



STATEMENT

AFMA Statement on Forthcoming ISDA IBOR Fallbacks Protocol

13 October 2020

The Australian Financial Markets Association (AFMA) welcomes the International Swaps and Derivatives Association's (ISDA) announcement on 9 October 2020 of the upcoming launch of its IBOR (interbank offered rates) Fallbacks Protocol (the Protocol) and IBOR Fallbacks Supplement (the Supplement), which focus on strengthening existing and new derivatives contracts with robust fallback language.

AFMA encourages participants in the Australian market to adhere to the Protocol when it is launched on 23 October 2020. The Protocol will take effect on 25 January 2021 and timely adoption well before this time is desirable to promote market certainty.

The Supplement amends the 2006 ISDA Definitions, which include standardised definitions for interest rate and currency derivatives contracts, to incorporate designated fallback rates for certain IBORs. The Protocol enables the application of these designated fallback rates to legacy contracts. Adoption of the Protocol and Supplement is done on a voluntary basis.

When the Protocol takes effect on 25 January 2021, existing derivatives contracts will incorporate the new fallbacks if both counterparties have adhered to the Protocol or otherwise bilaterally agreed to include the new fallbacks in their contracts. The Supplement will also take effect on 25 January 2021, at which point new derivatives contracts that incorporate the 2006 ISDA Definitions and reference a relevant IBOR will also incorporate the new fallbacks.

AFMA considers that the adoption of robust fallback language into documentation will improve market resilience and it encourages broad and timely market uptake of the Protocol in Australia.

The ISDA Protocol and Supplement are part of worldwide efforts to address the risk that one or more IBORs, such as US dollar LIBOR, is discontinued or, in the case of LIBOR, is deemed to be non-representative while market participants continue to have exposure to that rate.

AFMA has cooperated with ISDA in the development of the Protocol and is continuing to work with its members and the market more generally on the important issues associated with LIBOR transition in the Australian market. The launch of the ISDA Protocol covering derivatives contracts is an important impetus for the ongoing work on developing standardised fallback language for other categories of financial products.

For additional information on benchmark reform in the Australian context, visit AFMA's [IBOR Transition](#) website page.

Notes for Editors:

The Australian Financial Markets Association (AFMA) is an industry association that promotes 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. AFMA member firms perform a range of important roles within these markets, including financial intermediation and market making.

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