ZARONIA and the Transition from JIBAR

South Africa is in the final phase of its transition from the Johannesburg Interbank Average Rate (JIBAR) to the South African Rand Overnight Index Average (ZARONIA) as the primary interest rate benchmark for ZAR-denominated financial products. This reform is part of a global move toward more transparent, transaction-based benchmark rates that enhance market integrity and financial stability.

The transition is overseen by the South African Reserve Bank (SARB) and coordinated through the Market Practitioners Group (MPG), which represents banks, asset managers and financial market infrastructure providers.

What is ZARONIA?

ZARONIA is South Africa's official risk-free reference rate. It is administered by the SARB and calculated from actual overnight unsecured wholesale funding transactions in the domestic money market. Because it is derived from real transactions rather than quoted estimates, ZARONIA provides a robust and transparent measure of Rand funding costs.

ZARONIA is used as a reference rate for a wide range of financial products, including loans, deposits, bonds, derivatives and cash-management products.

What is JIBAR?

JIBAR is a long-established benchmark reflecting the cost at which banks lend to each other for various tenors, such as 1-month, 3-month and 6-month funding. While JIBAR has historically been widely used in South Africa, global regulatory reforms have determined that interbank offered rates should be replaced with transaction-based benchmarks such as ZARONIA.

Cessation of JIBAR

The Market Practitioners Group, supported by the SARB, has confirmed that all JIBAR tenors will cease or will no longer be representative immediately after 31 December 2026.

In preparation for this, the industry has introduced a key milestone known as the "No New JIBAR" date of 31 March 2026, from which point no new JIBAR-linked contracts may be entered into, subject to limited regulatory dispensations.

To ensure fair and orderly transition of existing contracts, a Credit Adjustment Spread (CAS) has been fixed and will apply to JIBAR fall-back provisions. The CAS is designed to neutralise value transfer when JIBAR-based contracts convert to ZARONIA, so that clients

are not financially disadvantaged by the change in benchmark.

Availability of ZARONIA and JIBAR at Our Bank

Our Bank is able to provide pricing and quotations using both ZARONIA and JIBAR during the transition period, in line with market conventions and regulatory guidance.

Until the final cessation of JIBAR at the end of 2026, clients may continue to use JIBAR for existing exposures and, where permitted, for new transactions. At the same time, ZARONIA-based pricing is available for clients who wish to align their facilities, hedging or investment strategies with the new benchmark.

What this means for corporate and institutional clients

Clients with JIBAR-linked products will generally continue on JIBAR until maturity or contractual transition. Where contracts include fallback provisions, JIBAR will convert to ZARONIA plus the applicable Credit Adjustment Spread when cessation occurs.

ZARONIA differs from JIBAR in that it is an overnight rate rather than a forward-looking term rate. As a result, interest is typically calculated using compounded overnight ZARONIA over an interest period. This may affect:

- interest calculation mechanics and cash-flow timing
- valuation and risk-management models
- hedge accounting and treasury systems

Clients are encouraged to consider these impacts as part of their transition planning.

Our commitment

Our Bank supports the South African benchmark reform programme and remains aligned with guidance issued by the SARB and the Market Practitioners Group. We have implemented the necessary system, product and contractual capabilities to support both ZARONIA and JIBAR during the transition and to facilitate a smooth migration when JIBAR is discontinued.

Clients are welcome to contact their relationship manager or Treasury team to discuss benchmark selection, pricing structures or transition planning.