



MEDIA RELEASE

Complementary Benchmark to BBSW Envisaged

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The Australian Financial Markets Association (AFMA) is working with the regulatory authorities to develop a robust risk-free benchmark interest rate for the Australian market.

This work was referenced today in a speech by the Assistant Governor (Financial Markets) of the Reserve Bank of Australia, Dr Guy Debelle.

AFMA reported in the [2013 Australian Financial Markets Report](#) that a survey of market users found that, while the needs of most reference rate users are currently being met by BBSW, there is some interest in the development of additional reference interest rates including rates free of credit risk.

AFMA's discussions with market participants and analysis of domestic markets suggest that a new benchmark rate would most likely be based on overnight index swap (OIS) rates.

A new benchmark would operate along-side and complement the existing Bank Bill Swap (BBSW) benchmark rate, which is considered a leader in global terms and operates in accordance with the IOSCO Principles for Financial Benchmarks.

AFMA's view is that having two viable and complementary benchmarks is desirable, as diversity should reduce systemic risk in relation to benchmarks.

Work by the Bank for International Settlements and the Financial Stability Board on global financial benchmarks in 2013 and 2014 supports development of more diverse range of interest rate benchmarks because certain financial transactions are better suited to reference rates that are closer to risk-free.

Notes for Editors:

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.

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