



26 April 2022

Mr. Allan McGregor
Senior Manager, Rates
ASX OTC Interest Rate Derivatives Clearing
Bridge Street
SYDNEY NSW 2000

By email: allan.mcgregor@asx.com.au

Dear Mr. McGregor,

**ASX OTC Interest Rate Derivatives Clearing Consultation:
OTC Fallback Rate Provisions and OTC Product Eligibility Enhancements**

The Australian Financial Markets Association (AFMA) welcomes the opportunity to respond to the consultation on the proposed amendments to the ASX OTC Rules and Handbook to implement changes to benchmark fallback rate provisions in relation to the OTC interest rate derivatives products cleared by ASX and the introduction of OTC product enhancements to support the clearing of Asset Swaps and implementation of an International Monetary Market (IMM), Australian Dollar (AUD) roll convention.

Implementation of fallback rate provisions under the 2021 ISDA Definitions

AFMA supports the ASX proposal to implement fallback rate provisions for the BBSW and BKBM benchmark rates set out in the 2021 ISDA Definitions effective 27 June 2022 and treating all cleared transactions, including legacy trades, as if they incorporated the relevant fallback provisions contained within the 2021 ISDA Definitions.

This approach is consistent with other global jurisdictions to provide fallback rate certainty in the event of an Index Cessation Event or an Administrator/Benchmark event and consistent with the approach taken by other global CCPs clearing Interest Rate Swaps for bilateral derivatives transactions under ISDA documentation and implementation frameworks.

AFMA has consulted Members and does not make any additional recommendations regarding other ancillary matters that should be addressed in ASX's proposed amendments to the OTC Rules and Handbook.

OTC Product Enhancements

AFMA supports the addition to the ASX OTC Handbook of the Actual/Actual ICMA Day Count Convention and implementation of the AUD IMM roll convention.

Extending the ASX's eligibility criteria to include the Actual/Actual ICMA Day Count Convention in addition to the Actual/Actual ISDA Day Count Convention will support increased activity in OTC Asset Swap transactions. The proposed IMM AUD roll convention will enable swaps to roll on ASX's bank bill futures dates and is consistent with short term interest rate conventions for other currencies and the desire for Australian swaps markets participants to implement a similar convention for the Australian market. The proposed convention should assist market participants to trade single period and other swaps and facilitate greater straight through processing across different clearing venues.

AFMA has consulted Members and does not make any additional recommendations regarding other ancillary matters that should be addressed in ASX's proposed amendments to the OTC Handbook.

We welcome further engagement with the ASX if you have any queries regarding these comments. Please do not hesitate to contact us through the Secretariat for further information on this submission.

Yours sincerely

A handwritten signature in blue ink that reads "Mark McCarthy". The signature is written in a cursive style with a horizontal line underlining the name.

Mark McCarthy
Head of Markets