

AFMA Adopts NBBO calculation methodology for BBSW benchmark rates

Building on the advantage of BBSW being based on a traded market, in April 2013 AFMA announced plans to bypass the panel requirement - where banks would provide their observations of the rates at which Prime Bank paper is traded - by the adoption of an automated process to extract these rates directly from authorised trading venues, ie brokers and electronic markets. This change does not affect the basis of BBSW or the range of tenors for which it is calculated, rather it modifies operational processes through which rates quoted on the market are compiled to generate BBSW, and in doing so complies with the *IOSCO principles for financial benchmarks*.

Under this new methodology, on a daily basis AFMA will extract all bids and offers from the broker and electronic trading platforms and calculate a 'national best bid offer rate' (NBBO) for Prime Bank Paper, which will constitute BBSW.

Having now developed and extensively tested the technical requirements of this initiative, AFMA is migrating to this calculation methodology effective **27th September 2013**.

A detailed explanation of the methodology is available in the [Bank Bill Swap \(BBSW\) Benchmark Rate General Conventions-Effective 27 September 2013](#)