



Terms of reference of the Work streams of the Market Practitioners Group

June 2022



SOUTH AFRICAN RESERVE BANK

Work streams of the Market Practitioners Group

1. Establishment of the work streams of the Market Practitioners Group

- 1.1. The South African Reserve Bank (SARB) has established the Markets Practitioners Group (MPG). The MPG will function alongside other structures, such as the Financial Markets Liaison Group, that has an interest in the work of the MPG.
- 1.2. In order to execute its mandate as set out in its Terms of Reference, the MPG has established work streams, drawn from a diverse set of market practitioners.

2. Purpose of the work streams

- 2.1. The purpose of the work streams shall be to execute the mandate of the MPG.
- 2.2. The functions of the work streams, as set out below, may be amended, as necessary, from time to time.

3. Composition of the work streams

- 3.1. Members of the work streams will be drawn from a diverse set of market practitioners and will consider the expertise required to give effect to the mandate of each work stream.
- 3.2. Members of the work streams shall not be members of the MPG. Chairpersons of the work streams, however, with exception of the communications work stream, will be members of the MPG. The Chairperson of the communications work stream will be a non-voting member of the MPG.
- 3.3. Members of the work streams shall comprise the following, as appropriate:
 - 3.3.1. A Chairperson elected by the members of the work stream or the SARB, as agreed by the MPG. Should the Chairperson be unable to attend a meeting,

he/she shall arrange for another member to act as Chairperson, failing which the work stream shall nominate one of its members to act as Chairperson;

- 3.3.2. senior representatives of the SARB;
 - 3.3.3. senior representatives of the Financial Sector Conduct Authority (FSCA);
 - 3.3.4. senior representatives of the major domestic banks;
 - 3.3.5. senior representatives of the International Banking Association of South Africa;
 - 3.3.6. senior representatives of the *Association for Savings and Investment South Africa* (ASISA);
 - 3.3.7. senior representatives of the *Association of Corporate Treasurers of Southern Africa* (ACTSA);
 - 3.3.8. senior members from hedge funds;
 - 3.3.9. senior members from the exchanges;
 - 3.3.10. senior members from the central security depositories;
 - 3.3.11. representatives of National Treasury;
 - 3.3.12. representatives from academia;
 - 3.3.13. members from consulting and marketing firms; and
 - 3.3.14. any other representatives as deemed necessary by the MPG or the work stream.
- 3.4. The work streams may co-opt members if needed.
- 3.5. The Chairperson may invite any person to attend meetings of the work stream for the purpose of reporting or consultation, if required.

- 3.6. Members of the work streams must attend all scheduled meetings, including meetings convened on an ad hoc basis for special matters, unless a prior apology, with reasons, has been submitted to the Chairperson via the Secretariat of the particular work stream.

4. Quorum and frequency of meetings

- 4.1. The quorum of the work stream meeting shall be at least 50% plus one (1) of the voting members of the work stream. Individuals in attendance at work stream meetings by invitation may participate in discussions, but do not form part of the quorum requirements of the meeting.
- 4.2. Furthermore, the quorum shall have at least one member from each of the representative bodies and/or institutions referred to in 3.3, but shall exclude meeting invitees.
- 4.3. The work streams shall strive to reach decisions by means of consensus, but should this not be possible, then such decisions shall be taken by a majority vote of its members present. In the case of equality of votes, the Chairperson shall have a casting vote in addition to his/her deliberative vote.
- 4.4. Members attending MPG work stream meetings on behalf of others shall have the requisite voting power and shall form part of the quorum.
- 4.5. The work streams shall meet at least once every two months, provided that the Chairperson may convene additional meetings, should the need therefore arise. Any member of the work stream, in consultation with the Chairperson, may request that a meeting of the work stream be held.

5. Role and responsibilities of the work streams

- 5.1. Each work stream will have its own action plan aligned to the broader mandate of the MPG.

5.2. In line with the stated functions of the MPG, the work streams will be responsible for the following:

5.2.1. Unsecured reference interest rates

5.2.1.1. Make final recommendations to the MPG on the choice and design of interest rate benchmarks to be introduced as reforms for the Jibar and Sabor, as well as for alternative unsecured interest rate benchmarks.

5.2.1.2. Make final recommendations to the MPG on the choice of interest rate benchmark administrators and calculation agents.

5.2.1.3. Make final recommendations to the MPG on fall-back arrangements for the reformed Jibar and Sabor.

5.2.1.4. Produce a statement and compliance of proposed interest rate benchmarks to the IOSCO principles for financial benchmarks.

5.2.2. Risk-free reference interest rates

5.2.2.1. Review proposals and make final recommendations to the MPG on the choice and design of a risk-free interest rate benchmark to be used as a reference rate.

5.2.2.2. Determine the scope of use for term reference rates in the South African financial market and assess the need for forward-looking term rates post the cessation of Jibar.

5.2.2.3. Consult widely and make final recommendations to the MPG on the potential use of backward-looking term rates.

5.2.2.4. Consider the design aspects of a viable forward-looking term rate and make final recommendation to the MPG.

5.2.2.5. Make final recommendations to the MPG on the choice of interest rate benchmark administrators.

5.2.2.6. Make final recommendations to the MPG on fall-back arrangements for the risk-free reference interest rate.

5.2.3. **Data collection and infrastructure**

5.2.3.1. Make final recommendations to the MPG on the model for collecting transaction data required for the calculation of new and reformed interest rate benchmarks.

5.2.4. **Transition Planning and Coordination**

5.2.4.1. Examine options for transition from legacy reference interest rates to those proposed by the relevant work streams.

5.2.4.2. Identify key risks (market, legal, operational, etc.), part of which shall be informed by a thorough review of all relevant documentation, including contracts that reference current interest rate benchmarks.

5.2.4.3. Identify mitigants for key risks relating to the proposed transition plan(s).

5.2.4.4. Provide final recommendations to the MPG on the timelines and steps of transition.

5.2.5. **Governance and Regulatory Issues**

5.2.5.1. Provide input into the drafting of codes of conduct and operating rules for the key interest rate benchmarks used as reference interest rates.

5.2.5.2. Provide input into the design of a surveillance framework for key interest rate benchmarks used as references.

5.2.5.3. Provide input into the design of the control framework pertaining to the determination and distribution of interest rate benchmarks.

5.2.5.4. Identify regulatory issues that may affect the transition to the successor rate and the management of Jibar legacy contracts and make recommendations on measures to manage them.

5.2.6. **Communication**

5.2.6.1. Assess the communication needs of the MPG and outline the communication objectives, audience segmentation, and the appropriate communication channels. The MPG aims to reach a broad audience, including members of non-bank financial institutions, professional bodies (such as the legal fraternity, accountancy, society of actuaries, etcetera), consumers (such as retail and corporate clients of commercial banks), and the general public.

5.2.6.2. Formulate and execute an appropriate communication strategy to raise awareness and educate the broad target audience about the objectives and initiatives of the reference rate reform using tailored communication channels.

5.2.6.3. Design a communication plan for all phases of the reference rate reform project from pre-transition to implementation.

5.2.6.4. Co-ordinate resources for the effective execution of the communication plan.

5.2.6.5. Evaluate the effectiveness of the communication strategies, and where appropriate reconfigure the strategies to achieve the communication objectives.

5.2.6.6. Facilitate public consultations on reference rate reforms with the aim of optimising the response rate.

5.2.6.7. Advise the MPG and work streams on communication related matters, especially during the transition phase of the reference rate reform project.

5.2.7. Derivatives

- 5.2.7.1. Consult widely and make recommendations on the development of derivative markets and contracts that reference the successor rate.
- 5.2.7.2. Formulate and implement strategies to facilitate the market adoption of derivatives that reference the successor rate.
- 5.2.7.3. Provide input to the finalization and refinement of the transition plan and monitor the progress made in the derivative markets.
- 5.2.7.4. Formulate and recommend strategies to derive term risk free rates from activities in the underlying derivative market.
- 5.2.7.5. Align with the progress and recommendations of all the workstreams of the MPG.

5.2.8. Legal

- 5.2.8.1. Identify potential legal issues that could hinder the transition away from Jibar and make recommendations on how to address them.
- 5.2.8.2. Provide input on legal issues that may arise during the transition.
- 5.2.8.3. Make recommendations on fallback provisions for existing and alternative reference rates and consider the operational requirements for embedding fallback language, including potential 'protocol-type' industry wide solutions.
- 5.2.8.4. Develop criteria for designating contracts as 'tough legacy contracts' and further conducting the designation.
- 5.2.8.5. Propose solutions for managing tough legacy contracts, which may include legislative proposals.

5.2.8.6. Collaborate with relevant industry bodies to settle the drafting for ZARONIA provisions to be included in derivative agreements and loan agreements to standardise wording to be used by the market.

5.2.9. **Accounting and Tax**

5.2.9.1. Identify potential accounting and tax issues that could hinder the transition towards the preferred alternative benchmark interest rates and make recommendations on measures to address them.

5.2.9.2. Provide input on tax and accounting issues that may arise during the transition.

5.3. Additional work streams may be established if the need arises.

6. Administration of the work streams

6.1. The Chairperson of the relevant work stream shall nominate the secretariat for his/her respective work stream.

6.2. A detailed agenda confirming, *inter alia*, the venue, time and date of the meeting, together with supporting documentation, compiled in consultation with the

Chairperson, shall be circulated at least five working days prior to each meeting to the members of the work streams and other invitees.

6.3. All discussions during the work stream meetings must be recorded and be made available for inspection by members, if required. Recordings must be retained until the minutes of the relevant meeting have been formally approved by the work streams.

6.4. The minutes must be completed within two weeks after the relevant work stream meeting and circulated to the Chairperson and members of the work stream for review thereof. The minutes must be formally approved by the work streams at its next scheduled meeting.

6.5. The MPG secretariat should maintain the official repository of work streams documents, which shall include, among others, agendas, meeting minutes and public communications.

6.6. Meeting minutes should, at a minimum, include:

6.6.1. a list of meeting participants;

6.6.2. a description of issues discussed; and

6.6.3. resolutions and other decisions taken.

7. Reporting

7.1. The work streams will keep the MPG informed about its work and progress on the execution of its mandate.

7.2. The work streams shall provide draft and adopted minutes and progress reports to the MPG secretariat.

8. Conflict of interest

8.1. Work streams members are required to bring to the attention of the Chairpersons of the work streams and/or the MPG any conflict of interest or potential conflict they may have with any item on the MPG's agenda. Any conflict of interest or potential conflict of interest must be recorded in the minutes of the meeting.

8.2. If a work stream member is deemed to have a potential, real or perceived conflict of interest in a matter that is being considered at a meeting, he/she must be excused from any deliberations and decision on the matter.

9. Confidentiality

- 9.1. All non-public information disclosed during meetings of the MPG work streams or any other forum constituted in the name of, or on behalf of, the MPG, shall be treated as confidential. Similarly, all opinions expressed in any of the settings mentioned above shall be treated as confidential. Any such information, regarded as confidential, will only be released publicly when the MPG has given authority for public release.
- 9.2. Any disclosure of non-public information shall constitute a breach of these terms of reference.

10. Anti-competitiveness

- 10.1. All MPG work stream members and any other participant in MPG work stream meetings are reminded that this meeting is constituted to discuss matters affecting the industry. Various national and international laws restrict the exchange of information amongst competitors, which might influence market conditions or lead to abuse. No such exchange or discussions are permitted during MPG work stream meetings or any other forum constituted in the name of, or on behalf of, the MPG.

11. Review

- 11.1. The Chairperson may request that a review be done at any time, which reviewed terms of reference shall thereafter be tabled for approval at a meeting of the MPG.

12. Term of the work streams

- 12.1. The work streams will remain in existence until such a time as the new benchmarks have been implemented and embedded, after which the Reference Rate Working Group of the FMLG will assume responsibility for further work on reference interest rates.

13. Approval of the terms of reference

Signed at Pretoria on this ____ day of ____ 2022.

R Cassim
Deputy Governor
Chairperson of the MPG