



FSCA COMMUNICATION 9 OF 2025 (FM)

Support for the “ZARONIA First” initiative and first sequencing for Linear Derivatives

1. PURPOSE

The purpose of this communication is to urge stakeholder and market participants to prepare for the change from Johannesburg Interbank Average Rate (JIBAR) to South African Rand Overnight Index Average (ZARONIA) and to encourage inter-dealer participants to adopt ZARONIA-based conventions.

2. BACKGROUND

- 2.1 In November 2024, the South African Reserve Bank (SARB)'s Market Practitioners Group¹ (MPG) published recommendations in a document introducing the ZARONIA First initiative, a phased approach to transitioning the interest rate derivatives market (see [here](#))
- 2.2 Led by South African Reserve Bank (SARB) and the MPG, this strategic initiative marks a key step in aligning South Africa's financial markets with global best practices. At the heart of the initiative is a shift in trading conventions, moving away from the forward-looking panel based JIBAR to a benchmark based on actual overnight transactions ZARONIA. This shift aims to improve transparency, and stability.

3. KEY ASPECTS OF THE “ZARONIA FIRST” INITIATIVE

Timeline and Implementation of first sequencing for linear derivatives

- 3.1 The transition from JIBAR to ZARONIA officially commences on 30 April 2025. It is envisaged that ISDA will publish the ISDA 2021 Interest Rate Derivatives Definitions (IRD Definitions) incorporating the JIBAR fallback provisions and the module to the Protocol on 25 April 2025.
- 3.2 Inter-dealer brokers are encouraged to replace primary quoting of linear derivatives using ZARONIA as the primary benchmark.
- 3.3 The use of JIBAR is not prohibited, inter-dealer screens referencing JIBAR should remain available.
- 3.4 Importantly, this initiative targets the inter-dealer market. Dealer-to-client transactions in JIBAR are not impacted by the recommendation.

¹ The MPG is a joint public and private sector committee, comprising representatives from the SARB, the Financial Sector Conduct Authority (FSCA), and senior professionals from a variety of institutions from different market interest groups active in the domestic capital market.

Market Participation and Collaboration

- 3.5 For a successful transition, collaboration is crucial. Active participation from various market stakeholders, including banks, asset managers, and other financial institutions, is strongly encouraged as this will help to build adequate liquidity in ZARONIA-based financial instruments.

Regulatory and Market Support

- 3.6 The SARB has played a key role in preparing the market, including:
- (a) Publishing transition guidance and recommendations for the adoption of ZARONIA; and
 - (b) Announcing the end of the ZARONIA observation period in November 2023, marking ZARONIA as fully operational and ready for use in new contracts.
- 3.7 Continued regulatory support from the SARB and the FSCA will focus on ensuring the market has clear implementation guidance and the necessary tools to manage the transition.

Clearing and Market Liquidity

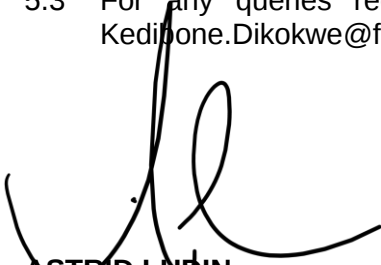
- 3.8 To aid the transition, clearing houses like LCH SwapClear have onboarded clearing capability onto its platform for ZARONIA-based derivatives.

4. KEY CONSIDERATIONS FOR MARKET PARTICIPANTS

- 4.1 Market participants are prompted to update their models and systems to ensure pricing, risk management, and legal documentation reflect ZARONIA benchmark. This includes updating valuation models, risk management frameworks, and reporting mechanisms. Ensuring technological compatibility with trading platforms, clearing houses, and settlement systems is critical to avoid operational disruptions.
- 4.2 Early adoption is also recommended to ensure a smoother transition process. Participation in industry working groups and education sessions is also encouraged. Clear communication strategies will help mitigate uncertainty and facilitate smoother adoption.
- 4.3 Collaborate with regulators, financial institutions, and industry bodies to develop comprehensive transition plans that address legal, operational, and technological aspects. Successful implementation of this initiative requires the active involvement of various market stakeholders, including banks, asset managers, and other financial institutions, to ensure adequate liquidity for ZARONIA-based financial instruments

5. CONCLUSION & ENQUIRIES

- 5.1 The “ZARONIA First” initiative marks a significant step forward for South Africa’s financial markets. By moving to a transparent, transaction-based benchmark, the reliability and resilience of the financial system is being strengthened. The FSCA urges all market participants to prepare for this important change through active engagement, collaboration, and early adoption.
- 5.2 The FSCA further strongly encourages all participants in the inter-dealer market to adopt ZARONIA-based conventions starting 30 April 2025.
- 5.3 For any queries regarding this communication, please email Kedibone Dikokwe at Kedibone.Dikokwe@fsca.co.za.



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