



IBOR TRANSFORMATION AUSTRALIAN WORKING GROUP

Meeting of the IBOR Transformation WG

Thursday 24 October 2019

3:00 pm

AFMA Boardroom 1

Level 25 Angel Place, 123 Pitt Street Sydney

Minutes

Attendees

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

Secretariat in attendance

David Love	Policy Executive	Australian Financial Markets Association Limited
Murray Regan	Support Executive	Australian Financial Markets Association Limited

1. Meeting Opening

- 1.1. The meeting opened at 3:04 pm. Attendees were noted as above.
- 1.2. The previous minutes were accepted.

2. Areas where the market may benefit from enhanced regulatory guidance

The bulk of the meeting was taken up with analysis and discussion of the Working Group on Sterling Risk-Free Reference Rates letter to the FCA regarding specific regulatory barriers likely to impede the adoption of SONIA in new transactions as well as the replacement of current exposures to Sterling LIBOR with corresponding exposures to SONIA.

The complementary letter from the UK WG to the European Commission provided a detailed list of specific cases where regulatory dependencies may act as barriers to the smooth transition to alternative RFRs:

- i) Annex 1 addressed prudential regulatory issues for banking;
- ii) Annex 2 addressed prudential regulatory issues for insurance; and;
- iii) Annex 3 addressed conduct issues applicable across the financial sector which may be of relevance in the EU context

The matters relating to derivatives margining and trade reporting rules, EMIR risk mitigation and MIFIR trading obligations were considered specific to EU regulation but these topics need to be

taken forward in Australian and examined from our domestic rule perspective. The annexes in the letter to the European Commission provide good technical summaries of the issues for this purpose.

The most resonant issue related conduct risk arising from selecting a replacement rate and treating customers fairly. Client communications was also considered. These issues have been identified by the Group as the highest priority matters on the agenda with the Australian regulators. The UK have set a good precedent in seeking guidance on conduct risk and the Group thought that a similar letter focused on conduct risk and client communications should be written to the authorities here from the Group.

After deliberation it was decided to address the letter to the Council of Financial Regulators, with the guidance being sought from ASIC.

Action item: Chair and Secretariat are to prepare a draft letter seeking regulatory guidance on conduct risk and client communications from the Group to the Council of Financial Regulators. Draft to be circulated to members for settlement.

3. Take-aways from the ISDA conference

Discussion around the ISDA conference and comments on benchmarks. Main matter of anticipation is the release of ISDA fallback language in December.

4. Close of Meeting

The meeting closed at 4:12 pm.