



IBOR TRANSFORMATION AUSTRALIAN WORKING GROUP

STATEMENT

The Australian National Working Group welcomes the ISDA IBOR Fallbacks Protocol

23 October 2020

The IBOR Transformation Australian Work Group (ITAWG) welcomes the launch of the International Swaps and Derivatives Association's (ISDA) IBOR Fallbacks Protocol (the Protocol) and IBOR Fallbacks Supplement (the Supplement), which focus on strengthening existing and new derivatives contracts with robust fallback language for a number of the IBOR benchmarks.

IBORs, such as BBSW and LIBOR, are used by the financial markets as interest rate benchmarks in a wide range of financial products, including derivatives contracts. The Protocol and the Supplement are part of worldwide efforts to address the risk that one or more IBORs are discontinued or, in the case of LIBOR, is deemed to be non-representative while market participants continue to have exposure to that rate. Market expectations are that LIBOR will cease to be published after the end of 2021.

The ITAWG has provided input to ISDA's consultations during the development of the IBOR fallbacks contained in the Protocol and the Supplement. It considers that the adoption of robust fallback language will improve market resilience and it encourages all Australian market participants with IBOR exposure to have regard to the ISDA announcement.

The Australian financial sector regulators have voiced strong support for using the Protocol to adopt the ISDA IBOR Fallbacks. In a joint statement by ASIC, APRA and the RBA, the RBA Assistant Governor (Financial Markets) Christopher Kent said,

'Timely adherence to the new ISDA Protocol is important for all users of LIBOR in derivatives contracts. Having these robust fallbacks in place for legacy contracts is a vital step in the transition away from LIBOR.'

The ITAWG considers the launch of the ISDA IBOR fallbacks for derivatives contracts an important impetus for the ongoing work developing standardised fallback language for other categories of financial products.

For additional information on benchmark reform in the Australian context, visit the [ITAWG's webpage](#).

Notes

The IBOR Transformation Australian Working Group is the national working group for considering the strategic issues facing Australia as the market is transformed by international developments with regard to IBOR transition and leading work on domestic responses to the change.