

FSCA COMMUNICATION 28 OF 2023 (FM)

Publication of a Discussion Document on financial benchmarks and industry questionnaire – for public comment

1. PURPOSE

The purpose of this communication is to inform stakeholders that the Financial Sector Conduct Authority (“FSCA”) today published a Discussion Document on the *Development of a framework for the regulation and supervision of financial benchmarks* (“Discussion Document”) aimed at –

- (a) updating all interested persons on the status of the development of a framework for the regulation and supervision of financial benchmarks by the FSCA; and
- (b) inviting comments from the public on the questionnaire set out in **Annexure A** to the Discussion Document, by 14 December 2023.

2. BACKGROUND

2.1 The FSCA is, in terms of the Financial Sector Regulations Act, 2017 (Act No 9 of 2017) (“FSRA”), mandated to, amongst other things, enhance and support the efficiency and integrity of the financial markets.

2.2 A number of policy considerations have highlighted the need for the regulation, supervision and oversight of the provision of a benchmark as a financial service in South Africa. It has proven necessary that a regulatory framework for relevant benchmarks be developed that is fit for purpose and aligns with international standards and best practice, to ensure efficiency and integrity in the development, use and provision of benchmarks.

2.3 Since 2019, work has been underway to develop an appropriate regulatory framework for activities related to the provision of financial benchmarks. It is worth noting that these are previously unregulated activities and the development of the framework has required various sub-projects to ensure a structured, methodical and coherent approach to regulating these activities.

3. DISCUSSION DOCUMENT – DEVELOPMENT OF A FRAMEWORK FOR THE REGULATION AND SUPERVISION OF FINANCIAL BENCHMARKS

3.1 The Discussion Document provides an update on the regulatory developments underway. It describes the work by the FSCA to date and the planned future steps, as well as providing context on how this work relates to that of the South African Reserve Bank on the reforms of interest rate benchmarks and interbank offered rates.

3.2 It further requests detailed information from industry players, in the form of a questionnaire for completion, on the scope and operations of benchmark administrators and the types and categories of indices being used in the financial sector in South Africa. This information will augment feedback already received on the draft Conduct Standard - *Requirements relating*

to the provision of a benchmark, and inform future proposals under development by the FSCA regarding which indices should and will be determined to be an index for purposes of the FSRA.

- 3.3 It contains questions to inform the quantitative thresholds that should be applied to determine whether a benchmark should be considered as a “critical benchmark” or a “significant benchmark” for purposes of the draft Conduct Standard. Note that the draft Conduct Standard provides a definition for a “critical benchmark” and a “significant benchmark” and enables the FSCA to determine the thresholds for these (which determination will ultimately be done by Notice published on the FSCA’s website).

4. INVITATION TO SUBMIT INFORMATION

Interested parties are invited to complete the Questionnaire set out in Annexure A published with the Discussion Document and submit same in Word format to the FSCA via email to FSCA.RFDstandards@fsc.co.za by **14 December 2023**.

5. ENQUIRIES

For further information regarding this Communication, please contact Roslynne van Wyk at FSCA.RFDStandards@fsc.co.za



**KATHERINE GIBSON
DEPUTY COMMISSIONER**

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