



# IBOR TRANSFORMATION AUSTRALIAN WORKING GROUP

## Meeting of the IBOR Transformation WG

Tuesday 9 July 2019 at 3:00pm

AFMA Boardroom 1

Level 25, Angel Place, 123 Pitt Street Sydney

### Minutes

#### Attendees

Stewart Fenton	Member	Australia and New Zealand Banking Group Limited
Pieter Bierkens	Member	Commonwealth Bank of Australia
David Ziegler	Member	Macquarie Group Limited
Ross Beaney	Alternate	National Australia Bank Limited
Amanda Cornish	Alternate	Westpac Banking Corporation

#### Secretariat in attendance

David Love	Policy Executive	Australian Financial Markets Association
Murray Regan	Support Executive	Australian Financial Markets Association

#### Apologies

John Henson	Member	National Australia Bank Limited
Stuart Crosbie	Member	Westpac Banking Corporation

#### 1. Meeting Opening

- 1.1. The meeting opened at 2:04 pm. Attendees and apologies were noted as above.
- 1.2. The previous minutes were accepted.

#### 2. Action Item follow-up

Discussion around nominated a technical representative on regulation, accounting and tax for OSSG discussions. Person has been identified but they need employer approval.

#### 3. Issues for OSSG –

Committee identified issues to bring to the attention of the OSSG Working Group. These were:

- Regulatory > Legislative safe harbour legal protection for counterparties conducting transition to address litigious gaming risk.
- Capital rules > transitioning contracts no new initial margin
- FRTB Transition calculations in IM models, changing leverage ratios
  - Accounting relief from any other consequences resulting from the interest rate benchmark transition
  - Tax issues > follow accounting treatments

#### **4. ISDA pre-cessation trigger consultation – member feedback**

Committee considered that pre-cessation trigger proposals currently do not enhance contractual certainty and members prefer the already agreed event driven cessation triggers. AFMA will respond to ISDA that a pre-cessation trigger is not necessary for Australia (BBSW) but is neutral on its inclusion for other benchmarks such as LIBOR which are the subject of the consultation.

#### **5. BBSW fallback progress**

Notes work on ASX BBSW trade reporting guidelines.

#### **6. Standard disclosure**

Should a market standard statement be developed to address IBOR vulnerability with clients / counterparties. Also extends to descriptions.

#### **7. Communication**

The Working Group has decided that AFMA needs to increase market understanding on the investor and corporate side. To this end it has asked for the AFMA website to provide public information on IBOR transition issues. This request is currently being implemented. They have also asked Secretariat to directly engage with members on this matter.

#### **8. ASF IBOR working group - Industry consultation on reform of floating rate benchmarks for securitization**

Discussion about the ASF's plans for a market consultation that the ASF relating primarily to 1M BBSW.

#### **9. Other business**

Group noted that on 24 June the Alternative Reference Rates Committee (ARRC) released a report detailing preliminary considerations for the use of risk-free rates (RFRs) in interdealer cross-currency swaps. The report summarizes the Subgroup's work and outlines potential conventions for interdealer trading of RFR-RFR and RFR-IBOR cross-currency swaps. The report stresses that cross-currency swap markets will be impacted as the use of LIBOR is expected to fall prior to 2021, and when counterparties transition from Libor to RFRs they will need to decide whether to move both benchmarks (i.e. both legs of the swap) or just the impacted leg only.

#### **10. Close of Meeting**

The meeting closed at 4:08 pm.