

Banking, Finance & Projects

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SOUTH AFRICA

Out with the old, in with the new:
transitioning from **JIBAR** to **ZARONIA**



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Out with the old, in with the new: transitioning from **JIBAR** to **ZARONIA**

The Johannesburg Interbank Average Rate (JIBAR) will be replaced by a new benchmark rate, the South African Rand Overnight Index Average (ZARONIA). While no formal announcement has been made to the discontinuation of JIBAR, the proposed transition timeline indicates such announcement for the cessation of JIBAR will be made this year, and its complete discontinuation by the end of 2026.

The transition from JIBAR to ZARONIA

The transition from JIBAR to ZARONIA will significantly impact the financial sector and broader markets. JIBAR, reflecting average short-term interbank lending rates, has long served as the benchmark rate in South African loan, bond, and derivatives markets. While widely used, it is a **forward-looking** rate based on a relatively illiquid market, which raises concerns about transparency, reliability and susceptibility to manipulation. This is similar to the forward-looking nature of the London Interbank Offered Rate (LIBOR), which had been susceptible to manipulation with many major financial institutions found guilty of manipulation by falsifying interest rates.

In response to these concerns, the South African Reserve Bank (SARB) in collaboration with the Market Practitioners Group (MPG) has introduced ZARONIA, a **backward-looking**, transaction based, overnight and near risk-free rate. By reflecting genuine repo market activity, ZARONIA surpasses JIBAR in both transparency and accuracy while exhibiting a robust correlation with central bank policy rates. This overnight, backward-looking rate is now publicly available on the SARB website.

Status overview

The MPG established by SARB is a group of financial market experts in South Africa comprising representatives from the SARB, the Financial Sector Conduct Authority (FSCA) and senior professionals from a wide range of institutions from different market interest groups in the domestic money market. The MPG continues to guide the market through the transition. Its latest rider outlines recommended fallback provisions for existing financial agreements, including trigger events for the unavailability of JIBAR and the designation of ZARONIA as the replacement benchmark – along with potential spread adjustments to ensure economic equivalence during the transition.

Significance and impact

Financial agreements that still reference JIBAR, particularly those which do not have the fallback mechanism, may pose a level of legal, operational and financial risks, especially in the absence of any legislative intervention. Failure to transition or to include language for the transition from JIBAR to ZARONIA by parties to existing financial agreements may lead to amendments of such agreements and the recalculation of interest based on the terms of the financial agreement such as the cost of funds or introduction of credit adjustments spreads.



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This mirrors international practice, namely the European Union Benchmark Regulation and the UK's Financial Conduct Authority's directives, where regulators compelled benchmark reform through legislative and supervisory tool. For many corporations, the lack of transition from LIBOR to Sterling Overnight Index Average (SONIA) led to re-negotiations and litigious disputes due to the lack of clear fallback language in some contracts, reporting and accounting issues as well as valuation discrepancies. This led to unexpected losses due to the difference between instruments priced off LIBOR as compared to those priced off SONIA. The experience of the corporations exposed to LIBOR during the SONIA transition should serve as a reminder to South African based corporations to ensure that they are including clear fallback clauses in all financial agreements concluded before the inevitable cessation and being proactive to amend existing agreements to cater for this eventuality.

To access comprehensive information and official announcements regarding the transition, follow the links provided to the SARB website.

- ZARONIA publication: <https://www.resbank.co.za/en/home/what-we-do/financial-markets/south-african-overnight-index-average>
- Market Practitioners Group: <https://www.resbank.co.za/en/home/what-we-do/financial-markets/financial-markets-market-practitioners-group>
- MPG FAQs: [MPG frequently asked questions \(resbank.co.za\)](https://www.resbank.co.za/en/home/what-we-do/financial-markets/financial-markets-market-practitioners-group)

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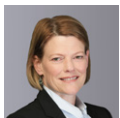
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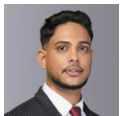
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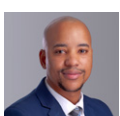
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Our BBBEE verification is one of several components of our transformation strategy and we continue to seek ways of improving it in a meaningful manner.

PLEASE NOTE

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