Q&A ZARONIA Transition Updates

What are the latest developments in the transition from JIBAR to ZARONIA?

With JIBAR due to be published for the final time on 31 December 2026, this update considers significant recent developments in the transition to ZARONIA and the practical implications for loan market participants.

What is the status of the proposed tough legacy legislation?

Following MPG recommendations, SARB and National Treasury have proposed amendments to the Financial Sector Regulation Act 9 of 2017 (the **Act**) to address tough legacy contracts. The General Finance Laws Amendment Bill, 2026 has progressed since it was first published for comment in late 2025 and is currently before the South African Parliament. The timing and final form of the legislation remain subject to the parliamentary process.

The amendment bill envisages SARB issuing notices for specified categories of tough legacy contracts, including retail property loans, commercial property loans, bonds, trade finance agreements, structured debt securities, money market instruments, asset-backed debt securities, derivatives and a general residual category. The draft notices are proposed to apply only to contracts meeting the requirements of proposed section 31D(1), including contracts with no fallback provisions or inadequate fallback provisions, or requiring third-party consents which have not been, or cannot be, obtained by the cessation date. The statutory criteria and final notices will therefore be important when determining whether a contract falls within the legislative solution.

These tough legacy notices were discussed in the Fourth MPG Legal Industry Webinar hosted by the Reserve Bank, highlighting some of the work of the Reserve Bank, the MPG, National Treasury, the Financial Services Conduct Authority and the Prudential Authority in the ZARONIA transition. The draft notices will only be published for comment once the amendments to the Act are effective later this year.

How are the draft tough legacy notices expected to transition affected contracts?

Most of the draft tough legacy notices envisage transitioning the tough legacy contracts from JIBAR to Compounded ZARONIA and the credit adjustment spread, as published by Bloomberg and fixed as at 3 December 2025.

What is the current position on Synthetic JIBAR?

The MPG's Transition workstream has been developing recommendations on Synthetic JIBAR as part of the proposed legislative transition path. Its methodology, availability, duration and permitted use remain subject to final decisions and the terms of the final tough legacy notices. Market participants should not rely on Synthetic JIBAR as a reason to delay active transition.

How is Synthetic JIBAR expected to be used under the draft tough legacy notices?

The draft tough legacy notices for property loans by non-bank financial institutions, trade finance agreements and asset-backed debt securities propose using Synthetic JIBAR as an interim benchmark prior to finally transitioning to a forward-looking reference rate based on ZARONIA (Term ZARONIA) plus a credit adjustment spread.

What progress has been made on FTSE Term ZARONIA?

Significant progress has been made in relation to the proposed FTSE Term ZARONIA. In April 2026, the MPG appointed FTSE Russell as administrator of the forward-looking ZARONIA term reference rate and provisionally endorsed FTSE Russell's proposed calculation methodology. In June 2026, FTSE Russell commenced daily publication of the FTSE Term ZARONIA prototype, which is available for user testing via LSEG D&A products and at https://lseg.com/termzaronia. The prototype is not intended for production use. Following market consultation, in August 2026 FTSE Russell published an outcome statement that reported broad support for the proposed methodology along with select proposed enhancements that once implemented will more fully align the methodology with the needs of market

Q&A ZARONIA Transition Updates

participants. FTSE Russell intends to calculate FTSE Term ZARONIA using data from a combination of centrally cleared ZARONIA OIS transactions and quotes, and publish the rate in 1-month, 3-month, 6-month, 9-month and 12-month tenors.

Can market participants rely on FTSE Term ZARONIA being available before JIBAR cessation?

The production launch remains subject to sufficient liquidity in the underlying ZARONIA derivatives market and the necessary endorsement.

Summary

- The key message from SARB and the MPG remains clear: market participants should actively transition JIBAR-referencing financial products to ZARONIA or another appropriate benchmark ahead of JIBAR cessation. Firms should identify remaining JIBAR exposures, review contractual fallbacks and consent requirements, engage counterparties and agents, and confirm operational readiness for compounded ZARONIA. Tough legacy legislation and Synthetic JIBAR are intended for contracts that cannot feasibly be transitioned and should not be treated as alternatives to active transition. FTSE Term ZARONIA will provide a forward-looking rate for recommended use cases if the necessary liquidity and endorsements are achieved.

For further information and updates:

- The draft General Finance Laws Amendment Bill, 2026, which proposes amendments to the Financial Sector Regulation Act 9 of 2017
- The Market Practitioners Group website, hosted by the Reserve Bank and which references the latest recommendations and deliberations of the MPG
- The recording of the Fourth MPG Legal Industry Webinar on the Transition to ZARONIA held on 20 August 2026
- FTSE Russell's FTSE Term ZARONIA webpage, August 2026 consultation outcome statement and methodology document
- The LMA's ZARONIA documentation and resources, including recommended forms of facility agreement wording

Alison Mellon and Cynthia Venter / Jacob Rank- Broadley / Steven Gamble