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FTSE Term ZARONIA

Methodology consultation



**FTSE
RUSSELL**

An LSEG Business

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1. Responding to this consultation

Introduction

FTSE Russell is seeking feedback from interested parties on the introduction of a forward-looking ZARONIA term rate benchmark (“FTSE Term ZARONIA”). FTSE Russell invites comments on all proposals put forward in this paper and in particular on the specific questions in section 7. Please structure your comments to:

- Respond to the questions stated
- Contain a clear rationale that includes evidence to support the views expressed
- Describe any practical alternative choices that FTSE Russell should consider

Submission of responses

Please email your comments to index_queries@lse.com with ‘Term ZARONIA consultation’ in the subject by no later than 18:00SAST on 5 June 2026. Please note that comments submitted after this deadline or submitted via other means may not be processed.

Handling of responses

All responses to this consultation will be treated as confidential and will not be made public. A summary of anonymised feedback received, and decisions may be made available in due course.

2. Introduction

FTSE Russell, a London Stock Exchange Group business, is a leading calculator and administrator of benchmarks and indices with an established presence in South Africa and significant experience administering interest rate benchmarks. Since 2002, FTSE Russell has partnered with the Johannesburg Stock Exchange (JSE) to produce a range of indices across multiple asset classes. Close to 100 funds with over US\$40BN of passive assets track this suite of indices. FTSE Russell administers a wide range of interest rate benchmarks across EMEA, APAC, and the Americas. This includes but is not limited to FTSE Term SONIA, FTSE Term €STR, Saudi Arabian Interbank Offered Rate (SAIBOR), Tokyo Swap Rate, VND VNIBOR, FTSE USD IBOR Cash Fallbacks (the ARRC’s recommended fallback rates) and FTSE EUR Swap Rate. FTSE Russell also calculates and licenses interest rate benchmarks on behalf of third parties.

On 3 December 2025, the South African Reserve Bank (SARB) announced that all JIBAR tenors will be permanently discontinued immediately after its final publication on 31 December 2026. In 2022, the SARB and the Market Practitioners Group (MPG) designated the South African Rand Overnight Index Average (ZARONIA) as the preferred successor rate to JIBAR. Since then, the MPG has worked closely with regulators, market infrastructure providers and industry associations to ensure a smooth transition to ZARONIA. To assist market participants, the MPG has produced reference materials, including recommended market conventions, fallback language and the JIBAR transition plan.

Following an RFP process¹ the MPG appointed² FTSE Russell as the administrator of the forward-looking ZARONIA term reference rate and provisionally endorsed FTSE Russell’s proposed benchmark calculation methodology for its development.

The primary purpose of this consultation paper is to source feedback on FTSE Russell’s proposed methodology for a forward-looking ZARONIA term rate benchmark (“FTSE Term ZARONIA”) to identify any areas where it may be suitable to enhance the methodology to better align with market participants’ requirements. Following the end of the consultation, FTSE Russell will review the feedback and determine the methodology for the FTSE Term ZARONIA benchmark.

To support market participants’ testing and analysis of FTSE Term ZARONIA, FTSE Russell intends to publish a prototype using a simplified methodology with limited input data, primarily reflecting Level 2 of the methodology proposed in this consultation paper. We expect this prototype rate to be available from around June 2026. Following completion of the consultation, FTSE Russell expects to publish an outcome statement summarising the feedback received and the implications for the production FTSE Term ZARONIA

¹ <https://www.resbank.co.za/en/home/publications/publication-detail-pages/Financial-Markets/Committees/MPG/mpg-publications/request-for-proposal-final-document0>

² <https://www.resbank.co.za/en/home/publications/publication-detail-pages/media-releases/2026/jibar-tax>

benchmark. FTSE Russell plans to update the methodology based on the feedback received and then pending sufficient liquidity in the underlying market, FTSE Russell plans to launch the production benchmark as soon as possible prior to yearend.

3. Context

Forward looking term rate benchmarks are typically available in tenors of up to and including 12 months, and are constructed from either a combination of 1-month and 3-month STIR futures contracts or spot starting overnight index swaps (OIS).

A prerequisite for a Term ZARONIA benchmark that uses futures contracts as the input data is a liquid strip of 1- and 3- month ZARONIA futures extending to at least 12 months. Such a liquid strip of sequential futures contracts is not currently available.

Currently, ZARONIA OIS are available to trade, but transaction volumes are low and account for a small proportion of the total volume of ZAR swaps. Electronic institutional venues have a limited number of dealers streaming executable prices in ZARONIA OIS. Interdealer brokers are publishing ZARONIA OIS rates but are trading limited volumes of ZARONIA OIS derivatives. As the market approaches the JIBAR cessation date and initiatives such as the no new JIBAR-referencing financial products milestone take effect FTSE Russell expects the availability of trade and quote data for ZARONIA OIS to improve.

For these reasons FTSE Russell proposes to calculate FTSE Term ZARONIA using ZARONIA OIS trades, quotes, and indicative rates. Initially, the rate will be operated as a prototype solely for testing purposes and then following the development of sufficient liquidity, it will be launched as a production benchmark for use in financial contracts. If there is insufficient input data available, FTSE Russell may not launch the production version of the Term ZARONIA benchmark.

FTSE Russell intends for the benchmark to be representative of spot starting ZARONIA OIS cleared at LCH Ltd ("LCH"). We do not believe it's viable to include uncleared trades into the methodology as this introduces two challenges:

1. Depending on the margin or collateral requirements for uncleared ZARONIA OIS transactions, such transactions may be subject to increased counterparty credit risk, which could impact the pricing and result in a basis to centrally cleared ZARONIA OIS transactions. If such a basis exists, including uncleared swaps could impact the benchmark rate resulting in (i) daily movements in the benchmark due to changes in the proportion of cleared vs. uncleared transactions (rather than a change in the prevailing market rate, which is what the benchmark intends to measure), and (ii) making it more difficult for benchmark users to hedge their risk by trading ZARONIA OIS since the benchmark would be representative of a blend of cleared and uncleared swaps, leading to uncertainty as to whether the user should trade a cleared or uncleared swap.
2. FTSE Russell does not have access to an economically viable consolidated source of uncleared traded rates that can be integrated into the calculation.

4. Proposed methodology

Waterfall methodology

FTSE Russell intends to calculate FTSE Term ZARONIA in tenors of 1-month, 3-months, 6-months and 12-months using Level 1 of the methodology subject to a threshold. If the threshold is not reached, the rate will be calculated using the Level 2, and if the threshold for Level 2 is not reached it will be calculated using the Integrated Fallback. The waterfall is applied individually to each tenor, so it is possible that different tenors are determined using different levels of the waterfall on the same day.

Level 1 determination

Input data for Level 1 of the methodology comprises of the following LCH cleared spot-starting ZARONIA overnight index swaps (OIS) data for the relevant tenor:

- Individual dealer-to-client quotes from an electronic trading platform (Tradeweb) captured every 30 minutes over a collection window from 09:00 to 18:00SAST on the previous business day. The time of capture within each 30-minute period is not disclosed. Quotes are captured 18 times over the collection window for each dealer.
- Executed trades completed during the collection window of 09:00-18:00SAST on the previous business day and sourced from LCH.

For quotes from the dealer-to-client trading platform to be valid, each bid rate to offer rate must be less than or equal to a maximum spread that is specified for each tenor, and the volume on the bid and offer rate must be greater than or equal to a minimum notional amount.

A unique mid-rate is calculated for each 30-minute capture by taking the median of all valid dealer quotes for that 30-minute capture. To be valid for use in the rate determination, each unique mid-rate must be derived from a minimum number of dealers. Consequently, there is a maximum of 18 unique rates for the collection window.

Additionally, rates for transacted ZARONIA OIS contracts from the CCP are collected. Each rate must be for a ZARONIA OIS contract that is transacted during the collection window and has a minimum notional size to be valid for use in the rate determination. The number of similar transactions involving the same pair of counterparties for a given tenor (i.e., same start date, end date, counterparties, direction and interest rate) is capped.

Both the unique 30-minute mid-rates and the transacted rates are then collected for each tenor and used to determine the rate if one of the following criteria is satisfied:

- (1) If there are at least a minimum number of valid unique 30-minute mid-rates and a minimum number of valid transacted rates, or
- (2) If the number of valid unique 30-minute mid-rates is lower than the relevant minimum in criteria 1 above but the number of valid transacted rates is higher than a new minimum that is greater than the relevant minimum in criteria 1 above, or
- (3) If the number of valid transacted rates is lower than the relevant minimum in criteria 1 above but the number of valid unique 30-minute mid-rates is higher than a new minimum that is greater than the relevant minimum in criteria 1 above.

For each tenor, the collected rates are sorted, and a percentage is trimmed from the highest rates and lowest rates. The rate for each tenor is then calculated as the mean of the remaining rates.

If none of the three criteria above are satisfied for a given tenor of the rate, the threshold for use of Level 1 for that tenor is not reached and the tenor is determined using Level 2.

Level 2 determination

Input data for Level 2 of the methodology are (i) indicative rates from interdealer brokers including Tradition, GFI, and Latium Capital (a trading divisions of GFI Group)³, (ii) indicative rates from Fenics Data & Analytics⁴, and (iii) ZARONIA OIS composite rates from Tradeweb, as well as (iv) any executable quotes from Level 1 that have not been used in a Level 1 determination (to the extent they exist but did not satisfy the threshold for a Level 1 determination of the benchmark). Rates are captured every 30 minutes between 09:00 and 18:00SAST on the previous business day. If any source, other than Tradeweb, has not updated its indicative or composite rates such that at least one valid rate is captured for one or more tenors on the previous business day, rates for that source(s) and tenor(s) are captured from the preceding day. This process of looking back continues until a rate can be calculated or a maximum of four business days prior to the business day before publication.

To be valid, each bid rate to offer rate must be less than or equal to a maximum spread that is specified for each tenor. The rate is then determined as the trimmed mean of the valid mid-rates.

The threshold for use of Level 2 in the determination of the rate is that at least a specified number of valid mid-rates are available.

If the thresholds for use of Level 1 and Level 2 of the waterfall are not reached, the rate is determined in accordance with the Integrated Fallback level.

³ GFI and Latium Capital are registered trademarks of GFI Group Inc. and its affiliates in the US and other countries

⁴ Fenics is a registered trademark/service mark of Fenics Software Inc. and its affiliates in the US and other countries

Integrated Fallback determination

Under the Integrated Fallback level, the spread between the Term ZARONIA on the previous business day and overnight ZARONIA compounded to the previous business day is applied to ZARONIA compounded to the day of the rate determination. A similar approach is used in FTSE Russell's other term rate benchmarks such as FTSE Term SONIA and FTSE Term €STR.

On each day t , the spread for Benchmark tenor f , denoted $S(t, f)$ is calculated as

$$S(t, f) = FTZ(t - 1, f) - \frac{365}{d(t_0, t - 1)} \cdot \left[\prod_{\tau=t_0}^{t-2} \left(1 + \frac{d(\tau, \tau + 1) \cdot R(\tau)}{365} \right) - 1 \right]$$

where $FTZ(t - 1, f)$ is the Term ZARONIA benchmark published on the preceding business day ($t - 1$) for tenor f , $R(\tau)$ is the ZARONIA rate published by SARB in respect of the day τ , $d(\tau, \tau + 1)$ is the number of calendar days from τ to $\tau + 1$ and $d(t_0, t - 1)$ is the number of calendar days from t_0 to $t - 1$. The product is over all business days from t_0 to $t - 2$ where t_0 is 9 business days before $t - 2$.

The Integrated Fallback for the Benchmark with tenor f on day t , denoted $IF(t, f)$ is then calculated as

$$IF(t, f) = S(t, f) + \frac{365}{d(t_1, t)} \cdot \left[\prod_{\tau=t_1}^{t-1} \left(1 + \frac{d(\tau, \tau + 1) \cdot R(\tau)}{365} \right) - 1 \right]$$

The product is over all business days from t_1 to $t - 1$ where t_1 is 9 business days before $t - 1$.

Any use of the Integrated Fallback level in a benchmark determination will be flagged when the relevant tenor or tenors are published.

5. Publication, distribution, refix and delayed publication policies, and expert judgement

FTSE Russell intends on publishing the prototype and benchmark in 1-month, 3-month, 6-month and 12-month tenors to 3 decimal places at or around 10:30SAST on each business day that banks are open for business in South Africa. The prototype and production rates will be made available on LSEG D&A products such as Workspace on the below RIC identifiers:

- All tenors: ZARTRR=RFTB
- 1-month: ZARTRR1M=RFTB
- 3-months: ZARTRR3M=RFTB
- 6-months: ZARTRR6M=RFTB
- 12-months: ZARTRR1Y=RFTB

The rate will also be available on the FTSE Russell website. We will permit authorised redistributors to publish the benchmark (however, their choice of identifiers could differ to the ones listed above).

Following the launch of the production benchmark we plan to adopt the below refix and delayed publication policies respectively:

If following publication, a material error is identified in the input data or the determination of the rate before 11:30SAST, the administrator shall endeavour to refix the rate as soon as possible. No refix will be issued after 23:59SAST on the day of publication. A material error is one that results in a change of + or - 0.1 basis points to the published value of the benchmark when corrected.

FTSE Russell may at its discretion delay publication of the Benchmark in the event that technical difficulties are preventing receipt of input data or if FTSE Russell has reason to believe that either the input data or the determination of the Benchmark includes a potential error. In such cases, all reasonable efforts will be made to publish the Benchmark at the earliest opportunity

Exercise of Expert Judgment by the Administrator

The administrator does not expect to exercise expert judgment in the determination of FTSE Term ZARONIA.

6. Performance of the proposed methodology

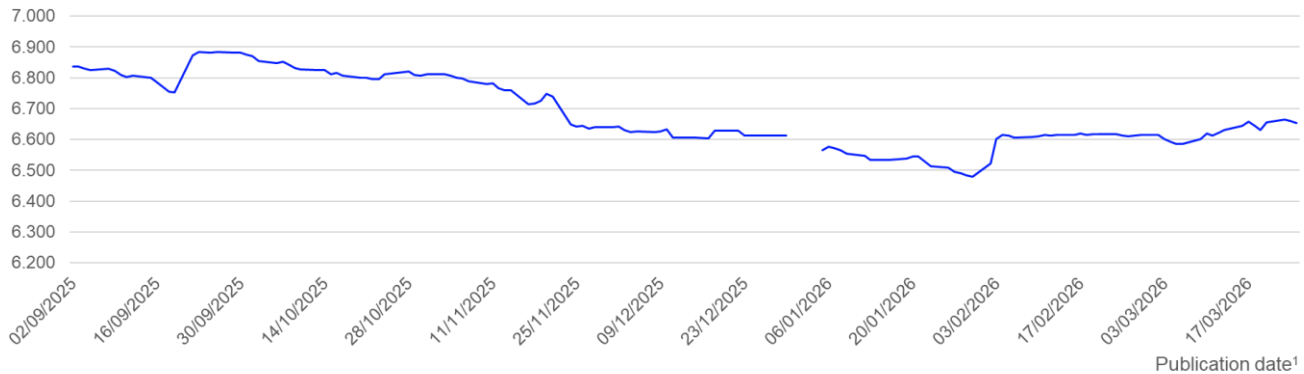
Whilst LCH and Tradeweb support the clearing and trading of ZARONIA OIS in 1-month, 3-month, 6-month and 12-month tenors respectively, there are currently only a small number of dealers quoting ZARONIA OIS rates on Tradeweb and, despite a recent increase, volumes of ZARONIA OIS cleared by LCH are limited. For this reason, there is currently insufficient data from which to calculate representative and robust historical data for Level 1 of the proposed methodology. As the JIBAR cessation date draws closer and initiatives such as no new JIBAR-referencing financial products we expect a substantial increase in the volume of dealers quoting ZARONIA OIS rates and transactions, which should make it possible to calculate a representative rate using Level 1.

The below historical prototype data has been calculated solely using Level 2 of the proposed methodology. Input data includes ZARONIA OIS rates from Tradeweb individual dealer-to-client quotes (which were insufficient to determine Level 1), Tradeweb composite, Tradition, GFI, Latium Capital and Fenics Data & Analytics. Not all sources are available or suitable for including in all tenors of the calculation from September 2025 (as shown in the charts below). Some data sources have been incorporated from a later date and only in select tenors. The final production rate will differ from what’s shown in the charts below due to the inclusion of Level 1, the Integrated Fallback, and an updated calibration of all input parameters.

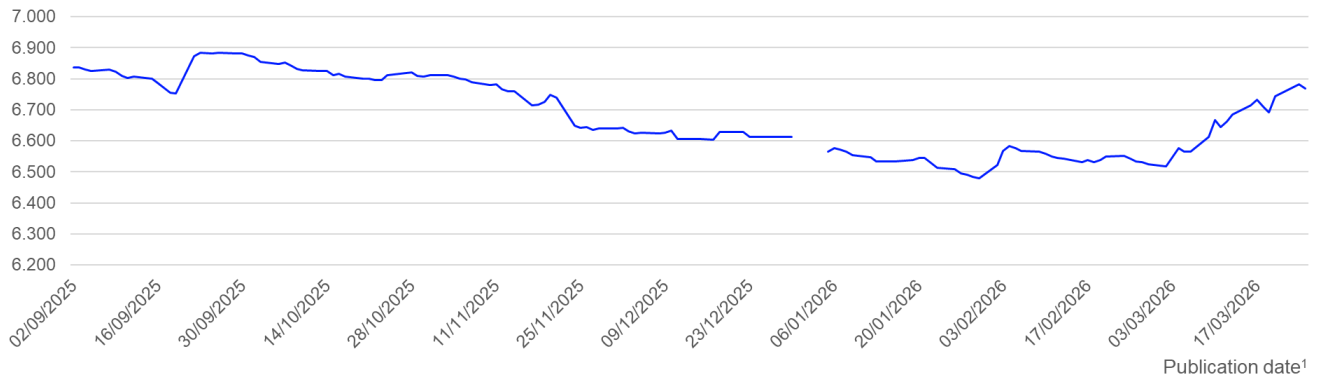
Due to insufficient data, the Term ZARONIA prototype in the charts below has not been calculated on 31 December 2025 (data collected on 30 December 2025) and 2 January 2026 (data collected on 31 December 2025). This does not represent an issue as following the production launch of the benchmark, liquidity in ZARONIA OIS is anticipated to be higher, which reduces the risk of insufficient data. However, if such circumstances were to occur the rate would be published using the Integrated Fallback.

FTSE Term ZARONIA 1 month tenor

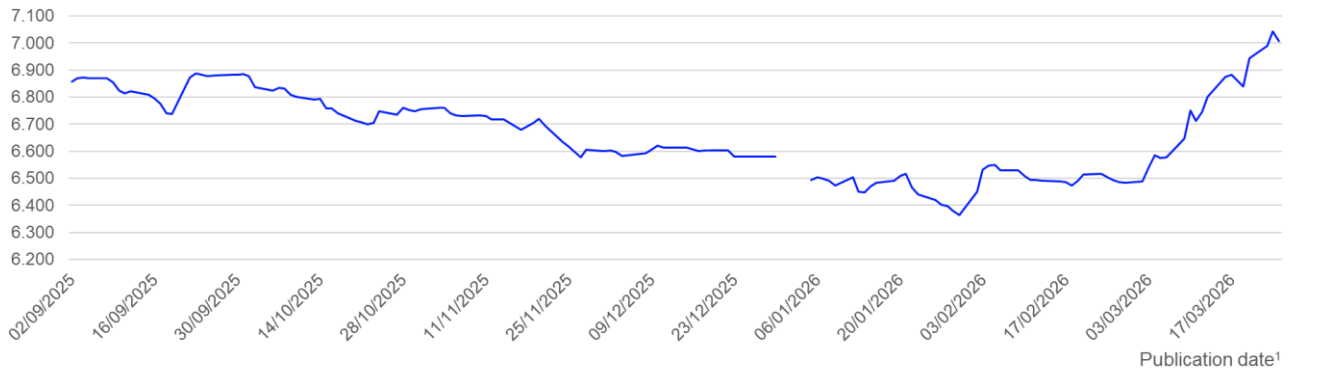
2 September 2025 to 25 March 2026, (%)



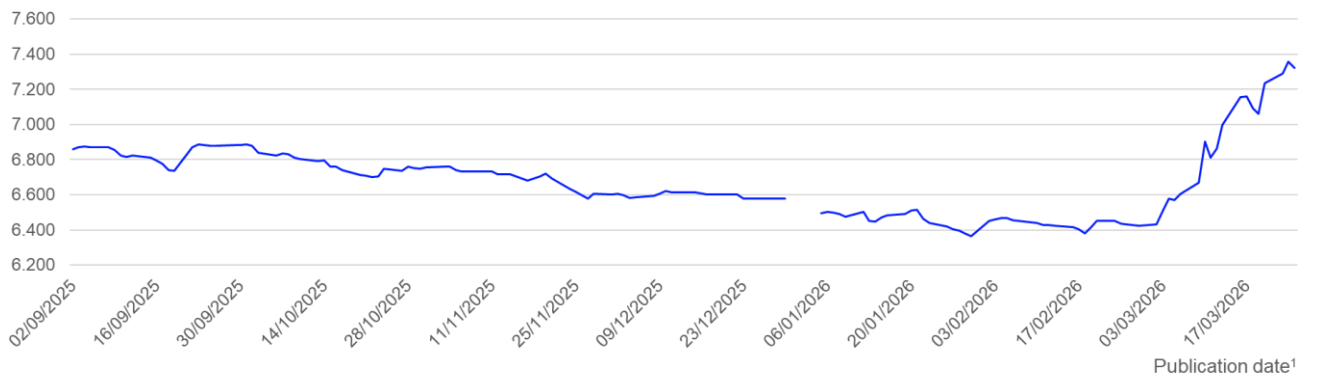
FTSE Term ZARONIA 3 month tenor
2 September 2025 to 25 March 2026, (%)



FTSE Term ZARONIA 6 month tenor
2 September 2025 to 25 March 2026, (%)



FTSE Term ZARONIA 12 month tenor
2 September 2025 to 25 March 2026, (%)



Note: Publication date is the business day immediately after the date of the collection window, when the input data is sourced.

7. Questions

1. Do you agree with FTSE Russell's proposed choice of input data into Level 1 of the methodology? If you believe additional or alternative data should be considered, please state which data you believe should be used and why.
2. To protect against manipulation of the benchmark FTSE Russell propose to cap the impact that similar trades done between the same counterparties on the same day have on calculation of the benchmark. Do you agree?
3. FTSE Russell intends to calculate Level 2 of the methodology using (i) indicative rates from major interdealer brokers including Tradition, GFI, and Latium Capital, (ii) indicative rates from Fenics Data & Analytics, and (iii) composite rates from Tradeweb for spot starting ZARONIA OIS cleared at LCH. Plus, any valid but unused individual dealer-to-client quotes from Tradeweb in the same instruments. Do you agree with the proposed sources?
4. With the exception of Tradeweb, FTSE Russell understands that the indicative rates used in Level 2 of the calculation are good until cancelled, updated, or withdrawn. During benign conditions it is possible for these rates not to be updated for several days at a time. However, using data that has not been updated for an extended period risks using data that is no longer representative of current market conditions. For this reason, FTSE Russell proposes to extend the collection window by one day at a time up to a maximum of four business days in total. Do you agree?
5. FTSE Russell proposes to collect the input data during the period 09:00-18:00SAST. On one hand a longer collection window supports the inclusion of more data. On the other hand, extending the collection window beyond typical trading hours can result in sampling the market when liquidity is low, and may be less representative. Shortening the collection window would reduce the availability of executed trades. The collection windows for trade and quote data should be the same to ensure both datasets are representative of the same market conditions. Do you agree with FTSE Russell's choice of collection window?
6. Do you agree that if there is insufficient data to calculate the benchmark using either Levels 1 or 2, that the benchmark should be calculated using the Integrated Fallback level?
7. Do you agree with FTSE Russell's proposed methodology for the Integrated Fallback, which applies a spread adjustment based on the movement in compounded ZARONIA to yesterday's Term ZARONIA rate?
8. FTSE Russell proposes to publish the prototype and benchmark at or around 10:30SAST on the business day immediately following the day that the data is sampled. Do you agree with the proposed publication time, or should it be at a different time?
9. Do you agree with publishing the benchmark in 1-month, 3-month, 6-month and 12-month tenors? Are there any additional tenors that you require or any proposed tenors that you don't need?
10. To align with ZARONIA, FTSE Russell plan to publish the benchmark to three 3 decimal places i.e., to 0.1bps (e.g., 6.102% is published as "6.102"). Do you agree with publishing the benchmark to 3 decimal places?
11. Are there any other data vendors, applications or delivery mechanisms (either LSEG or third party) that you would like to receive FTSE Term ZARONIA through?
12. Do you agree with the proposed refix policy?
13. Do you agree with the proposed delayed publication policy?
14. Are there any specific features, that haven't been specified above, that you require as part of the calculation, publication or redistribution of the benchmark?

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