

Interest Rates and OTC



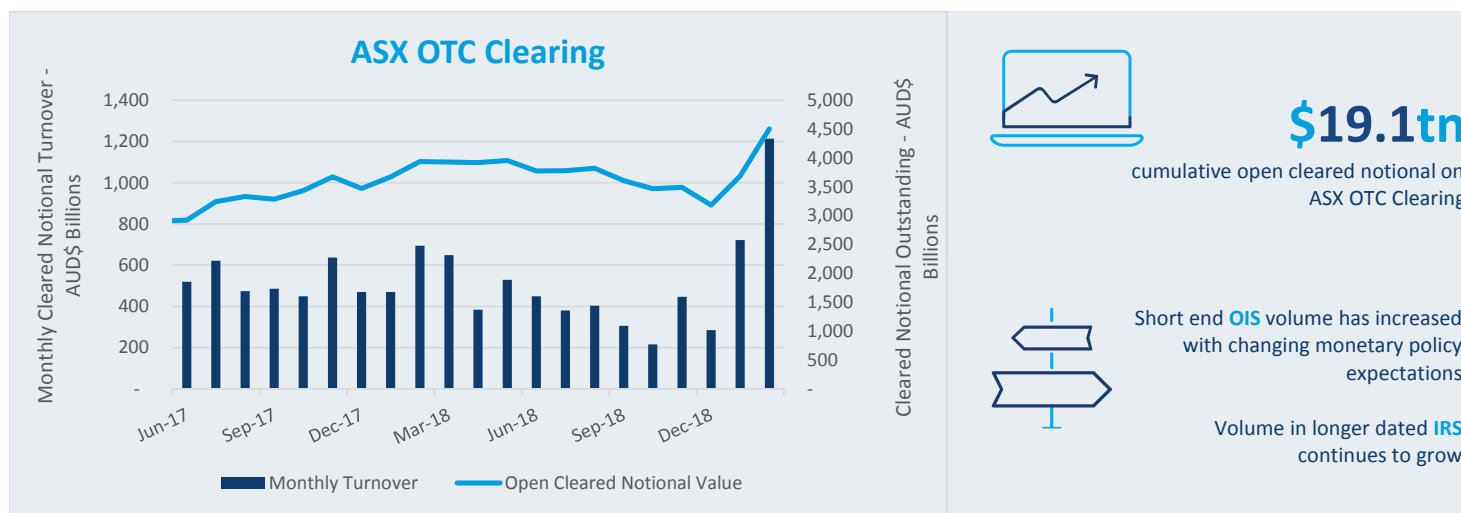
ASX OTC Clearing

March 2019

In February 2019, ASX reached a new record of **A\$1,214bn** in cleared notional value on its OTC Clearing Service, a significant increase on the previous record set in January 2019 of **A\$722bn**.

AUD Overnight Index Swap (OIS) activity was particularly strong in January and February accounting for close to 70% of ASX's total OTC Clearing volume, in line with an increase in global OIS activity.

Cross-product margin offsets between ASX Interest Rate Futures and OTC products helped customers achieve an average margin reduction of 30% (across dealer and client) during January and February using ASX's fully automated margin optimisation capabilities.



ASX 90 Day Bank Bill Futures Consultation

ASX recently published a consultation paper on potential changes to the contract specifications and order management functionality for the Australian 90 Day Bank Bill Futures. Potential changes include:

- > cash settlement on the spot contract using 3 month BBSW as the settlement price
- > application of expiry position limits
- > reduction in the minimum tick increment on the front contract(s)
- > serial bank bill futures
- > increase to the maximum allowable order size; and
- > enhancements to support Good Till Cancelled (GTC) spread order functionality.

ASX welcomes written feedback from all market participants on the proposed changes by **30th April 2019**. The consultation paper can be accessed [here](#). A response to consultation and information on next steps will be issued in Q3 of 2019.

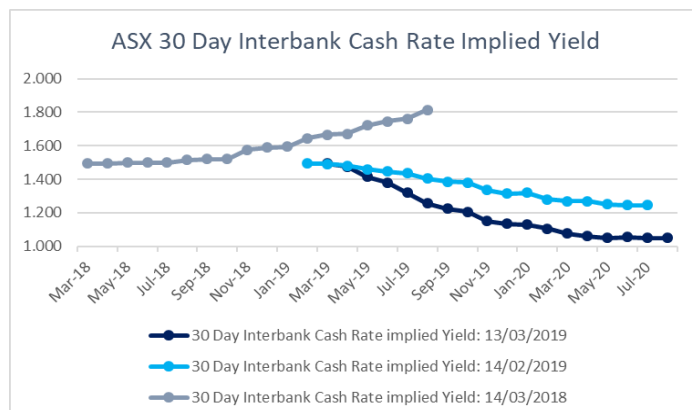
3 and 10 Year Bond Roll

In response to customer feedback, ASX is currently reviewing the bond roll structure. ASX is looking at potential changes to the structure to further improve the functioning of the roll. A consultation paper will be issued in late Q2 2019 giving market participants the opportunity to provide feedback on items covered in the consultation paper including narrower tick increments, GTC spread order functionality and Maximum Order Size.

ASX 30 Day Interbank Cash Rate Futures

Consistent with the increase in OIS activity, volume and open interest in the 30 Day Cash Rate Futures (IB Futures) almost doubled in February 2019 compared to the prior corresponding period (February 2018). The increased activity follows a change in monetary policy expectations driven by weaker economic data and RBA rhetoric with the market now fully pricing in a 25 basis point rate cut in Q3 of 2019.

ASX is proposing to **reduce the tick increment on the spot IB contract to 1/10th of a basis point** following monthly RBA meetings on monetary policy. The reduction in tick increment allows position holders to trade out of the spot contract at a reduced transaction cost. Target implementation is late Q2 2019, subject to testing and vendor readiness.

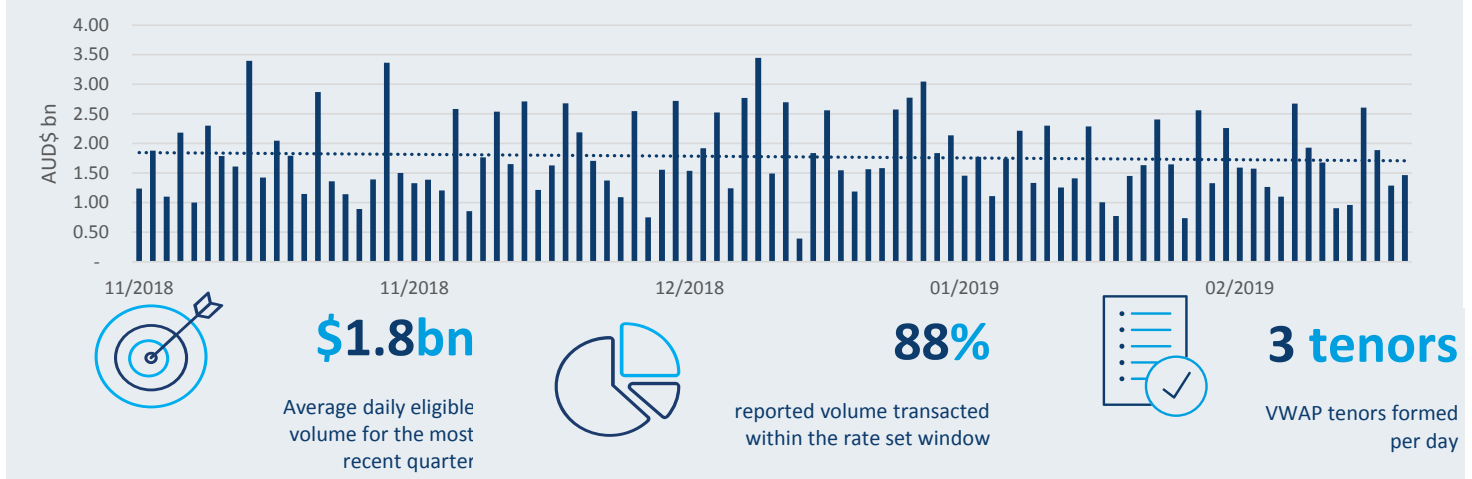


BBSW - Changes to 1 month VWAP methodology

To improve the quality of the 1 month tenor, ASX recently implemented an interim change to the 1 month VWAP methodology. On 25th March 2019, the rolling maturity pool for the 1 month tenor narrowed to +/- 3 Business Days either side of the straight run date from +/- 5 Business Days. All other BBSW tenors remain unchanged.

ASX continues to work closely with the BBSW Advisory Committee and market participants on a longer term solution to further enhance the methodology to increase transaction based tenor formation whilst ensuring the quality and integrity of the rate. The methodology, including the rationale for the change, can be accessed [here](#).

ASX BBSW Volume Insight: Aggregate Daily Eligible Reported Volume



Benchmarks

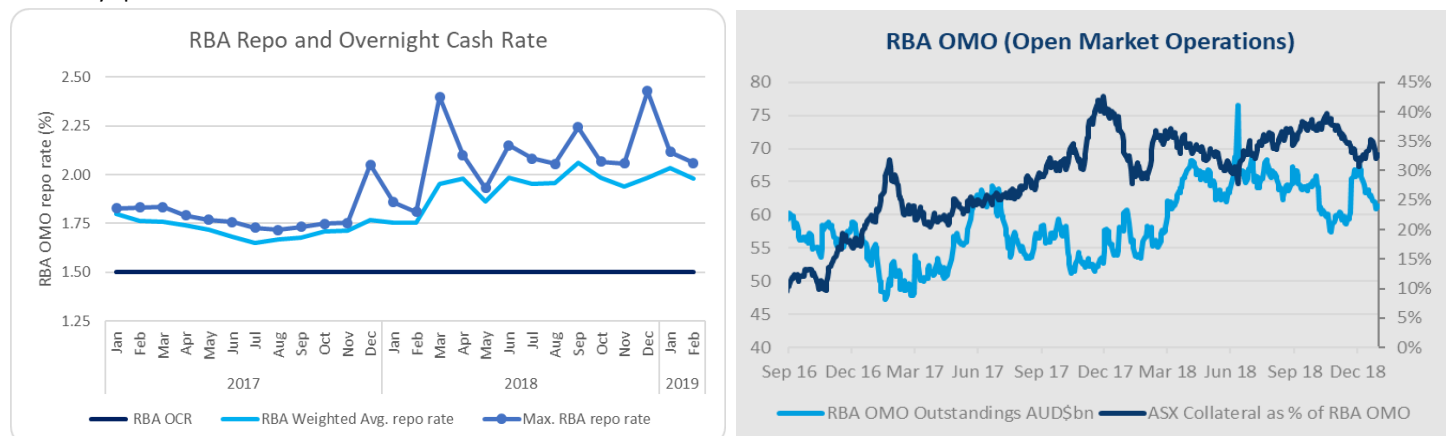
In line with global benchmark reform and the move toward overnight risk free rates, ASX will begin publishing **Realised AONIA** rates from 27th May 2019. Realised AONIA is a backward looking rate based on the observed RBA Interbank Overnight Cash Rate (also known as AONIA) compounded daily and setting in arrears. Realised AONIA reflects the rate at which overnight unsecured funds are transacted in the Australian interbank cash market over prior periods covering 1 month through to 6 months. Existing BBSW subscribers who elect to receive daily BBSW rates via email will start to receive Realised AONIA rates from 27th May 2019.

ASX is also working with market participants on the development of a **term Secured Funding Rate** to begin publication in late 2019/early 2020.

AUD Repo

RBA OMO balances remain stable averaging \$58 bln in 2019 (to date) vs \$62 bln in Q4 of 2018 (based on RBA a03 report) with **37% of RBA OMO settled via ASX tri party** over the most recent quarter.

AUD repo rates continue to trade at elevated levels after reaching historical highs relative to the Official Cash Rate (OCR) in 2018. The RBA OMO vs OCR spread peaked in March and December of 2018 due to short term funding pressures driven by a range of domestic and offshore factors including regulatory restrictions on local bank balance sheets and demand from offshore borrowers as AUDUSD cross currency spreads remained elevated.

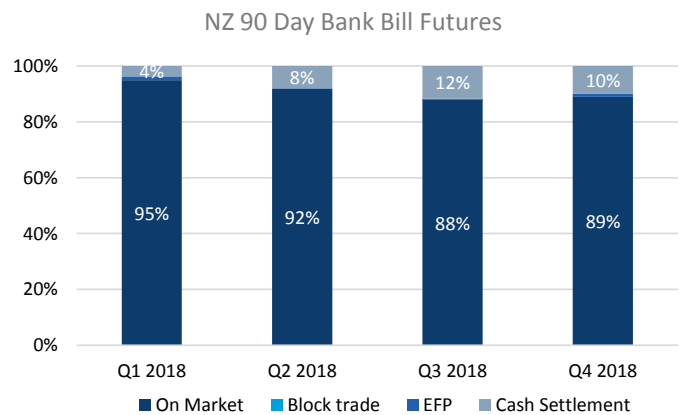
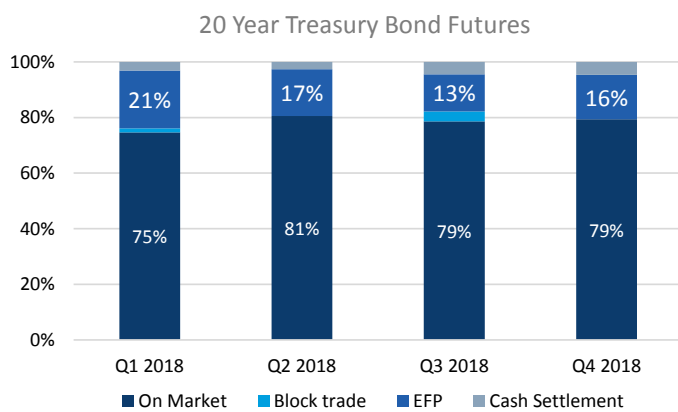
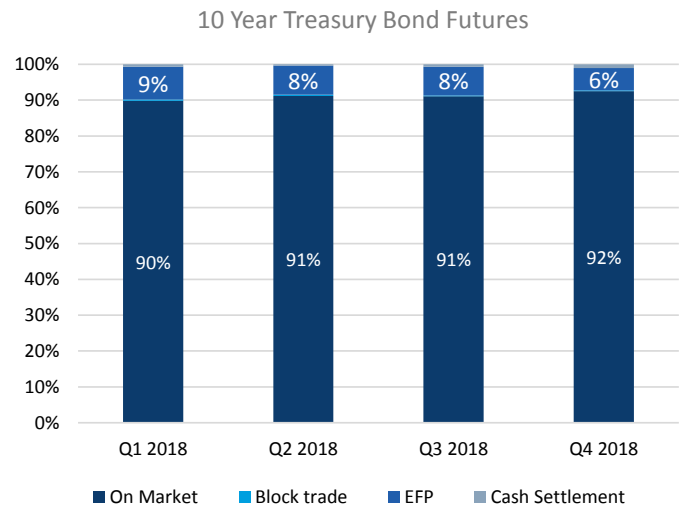
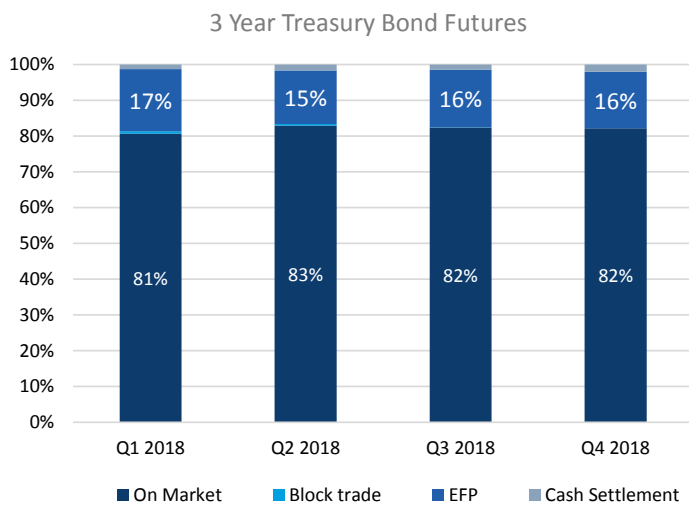
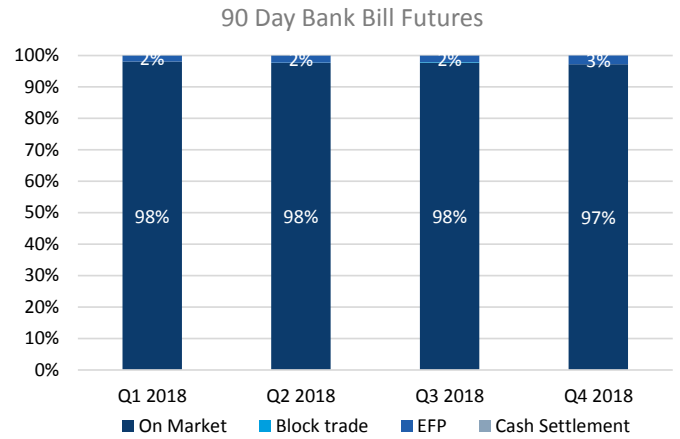
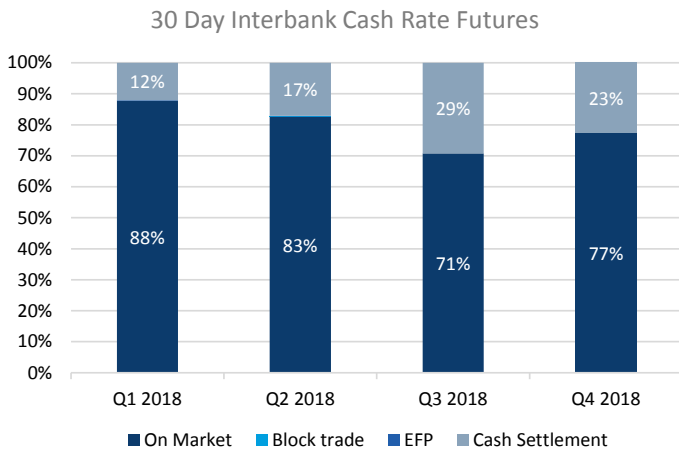


Austraclear - USD Payment Functionality

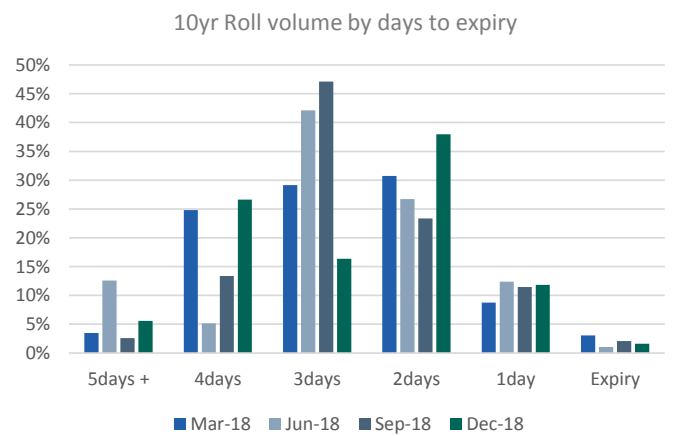
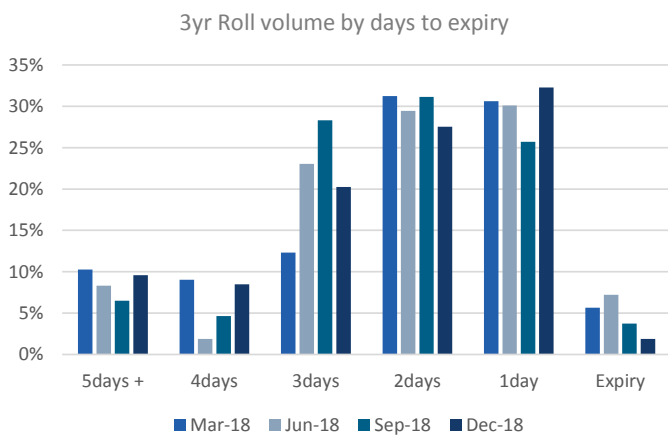
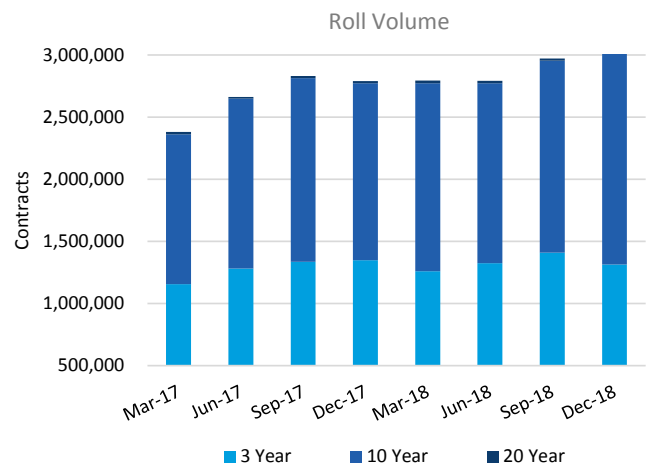
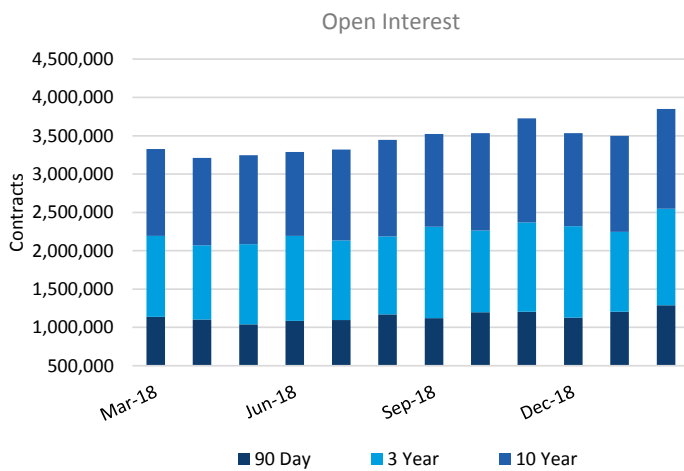
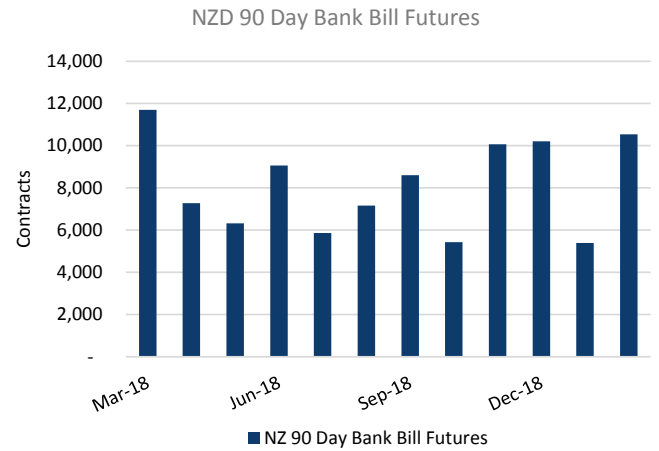
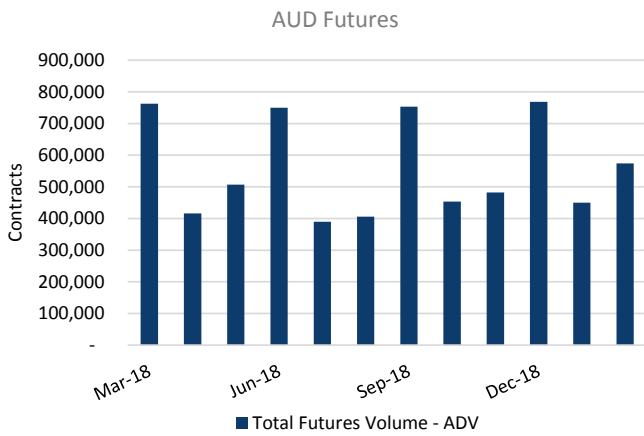
Austraclear recently extended its multi-currency settlement platform by adding USD cash payments functionality. This compliments AUD and RMB payments and will work to:

- > streamline the USD cash payment process for the Australian financial market for near real time settlement;
- > deliver payment settlement finality under the Australian Payment Systems and Netting Act reducing settlement risk;
- > allow USD payments to be settled during Australian business hours

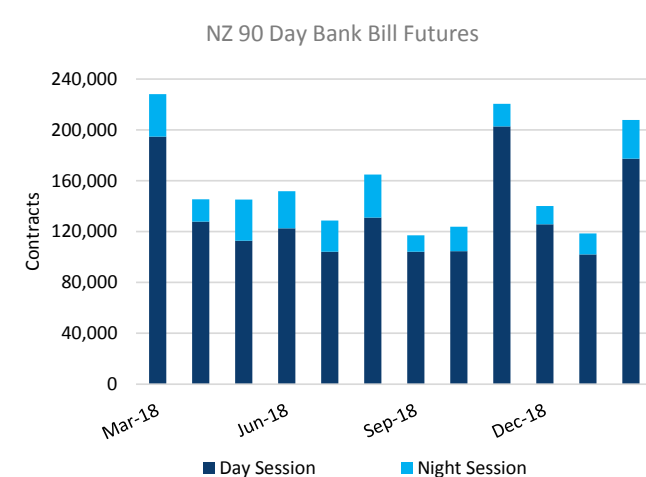
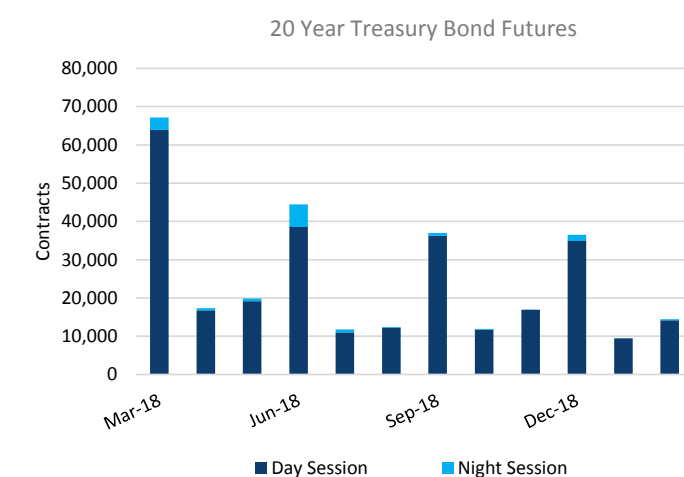
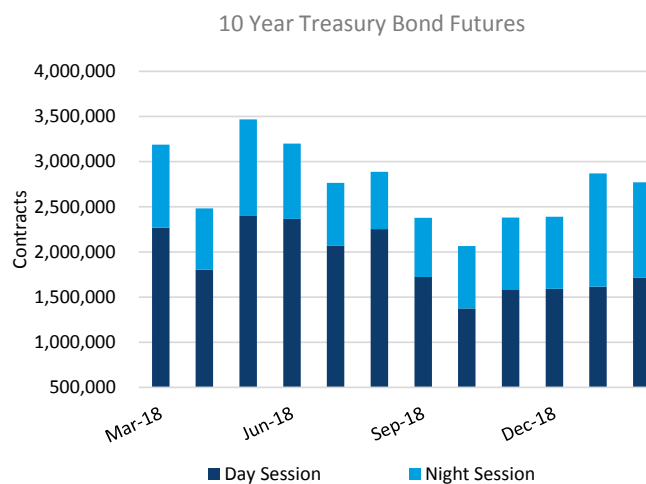
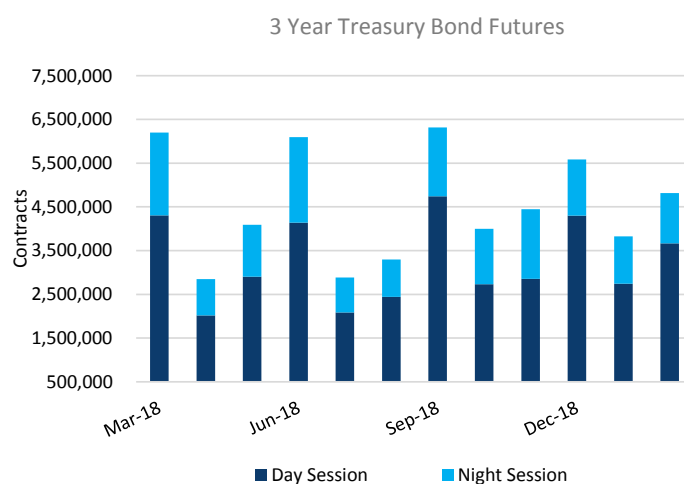
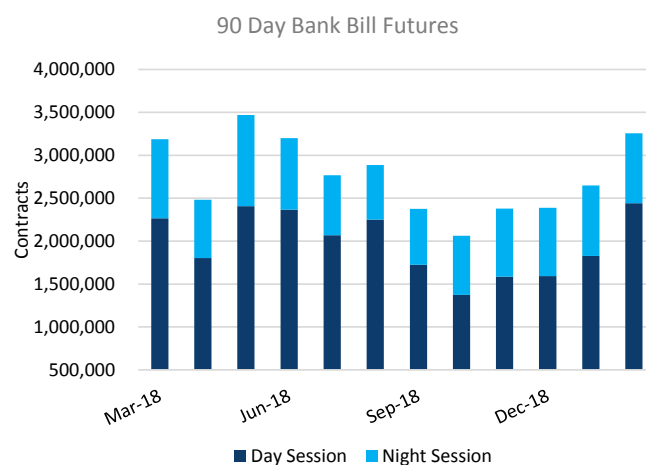
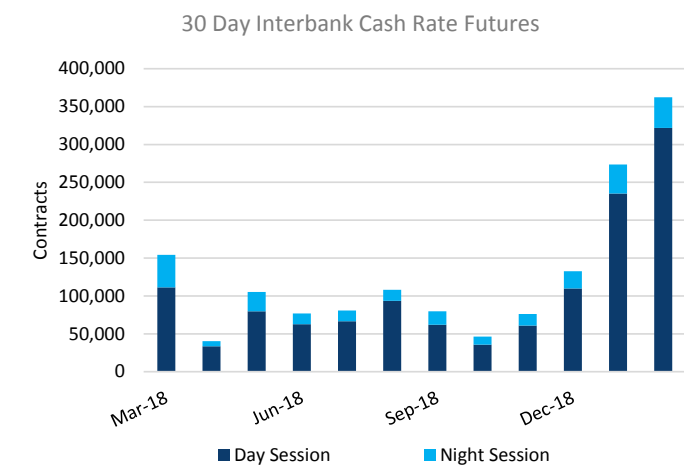
Volume by trade types - ASX Interest Rate Futures



Interest Rate Derivatives Volume



Volumes by session - ASX Interest Rate Futures



This document provides general information only and may be subject to change at any time without notice. ASX Operations Pty Limited (ABN 42 004 523 782) and its related bodies corporate ('ASX') make no representation or warranty with respect to the accuracy, reliability or completeness of this information. To the extent permitted by law, ASX and its employees, officers and contractors shall not be liable for any loss or damage arising in any way, including by way of negligence, from or in connection with any information provided or omitted, or from anyone acting or refraining to act in reliance on this information. The trademarks listed below are trademarks of ASX. Where a mark is indicated as a registered mark it is registered in Australia and may also be registered in other countries. Nothing contained in this document should be construed as being any license or right of use of any trade mark contained within the document. ASX Trade24®. © Copyright 2019

