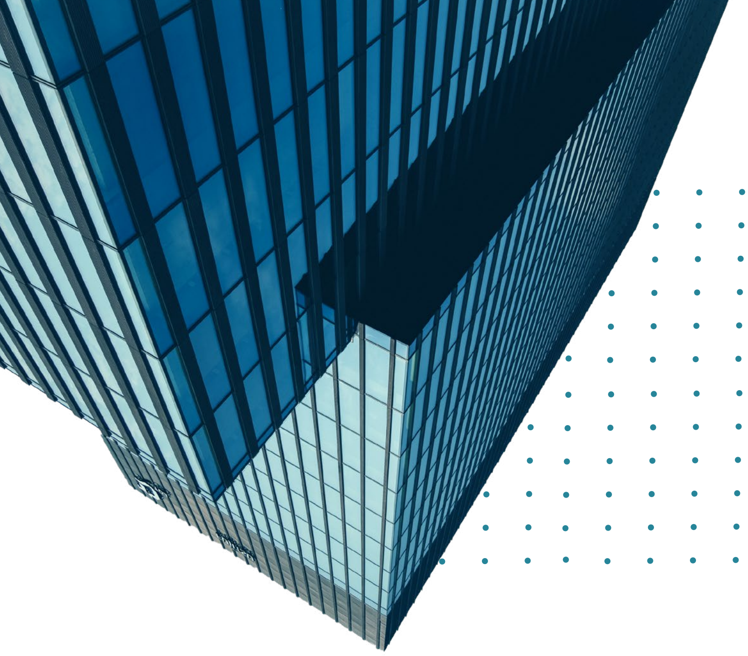


JIBAR Transition

South African Banking Progress Report 2024

Research Team

Progress Report 2024

The cessation of the Johannesburg Interbank Average Rate (JIBAR) is set to be a significant milestone for the South African financial industry and poses substantial operational, financial, risk and legal challenges specifically for the banking industry.

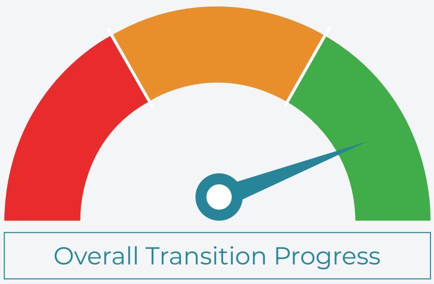
Monocle's 2024 JIBAR Transition Progress Report aims to provide insights into banks **readiness** to transition to the new alternative near risk-free rate – the South African Overnight Index Average (ZARONIA) – as well as to shed light on the industry's **expectations** up to and beyond the provisional 2026 cessation deadline.

About The Survey

Monocle surveyed respondents from South Africa's largest banks with established and mature Corporate and Investment Banking (CIB) and Global Markets business units. The respondent banks make up the main JIBAR market participants. The survey targeted senior bank stakeholders specifically in the CIB, Global Markets and Treasury business units. The survey results have been collated at the **business unit level.**

Results were collected throughout Q3/Q4 of 2023.

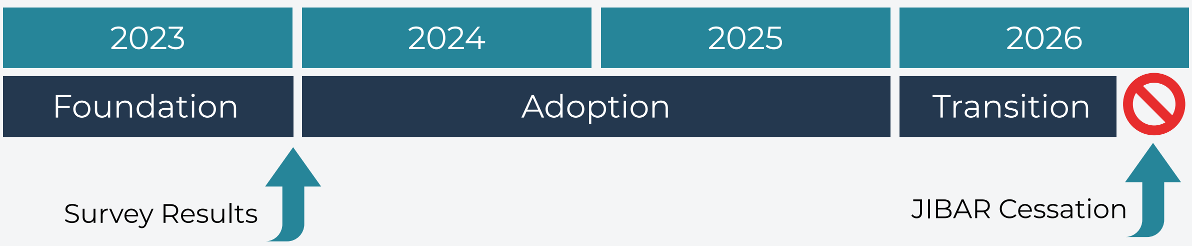
Key Findings



South African banks' JIBAR transition are **progressing well** with banks seemingly aware of the challenges they are set to face over the next few years including high deal volumes, the entrenchment of JIBAR processes and the SARB's ambitious deadlines. The majority of bank respondents stated that their respective business unit had a strategic roadmap and data-driven view of JIBAR-linked exposures in place to manage their transition.

It is clear that the **previous transition** off the London Interbank Offered Rate (LIBOR) during the last few years has provided valuable and practical insights and experience for the banks to apply going forward.

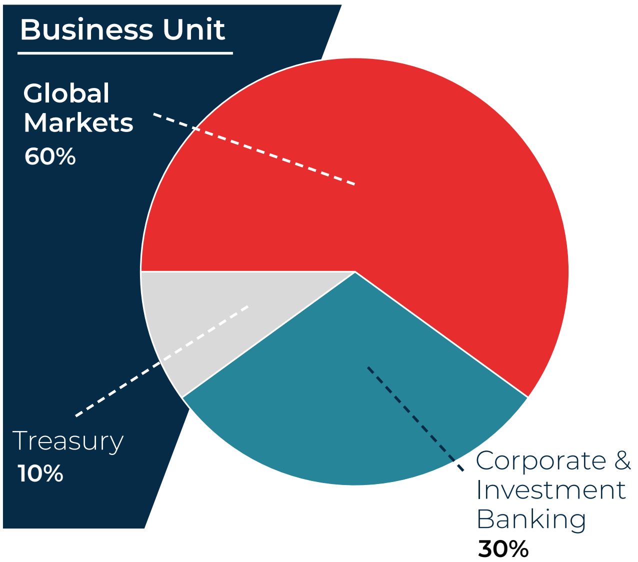
However, "repapering and renegotiation of existing JIBAR-linked contracts" was highlighted as the most prominent concern by surveyed bank stakeholders. Alongside the fact that 75% of respondents found the SARB's timelines to be "partially" achievable, the **administrative effort** required to transition may necessitate additional attention as the cessation deadline, which is yet to be confirmed, draws closer.

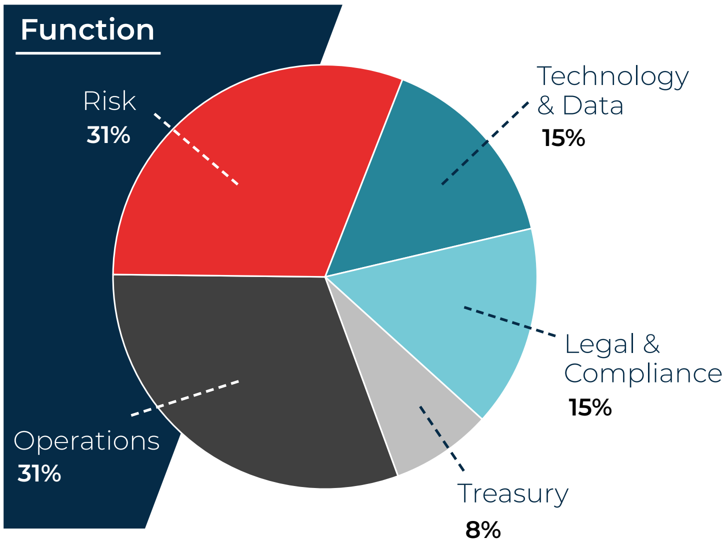


Survey Results

Respondents

The survey respondent demographics include a favourable split across affected banking functions. The majority of responses have come from stakeholders in the **Global Markets** business unit (60%) which is to be expected considering the significant impact on the various financial products and services offered by banks' Global Markets business units.



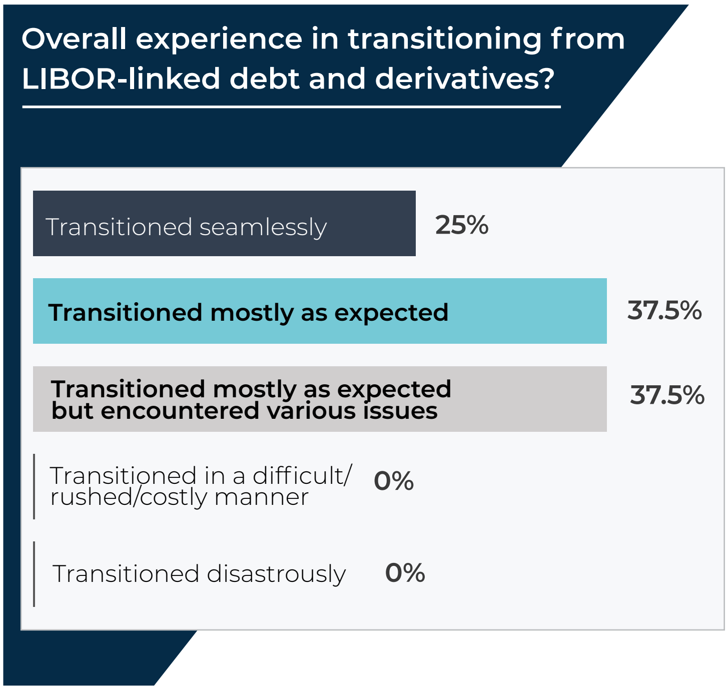


** Multiple responses permitted*

Prior Transition Experience

While South African banks' exposure to LIBOR tenors may have been limited in an international context, the industry still successfully completed its transition across its processes, systems and existing LIBOR-linked contracts.

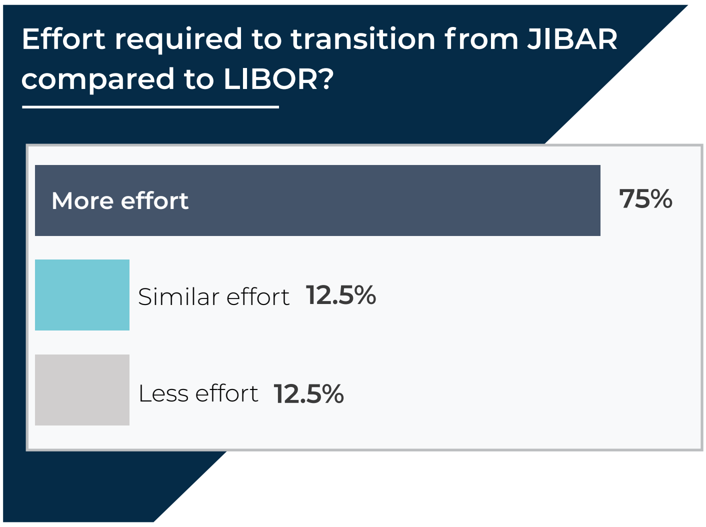
The surveyed South African banks experienced a **largely positive LIBOR transition** with no respondents reporting a disastrous or exceedingly difficult transition. These prior learnings and positive outcomes will provide a level of confidence regarding implementation going forward.



However, there was a clear indication that the effort required to transition to ZARONIA will be greater than previously experienced during the LIBOR transitions.

The **significant difference in volumes** between LIBOR- and JIBAR-linked contracts is a sizeable concern that could result in unexpected administrative challenges.

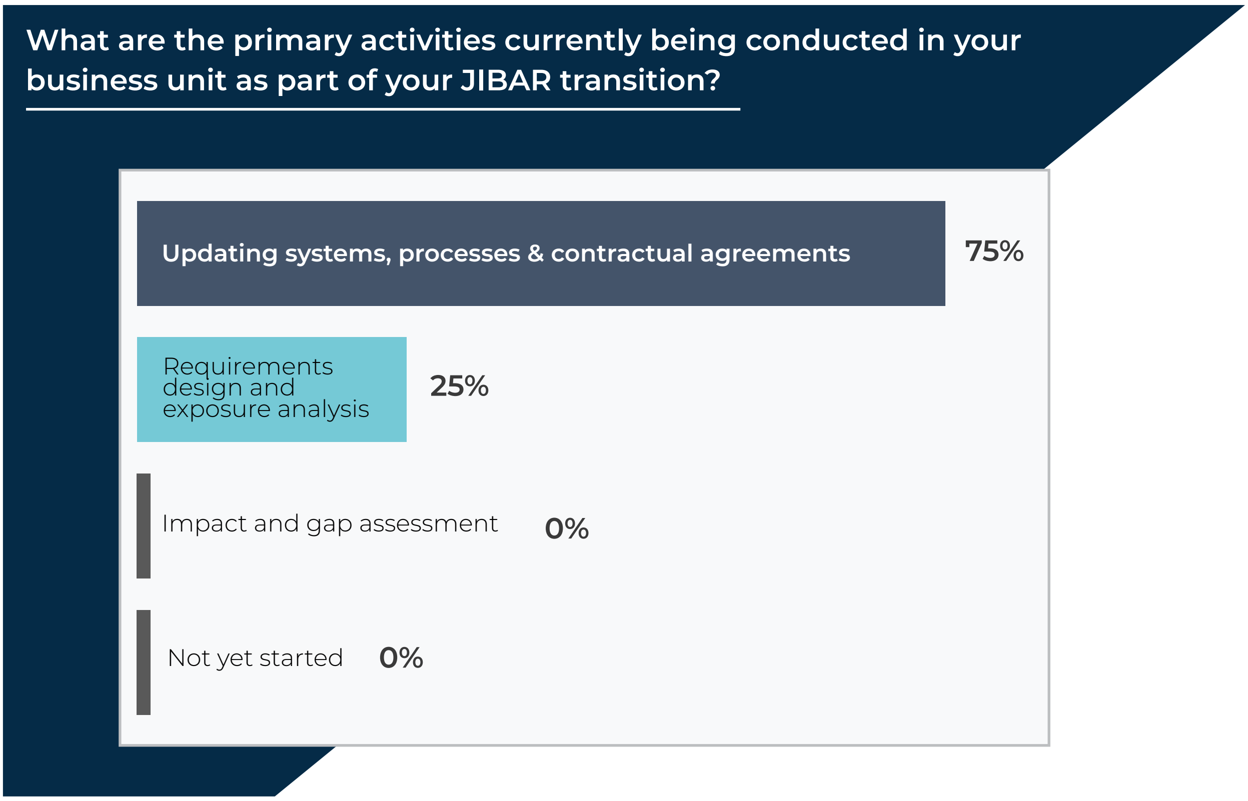
Alongside ambitious timelines set by the SARB, banks will need to take a consistently proactive approach to their transitions to ensure that they are not overwhelmed as various soft and hard cessation deadlines draw nearer.



Transition Progress

Banks are generally advancing well with their transition activities, having largely completed their impact and gap assessments and moved into the phase of implementation and refinement. Bank stakeholders have clearly benefited from their individual LIBOR transitions and gained actionable insights into the various milestones and challenges associated with transitioning to other alternative reference rates.

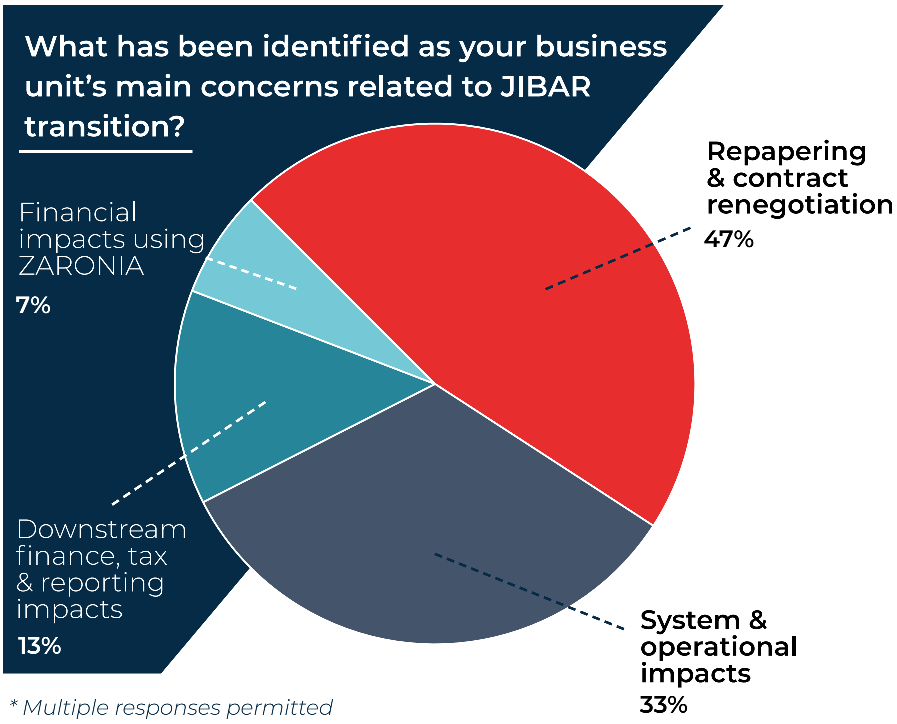
With 75% of respondents highlighting the “updating of systems, processes and contractual agreements” as their primary activities, South African banks are now tackling the administratively intense (and tricky) tasks of contract amendments and system re-bookings.



System and process impacts as well as **existing contractual impacts** were the predominant concerns for bank stakeholders – accounting for 80% of the survey result.

Concerns over "repapering and contract renegotiation" are likely tied to the significant volumes of existing JIBAR-linked contracts within South African banks.

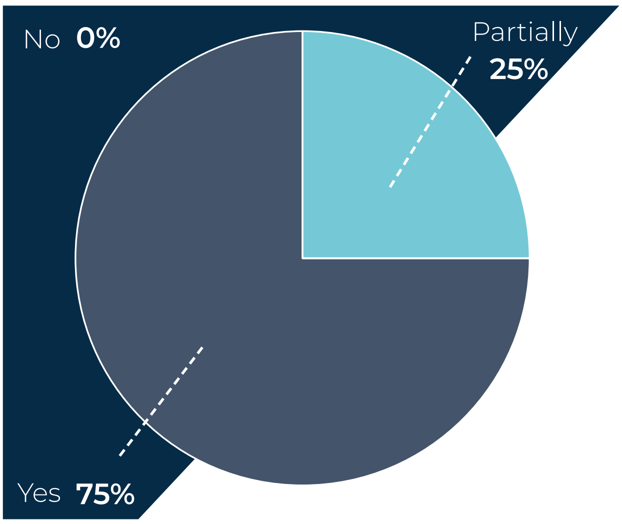
As highlighted in Monocle's latest [JIBAR transition insights paper](), strong programme management and exposure analytics will be an imperative for banks across the transition period to ensure consistent progress and reliable insights respectively.



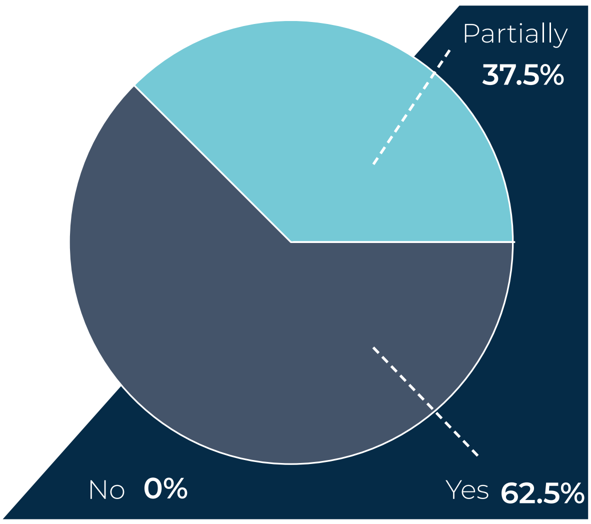
** Multiple responses permitted*

With the SARB currently requiring quarterly reports on JIBAR-linked exposures within each bank, all respondents answered that they had either a full (75%) or partial (25%) **data-driven view of their JIBAR-linked exposures.** Strong visibility of exposures will aid banks in overseeing their transitional progress and facilitate the pinpointing of potential areas of concern. With regulatory reporting frequency expected to increase to a monthly basis and with the growing need for enhanced internal business analytics, Monocle expects to see further improvements in this area.

Does your business unit have a comprehensive and reliable data-driven view of JIBAR-linked exposures?



Does your business unit have a strategic roadmap or project plan in place to transition from JIBAR?



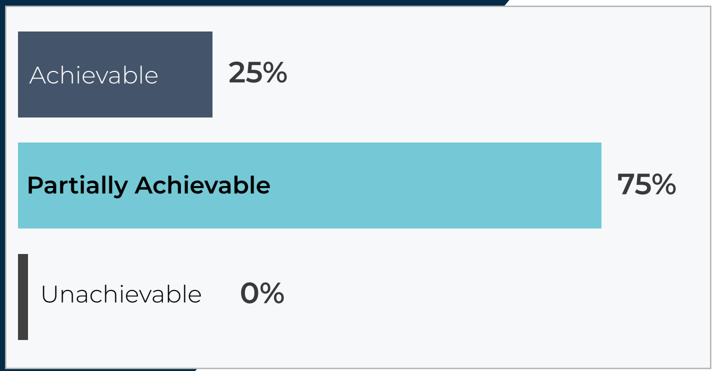
Results were less aligned regarding whether business units had a s**trategic roadmap or project plan** in place. With transition milestones spread across the next two years, including the announcement of the official cessation date as well as the ISDA fallback protocol, there **remains uncertainty** in the industry around time and effort requirements to transition. These factors should, however, become clearer over the short- to medium-term.

Transition Timelines

While responses were generally positive and showed that most impacted stakeholders were making solid progress towards their JIBAR transition milestones, there was **concern over the achievability** of the SARB's communicated timelines.

The SARB has set ambitious target deadlines, as it aims to transition quicker than the five-year period incurred by the LIBOR transition. This is noteworthy considering that the majority of respondents viewed transition timelines as being "partially achievable". Consequently, these timeline parameters should be monitored closely in the medium-term by banks internally and by regulators.

What is your opinion regarding the JIBAR transition timelines as communicated by the SARB?



About Monocle

Monocle is a specialist banking and insurance management consultancy with a proven track record in financial markets consulting and regulatory transformation projects. Throughout several years of LIBOR transition, Monocle has been actively involved across the banking value chain to help prepare for and manage the operational changes at our various banking clients.

With extensive expertise across trade management, treasury, finance, front office risk and pricing, as well as system and data infrastructure, Monocle is expertly positioned and continues to assist our clients as they tackle the challenges associated with their JIBAR transitions.

Please contact our **Business Development Director, Theo Kumm** if you have any queries related to Monocle's consulting services and Monocle's JIBAR Transition Progress Report.

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