



# Meeting of the IBOR Transformation Working Group

Thursday 8 July 2021 at 3.00pm

By Webex

## Minutes

### Attendees

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

### Secretariat in attendance

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

### Apologies

Mark Beeley	Member	Westpac Banking Corporation
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### 1. Meeting Opening

1.1. The meeting commenced at 3:03 pm. Attendees and apologies were noted as above.

1.2. The previous minutes were accepted.

### 2. 4 June ASIC statement on transition

The WG noted and acknowledged the 4 June ASIC statement on transition.

### 3. 7 July ARRC Meeting

The WG noted that in June 2021, the US Commodity Futures Trading Commission's (CFTC) Market Risk Advisory Committee's (MRAC) Interest Rate Benchmark Reform Subcommittee voted to recommend switching interdealer trading conventions from LIBOR to the Secured Overnight Financing Rate (SOFR) for U.S. Dollar (USD) linear interest rate swaps in an initiative known as "SOFR First". Non-USD LIBORs will cease publication from 1 January 2022 and USD LIBOR from 1 July 2023. The SOFR First recommendation is encouraging interbank market participants to adopt SOFR and other alternative reference rates (ARR) in their transactions before then, by suggesting that interdealer brokers replace LIBOR with SOFR and other RFRs from 26 July 2021. In addition, interdealer LIBOR screens for non-USD LIBOR rates should be turned off by 22 October 2021.

The Working Group discussed the meeting on the previous day with the Australian industry observers on the ARRC about the US developments. That meeting had led to a common Australian position:

- Australia is a multi-rate jurisdiction and the AUD / BBSW is not one of the LIBOR currencies being transitioned.
- The major currency switch will be closely monitored as is likely to affect sentiment in the Australian market and result in trading changes.
- Australian Clients continue to request BBSW. How long this situation will continue in the context of trading changes after 26 July is unclear but given that 31 December is still considered to be the key transition date, it is expected that BBSW legs will still be in demand until the end of the year.
- Large client sentiment may change quickly given developments in the US but smaller clients are less likely to want to change.
- It is important the client sentiment is met given ASIC's directions over fairness with regard to conduct towards clients.
- Operationally, the major banks are ready for a switch to RFR to RFR. Reference page rates provide for the needs various RFR permutations.

The WG noted that Australia is a multi-rate jurisdiction, with both BBSW and the Australian alternative reference rate being available. The US push to SOFR is globally influential and interest rate trading markets will be closely watched by Australian market participants as we move to the end of the year to see what momentum there is for a shift to alternative reference rates as a result of the change in interdealer trading conventions.

#### **4. Taxation**

The ATO Discussion paper on Tax Implications of IBOR Reform was discussed and noted.

#### **5. An update on the development of FRN fallbacks**

The WG was briefed by the Secretary on the work on cash product work fallback language by AFMA / ASF and the engagement with the ASX and ASIC operational readiness for changes. The legal technical issue around finding a suitable local cessation mechanism for securitised was discussed. Work is continuing by AFMA and ASF on this in cooperation.

#### **6. Working Group Chairperson**

The Chair noted he had been in the role for two years and invited other members to take up the role. The WG thanked the Chair for his successful contribution and agreed that they would like him to continue in the role. The Chair accepted and was confirmed as renewed Chair of the WG.

#### **7. Close of Meeting**

The meeting closed at 4:10 pm.