



MARKET NOTICE

Market Notice: 1 - 2014

Date: 2 June 2014

Subject: BBSW Convention amendment

The BBSW Conventions have been amended and are pending implementation. The amendments have been designed to improve a number of operational procedures whilst not altering the fundamental characteristics of the BBSW rate, i.e. BBSW represents the midpoint of the National Best Bid and Offer (NBBO) in the locally traded market for AFMA Prime Bank Eligible Securities, which is a market supported by both industry standards and regulation.

The key changes for noting are as follows:

1. The publication time for the BBSW rates has been moved back 9 minutes from approximately 10:06am Australia Eastern Standard Time (AEST = UTC + 10 hours) to 10:15am. This refinement is designed to provide adequate time for review processes to be finalised without undue time pressure;
2. The removal of the Tertiary Calculation methodology, which previously would be invoked in circumstances where NBBO failed to calculate under its primary and secondary calculation methodologies. The tertiary calculation methodology has been replaced with a three stage primary methodology as follows:
 - a. The bid/offer spread threshold for calculation under normal market conditions has been increased to 10 basis points. Thereafter;
 - b. In dislocated market conditions should the NBBO rates not calculate using a 10 basis point spread, then AFMA as the benchmark administrator, will re-examine the available bid/offer spreads as at 10:00am without consideration of spread and
 - c. Failing this producing an NBBO output AFMA will re-examine the available bid/offer spreads at 10:00am and allow a 1 basis point inversion between the available bid/offer spread.

Prime Banks continue to be obligated to make markets under normal market conditions at spreads of 3 basis points in the 1, 3 and 6 month tenors, and 4 basis points in the 2, 4 and 5 month tenors.

The full revised draft of the BBSW Convention document can be found on AFMA's website [here](#).

All stakeholders, including subscribers, have an opportunity to provide feedback to AFMA during a 2 week consultation period commencing Monday 2 June 2014 and closing 5:00pm Friday 13 June 2014. Please direct any comments to bi@afma.com.au and include in the subject line "AFMA BBSW Conventions update". The amended BBSW Conventions will be effective from Tuesday 1 July 2014.

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 130 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.