



ACTUARIAL SOCIETY
OF SOUTH AFRICA

Advancing Actuarial Excellence

Banking Seminar 2026

JIBAR Transition

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Disclaimer

1. The information provided in this presentation is for information purposes.
2. Supervised financial institutions and other interested persons should refer to official communications issued by the South African Reserve Bank, the Prudential Authority, the Financial Sector Conduct Authority, amongst other relevant authorities, and international standard setting and oversight bodies, such as the Financial Stability Board.
3. In certain instance, reference should be made to legal and industry body publications. Examples include the International Swaps and Derivatives Association, amongst others.

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1. Introduction

Sivenesan Govender is currently the Divisional Head of Market Risk at the Prudential Authority.

He is a member of the Basel Committee on Banking Supervision's Market Risk Group and the co-head of the group's trading and banking book boundary workstream.

Prior to joining the Prudential Authority, he held various positions within the banking sector in the financial markets space.

He holds an MPhil in Corporate Strategy, and a Bachelor of Science Honours and Bachelor of Science in Applied Mathematics.



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2. A brief look at the global financial sector regulatory roadmap

1. The 2008 global financial crisis introduced the need for a structural reform of the global regulatory framework set for the financial sector and markets.
2. The G20 held its seminal meeting in Pittsburgh in 2009, wherein a global regulatory reform agenda was set for the financial sector.
3. The Financial Stability Board was established as an oversight body, who also initiated several policy reforms agendas.



2. A brief look at the global financial sector regulatory roadmap

4. International standard setting bodies, such as the Basel Committee on Banking Supervision initiated a fundamental overhaul of the Basel banking framework, leading to the establishment of the Basel 3 post crisis reforms, which was implemented in South Africa in July 2025.
5. Amongst various other reforms, there was a need to commence reforms of interest rate benchmarks, such as LIBOR, and other similar benchmarks used globally. This was due to vulnerabilities observed in such benchmarks.
6. Old interest rate benchmarks, such as LIBOR and JIBAR were primarily vulnerable due to their reliance on expert judgment and subjective estimates rather than actual, observable market transactions.



2. A brief look at the global financial sector regulatory roadmap

7. This submission-based methodology left the benchmarks highly susceptible to rate-rigging and market manipulation by panel banks.

8. Accordingly, the primary objective of the proposed reforms was to strengthen the robustness and reliability of interbank offered rates and promote the development of alternative reference rates (ARRs).



2. A brief look at the global financial sector regulatory roadmap

A summary of the global financial sector regulator agenda journey



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3. Foundational elements of the interest rate benchmark transition

Key vulnerabilities of legacy benchmarks observed:

1. Vulnerability to manipulation
2. Lack of underlying market liquidity
3. Inherent conflicts of interest
4. Hidden credit risk premium



3. Foundational elements of the interest rate benchmark transition

1. The Financial Stability Board (FSB) was tasked by the G20 to undertake a fundamental review of major interest rate benchmarks and associated plans for reforms.
2. Accordingly, the FSB established a high-level Official Sector Steering Group (OSSG) of regulators and central banks to coordinate and execute the reforms.



3. Foundational elements of the interest rate benchmark transition

3. The OSSG was assigned responsibility for coordinating and maintaining the consistency of reviews of existing interest rate benchmarks and for guiding the work of a newly constructed Market Participants Group, which was in turn tasked to examine the feasibility and viability of adopting additional reference rates and potential transition issues that may accompany the development of such new rates.



3. Foundational elements of the interest rate benchmark transition

4. As a critical starting point, the International Organization of Securities Commission created the 2013 Principles for Financial Benchmarks that set an overarching framework of recommended practices for benchmarks used in financial markets.

5. The principles address the governance, quality of the benchmark design, methodology and accountability of these benchmarks.



3. Foundational elements of the interest rate benchmark transition

6. The administrators of the relevant benchmark rates, such as the South African Reserve Bank (SARB) for JIBAR, was/is responsible for the implementation of these principles.

7. Together with the OSSG, the various administrators commenced work on the benchmark index reform, such as that seen with the completed LIBOR transition and now, the JIBAR transition in South Africa.



3. Foundational elements of the interest rate benchmark transition

The key construct difference between the new ARR and the older benchmarks are premised on, at least, the following elements:

1. Transaction based	2. Risk-free or near risk free
Unlike older benchmarks that relied heavily on estimates or surveys of what banks believed they could borrow at, ARRs are strictly calculated using actual, observed market transactions. This makes them highly transparent and statistically robust.	Most ARRs are overnight rates linked to highly liquid, collateralised markets. Because they are secured by high-quality assets (such as government securities), they generally carry little to no credit risk.



3. Foundational elements of the interest rate benchmark transition

3. Compounding in Arrears	4. Spread adjustments
Because ARRs are overnight rates, they do not have a built-in term structure (e.g., 3-month or 6-month tenors like older benchmarks). To use them for longer-term financial contracts, the daily overnight rates are typically averaged or compounded in arrears at the end of the specified period.	Because ARRs are near risk-free, they generally calculate slightly lower than older benchmarks that included bank credit risk. When legacy contracts are transitioned to ARRs, market authorities typically apply a fixed spread adjustment to ensure fairness and economic parity.

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4. LIBOR Transition – lessons learnt

The final LIBOR cessation completed in 2024.

Date	Key milestones
31 December 2021	All GBP, EUR, CHF, and JPY LIBOR panel settings ceased.
30 June 2023	The majority of USD LIBOR panel settings officially ceased.
30 September 2024	The final synthetic USD LIBOR settings—used to manage legacy contracts—were permanently discontinued.



4. LIBOR Transition – lessons learnt

The LIBOR transition resulted in the following new ARR's:

Country/Region	New ARR
United States	SOFR (Secured Overnight Financing Rate)
United Kingdom	SONIA (Sterling Overnight Index Average)
Europe	€STR (Euro Short-Term Rate)
Japan	TONAR (Tokyo Overnight Average Rate)
Switzerland	SARON (Swiss Average Rate Overnight)



4. LIBOR Transition – lessons learnt

1. South Africa actively participated in the LIBOR transition and hence, accumulated significant intelligence both from a supervisory perspective as well as at the industry level amongst supervised firms.
2. Certain banks and other supervised institutions built the capability to conceptualise appropriate strategies and governance oversight and execute against various underlying activities underpinning the LIBOR Transition.
3. This cumulative intelligence stands us in good stead however, the JIBAR Transition presents several challenge dimensions that require unique thinking for South Africa.



4. LIBOR Transition – lessons learnt

4. Of note, and aside from construct methodology, given that most financial institutions' primary exposure is ZAR denominated, the scale of the JIBAR transition will present capacity challenges, at the very least to ensure legal contractual remediation, not withstanding the other governance and execution dimensions.

5. During supervisory examinations of certain banks, we found instances of poorly conceptualised firm-level strategies, transition pathways and

excessive reliance on the use of the ISDA fall back language as opposed to the pursuance of an active transition strategy.

6. We note that there were instances where the use of the ISDA fallback language was warranted.

7. As part of the JIBAR Transition, it is critical that these shortcomings, where possible, are mitigated!

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5. The JIBAR to ZARONIA transition in South Africa

1. The SARB set up the Market Practitioners Group (MPG) as a joint collaborative initiative with the financial sector in order to progress the JIBAR Transition.
2. The transition requires replacing the forward-looking JIBAR with the backward-looking, near risk-free ZARONIA rate across all legacy and new financial contracts.
3. On 3 December 2025, the SARB announced that JIBAR will cease and become unrepresentative immediately after 31 December 2026.



5. The JIBAR to ZARONIA transition in South Africa

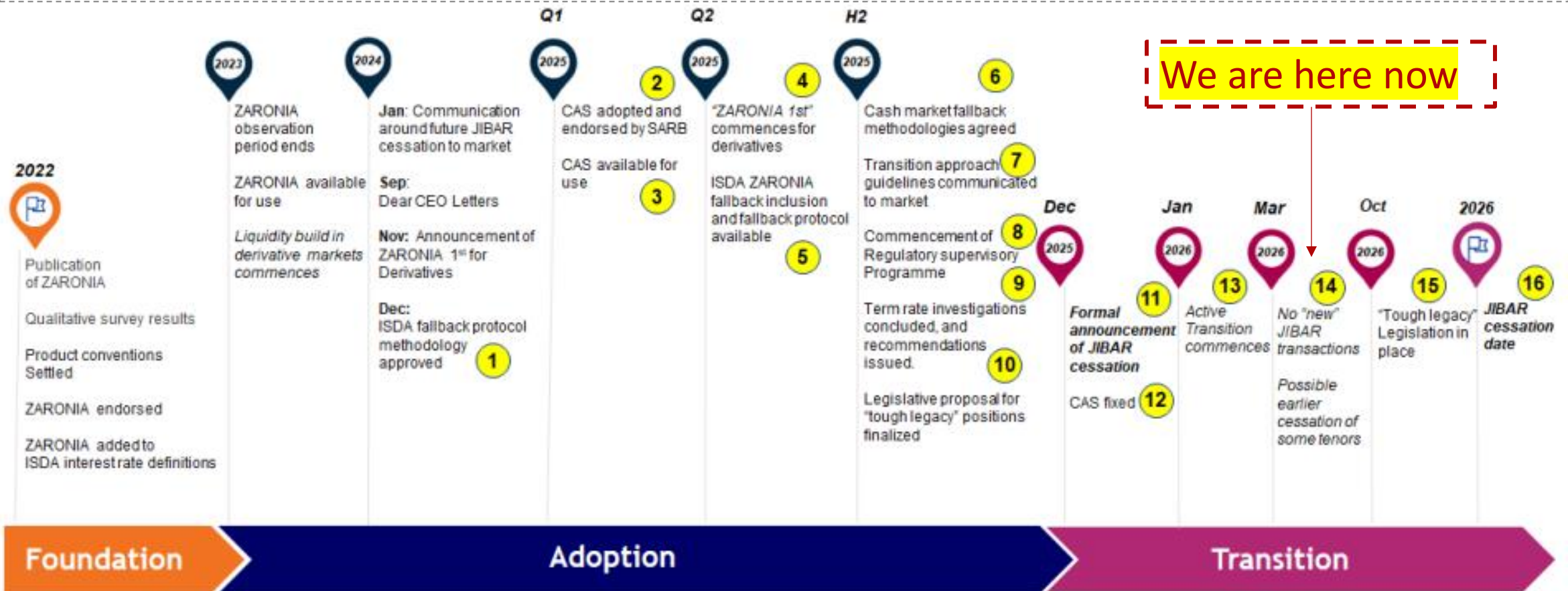
4. ZARONIA reflects the interest rate at which rand-denominated overnight wholesale funds are obtained by commercial banks in the interbank market.

5. More information may be found on the construct methodology on the SARB MPG homepage.



5. The JIBAR to ZARONIA transition in South Africa

The Transition Roadmap



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6. Supervisory focus from the Prudential Authority

1. As part of a timely and orderly transition, the Prudential Authority (PA) and Financial Sector Conduct Authority (FSCA) are conducting targeted and intense supervisory examinations on a solo and joint basis to ensure that the JIBAR cessation timelines are met.

2. In addition, the Authorities above are progressing the issuance of relevant solo and joint

communications or notices in line with the SARB MPG roadmap and relevant prudential and/or conduct supervisory considerations.

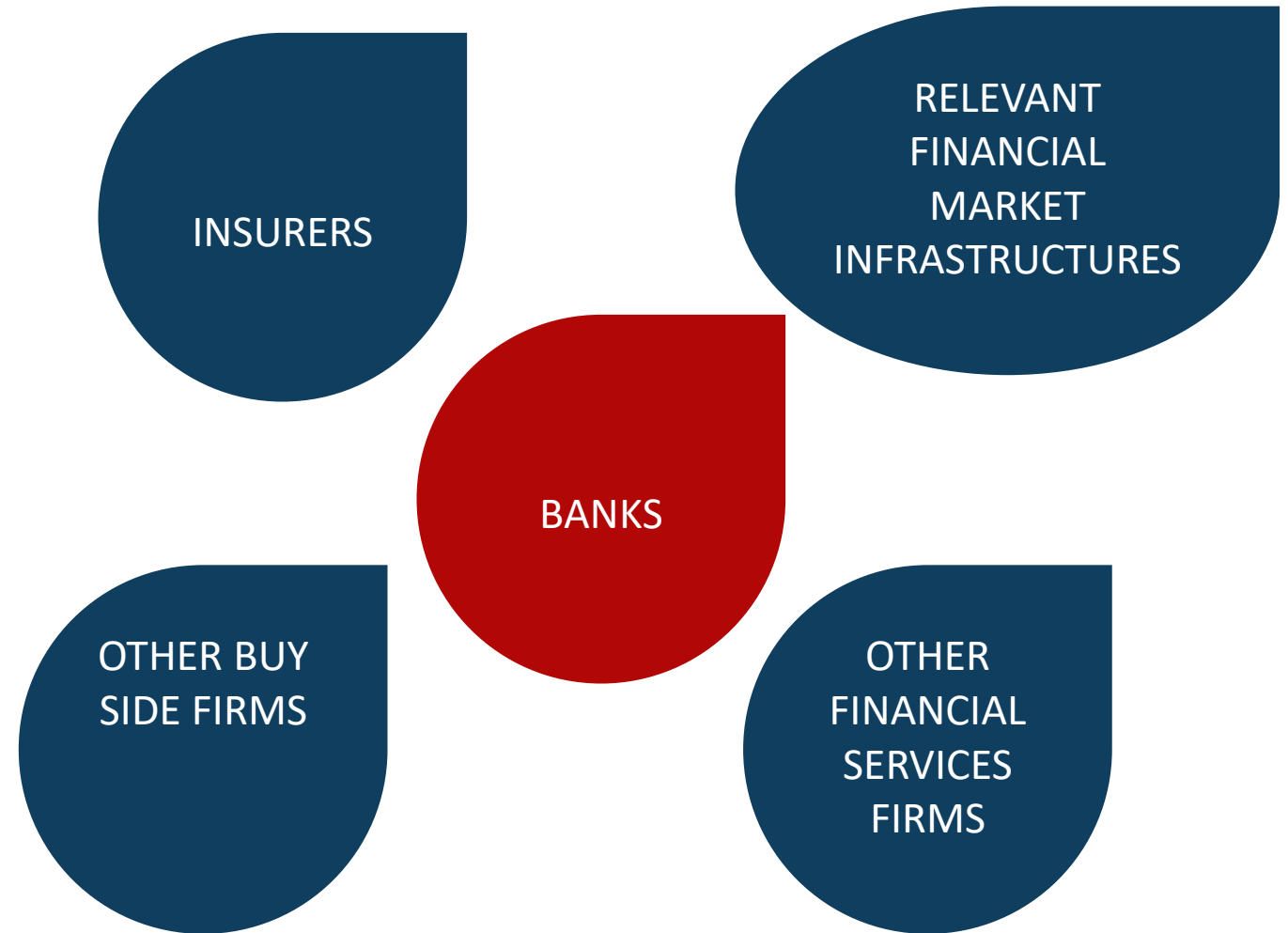
3. The key object of these interventions is to ensure that financial institutions do not unduly expose themselves to financial, legal and reputation risks as part of the transition with respect to the prudential and conduct lenses.



6. Supervisory focus from the Prudential Authority

SUPERVISORY UNIVERSE

Market-making banks are at the centre of the PA and FSCA supervisory universe due to the role that they play in the financial markets and wider economy.





6. Supervisory focus from the Prudential Authority

1. The Prudential Authority's mandate is inherently focused on the safety and soundness of supervised financial institutions.

2. Accordingly, together with the Authorities (PA and FSCA) released the following Joint Communications to guide the financial sector with respect to navigating the transition.

Joint Communication	Purpose
Joint Communication 6 of 2024	Sets out minimum supervisory expectations of financial institutions towards the transition
Joint Communication 1 of 2026	Sets out supervisory expectations of financial institutions towards the “No New JIBAR” initiative.



6. Supervisory focus from the Prudential Authority

Joint Communication 6 of 2024

The joint communication focused on minimum supervisory expectations from the Prudential Authority and Financial Sector Conduct Authority in terms of navigating the transition from with respect to strategic and execution lenses.

Excerpt of key supervisory expectations

Accordingly, board-approved plans and assessments should consider an appropriately wide range of scenarios and impacts and should include, amongst other factors:

- (a) Identifying the institution's JIBAR-related exposure and establishing an enterprise-wide **JIBAR transition programme** across businesses and functions to manage the transition risks associated with JIBAR-related exposures;
- (b) **quantifying, monitoring and reporting** JIBAR-related exposures throughout the transition;
- (c) developing a **product strategy** that includes creating and/or adopting ZARONIA-based products;
- (d) developing a plan to address the required changes to **technological infrastructure, processes, and skills** required for the JIBAR transition and the use of ZARONIA-based products;
- (e) determining **the financial accounting and taxation** impacts;
- (f) determining the financial, customer, and **legal implications** that will result from the transition and plan for the inclusion of fallbacks in financial contracts;
- (g) developing a **communications strategy** to proactively engage and educate internal and external stakeholders; and
- (h) establishing a **governance framework** with senior executives to oversee an enterprise-wide JIBAR transition programme.



6. Supervisory focus from the Prudential Authority

Joint Communication 1 of 2026

The joint communication focuses on the SARB MPG's "No New JIBAR" initiative that commenced on 1 May 2026 and sets out the PA's and FSCA's minimum supervisory expectations with respect to executing against this initiative.

The initiative aims to limit the build up of new JIBAR exposures, thus acting as a catalyst for ZARONIA-linked transaction conclusions and thus, the build of ZARONIA liquidity, given that the construct of ZARONIA is transaction-based.

Excerpt of key supervisory expectations

4. **Minimum supervisory expectations with respect to the 'No new JIBAR initiative'**
 - 4.1 The following points set out minimum supervisory expectations from the target date of 1 May 2026:
 - (a) Financial institutions should endeavour to not enter into any transactions nor issue any new products that reference JIBAR (across all applicable JIBAR tenors) and should not enter into trading activity that creates new JIBAR exposure, except insofar as it is accommodated under the defined dispensations and exceptions section noted in the MPG publication 'No new JIBAR initiative'.
 - (b) All new products should reference ZARONIA, or an alternative reference rate deemed suitable for the product(s) in question.
 - (c) Financial institutions should aim to transition away from JIBAR in a manner that best fits their specific circumstances. However, for existing JIBAR exposures, financial institutions should not expand nor increase these exposures or positions beyond what is operationally required.
 - (d) Where an activity may be regarded as appropriate and is permitted as an exception, financial institutions should be able to demonstrate that the activity is risk-reducing or necessary for an orderly management of pre-initiative (i.e., 1 May 2026) exposures, and that it does not create new JIBAR risk. This expectation also covers material amendments that have the economic effect of creating new JIBAR exposure (e.g., increasing notional amounts, extending maturities, or resetting terms in a manner that expands the financial institution's JIBAR-linked exposures).
 - (e) Financial institutions should ensure that an appropriate level of governance and oversight is applied in order to meet the objectives of the 'No new JIBAR initiative' and ultimately, the cessation of JIBAR at the end of 2026.
 - 4.2 As part of the PA's and FSCA's overall supervisory examination processes during 2026, the implementation of this guidance, which builds on Joint Communication 6 of 2024, will be evaluated in relation to the objectives of the 'No new JIBAR initiative'.



6. Supervisory focus from the Prudential Authority

Minimum supervisory coverage applied through a proportionate and activity-based lens



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7. Next steps

1. There are several dependencies that the industry is awaiting completion in order to give full effect to the transition.

2. During this time, supervised entities are highly encouraged to proactively approach the transition and not leave the relevant activity sets until right before the cessation date.

3. This will result in insufficient time to address the relevant activities and potentially exposure the respective supervised institutions to financial, legal and reputational risk.



7. Next steps

4. The Prudential Authority and the Financial Sector Conduct Authority are running a virtual JIBAR Transition **Supervisory** industry meeting series over 2026, under the umbrella of the Authorities' Joint Markets Platform.

5. The meetings complement the work undertaken by the SARB MPG.

6. We will ensure that ASSA also receives the invite to future sessions.

JIBAR Transition Supervisory Series 2026 meeting dates*

Meeting	Date and time
Meeting 1	13 May 2026 from 1pm to 3pm
Meeting 2	24 August 2026 from 1pm to 3pm
Meeting 3	19 October 2026 from 1pm to 3pm

**In addition to the above planned sessions, adhoc sessions may be set up to deal with burning industry-wide supervisory issues.*



7. Next steps

7. In closing, relevant market making banks are at the centre of the transition and must ensure that they actively pursue a robust transition programme, governed appropriately and executed with significant precision in order to ensure a timely and orderly transition into the new benchmark regime of ZARONIA.



7. Next steps

8. Similarly, other supervised financial institutions should ensure commensurate measures to navigate the transition.

9. Supervised financial institutions are encouraged to reach out to the Prudential Authority and Financial Sector Conduct Authority on relevant supervisory matters impacting their transition programmes.

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8. Questions and closing



Thank you!