



## MARKET NOTICE

**Market Notice: 2020\_06**

**Date: 10 August 2020**

**Subject: Definition of AONIA**

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To assist the market, AFMA has published today the definition of AONIA to clarify its meaning. It is available here on the [AFMA website](#).

It makes clear that AONIA is the published screen rate for the Reserve Bank of Australia Cash Rate.

### **Definition of AONIA**

'AONIA' means the reference rate displayed on the Refinitiv Screen RBA30 Page or on any successor screen pages.

### ***Explanatory note***

The Reserve Bank of Australia (RBA) is the Administrator of the Australian financial benchmark known as the interbank overnight cash rate (Cash Rate). Further information on the Cash Rate is provided by the RBA on its [Cash Rate Procedures Manual](#) webpage. AONIA is the same rate as the Cash Rate published by the RBA to the Refinitiv Screen RBA30 Page. The reference in the definition to the "Refinitiv Screen RBA30 Page or on any successor screen pages" updates the previous reference to the Reuters Screen RBA30 Page, to address current and future rebranding of the screen page.

The Cash Rate is provided to other data service providers, including publication to the Bloomberg RBA07 screen page and is directly published the RBA on its own website in the Statistical Table F1. These alternative publication sources are also authoritative. The Cash Rate / AONIA is the officially sanctioned Alternative Reference Rate for Australian dollar-based transactions. The Cash Rate is generally calculated by the RBA as the weighted average interest rate on overnight unsecured loans settled as Cash Transfers in the Reserve Bank Information and Transfer System (RITS) between banks in the Australian dollar Cash Market. The Cash Rate Procedures Manual describes the design of the Cash Rate benchmark and sets out the procedures that apply to the RBA for collecting and monitoring transaction data, how these data are used to calculate the Cash Rate, and the processes for publishing the Cash Rate, including where Cash Market Transactions may be insufficient.

AONIA through long market usage is commonly used in place of the term Cash Rate and has wide acceptance in financial instrument documentation. While AONIA had its origins as an acronym for “AUD Overnight Index Average”, inference should not be made that this is its current interpretation. This is because it is the same rate as the published RBA calculated Cash Rate. While this means that AONIA will generally be calculated using Cash Market Transactions there are circumstances, catered for in the RBA Cash Rate Procedures Manual, when there are insufficient transactions warranting the use of an alternative methodology.

It is the publication of the Cash Rate that determines AONIA for that day. This explains the emphasis on the singularity of AONIA and the Cash Rate and that it has no independent calculation methodology or characteristics. Another clarification is that the RBA Cash Rate Target is different to the Cash Rate. Monetary policy decisions involve setting a target for the ‘Cash Rate’. This is referred to as the ‘Cash Rate Target’. A media release is issued at 2.30 pm after each Reserve Bank Board meeting, with any change in the Cash Rate Target taking effect the following day.

Any queries in relation to this Notice should be directed to [David Love](#), General Counsel.

**About AFMA**

The Australian Financial Markets Association (AFMA) is the leading industry association promoting efficiency, integrity and professionalism in Australia’s financial markets and provides leadership in advancing the interests of all market participants. These markets are an integral feature of the economy and perform the vital function of facilitating the efficient use of capital and management of risk. Market participants perform a range of important roles within these markets, including financial intermediation and market making. AFMA represents over 120 members, including Australian and international banks, leading brokers, securities companies, state government treasury corporations, fund managers, traders in electricity and other specialised markets and industry service providers.