



5 October 2021

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By email: jgu@isda.org

Dear Jing

2006 ISDA Definitions and 2021 ISDA Interest Rate Definitions – BBSY Fallback

I refer to previous general discussions around the fallback to BBSY in the ISDA Definitions. While the matter has been discussed AFMA has not formally communicated the Australian industry position in relation to a fallback for BBSY. The purpose of this letter is to advise ISDA on this matter. Our intention is to propose consideration of this matter by the ISDA working group looking at the ISDA Definition of BBSY.

BBSY fallback to simple AONIA

In the early part of 2021, the AFMA IBOR Market Responses Group agreed simple AONIA would be the fallback to BBSY (AUD-BBR-BBSY (BID)). This is the same fallback as applies to BBSW (AUD-BBR-BBSW and AUD-BBR-BBSW-Bloomberg as amended by Supplement 70 to the 2006 ISDA Definitions). This decision was endorsed by the national IBOR Transformation Australian Working Group.

To accommodate the fallback for BBSY (AUD-BBR-BBSY (BID)) in legacy and new derivative transactions, AFMA requests ISDA to consider whether to:

1. Publish a supplement to the 2006 ISDA Definitions to include simple AONIA as the primary fallback to (AUD-BBR-BBSY (BID)). This will include fallbacks in transactions referencing AUD-BBR-BBSY (BID) entered into after the effective date of the supplement.
2. Include in the next fallbacks protocol to be published by ISDA the amendments to AUD-BBR-BBSY (BID) so that legacy transactions between adhering parties are amended to include simple AONIA as the primary fallback.

Credit spread adjustment for transition from BBSY to AONIA

There is a historic 5 basis point spread between BBSW and BBSY (also known as BBSW-BID). It is the view of the AFMA IBOR Market Responses Group that Bloomberg Index Services Limited's (BISL) spread adjustment calculation methodology will include this

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historic 5 basis point spread as a matter of course as it is inherent in the calculation methodology. This is on the basis of the BISL spread adjustment applicable to BBSY being based on the 5 year historic median spread between BBSW-BID and AONIA. This is a matter that need to be consulted on by AFMA, ISDA and BISL, as well ASX as the benchmark administrator responsible for BBSY, along with market participants to ensure they agree with the way in which the spread will be calculated.

Please contact David Love either on 02 9776 7995 or by email dlove@afma.com.au in regard to the subject matter of this letter.

Yours sincerely



David Love
General Counsel & International Adviser