



# Meeting of the IBOR Transformation Working Group with Industry Associations

6 November 2020 at 2.00pm  
Via Webex

## Minutes

### Attendees

Pieter Bierkens	Chair	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
Kerryn Smith	Guest	APLMA
Robert Gallimore	Guest	ASF
Chris Dalton	Guest	ASF
Andrea Manson	Guest	APLMA
Anne-Marie Neagle	Guest	APLMA
Lindesay Brine	Guest	FTA
Adam Taxakis	Guest	ACSA

### Secretariat in attendance

David Love	Policy Executive	Secretary
Mark McCarthy	Support Executive	AFMA
Natalie Thompson	Policy & Research Officer	AFMA

### 1. Meeting Opening

Meeting opened at 2:03 pm. Attendees were noted as above

### 2. Fallbacks for Cash products

Industry group meeting hosted by ITAWG to discuss fallbacks and industry conventions work and collaboration on these matters.

The Group noted there was little guidance on cash product fallbacks apart from the ARRC which was directed to SOFR and the US market conditions so less useful from an Australian perspective. Globally there is no clear consensus. The most obvious course is to look to the ISDA derivatives precedent because this will be influential on certain classes of cash products, eg FRN.

The views of the regulators, particularly the RBA's comments to ASF were discussed. This relates to the fragility of the 1 month BBSW rate and the need to look to a robust fallback arrangement. It was noted that operational readiness is the main challenge in relation to securitised offerings for both issuers and investors. ASF is considering further consultation.

The RBA has made clear that it is looking to industry to provide the lead on this. The RBA wants to know what issues industry has.

APLMA is well advanced with reviewing the LMA proposed language. A number of issues need to be discussed with regard to its integration into APLMA documentation. LMA wording on fallbacks includes AUD. Need to cover the whole tenor and cover 1 to 6 months swaps for the hedge. Looking to update documentation with the next two months.

FTA noted that calculation of spreads is a major transition issue that has not yet been addressed. The calculation needs to be robust.

ACSA gave the perspective of custodians. General agreement with previous points made. There are a lot of operational issues down the track to deal with which will create a lot of work for custodial teams.

General feedback point to develop for discussion with RBA.

- ASF is preparing a new survey of members
- Question of inertia in the Australian system, particularly on the buy-side and with smaller institutions as it is relying on international alignment and not taking premature action which is out of step with lead jurisdictions.
- Absolute product alignment not needed. Emphasis on is on operational alignment on matters like market conventions and spread calculation infrastructure.

**Action item:** Arrange meeting with RBA to provide feedback when ready with points to raise.

### **3. Matters for noting**

Item on APRA and ASIC issues under CPS 226 and derivatives trade reporting were left to deal with out of session.

### **4. Close of Meeting**

The meeting closed at 3:10 pm