



Financial Markets Liaison Group

Terms of Reference

November 2013

1. Introduction

- 1.1. The Financial Markets Liaison Group (FMLG) is a joint initiative between the South African Reserve Bank (Bank), as the central bank of the Republic, and key participants in the financial markets. It emerged from the Money Market Liaison Group (MMLG), which was initiated at the time when market participants were consulted on the modifications to the Bank's refinancing system in 2005.

2. Mission

- 2.1 The mission of the FMLG is to provide, through a structure of subcommittees, a forum for consultation, information exchange, and the identification and management of challenges facing the South African (SA) financial markets, in the interest of efficient financial markets and their development.

3 Objectives

- 3.1 To promote the integrity, safety and stability of the SA financial markets.
- 3.2 To discuss market and structural developments affecting the SA financial markets and related market infrastructure, and propose changes where appropriate.
- 3.3 To identify and address areas where the efficiency of the SA financial markets could be improved.
- 3.4 To provide a sounding board for the Bank to get feedback on policy proposals and/or existing policies in order to optimise its role in the financial markets.

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- 3.5 To discuss good practices and technical issues in the domestic financial markets in order to promote professionalism and competitiveness.
 - 3.6 To ensure that a sufficient level of information exchange takes place between the FMLG and other market structures, such as STRATE, the Johannesburg Stock Exchange (JSE) and the Financial Sector Contingency Forum (FSCF), regarding disaster recovery and business continuity planning.
 - 3.7 To identify and assess the impact of developments in southern African and global financial markets on domestic financial markets.
 - 3.8 To assist in the promotion of South Africa as a leading international centre for transactions in foreign exchange, equities, commodities, money and fixed-income markets and derivative instruments, and as the preferred hub for financial market business in Africa.

4 Governance structure

- 4.1 The FMLG is a consultative and not a decision-making body.
- 4.2 The objectives mentioned in section 3 are pursued through a structure of subcommittees comprising the Money Market (MM), the Financial Market Infrastructure (FMI), the Foreign Exchange Market (Forex), and the Fixed Income and Derivatives Subcommittees or other subcommittees that may be established as the need arises.
- 4.3 Subcommittees are expected to report on projects being undertaken and progress made thereon to the FMLG.

5 Terms of Reference of the subcommittees

5.1 The Money Market (MM) Subcommittee

- 5.1.1 To interface with the Bank on various issues that impact on the functioning of the money market, for example the structural development and modifications to the Bank's monetary policy operational framework, the monetary policy transmission mechanism and the interbank market.

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- 5.1.2 To undertake developmental research, for example investigation of viable benchmark rates, the market for short-term securities, the interest rate for banks and structural issues pertaining to the repo and securities lending markets.
 - 5.1.3 To monitor money-market trading and liquidity conditions, and to report back on market practices to the FMLG.
 - 5.1.4 To promote market best practices and procedures in consultation with STRATE, the JSE and other market participants.
 - 5.1.5 To review and report on progress to the FMLG in money- and fixed-income market infrastructure developments.
 - 5.1.6 To identify and propose the implementation of strategic initiatives to enhance the money- and fixed-income market infrastructure.
 - 5.1.7 To promote compliance with international best practice.
 - 5.1.8 To assume any other relevant role that may facilitate the smooth and orderly functioning of the money market.
 - 5.1.9 To initiate the compilation of primary and secondary money-market and fixed-income statistics.
 - 5.1.10 Where appropriate, some functions will be performed in conjunction with the relevant subcommittee.

5.2 Financial Market Infrastructure (FMI) Subcommittee

- 5.2.1 To deal with projects on an ad-hoc basis referred by the other subcommittees of the FMLG, in consultation with the FMLG, on projects which require infrastructural co-ordination.

5.3 Foreign Exchange Market (Forex) Subcommittee

- 5.3.1 To discuss the functioning of the SA foreign-exchange market and make proposals to improve efficiency.

5.3.2 To exchange information regarding spot and derivative trading activities and turnover in the domestic foreign-exchange market, and discuss implications for market development.

5.3.3 To promote compliance with international best practice.

5.4 Fixed Income and Derivatives (FI&D) Subcommittee

5.4.1 To exchange information regarding key developments in the equity, commodities, credit, fixed-income and interest rate markets and related derivative instruments, with a view to furthering the development and efficiency within these markets.

5.4.2 To address good practices and technical issues, as well as conducting research in the domestic financial markets related to the instruments and derivatives referred to in 5.4.1.

5.4.3 To interface with the Bank on various issues that impact on the functioning of the markets within the scope of the sub-committee.

5.4.4 To monitor underlying derivative trading and liquidity conditions, and to report adverse market practices to the FMLG.

5.4.5 To promote compliance with international best practice.

6. Membership

6.1 Membership of the FMLG and the subcommittees and the attendance of meetings will be by invitation only. The FMLG has a policy of in-person attendance only, and if a member is unable to attend and wishes to nominate someone instead, the nominee would attend only with the approval of the Chairperson. Members will be invited to contribute with a view of furthering the interests of the broader markets rather than representing the interests of their individual institutions or associations.

6.2 Membership of the FMLG

6.2.1 The Deputy Governor of the South African Reserve Bank responsible for Markets (Chairperson).

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- 6.2.2 Head of the Financial Markets Department (FMD) of the Bank.
- 6.2.3 Head of the National Payment System Department (NPSD) of the Bank.
- 6.2.4 Group Treasurers and the Heads of Global Markets of the five major banks in SA.
- 6.2.5 Chairperson of the International Banking Association.
- 6.2.6 A representative of the National Treasury (NT).
- 6.2.7 The chairpersons of each of the subcommittees of the FMLG mentioned in paragraph 4.2.
- 6.2.8 Other relevant parties, for example, the Financial Services Board (FSB), the JSE, STRATE, the Payment Association of South Africa (PASA) and the FSCF will be invited on an ad-hoc basis when issues that affect their operations are discussed.
- 6.2.9 The Bank will provide secretarial services to the FMLG.
- 6.3 Membership of the MM Subcommittee**
- 6.3.1 The MM Subcommittee will be chaired by the Head or a senior representative of the FMD of the Bank.
- 6.3.2 This subcommittee will comprise representatives of the money-market desks of all the banks participating in the Bank's main repo at least once a month over a period of six months.
- 6.3.3 Participants from other banks playing a role in the South African money-market can be invited to be members.
- 6.3.4 A senior representative from STRATE.
- 6.3.5 Senior personnel of the FMD of the Bank.
- 6.3.6 The Bank will provide secretarial services to the MM Subcommittee.

6.4 Membership of the FMI Subcommittee

- 6.4.1 The FMI Subcommittee will be chaired by a senior representative of the FMD.
- 6.4.2 This subcommittee will comprise a maximum of two representatives of all the FMLG member banks and other institutions involved in money-market infrastructure.
- 6.4.3 Participants from other banks playing a role in the South African money-market can be invited to be members.
- 6.4.4 A representative of the NT.
- 6.4.5 Members from the Financial Markets, National Payments System and Business Systems and Technology Departments of the Bank.
- 6.4.6 The Bank will provide secretarial services to the MMI Subcommittee.

6.5 Membership of the Forex Subcommittee

- 6.5.1 This subcommittee will be chaired by one of the authorised dealer banks, rotating on a biannual basis.
- 6.5.2 This subcommittee will comprise representatives of the foreign-exchange desks of all the major banks in SA.
- 6.5.3 Senior personnel of the FMD of the Bank.
- 6.5.4 A representative of the Financial Markets Association (ACI).
- 6.5.5 Participants from other banks playing a role in the South African money-market can be invited to be members.
- 6.5.6 The presiding chairperson will arrange for secretarial services to the subcommittee from within his or her bank.

6.6 Membership of the Fixed Income and Derivatives Subcommittee

- 6.6.1 This subcommittee will be chaired by one of the five largest SA banks, rotating on a biannual basis.

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- 6.6.2 This subcommittee will comprise two representatives of each of the five major banks involved in the fixed-income and derivative markets.
 - 6.6.3 Senior personnel of the FMD of the Bank
 - 6.6.4 A representative of the ACI.
 - 6.6.5 The presiding chairperson will arrange for secretarial services to the subcommittee from within his or her Bank.

7. Frequency of meetings

- 7.1 The FMLG will meet at least twice a year with an option for additional meetings should the need arise. Should developments in the financial markets require more regular meetings, the chairperson shall convene such meetings and consider requests from members for additional meetings. The meetings of the FMLG will take place at the offices of the Bank.
- 7.2 The subcommittees will meet semi-annually at venues determined by the chairpersons. Should the work programme of the subcommittee require more frequent meetings, the respective chairperson will convene such additional meetings.

8. Documentation and provision of information

- 8.1 The agendas of meetings will be distributed to members a week prior to the meetings. Any items to be considered for the agenda should be submitted to the chairperson via the respective secretaries of the FMLG and subcommittees 10 days prior to any meeting.
- 8.2 Minutes and other relevant information will be distributed approximately three weeks after each meeting.
- 8.3 In the interest of transparency, the FMLG will keep relevant stakeholders informed about its work and initiatives. The medium for such dissemination of information will be the website of the Bank.

9 **Approval**

- 9.1 The Terms of Reference shall be reviewed annually and once approved by the FMLG, these Terms of Reference shall be signed by the Chairperson.

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