DATA | INSIGHT | PROFIT

ILION ANALYTICS | INTEREST RATE BENCHMARK REFORM

From JIBAR to ZARONIA

Combining financial and data expertise to deliver a controlled transition

October 2026

1. Executive Summary

South Africa's move from the Johannesburg Interbank Average Rate (JIBAR) to the South African Rand Overnight Index Average (ZARONIA) is far more than a benchmark replacement. Institutions must understand the financial consequences of new calculation conventions, identify every affected contract, model and system, engineer reliable data flows, and manage implementation across the enterprise.

> ***Key date:*** *JIBAR's final publication is 31 December 2026.*
>
> *The SARB confirmed this on 3 December 2025, and since 1 May 2026 new JIBAR-linked contracts have generally been prohibited (with limited exceptions).*

The transition is part of a global reform in which forward-looking, quote-based Interbank Offered Rates (IBORs) are being replaced by robust, backward-looking, transaction-based rates. It has not been an overnight decision: the SARB and the Market Practitioners Group (MPG) have followed a deliberate timeline designed to maintain the efficiency and stability of the financial system. The challenge now is execution. Ilion Analytics combines finance and data engineering capability to help institutions find their exposure, assess it, fix it and prove it.

---

2. Background: Why Benchmarks Are Being Reformed

What LIBOR is and how it was calculated

LIBOR is a global benchmark representing the average rate at which major banks lend to each other over short periods. Trillions of dollars of loans, bonds and derivatives reference it. A panel of major banks submitted the rates at which they estimated they could borrow from other banks at 1, 3 and 6 month maturities. These were forward-looking estimates, not rates based on actual borrowing, and that is where the weakness lay.

The LIBOR scandal and its structural flaws

In 2011/2012 it emerged that institutions had exploited this process. The estimate-based design created incentives to misreport:

- **Derivative profits.** Profits on interest rate swaps depend on prevailing floating rates, so banks had an incentive to misstate those rates to record higher profits.
- **Perceived credit quality.** Borrowing costs reflect credit worthiness, so banks could quote lower costs to appear stronger than they were.

- **Inactive markets.** Since the 2008-09 financial crisis, activity in the markets LIBOR was meant to measure had shrunk. Thin underlying volumes made the benchmark unsustainable.

The global response

Because these weaknesses touched contracts worth trillions of dollars, the Financial Stability Board (FSB) proposed a global reform in 2014. The decision was to move to robust risk-free rates based on actual transactions and aligned with the IOSCO principles published in 2013. These rates are backward-looking because they are calculated from transactions that have actually occurred in the preceding period, and (near) risk-free because they carry no embedded bank credit or liquidity spread.

Currency	Legacy reference benchmark	Replacement rate
USD	USD LIBOR	Secured Overnight Financing Rate (SOFR)
GBP	GBP LIBOR	Sterling Overnight Index Average (SONIA)
EUR	EONIA (EURIBOR retained after methodology reform)	Euro Short-Term Rate (€STR)
CHF	CHF LIBOR	Swiss Average Rate Overnight (SARON)
JPY	JPY LIBOR	Tokyo Overnight Average Rate (TONA)
ZAR	JIBAR	South African Rand Overnight Index Average (ZARONIA)

3. JIBAR and ZARONIA Compared

JIBAR has been South Africa's primary reference rate since 1999, used for loans, floating-rate notes and, above all, interest rate derivatives. It is calculated from quoted rates for Negotiable Certificates of Deposit (NCDs) from a panel of five banks, in 1, 3, 6, 9 and 12 month tenors. It suited the market of 1999, but the NCD market has since shrunk and become illiquid, so the rate no longer rests on an active market with observable transactions, which the IOSCO Quality of Benchmark principle requires.

The SARB established the MPG to strengthen the existing JIBAR process and to develop an alternative risk-free rate consistent with the IOSCO Principles for Financial Benchmarks. After considering ZARIBOR (South African Rand Interbank Overnight Rate), ZASFR (South African Secured Overnight Financing Rate) and ZARONIA, the MPG selected ZARONIA because of the depth of its underlying market, with roughly R450 billion of observable overnight transactions a day. The SARB and MPG designated it JIBAR's preferred successor in 2022, and the SARB has published it since 1 August 2022.

Feature	JIBAR	ZARONIA
Basis	Quoted NCD rates from a panel of 5 banks	Actual eligible unsecured overnight deposits above R20 million; trimmed, volume-weighted mean
Nature	Unsecured, forward-looking term rate	Unsecured, backward-looking overnight rate
Tenors	1, 3, 6, 9 and 12 months	Overnight; compounded to create term rates

Feature	JIBAR	ZARONIA
When known	At the start of the interest period	Compounded over the period; fully known only at the end
Credit and term premium	Embedded	Excluded: near risk-free, generally lower than JIBAR
Market depth	Thin, declining NCD market	About R450 billion of transactions daily
Status	Final publication 31 December 2026	Published daily by the SARB from the prior business day's transactions

The most important practical difference is timing. JIBAR is fixed at the beginning of an interest period, whereas ZARONIA is compounded in arrears. Discount curves, cash-flow forecasts and interest accruals therefore need to be rebuilt, not simply relabelled.

---

4. The Transition Roadmap

Date	Milestone
2018	SARB begins its interest rate benchmark reform programme; the MPG is established
2022	ZARONIA designated the preferred successor to JIBAR; SARB publishes it from 1 August 2022
Nov 2023	ZARONIA observation period ends; contracts can begin to price off ZARONIA
2024	SARB writes to company CEOs setting expectations for an orderly transition; MPG publishes the transition plan and fallback methodology
3 Dec 2025	SARB announces the JIBAR cessation date; the credit adjustment spread (CAS) is fixed
1 May 2026	Restrictions on new JIBAR-linked contracts take effect, with limited exceptions
31 Dec 2026	Final publication of JIBAR; all tenors cease and are treated as non-representative

> ***With roughly 9 weeks remaining at the time of writing, the earlier two-year parallel-run window has effectively closed.*** *Priority should go to legacy contracts and models that still lack an agreed path.*

How existing contracts move to ZARONIA

The objective is to refactor every active JIBAR-referencing transaction so that it references ZARONIA fairly, with no economic gain or loss to either party. Three routes are recognised: active transition (amending contracts before cessation), passive transition (contractual fallback provisions trigger automatically), and legislative transition (a statutory backstop for legacy contracts that cannot be amended, currently in development).

The credit adjustment spread

Because JIBAR embeds a bank credit premium and ZARONIA does not, a spread must be added to ZARONIA to approximate JIBAR. The MPG adopted the ISDA fallback methodology: the CAS is the median of the historical difference between JIBAR and compounded ZARONIA over a five-year lookback. It was fixed on 3 December 2025 and is published per tenor by Bloomberg. Third-party

analysis reports 16.19 basis points for 3M JIBAR, ranging from 11.42bp (1M) to 74.10bp (12M); confirm against Bloomberg's published values before use.

Conventions and Term ZARONIA

The MPG recommends ZARONIA compounded in arrears with an observation lookback (typically five business days for loans). The MPG has also selected FTSE Russell to administer a forward-looking Term ZARONIA for limited use cases, though its final endorsement depends on sufficient liquidity in the ZARONIA derivatives market.

---

5. Where JIBAR Sits in the Business

Exposure is not just a treasury problem. It spans banks and their non-financial counterparties, and falls into three contract groups plus a fourth, less visible category.

- **Derivative contracts.** Interest rate swaps and other derivatives, often inside hedge accounting relationships.
- **Cash contracts.** Loan agreements, lease agreements, revolving credit and other floating-rate facilities, as well as floating-rate notes and money market instruments.
- **Legacy contracts.** Older agreements with no fallback language for rate cessation.
- **Valuation models.** Fair value, impairment and other measurements often use JIBAR as a critical input. Every such model must be identified and re-based, not just the contracts on file.

---

6. Impact on Banks

Short-term: operational, technological and regulatory

- Update treasury management, pricing, risk, trading and accounting systems to support overnight compounded rates instead of forward-looking term rates.
- Review existing contracts and client agreements for appropriate fallback provisions; commit resources to legal remediation, governance, client communication and staff training.
- Recalibrate valuation methodologies, discount curves and hedge accounting frameworks, and manage a period of parallel operation in which both benchmarks coexist.

Long-term: a stronger benchmark framework

Because ZARONIA rests on actual transactions rather than indicative quotes, it is a more robust and transparent measure of funding costs, with lower manipulation risk. Over time banks can expect:

- Improved transparency in loan and investment pricing, with the risk-free benchmark separated from credit spread and customer margin.
- Stronger market confidence and benchmark integrity.
- Better alignment with international benchmark reform standards.
- Enhanced risk management and valuation accuracy.
- Reduced conduct and regulatory risk associated with benchmark submissions.

For new products, banks will increasingly adopt ZARONIA, placing South Africa alongside other jurisdictions that already use risk-free reference rates.

7. The Accounting Question

Without relief, re-papering a JIBAR contract to ZARONIA is a contract modification, which can trigger a gain or loss in profit or loss and unwanted earnings volatility. The IFRS interest rate benchmark reform amendments provide relief in two phases, but only if the change qualifies.

- **Phase One: hedge accounting relief.** Lets hedging relationships continue through the period of uncertainty before the replacement rate is fixed. It applies only while that uncertainty exists.
- **Phase Two: contract modification relief.** If a contract is amended solely because of the reform and is economically equivalent before and after, the change is treated as a rate reset, with no gain or loss.

Both are already effective. Eligibility criteria and disclosure requirements apply, so each contract needs to be classified against them.

---

8. Deep Dive: Re-Basing Fair Value and Impairment Models

This is not a find-and-replace exercise. JIBAR quotes a forward-looking term rate upfront, while ZARONIA is compounded in arrears. Every discount curve, WACC build-up and expected credit loss rate needs rebuilding. The recommended approach has five steps:

1. Inventory: flag every model that takes JIBAR as a discount-rate or WACC input.

2. Rebuild the curve: construct a ZARONIA curve compounded in arrears, not a same-tenor swap.

3. Add the spread: apply the ISDA-style historical median spread adjustment for the structural gap.

4. Re-run and compare: parallel-run old and new rates and flag swings beyond materiality.

5. Document: update model governance packs and disclosures.

Illustrative example: CGU impairment test. *Figures are illustrative only and are not published rates.*

Metric	JIBAR-based (today)	ZARONIA-based (post-transition)
Reference rate	3M JIBAR (term, quoted upfront): 8.00%	ZARONIA compounded in arrears: 7.55%
Spread adjustment	Embedded in JIBAR	+0.20%
Entity credit / liquidity premium	+3.50%	+3.50% (entity-specific, unchanged)
Discount rate	11.50%	11.25%
PV of 5-year cash flows + terminal value	R1,502m	R1,548m
Carrying amount of CGU	R1,480m	R1,480m
Headroom	R22m (about 1.5%)	R68m (about 4.6%)

A 25 basis point shift in the discount rate moves headroom materially because of the terminal value's duration. This is the kind of swing every cash-generating unit model must be re-tested for.

9. Underneath It All, a Data Problem

Every step the reform requires is a data and analytics workflow at scale, and it needs data experts with both engineering skill and domain knowledge.

Stage	The challenge	How Ilion Analytics helps
Find it	Thousands of loan, lease, swap and ISDA documents sit across systems with no single register of JIBAR exposure.	Data Analysts scan repositories, extract JIBAR references, tenors and reset terms, and build a master register classified as derivative, cash or legacy.
Assess it	Each contract must be classified: is it inside Phase One/Two relief, and is it economically equivalent before and after amendment?	Data Scientists model equivalence, flag relief eligibility, and quantify P&L and hedge-effectiveness impact at scale, and re-adjust interest rate forecasting models.
Fix it	Fallback language, new rate, spread and repricing logic must flow consistently into core banking, treasury and valuation systems.	Data Engineers continuously transform SARB data to fit each institution's architecture, re-point rate feeds and valuation engines, and build parallel-run reconciliations.
Prove it	Auditors and regulators need traceable evidence of what changed, under which relief, with what economic impact.	Audit-ready evidence trails and disclosure packs across all three teams.

10. Implementation Approach

Successful transition requires five workstreams running together:

- **Contract remediation.** Review and amend all JIBAR-linked agreements with robust fallback language, transition provisions and CAS methodologies.
- **Technology and systems.** Upgrade front-, middle- and back-office systems for overnight compounding, ZARONIA curves and revised pricing frameworks.
- **Risk and valuation.** Build and validate new yield curves, forecasting models, discounting frameworks and derivative valuation methods.
- **Client communication.** Communicate proactively with borrowers, investors and counterparties about the impact and any required amendments.
- **Governance and training.** Establish governance structures and transition programmes, and make sure staff understand the operational, financial and regulatory implications.

Engagement model

With cessation approaching, phases overlap and work is prioritised by exposure size and contract complexity. Indicative durations should be confirmed at scoping.

Phase	Focus	Indicative timing
1. Diagnose	Automated contract discovery and exposure register across derivative, cash and legacy books; valuation-model inventory.	2-4 weeks

Phase	Focus	Indicative timing
2. Design	Relief-eligibility rules engine, target-state data model, fallback and repricing logic agreed with Finance and Treasury.	3-5 weeks, overlapping Phase 1
3. Remediate	Pipeline and system updates, contract re-papering support, parallel-run reconciliation between JIBAR and ZARONIA.	8-14 weeks, prioritised by exposure
4. Assure	Disclosure packs, audit-ready evidence trails, and monitoring through cessation and beyond.	Ongoing

11. Conclusion

The migration from JIBAR to ZARONIA is one of the most significant financial market reforms in South Africa's recent history. Banks face short-term challenges in system upgrades, contract remediation, valuation adjustments and operational readiness, but the long-term outcome is a more transparent, reliable and internationally aligned benchmark framework. Every contract re-baselined and every model re-pointed also leaves institutions with a cleaner, more automated data estate long after the deadline passes.