



Cash Conventions

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1. Description

This market relates to the borrowing and lending of cash on either a secured or unsecured basis between AFMA members. AFMA conventions apply to deals settled in Exchange Settlement cash via the Reserve Bank of Australia's (RBA) Real Time Gross Settlement (RTGS) feeder systems, ie. Austraclear, RITS or SWIFT. Conditions relating to settlements via bank cheque or other deferred settlement methods are subject to negotiation between individual participants. Loans are usually either at call or for a fixed term.

Four distinct RBA Exchange Settlement Account (ESA) trading sessions occur each day. These are:

- 1) The Morning Settlement session (7:30-8:45am) is open to banks holding an ESA with the RBA. It is used by these participants to fund their previous day's deferred cash flows. Only RITS settlements are permitted in this session. Once these flows are settled the Daily Settlement session commences.
- 2) The Daily Settlement session (9:15am-4:30pm) is open to all RITS clients (irrespective of whether the client holds an ESA or not) for settlement of transactions via the RTGS feeder systems. Session times may vary between the three feeder systems, however, in general, session close is within 5 minutes of RITS close. New loans/deposits between non-ESA holders must be matched/input into the appropriate feeder system prior to session close, even though actual settlements may not occur until the Settlement Close session.
- 3) The Settlement Close session (4:30-5:15pm) is used by banks to clear payments queued in the RTGS system both on behalf of the ESA holder and their clients. Only RITS transactions are permitted in this session. An Interim session is conducted between 5:15-5:21pm.
- 4) The Evening session (5:30-8:30pm in summer and 5:30-6:30pm in winter) is used by banks to clear payments associated with foreign exchange transactions cleared through the CLS system.

2. Products

2.1. At Call Funds

At call funds can be recalled, repaid or renegotiated as to interest rate during morning money market trading (until 11am) without the need for prior notice. For repaid/recalled funds, transactions must be matched or input into the preferred settlements stream by 12:30pm Sydney time. Cash deals between non-ESA holders are restricted to the daily settlement session only (9:15am-4:30pm), as are deals via Austraclear or SWIFT.

2.2. Term Funds

Cash dealt to a fixed maturity date, with interest generally paid at maturity

2.3. Cash Transactions between ESA holders

Cash deals between these participants may be entered into and settled in any of the three daily RTGS settlement sessions, depending on negotiation between the parties involved. They may be at call or for a fixed term. At call cash deals entered into during the settlement close session are subject to the same renegotiation conventions as those applying to loans dealt during the daily settlement session.

3. Dealing

3.1. Methods of Dealing

Phone

3.2. Electronic Dealing

Not Applicable

3.3. Business Days

A business day is defined as any day on which the high value electronic payment system is open for business in Sydney and/or Melbourne.

The high value electronic payments system is defined for the purposes of these conventions as the Reserve Bank Information and Transfer System (RITS), operated by the RBA, through which interbank settlement of payment obligations occurs largely on a RTGS basis.

The four daily trading sessions are described in *Section 1*.

3.4. Standard Transaction Size (market parcel)

In relation to AFMA *data* page AFMZ a standard parcel is AUD25million, subject to credit limits. This is negotiable between counterparties at the time of dealing.

3.5. Two Way Pricing

Not Applicable

3.6. Quotation and Dealing

Bid – where the cash is borrowed.

Offer – where the cash is lent.

3.7. Other Instrument Conventions

For conventions regarding general collateral repos and intra-day repos please refer to the [Repo Conventions](#).

Please see *Section 4.1* when using the RBA RITS and/or the SFE Austraclear systems functionality to match and settle trades.

3.8. Basis

All rates are quoted on an actual/365 day basis, using a simple interest calculation as at month-end and payable monthly.

Loans between ESA holders have interest due at maturity.

3.9. Maturity Conventions

At call cash is automatically rolled at 11am unless otherwise advised by either counterparty.

3.10. Settlement Rate or Index

Not Applicable

3.11. Premium Payment Date(s)

Not Applicable

3.12. Expiry Conventions

Not Applicable

3.13. Broker Conventions

Not Applicable

3.14. Confidentiality

No specific conventions apply. Refer to the [Code of Conduct & Code of Ethics](#).

3.15. Credit

All deals are subject to individual credit limits. Dealers should advise the counterparty if they are unable to deal because of credit constraints or lack of limit.

3.16. Exercise of Options

Not Applicable

3.17. Data Source

The AFMA *data* page AFMZ operates on the basis of the best bid-and-offer quotes, with quotes showing the member's identifying codes. Prices are automatically and competitively ranked by the system.

The left hand side of this page lists the bid and offer for 11am unsecured cash. Bid refers to the borrowing of cash and offer refers to the lending of cash.

Example:

INTERBANK QUEUE PAGE - CASH											
11AM				CGS REPO				CGS REPO TOD/1 WK			
	BID	OFFER			BID	OFFER			BID	OFFER	
DBAG	06 95	07 00	STGS	WBCA	07 00	06 90	NABM	DCMA	06 95	06 85	BTAS
CLAL	06 95	07 05	BNPS	STGS	0700	06 90	WDRA				
UOBA	06 90	07 05	HKBA								
								SEMI REPO			
								NABS	07 05	06 95	BTAS

All transactions are at call and are automatically rolled the following day at 11am unless otherwise agreed between counterparties.

3.18. Pricing Formulae

Simple interest formula – The general form for calculating the simple interest amount is:

$$I = P \times r \times t$$

I = amount of interest

P = principle amount or present value

r = rate of interest per annum

t = time in years

4. Confirmations

Refer to the [Australian Dollar Debt Instrument Confirmation & Settlement Standards](#).

4.1. Timing

The settlement function replaces the initial confirmation.

When confirming & settling cash transactions via the RBA RITS and/or the SFE Austraclear systems counterparties are requested to the input the agreed cash rate thus allowing the functionality of those systems to match the trades.

4.2. Obligation of Dealers

All dealers are subject to the [Code of Conduct & Code of Ethics](#).

4.3. Documentation

No convention exists, however individual counterparties may wish to sign documentation.

5. Settlements

Refer to the [Australian Dollar Debt Instrument Confirmation & Settlement Standards](#).

5.1. Physical Settlements

Physical settlement is still available as a method of settlement, although it is preferable that settlements fall under the RTGS umbrella. Physical settlement can only be made with the prior agreement of both counterparties.

5.2. Cash Settlements

The system uses several preferred payment methods: SWIFT, Austraclear and RITS, all of which fall under the RTGS umbrella.

5.3. Premium Payments

Not Applicable

5.4. Exercise of Options

Not Applicable

5.5. Settlement Failures

Failure to pay funds into a counterparty's account on the agreed value date will require a adjustment for good value. For funds paid to an incorrect account undue enrichment maybe claimed.