

BBSW Update – 27 March 2013

1. Proposed Operational Enhancements

Building on the advantage of BBSW being based on a traded market, AFMA proposes to bypass the panel requirement by adopting a process to extract these rates directly from trading venues (brokers and electronic markets). This proposal has the support of market participants.

An advantage of this enhancement is that it will remove the need for a BBSW Panel, which will eliminate the associated compliance and ancillary costs which otherwise exist for panellist banks.

This change would not affect the basis of BBSW, as it deals with the operational process through which rates quoted on the market are compiled to generate BBSW.

This change is subject to technical requirements being satisfied but it is hoped that this solution will be achievable within a period of months.

2. Enhanced Transparency

AFMA has undertaken a number of measures recently to improve transparency for BBSW including:

- i. A comprehensive Guide to BBSW has been published – see [Guide](#);
- ii. Publication of end of day OIS rates through AFMAdata, to provide a better basis for objective analysis of daily movement in BBSW;
- iii. AFMA has published rate contribution Rate Contribution Best Practice Principles [see [Principles](#)].

In addition, AFMA is implementing a system to collect BBSW related trade data from active traders in the market for Prime Bank paper and trading venues. The associated transactions database will:

- Enable AFMA to monitor the market more effectively on a daily basis and assist committees in the management of market issues, like liquidity;
- Enable AFMA to publish information on aggregate trading levels and volume weighted prices in the market on a delayed basis, in a form that is consistent with maintaining liquidity and with prudential interests; and
- Provide the regulators with access to a convenient data base, which could be especially useful to ASIC for the purpose of its market regulation.

Implementation of this project is well advanced.

3. Panel Changes

The BBSW panel will comprise 10 banks from the end of March, following advice AFMA has received from HSBC Bank Australia Ltd and Citibank NA of their intention to withdraw from the panel from that time.