



Meeting of the IBOR Transformation Working Group

29 June 2020 at 2.00pm

Via virtual conference

Minutes

Attendees

Pieter Bierkens	Chair	Commonwealth Bank of Australia
John Henson	Member	National Australia Bank Limited
David Ziegler	Member	Macquarie Group Limited
Mark Beeley	Member	Westpac Banking Corporation
Wendy Suen	Alternate	Australia and New Zealand Banking

Secretariat in attendance

David Love	Policy Executive	AFMA
Murray Regan	Support Executive	AFMA
Mark McCarthy	Support	AFMA

Guests

Kerryn Smith	For APLMA
--------------	-----------

Apologies

Duncan Marshall	Member	Australia and New Zealand Banking
-----------------	--------	-----------------------------------

1. Meeting Opening

1.1. The meeting opened at 10:03 am. Attendees were noted as above.

2. Discussing feedback

Feedback on interpretation of the ISDA fall-backs. Following on discussion with RBA on 17 June feedback was prepared for ISDA in response to questions – See attached not.. WG agreed on following feedback -

1. Reference to RBA cash rate will be changed to a reference to AONIA – Agree. WG note that as a separate issue, the AONIA compounding rate definition is dated 2004 and may need to be revised.
2. on AUD-BBR-AUBBSW: No Index Cessation Event, should the market rely on a recommendation by ASIC on using an alternative rate rather than the RBA since ASIC is the supervisor of BBSW - Rely on ASIC .
3. on Fallback Cash Rate: No Fallback Index Cessation Event, should the market rely on a recommendation by RBA on using an alternative rate since ASIC does not supervise the cash rate (and the RBA is the administrator and lender of last resort) - Rely on RBA

4. On the proposed new (28 June 2020) definition of “Fallback Index Cessation Event” means, in respect of an Applicable Fallback Rate – Agree with the proposal. We assume that this removes the expectation that the RBA may need to express a view on the spread back to BBSW. Let’s discuss if you have any concerns.
5. On the definition of BBSW - should use the updated definition (relies on a screen rate rather than ‘the rate for prime bank eligible securities’)
6. On ‘Fallback Cash Rate Screen rate’ – WG note your comments that the Bloomberg screen codes will be updated

Action item: Secretariat to advise RBA of the WG responses

3. Support for ARRC initiative for NY law reform

The proposal by the ARRC to New York State to deal with legacy contracts which do not have fallback language is for a law to be made which is designed to minimise costly and disruptive litigation by providing legal certainty for the issues that are likely to arise under New York law. Notably, the proposed statute would: (1) prohibit a party from refusing to perform its contractual obligations or declaring a breach of contract as a result of the discontinuance of LIBOR or the use of the statute’s recommended benchmark replacement; (2) definitively establish that the recommended benchmark replacement is a commercially reasonable substitute for and a commercially substantial equivalent to LIBOR; and (3) provide a safe harbor from litigation for the use of the recommended benchmark replacement. The proposed legislation would achieve these goals by requiring the use of the recommended benchmark replacement where the contract language is silent or the fallback provisions prescribe the use of LIBOR.

The ARRC has sought support for its initiative from other national bodies around the world. WG agreed to support the ARRC proposal and for Chair to write to NY State.

Action item: Chair to write to New York authorities in support of ARRC legal reform proposals under NY law

1. Close of Meeting

The meeting closed at 3:00.

Response to ISDA questions

- 1. Reference to RBA cash rate will be changed to a reference to AONIA**
Group agreed. With the aside note that as a separate issue, the AONIA compounding rate definition is dated 2004 and may need to be revised. Further market consultations conducted by AFMA are going on about this.
- 2. On AUD-BBR-AUBBSW:**
No Index Cessation Event. The Group said the market should rely on a recommendation by ASIC on using an alternative rate rather than the RBA since ASIC is the regulatory supervisor of BBSW – There should be reliance on ASIC.
- 3. On Fallback Cash Rate:**
No Fallback Index Cessation Event. The Group should the market rely on a recommendation by RBA on using an alternative rate since ASIC does not supervise the Cash Rate (and the RBA is the administrator and lender of last resort) - Rely on RBA
- 4. On the proposed new (28 June 2020) definition of “Fallback Index Cessation Event” in respect of an Applicable Fallback Rate would mean retaining the ability (but not the obligation) in the event of a Fallback Cash Rate: Fallback Index Cessation Event for the RBA to recommend a spread to the new replacement rate.**
Group agreed with the proposal. Group based this on the assumption that this means removing the expectation that the RBA may need to express a view on the spread back to BBSW.
- 5. On the definition of BBSW**
Group said ISDA should use the updated definition (relying on a screen rate rather than ‘the rate for prime bank eligible securities’) on ‘Fallback Cash Rate Screen rate’ – the Group noted ISDA comments that the Bloomberg screen codes will be updated to correct references.
There is a separate point being discussed by AFMA about the Refinitiv branding replacing “Reuters” in respect of the RBA30 page in relation to the screen rate reference.