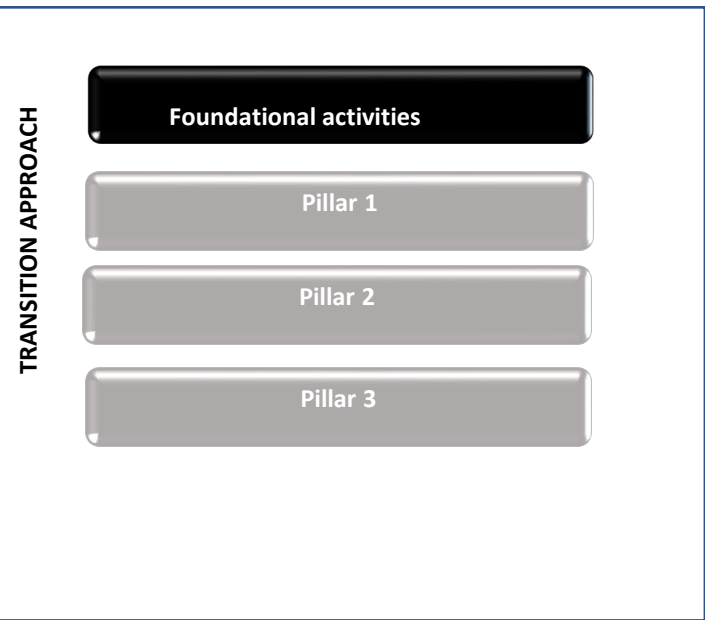
MPG Transition Approach

2023				2024				2025		2026	
H1		H2		H1		H2		H1	H2	H1	H2
Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4				



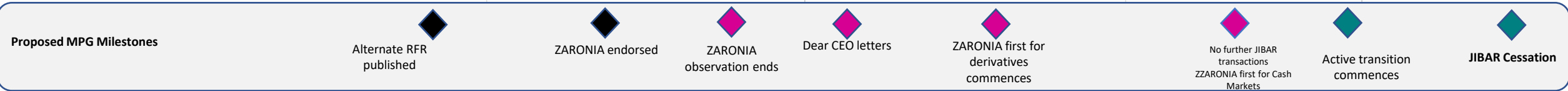
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❖ Denotes those activities which are necessary to ensure a successful adoption, including a review of international guidance and best practice, embedding the MPG recommendations, availability of the successor rate, market investigation (including infrastructure considerations), Derivatives Conventions Whitepaper, Qualitative and Quantitative Surveys



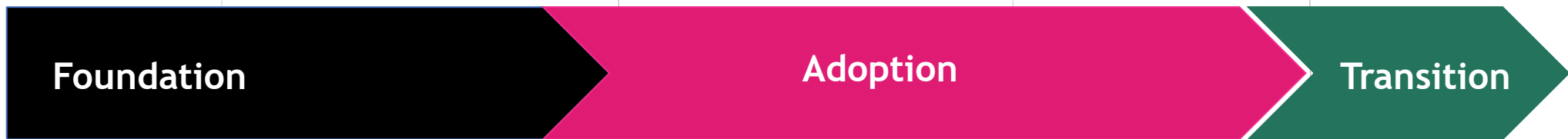
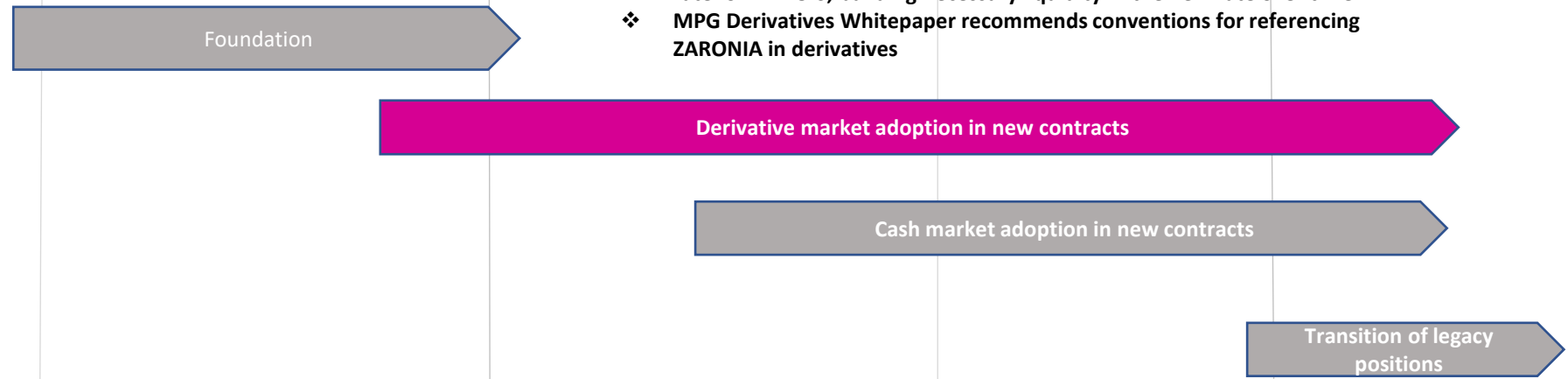
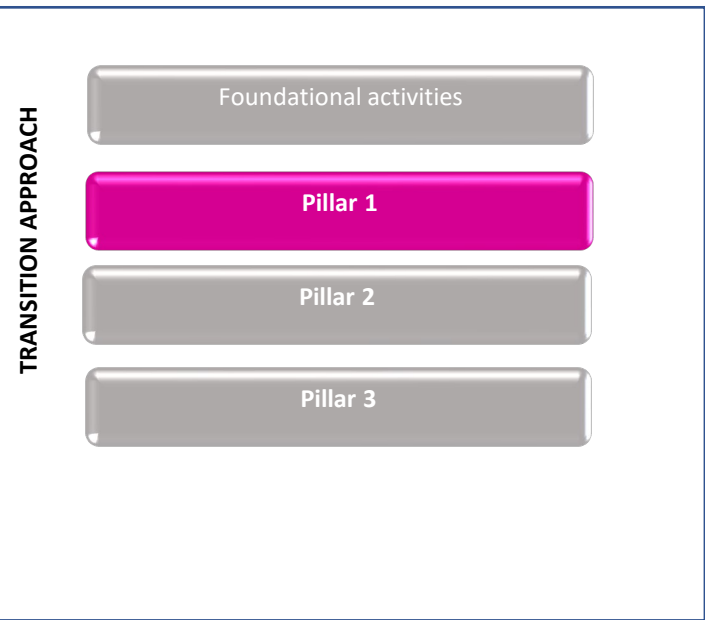
MPG Transition Approach

2023				2024				2025		2026	
H1		H2		H1		H2		H1	H2	H1	H2
Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4				



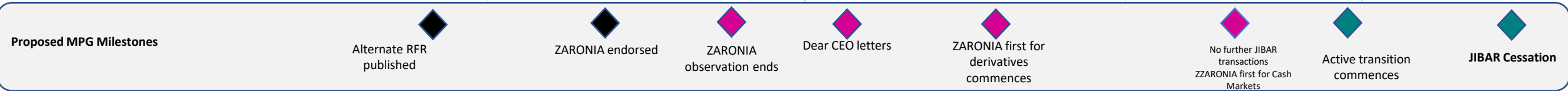
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- ❖ The Financial Stability Board recommends an initial focus on derivative markets, as these markets are generally better suited to reference risk free (or nearly risk-free) rates. The relative ease of transition in this market could serve to assist transition in other markets
- ❖ As a critical first phase, ZARONIA should be established as the reference rate for ZAR OIS, building necessary liquidity in the new rate over time
- ❖ MPG Derivatives Whitepaper recommends conventions for referencing ZARONIA in derivatives

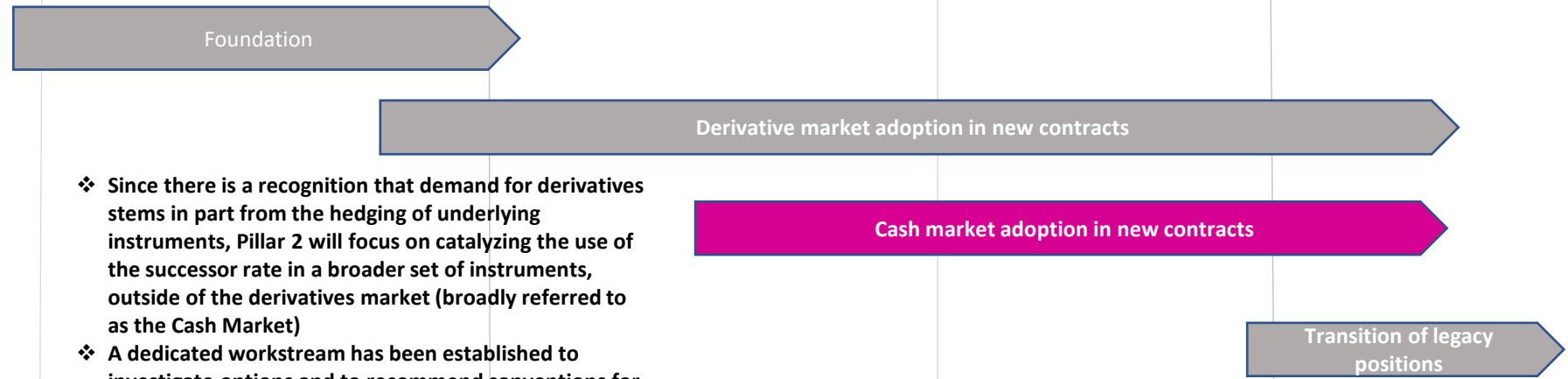
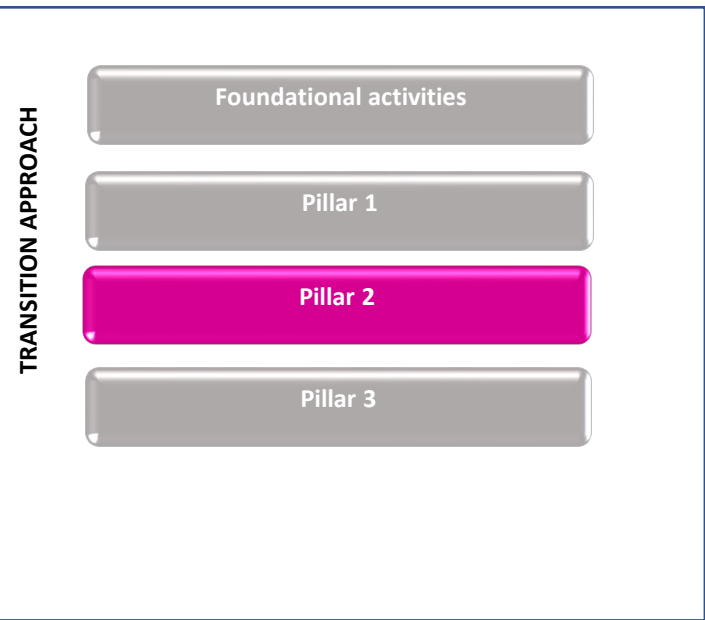


MPG Transition Approach

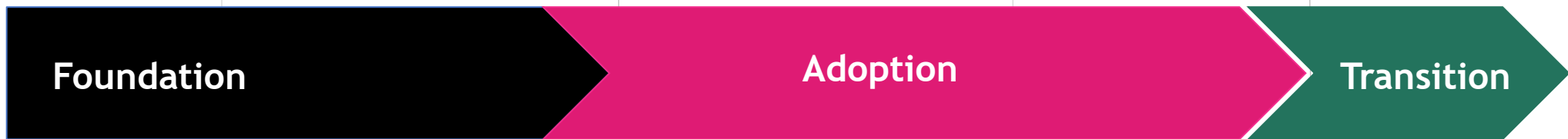
2023				2024				2025		2026	
H1		H2		H1		H2		H1	H2	H1	H2
Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4				



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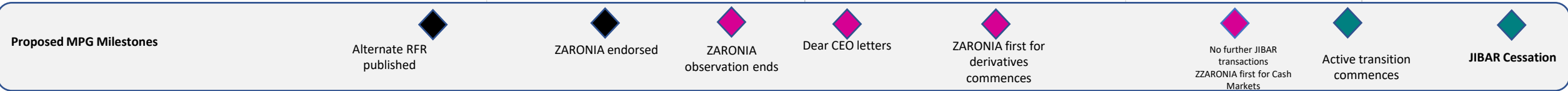


- ❖ Since there is a recognition that demand for derivatives stems in part from the hedging of underlying instruments, Pillar 2 will focus on catalyzing the use of the successor rate in a broader set of instruments, outside of the derivatives market (broadly referred to as the Cash Market)
- ❖ A dedicated workstream has been established to investigate options and to recommend conventions for the adoption of ZARONIA in cash markets (including Bonds and Loan markets)

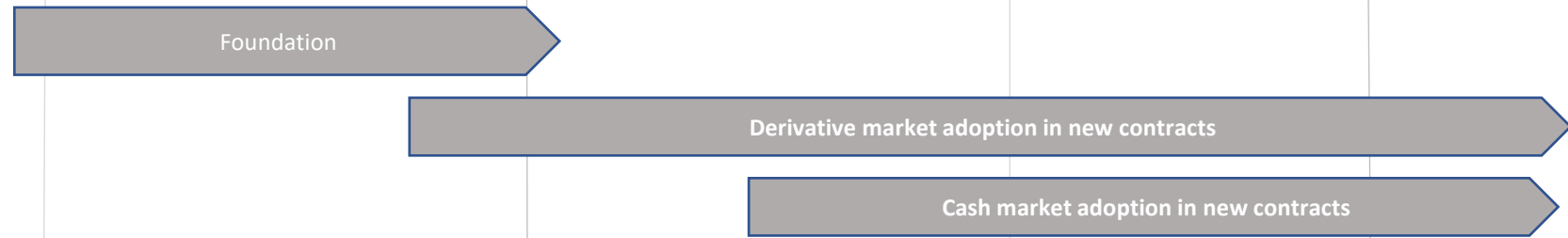
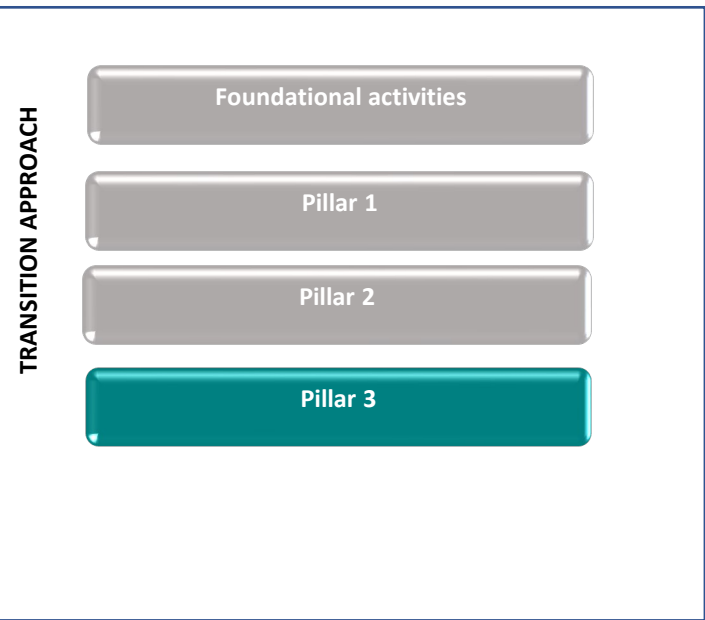


MPG Transition Approach

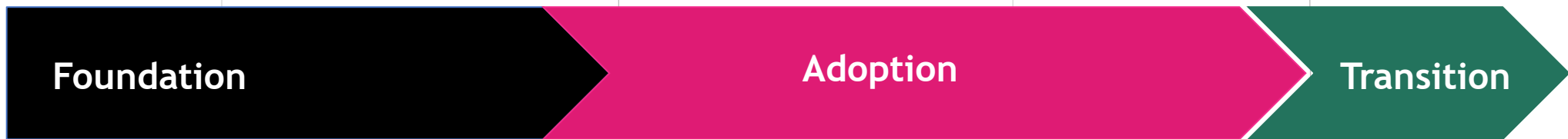
2023				2024				2025		2026	
H1		H2		H1		H2		H1	H2	H1	H2
Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4				



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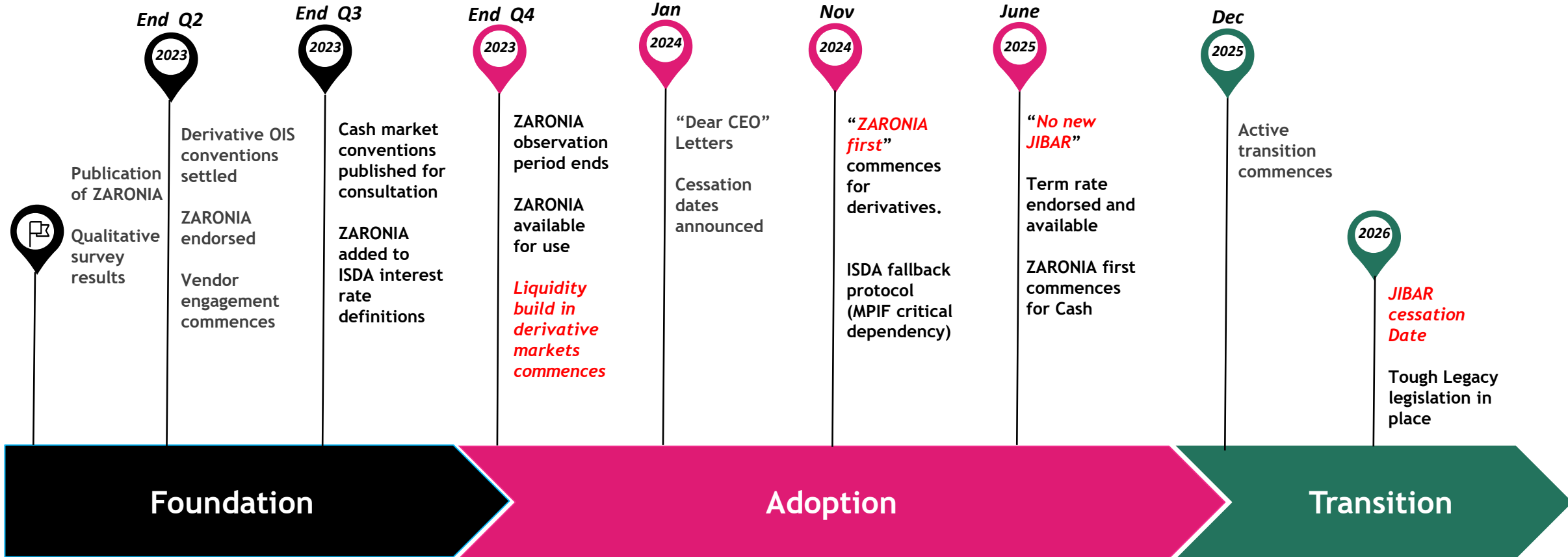


- ❖ Since JIBAR is set to cease indefinitely, there is a need to migrate legacy contracts away from JIBAR where these contracts are set to continue post the JIBAR cessation date.
- ❖ Pillar 3 will focus on the transition of legacy contracts and an investigation of the feasibility of converting existing JIBAR-linked products to ZARONIA.
- ❖ As part of Pillar 3, investigations and recommendations around “tough legacy contracts” as well as potential legislative solutions will need to be considered and defined, to minimise cliff-edge effects



MPG Transition Plan and Milestones

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