



Meeting of the IBOR Australian Transformation Working Group

4 November 2021 at 3.00pm
By Webex

MINUTES

Attendees

Pieter Bierkens	Chairperson	Commonwealth Bank of Australia
Duncan Marshall	Member	Australia and New Zealand Banking Group Limited
David Ziegler	Member	Macquarie Group Limited
John Henson	Member	National Australia Bank Limited
Mark Beeley	Member	Westpac Banking Corporation

Secretariat in attendance

David Love	Secretary	ITAWG
Mark McCarthy	Support Executive	AFMA

1. Meeting opening

1.1. The meeting opened at 3:02 pm. Attendees were noted as above.

1.2. The previous minutes were accepted.

2. An update on the discussions with the Canadian WG and SOFR First in Australian market

The Group discussed the recent liaison meeting with the Canadian WG. The situation in the Australian and Canadian markets. It was noted that there is little going through in the AUD/USD swaps market. AONIA is not a transactions based benchmark, the way CORRA is. The CAD/USD x-currency swaps market is still CDOR based and indeed mostly uses LIBOR on the USD leg. About 90% of it is still CDOR/LIBOR based. In contrast to AUD, in CAD there appears to be a shift towards the adoption of CORRA over CDOR in the domestic market. There is a review of CDOR which is likely to be published in a few weeks' time.

Similarly, recommendations for the use of CORRA in the CAD swaps market will be published shortly.

AONIA is not being seen in multi-currency facilities. Given the upcoming CORRA loan recommendations this may change in the CAD market, but it looks as if the AUD market is not quite there yet.

The large size of the AUD OIS compared to the BBSW swaps market. A question that came up was whether the AUD OIS market is liquid and active further out the curve, such as out to 5 years.

There is pressure it was suggested that included regulatory expectations on global banks to use a RFR/RFR convention in the cross currency swaps market, so we are seeing a dichotomy between 'global banks' and 'local banks', who may be more inclined to use a local IBOR. The EURO market still does not seem set on when it will start switching to ESTR/SOFR.

Whilst it was the expectation that the CAD and AUD legs will remain CDOR and BBSW based respectively into the new year, with of course SOFR on the USD leg, certainly from 1 January. It was also acknowledged that liquidity and trading preferences can change quickly. It appears that EURO may be the first currency to start using RFR in the cross-currency swaps market but timeline is also not exactly clear.

3. Update on the BBSW fallback language development.

The Group was briefed on the deliberations of the AFMA IBOR Fallback WG and parallel work of the ASF working group. The focus of discussions have been with the ASX and ASIC around pre-cessation and cessation protocols.

4. What, if anything, does synthetic LIBOR imply for Australia?

The Group discussed the expectation that the UK stop use of US dollar Libor in new contracts written after 31 December 2021, but it will allow the use of synthetic Libor in legacy contracts. This would address legacy contract issues.

5. Market development direction – Possibility of Term AONIA

Group discussed challenges of establishing Term AONIA. No near term prospects.

6. Next meeting

Group discussed arranging a meeting with the Regulators to update them on market shift.

7. Close of meeting

Meeting closed at 4:05 pm.