



Navigating the JIBAR-to-  
ZARONIA transition:

Key strategic imperatives for  
South Africa's non-financial  
services sector

For over two decades, South African corporates have operated with the comfort of predictability in their debt management, courtesy of the Johannesburg Interbank Average Rate (JIBAR). This familiar benchmark provided treasurers with forward-looking certainty, enabling precise cash flow planning and risk management. However, the imminent transition to the South African Rand Overnight Index Average (ZARONIA) marks a profound shift – not just in nomenclature, but in the very mechanics of how interest is calculated, billed, and hedged.

While financial institutions have invested significant resources in preparing for this change, many organisations in the real economy – from miners to retailers and property developers – remain underprepared for the operational and strategic challenges ahead.

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**The transition to ZARONIA is more than a technical update. It is a systemic transformation that will test organisational resilience across sectors.**

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The South African Reserve Bank (SARB) has mandated a definitive timeline: no new JIBAR-linked contracts will be permitted after 31 May 2026, with the rate ceasing entirely on 31 December 2026. Treating this transition as a future problem rather than an immediate priority threatens to expose organisations to operational and financial risk.

# Universal transition challenges

Before delving into sector-specific impacts, it is crucial to recognise five universal challenges that will affect all non-financial corporates:

## 1 Liquidity blindness

Under JIBAR, treasurers enjoyed the luxury of knowing their interest obligations well in advance. ZARONIA, however, is compounded daily in arrears, meaning final interest payments are only known days before they are due. This uncertainty transforms cash flow forecasting from a deterministic process into a probabilistic exercise, compelling organisations to hold larger liquidity buffers and potentially constraining working capital.



## 2 System incompatibility

Most corporate Enterprise Resource Planning and Treasury Management Systems are designed for term rates, not daily compounding or observation shifts. Without system upgrades, finance teams may resort to manual calculations for multi-million Rand interest payments, introducing significant operational risk and potential audit vulnerabilities.



## 3 Transfer of value risk

ZARONIA, as a near risk-free rate, is typically lower than JIBAR. To offset this, a Credit Adjustment Spread (CAS) is added to ensure economic equivalence is achieved when transitioning from JIBAR to ZARONIA. The negotiation and calculation of the CAS is critical; if miscalculated or based on generic market averages, organisations risk permanently overpaying on their debt. Achieving true economic neutrality requires an adept methodology and rigorous validation.



## 4 The knowledge gap

The transition is not solely a treasury issue; it has far-reaching implications for financial reporting.

Developing an understanding of the impact on reporting tools and systems across various levels within an organisation will be key for ensuring a smooth transition, as day-to-day operations may be affected and prove to be non-trivial.

Furthermore, CFOs and Treasurers must articulate to Boards and Audit Committees why interest costs are now variable and accruals are estimates. A lack of understanding at the governance level can delay contract amendments, exposing organisations to legacy risks as JIBAR is phased out.



## 5 Functional challenges across the enterprise

- **Tax & transfer pricing:** The shift complicates yield-to-maturity calculations for Section 24J tax compliance. Inter-company loans without proper CAS adjustments may attract scrutiny from SARS for transfer pricing non-compliance.

- **Legal & contracts:** Organisations face a potential repapering challenge, requiring amendments to every loan agreement, inter-company note, and supplier contract referencing JIBAR.



# Sector-specific impact analysis

## Mining & Infrastructure - The Project Finance trap

Project finance structures typically depend on predictable cash flows and strict Debt Service Coverage Ratios. ZARONIA's backward-looking nature introduces uncertainty, potentially triggering technical defaults if late-period rate spikes occur - even when projects are operationally sound.

It is therefore imperative that careful consideration be given to the operational features of ZARONIA, such as the inclusion of a lookback period, as this could allow sufficient time for adequate visibility of expected cash flows.



## Real Estate (REITs & Developers) - The valuation disconnect

Commercial real estate valuations are closely tied to stable reference rates. The move to ZARONIA swaps alters discount rates, risking volatility in Net Asset Value and exposing REITs to basis risk if loan and hedge transitions are misaligned.

Valuations experts may therefore consider an overlapping period where valuations are run using both JIBAR and ZARONIA, for comparative purposes, to understand the impact on NAV when discount curves that reference JIBAR are transitioned to ZARONIA.

## Retail & Consumer Goods - The Prime mismatch

Retailers often link income to the Prime rate and funding to JIBAR (soon ZARONIA). As ZARONIA reacts immediately to SARB Repo changes, divergence from Prime could squeeze margins, with debt costs rising faster than consumer credit income.



# Strategic recommendations

The window for passive observation has closed. With “ZARONIA First” initiatives underway and JIBAR cessation having been confirmed by the SARB for December 2026, proactive engagement is essential.

We recommend a three-phase approach:



## 1 Exposure inventory

Conduct a comprehensive review of all contracts referencing JIBAR to allow for efficient repapering procedures of contracts where provisions are not incorporated into legal language. Urgency should be placed on identifying the full landscape of JIBAR-referencing contracts to understand the extent of repapering required.



## 2 Model stress-test

Simulate 2026/7 budgets using ZARONIA compounding logic to identify system gaps and areas where intermediate manual intervention may be required. In addition to this, considerations should be given to the identification and assessment of appropriate discount rates, impacts on hedging relationships and recalibration of interest rate risk sensitivity calculations.



## 3 CAS verification

Engage independent experts to validate Credit Adjustment Spread proposals, ensuring economic neutrality and immaterial impacts on existing hedge relationships should hedged items and hedging instruments not be transitioned on the same terms. Considerations of the potential impacts of lookback periods and observation shifts (operational features of ZARONIA) may also prove prudent.



Contact Deloitte to discuss how we can support your organisation in managing the JIBAR-to-ZARONIA transition.



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