The accounting impact of the change from JIBAR to ZARONIA

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Disclaimer

The views and opinions expressed in this presentation are those of the individual. Official positions of the ASB on accounting matters are determined only after extensive due process and deliberation.

Background

- SARB media announcement 3 December 2025
- JIBAR will discontinue after its final publication on 31 December 2026
- In 2022 ZARONIA was named its successor

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JIBAR vs ZARONIA

JIBAR

- Forward-looking
- Average lending rate between banks
- Calculated based on indicative quotes from a small group of bank

ZARONIA

- Backward-looking
- Interest rate for rand-denominated overnight wholesale funding transactions
- Based on wide range of actual transactions

Accounting impact

- Impact classification, measurement and disclosures
- Impact on contractual cash flows
  - Leases with variable rates
    - no relief in GRAP 13
  - Financial instruments & Hedge accounting
    - Relief in GRAP 104 and IFRS 9
  - Valuations

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Accounting impact (GRAP 104)

- Relief included in Improvement to Standards of GRAP (2023)
- Practical expedient: treat changes to contractual cash flows as a modification that requires remeasurement (par 5.16A-5.16E)

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Accounting impact illustration (GRAP 104)

- Entity is the lender, the loan is measured at amortised cost and changes are driven by interest rate benchmark reform
- Original (before benchmark reform)
  - Interest: 3-month JIBAR + 2%
  - Remaining term: 3 Year
  - Interest resets quarterly
  - Carrying amount at reporting date: R1,000

Accounting impact illustration (GRAP 104)

- Contract amended due to reform
  - Spread adjustment of 0.35%
  - New interest: ZARONIA + 2.35%
  - No change to: Principal, maturity, credit risk, payment frequency
- Are practical expedient requirements met?
  - Changes direct consequence of reform – YES
  - Is new basis economically equivalent - YES

Accounting impact illustration (GRAP 104)

- Step 1 – do not derecognise the loan
  - No gain or loss is recognised for the modification
- Step 2 – update the effective interest rate (EIR)
  - Recalculate EIR with
    - New ZARONIA based cash flows
    - Discounted over remaining useful life
    - To existing carrying amount

Accounting impact illustration (GRAP 104)

- Before modification
  - Carrying amount R1,000
  - Interest recognised per quarter R250
    - JIBAR (assume 8%) + 2% = 10% x R1,000 / 4
- After modification
  - New rate: ZARONIA (say 7.65%) + 2.35% = 10.00%
  - Economically equivalent outcome

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Accounting impact illustration (GRAP 104)

- What changed
  - The new benchmark is used to calculate variable interest
  - New EIR is applied going forward
- What did not change
  - Carrying amount on modification date
  - No modification gain or loss

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