



6 July 2022

Ms Kristye van de Geer  
Senior Manager, Rates  
ASX Limited

By email: [Futures@asx.com.au](mailto:Futures@asx.com.au)

Dear Kristye

### **Consultation paper on fallback rate provisions for AU and NZ 90 Day Bank Bill Futures**

The Australian Financial Markets Association (AFMA) is providing an industry view on the consultation by ASX on the fallback language to be applied to the Australian and New Zealand 90 Day Bank Bill Futures in the event of permanent benchmark cessation.

Generally, the need and desirability of ASX amending the ASX 24 Operating Rules to cater for the use of a fallback rate in the event of permanent benchmark cessation is clear and supported by AFMA. However, AFMA considers that the Operating Rules need to provide greater clarity and certainty than leaving the matter to be determined at the time by ASX in consultation with Participants. It is appreciated that there is no obvious forward looking alternative reference rate to BBSW at this time but we consider that the appropriate alternative should find its derivation in AONIA as the officially recognised Risk Free Rate (RFR) for Australia.

#### **Question 1**

*Do you support ASX's proposed approach to transition Open Interest in the Bank Futures to an appropriate alternative futures contract (should one be available) flowing a Cessation Event?*

Answer: Yes, a mechanism should be included in the ASX 24 Operating Rules and Procedures to allow for the use of a fallback rate in the event of permanent benchmark cessation.

#### **Question 2**

*Is it helpful for ASX to include language in the ASX 24 Operating Rules and Procedures that provides for the potential transition of remaining Open Interest in the 90 Day Bank Bill*

*Futures to an appropriate alternative futures contract (at a point in time as agreed by ASX and Participants), should one be available at the time of cessation?*

*Answer:* Yes, ASX should include language in the ASX 24 Operating Rules and Procedures that provides for the potential transition of remaining Open Interest in the 90 Day Bank Bill Futures to an alternative futures contract.

### **Question 3**

*Do you support incorporation of the above proposed language (or some variation of) into the ASX 24 Operating Rules and Procedures? If no, please provide reason(s) why.*

*Answer:* AFMA considers that the Operating Rules need to provide greater clarity and certainty than leaving the matter to be determined at the time by ASX in consultation with Participants. Accordingly, the language: *“Be settled at expiry using the applicable fallback rate for the BBSW [BKBM] benchmark as determined by ASX in consultation with Participants;”* lacks necessary clarity and certainty in our view. AFMA considers that the language could allow for the fallback to be based off the ASX’s own Realised AONIA benchmark rate with a credit spread adjustment. Further consideration should be given to how such adjustment is to be determined by ASX in consultation with Participants.

### **Question 4**

*Is 3 months an appropriate notification period to announce the transition of Open Interest into an alternative futures contract? If no, please provide reason(s) why.*

*Note that the 3 month notification period would follow a Cessation Event and formal market consultation on the appropriate alternative futures contract.*

*Answer:* On the basis that the process for announcing a Cessation Event that would be associated with 3 month BBSW based on ASIC guidance is now established and would give Participants 3 months of notice, the notification period is appropriate and consistent.

Please contact David Love either on 02 9776 7995 or by email at [dlove@afma.com.au](mailto:dlove@afma.com.au) in regard to this letter.

Yours sincerely



**David Love**  
**General Counsel & International Adviser**