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SOUTH AFRICAN RESERVE BANK

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Financial Markets Department

## **Record of proceedings of the Financial Markets Liaison Group meeting held via MS Teams on 2 June 2023**

### **1. Overview**

- 1.1 The Financial Markets Liaison Group (FMLG) meeting discussed the following key issues:
  - 1.1.1 Developments in South Africa's (SA) secured funding market
  - 1.1.2 The establishment of Bond Central Counterparty Clearing (CCP) for the Electronic Trading Platform (ETP)
  - 1.1.3 The resilience and fragility of SA's financial system
  - 1.1.4 Adherence to the Jibar Code of Conduct
  - 1.1.5 Progress reports from the FMLG subcommittees and the South African Foreign Exchange Committee (SAFXC)

### **2. Summary of discussions**

#### **2.1 Developments in SA's secured funding market**

- 2.1.1 It was highlighted that activity in secured interbank lending peaked in May 2022, when the South African Reserve Bank (SARB) was still operating the shortage system. The peak in activity coincided with the implementation of the Large Exposure Framework while the subsequent moderation in activity was owing to the SARB's new Monetary Policy Implementation Framework (MPIF). Following the implementation of the new MPIF, secured funding at the policy rate declined while secured funding below the policy rate increased.

2.1.2 It was noted that there was a need for tri-party repo system which would enable secured funding by general collateral buckets, thereby contributing to the development of a credible secured funding rate as part of the SARB's benchmark reference rate reform process.

## **2.2 The development of the Bond Central Counterparty Clearing for South Africa**

2.2.1 The FMLG noted the work being done by the JSE Limited in developing a bond CCP for SA, to align with international best practices. It was envisaged that a bond CCP would assist in transforming and improving SA's capital market at the time that SA was facing increased challenges such as macro-economic imbalances, declining sovereign rating and the recent greylisting.

## **2.3 The resilience and fragility of the SA's financial system**

2.3.1 It was indicated that the resilience of SA's financial system was supported by the healthy domestic banking sector, the SARB's independence and the credibility of the National Treasury. Although SA had a good foreign currency profile, the twin deficit and reliance on portfolio flows presented a liquidity mismatch.

2.3.2 It was highlighted that the Financial Sector Contingency Forum was an established body aimed at handling financial stability-related risks which would emanate from event risk.

## **2.4 Adherence to the Jibar Code of Conduct**

2.4.1 The flashing of negotiable certificate of deposits (NCD) rates (the practice where NCDs traded rates were higher than the quoted rates) had the potential of distorting the Jibar rate. Work was underway to strengthen the process.

## **2.5 Feedback from the Money Market Subcommittee**

2.5.1 The Tri-party Collateral Management project team had started documenting the minimum requirements for the proof of concept and discussions with the National Payment System (NPS) Department to align with NPS's planned SAMOS changes.

2.5.2 An update on the National Treasury Sterilisation Deposit Account (NTSDA) transition, banks quota adjustments and the money market liquidity position were noted.

2.5.3 The SARB started publishing ZARONIA for observation since 2 November 2022 – for a period of 12 months. However, feedback from the derivative workstream suggested that a longer observation period might be required. Consultation on the conventions for ZARONIA-based derivatives had been completed and a white paper was published on 20 January 2023. The paper received overall positive feedback.

## **2.6 Feedback from the South African Foreign Exchange Committee**

2.6.1 The SARB continued to lead the outreach programme on the adoption of the FX Global Code in the central bank community within the Southern African Development Community region.

Enquiries:

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Secretariat of the FMLG

### Attendance of the FMLG meeting on 2 June 2023

<b>Members in attendance</b>	
Dr Rashad Cassim, (FMLG Chairperson), SARB	<u>By Invitation</u>
Edwin Makgopa, (Secretariat), SARB	Henk Janse van Vuuren, SARB
Daron Hendricks, (Secretariat), SARB	Bafundi Maronoti, SARB
Tim Masela, SARB	David Fowkes, SARB
Samantha Springfield, SARB	Aadila Hoosain, SARB
Duncan Pieterse, NT	Sihle Nomdebevana, SARB
Andries du Toit, FirstRand	Philadelphia Makhanya, SARB
Theo Thomas, RMB	Niven Mangrey, Nedbank
Parin Gokaldas, ABSA Capital	Farzana Khan, STRATE
Garth Klintworth, ABSA Bank	Alicia Greenwood, JSE
Lourens van Rensburg, Investec	
Clive Sindelman, Investec	<u>Apologies from members</u>
James Glover, Nedbank	Zafar Parker, SARB
Douglas Hendry, Standard Bank	Nicola Brink, SARB
Trevor Starke, ACTSA	Ismail Momoniat, NT
Gill Raine, ASISA	George Kerby, Nedbank
Victor Mphaphuli, ASISA	Guido Haller, Standard Bank
Anton Gildenhuys, ASISA	Richard de Roos, SAFXC
Richard Treagus, ASISA	Kweku Bedu-Addo, IBA
Nishan Maharaj, ASISA	
Bashier Omar, ASISA	
Mark Brits, BASA	