



Proposed Conventions for BBSW/SOFR Cross Currency Basis Swaps

The following conventions for BBSW/SOFR cross currency basis swaps have been proposed by interdealer broking group, ICAP, following extensive consultation with market participants in Australia's swaps market.

AFMA's Swaps Committee have discussed the proposed conventions at length and have agreed that the conventions provide appropriate initial guidance to market participants for the trading of BBSW/SOFR cross currency basis swaps.

These conventions are intended for formal adoption into AFMA's Interest Rate Derivatives Conventions following a period of trading and when the broader market indicates through trading participation that the conventions are appropriate for the Australian market.

- 1) Quarterly interest rate payment frequencies on both sides of the swap.
- 2) Exchange of notional principal payments on settlement and maturity of the swap.
- 3) Interest should be calculated on compound daily, settled in arrears as per existing ISDA definitions for SOFR and quarterly in arrears for BBSW leg of the swap. Day count conventions of Actual/360 and Actual/365 should apply for the USD and AUD legs of the swap respectively.
- 4) Interest rate payments for the SOFR leg of the swap should occur on a T+2 basis. Interest rate payments for the BBSW leg of the swap should occur on a T+2 basis.
- 5) Transactions are to be spot (2 business day) settlement.
- 6) Transactions should be priced, based on the principal being reset quarterly.
- 7) FX reset should occur 2 days prior to the next roll date, with interim principal exchange occurring on the roll date.
- 8) Prices should be quoted on USD currency collateral discounted on an effective SOFR rate.
- 9) Holiday calendar – Sydney & New York.