



## MARKET NOTICE

**Market Notice: 2023\_01**

**Date: 05/01/2023**

**Subject: Amendments to Interest Rate Derivatives Conventions**

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AFMA Members and market participants are advised that AFMA's Swaps Committee voted unanimously to adopt four changes to the AFMA [Interest Rate Derivatives Conventions](#). The changes deal with these matters:

1. Section 2.3 New BBSW/SOFR basis swaps definition
2. Section 3.6 Quotation and Dealing
3. Section 3.18 Other Dealing Conventions
4. Remove redundant references

The amendments to existing conventions and implementation of new conventions will take effect from Monday, 9 January 2023.

The changes are detailed below.

### **1. Section 2.3. Basis Swaps New BBSW/SOFR basis swaps definition**

In *section 2.3. Basis Swaps* provide a new definition for BBSW/SOFR basis swaps to replace the definition of BBSW/LIBOR basis swaps.

- *A BBSW/SOFR Basis Swap is a form of cross currency interest rate swap in which one party pays a floating rate of interest in Australian Dollars (AUD) based on a specific AUD principal in exchange for a floating rate of interest in USD based on a specified USD principal. Principals are usually exchanged at both the start and maturity of the swap. The AUD floating rate is based on BBSW whilst the USD floating rate is based on the secured overnight financing rate (SOFR).*

### **2. Section 3.6 Quotation and Dealing**

Change to *section 3.6 Quotation and Dealing* to:

- Remove the language for "Neutral Dates" for single currency basis swaps and replace it with a convention stating that single currency basis swaps are traded for T+1 settlement.
- Amend the language for "Neutral Dates" for cross currency basis swaps and delete the reference to the last two days and first two days of each quarter and replace it with a

convention stating that cross currency basis swaps will be quoted and reflect spot settlement of T+2.

### **3. Section 3.18 Other Dealing Conventions**

Change to *section 3.18 Other Dealing Conventions* to add a definition of “Futures Dates”.

- *The last trading day of Bank Accepted Bills (BAB) Futures contracts is the Thursday before the second Friday of the delivery/expiry month. If a counterparty to a BOB swap requests “Futures Dates”, the start date and reset dates will be the Thursdays before the second Fridays of the delivery/expiry month in the BAB futures contract for the respective tenor.*

### **4. Remove redundant references**

Make non-material amendments to redundant references throughout:

- Remove references to Reuters and replace them with Refinitiv.
- Remove/replace references to LIBOR with SOFR.
- Remove/replace references to Fed Funds with SOFR.

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Please contact [Mark McCarthy](#), Policy Director if you have any questions regarding this notice.

#### **About AFMA**

The Australian Financial Markets Association (AFMA) is the leading industry association promoting efficiency, integrity and professionalism in Australia’s financial markets and provides leadership in advancing the interests of all market participants. These markets are an integral feature of the economy and perform the vital function of facilitating the efficient use of capital and management of risk. Market participants perform a range of important roles within these markets, including financial intermediation and market making. AFMA represents over 120 members, including Australian and international banks, leading brokers, securities companies, state government treasury corporations, fund managers, traders in electricity and other specialised markets and industry service providers.