JIBAR benchmark reform

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see money differently

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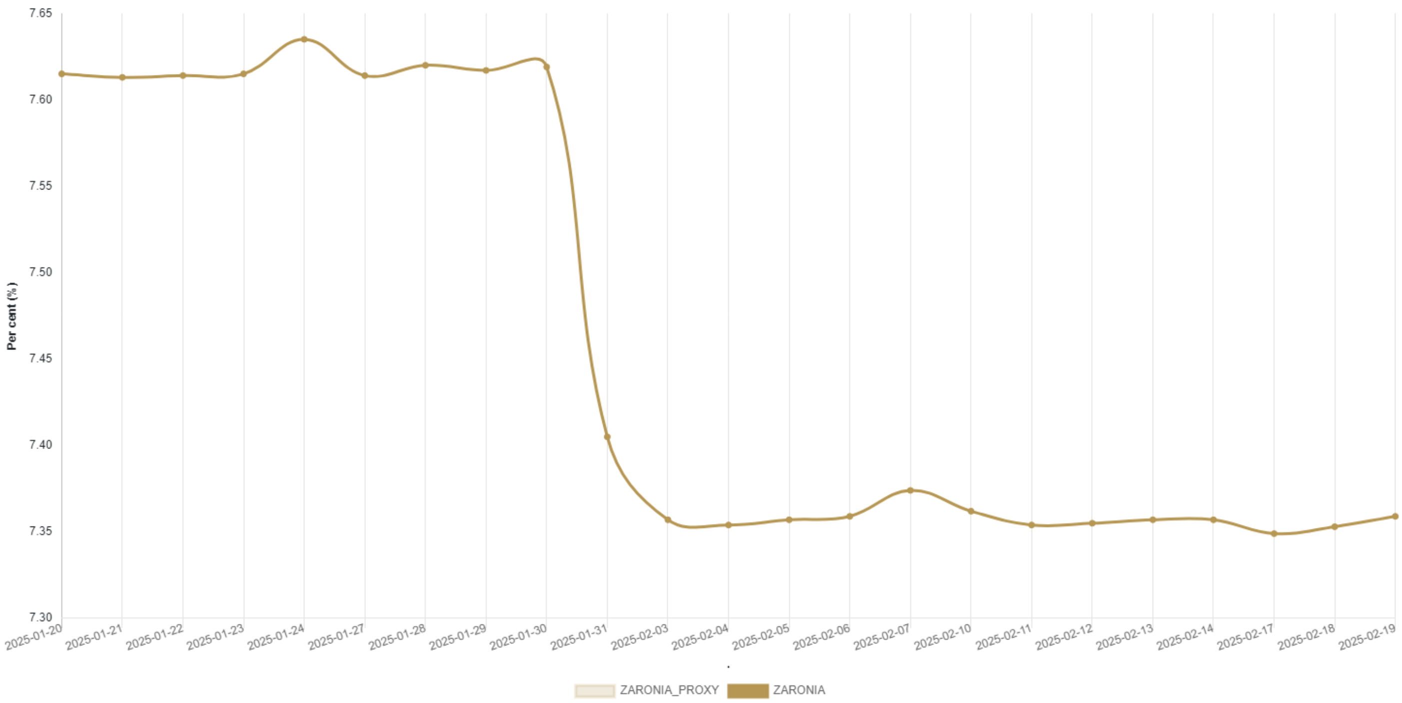
1 Background to benchmark reform

The **Johannesburg Interbank Average Rate (JIBAR)** (an interest rate benchmark), which is widely used as a reference rate that underpins a significant number of financial contracts and valuations in the local market, will be discontinued by local regulators and replaced with the new **Risk-free Rate (RFR)** benchmark. With the development and proposal of the designated replacement rate, the **ZAR Overnight Index Average (ZARONIA)** benchmark rate was designated as the successor rate to JIBAR.

The process of migrating the local South African financial market from JIBAR to ZARONIA is expected to take approximately 5 years during which a carefully coordinated and an orderly migration of published financial benchmarks and related financial contracts is expected.

A sample extract below of the new rate as published on the South African Reserve Bank (SARB) ZARONIA website and is available here.



2 What is financial benchmark reform, and why is it important?

Financial Benchmark Reform is a formal G20 commitment that all member countries are expected to evaluate and reform their respective major financial benchmarks that were actively used in financial contracts to address deficiencies that previously led to the manipulation of the benchmark by certain parties for financial gain.

Traditional financial benchmarks, such as the widely used Interbank Offered Rate (IBOR) for major currencies and the JIBAR rate used in South Africa, are constructed from quotes (or estimates) by participant banks and not from actual transaction data. This disconnect was previously abused internationally, and best practice under International Organization of Securities Commissions (IOSCO) principles has seen the movement to a benchmark calculated off real transaction data.

International markets have already seen the discontinuation of IBOR rates for major countries with each currency moving towards a suitable alternative rate or RFR, regulated and calculated in the host country.

While no form of abuse of JIBAR has been observed, South African regulators have committed to replacing JIBAR with ZARONIA as the primary interest rate benchmark in line with international best practice and principles.

3 What is the difference between JIBAR and ZARONIA?

Firstly, both JIBAR and ZARONIA are floating interest rate benchmarks that represent a level of interest rate in South Africa and, fundamentally, serve the same purpose, providing exposure to interest rate movements.

For a client looking for a product that provides interest rate exposure, either a JIBAR- or ZARONIA-based product should offer the same form of risk exposure and be largely interchangeable.

Some differences in how they are calculated are the following:

Quote-based vs. transaction-based

JIBAR is constructed through a statistical process involving quotes (or estimates) of where market participants expect the interest rate to be executed at on any given day. With limited suitable qualifying market participants, this process is not without risk, and deviation from actual transacted rates could occur.

The new ZARONIA rate is constructed through a statistical process based on real and observed transactions only. No expectation or judgmental bias is inherent in the process.

The expectation under market best practice is that a benchmark constructed from real transactions is less susceptible to market abuse and therefore has more integrity, resulting in more liquid financial markets.

Term rate vs. Overnight rate

Current market convention for JIBAR is for the rate-setting process to express a series of forward term rates, e.g. for 3 months into the future from a certain date (also known as the 3-month JIBAR). Financial products that refer to such a rate typically set their accrual period and payment periods around the chosen forward term rate period.

The new ZARONIA rate, however, is a single rate that is published on an **overnight or 1-day period convention** by design. Since the rate is published for a 1-day horizon, some form of compounding of the rate is expected to arrive at a corresponding longer-term fixing rate, similar to current JIBAR quotation conventions.

Secured vs. Unsecured benchmark rates

Both JIBAR and ZARONIA are local benchmark rates that are meant to represent unsecured wholesale transactions and, as such, should represent comparable levels of inherent credit risk in the local market.

It is noted that certain international markets have chosen to move their respective benchmark rate to a secured rate alternative suitable for their market.

4 What are the timelines for JIBAR benchmark reform?

The planned overall timeline for local benchmark reform by regulators is for a cumulative 5-year period, split into 3 major milestones, being:

The foundational phase

This phase was characterised by the start of the overall programme, formation of relevant working groups with industry participants, relevant market sizing and impact studies, and the formal publication of standardised market conventions for most major product types.

This phase also saw the establishment of the technical and governance structures for the publishing of the successor rate to JIBAR, being ZARONIA. This benchmark rate has been thoroughly tested and is published daily on the relevant SARB PA website (located here), with regulators promoting formal usage of the benchmark in financial contracts.

The foundational phase is largely completed according to the overall regulatory implementation schedule.

The adoption phase

Currently in focus is the adoption phase of the overall regulatory implementation schedule, where the **initial transacting of ZARONIA-based products commences and grows** in volume in a staggered and orderly approach. Initial expectation is for the derivative market to begin transacting ZARONIA-linked products and establish initial market liquidity and pricing, closely followed by the lending markets.

In this period, designated periods known as the **ZARONIA First Initiative** are expected to be conducted, whereby market makers in ZARONIA-linked products will be required to offer the new product offering in parallel to the JIBAR-linked products. These periods are designed to get the market accustomed to the new products while offering the safety of still having JIBAR available.

This phase will occur in 2025.

The transition phase

The final phase of the overall regulatory implementation schedule is known as the transition phase. This phase will be characterised by steps which involve **market makers no longer offering JIBAR-linked products, the migration of the legacy portfolio of transactions historically linked to JIBAR, and finally the ultimate cessation of the publication of the old JIBAR benchmark rate itself**.

This final phase is a critical phase with significant client outreach and engagement expected by Nedbank, and other relevant market participants, to ensure historical transactions are updated where needed and contain appropriate legal wording to migrate from JIBAR to ZARONIA.

This final phase is expected to run from the start of 2026 until the cessation date of JIBAR, which must still be determined by our local regulators.

5 What does JIBAR reform mean for Nedbank clients?

If you are a Nedbank client and you have taken up **any financial product with the bank that refers to JIBAR, you are exposed to the local benchmark reform**.

Products may include cash, loans, banking facilities or financial derivatives.

If you have concluded a transaction that makes use of a **fixed interest rate or the South African Prime interest rate, you will not be impacted** at all by local benchmark reform.

6 What can Nedbank clients do in advance if they are impacted?

There are several steps clients can take to prepare, like the following:

- Review your current suite of products to see for yourself if you are exposed to local benchmark reform.
- Follow industry-level communications released by SARB PA and their central ZARONIA websites (listed below) regularly to follow the status of the overall reform progress and timelines.
- Engage with your own legal, tax, accounting or financial advisor(s) to determine the potential impact of the local benchmark reform.
- Consider any digital, technological, or system changes required to accommodate the calculation of ZARONIA in line with the white papers available on the SARB PA website.

7 Where can clients find more information?

Clients can find general information on JIBAR benchmark reform on the following websites:

- SARB PA ZARONIA interest rate benchmark website
- Market Practitioners Group frequently asked questions
- SARB PA MPG Publications

8 How is Nedbank supporting clients during the transition?

Nedbank recognises the impact that JIBAR benchmark reform will have on some of our clients, given the range of products and services we offer that refer to the rate. We aim to engage with our clients and to give relevant support during this process.

Nedbank will communicate with clients if they have an existing transaction with the bank that will require an amendment to their existing agreement to migrate from JIBAR to ZARONIA in an orderly manner.

In the meantime, if you need additional information, please contact your relationship manager directly or send an email to NedbankJIBARReform@nedbank.co.za.

9 Frequently asked questions

9.1 Which Nedbank clients are impacted by JIBAR benchmark reform in South Africa?

Nedbank clients who have made any financial transactions with Nedbank that refer to Johannesburg Interbank Average Rate (JIBAR) as a benchmark rate, are exposed to local benchmark reform.

Impacted products offered by Nedbank may include deposits, banking facilities, loans, or financial derivatives in nature.

Nedbank clients who have concluded a transaction that makes use of a fixed interest rate or Nedbank's prime interest rate are not impacted by local benchmark reform.

9.2 Where can one find the new ZARONIA benchmark rate?

Nedbank clients can find the new South African Rand Overnight Index Average (ZARONIA) published daily by the South African Reserve Bank (SARB) Prudential Authority (PA) at the following website:

SARB PA ZARONIA Market Rate

9.3 What is the JIBAR cessation or discontinuation date, or when will the use of JIBAR end or stop being published?

The final date when the use of JIBAR will end must still be determined.

This date represents the ultimate date during the overall industrywide migration programme and all stakeholders (all lenders and borrowers exposed to JIBAR) must be ready for this key event.

This event will trigger fallback language to orderly migrate transactions from JIBAR to ZARONIA where the necessary provisions exist in the applicable financial contracts.

9.4 When is the JIBAR cessation date expected?

The final date for the last publication of JIBAR must still be determined formally by regulators and will be communicated to all stakeholders in due course.

9.5 What is the CAS rate and why is it important?

Although ZARONIA will be close to the existing JIBAR, their construction and fundamental calculation methodologies are different.

The Credit Adjustment Spread (CAS) is a standardised industry approach, endorsed by the SARB PA, which quantifies the difference between JIBAR and ZARONIA based on historical differences.

The CAS is expected to be used in the orderly migration of previously concluded (or legacy) transactions between Nedbank and its clients to ensure no inappropriate transfer of value occurs to either party.

The CAS regulatory endorsed methodology can be found here:

SARB MPG JIBAR Fallback Methodology Recommendation

9.6 Where can Nedbank clients find the published CAS rate?

The CAS rates suitable for JIBAR benchmark reform has been calculated and published daily on the Bloomberg FBAK page since March 2025. The necessary CAS rates will be communicated by Nedbank to its impacted clients who need the migration of legacy contracts at the appropriate time.

9.7 How will transitioning to ZARONIA impact pricing of banking facilities or loans to Nedbank clients?

The purpose of benchmark reform is to improve the integrity of the reference rate used in banking facilities or loans and is not intended to make the pricing of products either cheaper or more expensive.

The various mechanisms (such as CAS) to be utilised by Nedbank is to ensure that the overall cost or price of banking facilities or loans are comparable between JIBAR-referenced banking facilities or loans and ZARONIA-referenced banking facilities or loans.

Differences are likely to occur based on different methodologies, banking facilities or loan variations or conventions. However, these should be minimised as liquidity grows in the new ZARONIA replacement rate.

9.8 What is the ZARONIA First Initiative?

As part of the overall regulatory migration programme for the orderly movement towards ZARONIA as the successor rate to JIBAR, certain periods of time have been identified in the overall plan in which Nedbank and all other relevant market participants who offer JIBAR-referenced banking facilities or loans, will be expected to offer in parallel the choice of the new ZARONIA alternative.

This period, known as the 'ZARONIA First Initiative' for the relevant market, is intended to create liquidity, offering clients a choice between the existing JIBAR-referenced banking facilities or loans, or the newer ZARONIA equivalent.

This time will allow clients a window period to adjust to the new product offerings without having a cliff effect of not having the traditional JIBAR offering as a fallback.

ZARONIA will precede the eventual cessation of the offering of JIBAR-referenced banking facilities or loans, and eventually also the discontinuation of the benchmark rate itself.

9.9 What is the difference between an overnight rate vs. a term rate?

An important difference between JIBAR and ZARONIA relates to the window of time applied to the calculation of an interest accrual period for a given benchmark rate.

JIBAR is quoted on a forward-looking term basis, meaning that the interest rate is suitable for a respective period into the future. This period is normally 3 or 6 months, or even longer, if needed.

ZARONIA is calculated and published as a simple overnight interest rate, so its default period is for a day only. To convert ZARONIA to a comparable longer period, some form of compounding of interest must occur.

9.10 What are legacy deals or transactions in the context of JIBAR benchmark reform?

Legacy transactions in the context of JIBAR benchmark reform refer to any transaction concluded between Nedbank and a client that has a tenor, maturity or expiration date after the JIBAR cessation date that must still be published by the SARB PA and note the reference to JIBAR in its interest calculation.

Legacy transactions represent the transactions between Nedbank and its clients that will likely need a form of engagement and remediation in the contractual wording to replace the reference to JIBAR with that of ZARONIA at the appropriate or agreed time.

Clients who have exposure to these banking facilities or loans should take extra care and practice due diligence as they are highly impacted by JIBAR benchmark reform and subject to a range of risks.

9.11 What is fallback language in legal contracts?

In financial contracts that reference JIBAR, the inclusion of the necessary wording in the contract that will automatically migrate the interest calculation from JIBAR to the newer ZARONIA upon the occurrence of the JIBAR cessation date (the trigger event), is said to contain suitable fallback language for JIBAR benchmark reform – i.e. Nedbank and a client have pre-agreed to the terms and conditions to move towards ZARONIA in the future and require no further outreach or remediation.

9.12 In terms of legacy transaction migrations, can clients move from JIBAR to the prime rate instead?

Yes.

While the change from JIBAR to ZARONIA is expected to apply to most JIBAR-referenced banking facilities or loans, it is not compulsory and clients may choose to migrate to either a fixed interest rate or Nedbank's prime rate), whatever is suitable to a client's needs and agreed to with Nedbank. This decision can occur in the remediation and outreach process, if needed.

9.13 What is Nedbank going to do to remediate legacy transactions with impacted clients?

Nedbank has established a dedicated JIBAR benchmark reform programme that has been preparing and coordinating its internal changes required to support the successful transition to ZARONIA-linked banking facilities or loan offerings. As part of this programme, a detailed contract remediation and client outreach phase is planned during which the bank will reach out to clients to perform the necessary remediation of legacy transactions before the JIBAR cessation date. This may involve either the immediate restructuring of a product offering to ZARONIA, or the insertion of the necessary fallback language to perform an automatic migration at a later stage.

9.14 What should Nedbank clients do?

There are a couple of steps clients can take in advance to prepare, like the following:

- Review their current suite of JIBAR-referenced banking facilities or loans to see if they are exposed to local benchmark reform.
- Follow industry communications released through the SARB PA and their ZARONIA website (listed below) regularly to determine the status of the overall reform progress and timelines.
- Engage with their legal, tax, accounting or financial adviser(s) to determine the potential impact of the benchmark reform.
- Consider any technological or system changes required to accommodate the calculation of interest based on ZARONIA and not JIBAR in line with the white papers available on the SARB PA website.

Disclaimer

The contents of this document reflect our current understanding of the South African financial markets and banking reference rate reform agenda as of May 2025.

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