

Frequently Asked Questions – BBSW

What is BBSW?

The Bank Bill Swap Rate (BBSW) is a short-term money market benchmark interest rate. In general terms, BBSW is the average mid-rate at approximately 10.00am for Prime Bank Eligible Securities with tenors of 1 to 6 months on a Sydney business day.

Prime Bank Eligible Securities comprise bank accepted bills and negotiable certificates of deposit issued by banks that have met the eligibility criteria and conditions required to be a Prime Bank.

What is BBSW used for?

BBSW is used to provide reference interest rates for the pricing and revaluation of Australian dollar derivatives and securities such as floating rate bonds.

BBSW is not directly linked to mortgage or other retail lending interest rates. Unlike UK and European interest rates like LIBOR, Euribor and SIBOR, the only effect BBSW has on retail lending rates is via the general cost of funds, of which is it just one component. Its real impact is minimal, if it is relevant at all.

How is BBSW calculated?

The BBSW rate represents the midpoint of the Nationally Observed Best Bid and Offer (NBBO) for Prime Bank Eligible Securities. The best bid and best offer are taken from a range of bids/offers electronically collected from approved trading venues at three intervals at and around 10:00am.

The calculations are based on actual live and executable prices rather than observations of the traded market.

Who are the Prime Banks and how are they selected?

Current BBSW Prime Banks include Australia's four major banks.

A market survey is conducted annually to determine which banks will be afforded Prime Bank status. The survey, and the elections process embodied within it, is designed to strike a balance between maintaining the quality of Prime Bank status and promoting market effectiveness and development by supporting a reasonably diverse range of Prime Banks.

To be eligible to become or remain a Prime Bank, a bank must:

- Be an authorised deposit taking institution (ADI) as defined by APRA
- Satisfy a credit rating benchmark - Standard & Poor's short term rating of A1+ and a long term rating for senior unsecured debt obligations of at least AA
- Have securities eligible for use in the RBA's open market operations and standing liquidity facilities

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What are the Approved Trading Venues?

Approved trading venues are regulated voice and electronic broking houses which actively intermediate in the market for Prime Bank Eligible Securities and to date have been approved by the AFMA Market Governance Committee to participate in the BBSW benchmark rate set process.

The automated process now employed satisfies criteria set out by IOSCO in July 2013 on the standards and principles for benchmark construction.

What is the timeframe for handover?

ASX will administer the BBSW benchmark from 1st January 2017. For a transition period, AFMA will continue as the calculation agent and subscribers to the BBSW and EOD BAB products will receive rates via the existing process.

What happens to my existing subscription?

AFMAdata has provided notice that it will be terminating the existing subscriber agreements currently in place by 31st December 2016. Subscribers will be required to enter into a new agreement with ASX by 31 January 2017 if they wish to continue to receive the service.

How will the transition period work?

During the transition period, AFMA will continue as the calculation agent and subscribers to the BBSW and EOD BAB products will receive rates via the existing process. After the transition, ASX will take over the full management of the benchmark rates and will disseminate the values via its existing distribution network and a dedicated ASX Benchmark website. A detailed plan for this transition will be published in due course.

When will the change to VWAP occur?

The new VWAP methodology used to derive the BBSW value will be introduced when ASX commences full management of the benchmark rate(s), including calculation, administration and distribution of the benchmark values. This is targeted for mid-2017.

How will I access BBSW data during the transition period?

During the transition period subscribers who have entered into an agreement with ASX for the receipt of the BBSW and EOD BAB products in 2017 will continue to receive rates each day via the existing channels, as AFMAdata continue to disseminate the values associated with each calculation via their distribution network.

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How will I access BBSW data post transition?

ASX will create a dedicated website page where the delayed rates will be made available, real time values will be distributed via the ASX On-line portal which is used by ASX market participants today for accessing data pertaining to the ASX markets (i.e. reference data). The values will also be distributed via the same vendor network currently in place servicing the AFMAdata subscriber community.

Will I need to implement new processes when ASX takes on full responsibility for the rates?

Following the transition period, subscribers who are currently accessing the data via the AFMAdata website will need to source the data from the ASX Benchmarks webpage or the ASX On-line portal. Further details will be provided to subscribers by email and by market notice closer to the end of the transition period. If the subscriber is receiving the data via a vendor today, this means of supply will remain in place throughout the transition period and beyond (subject to the terms of subscribers' agreements with their respective vendors). BBSW delayed values will also be made available on the ASX public website.

Will there be a cost involved to receive the data?

The full 2017 price list for subscribers and vendors can be found at:
www.asx.com.au/services/benchmark.htm

How do members of the public access BBSW information?

Following the transition, BBSW delayed values (by 24 hours) will also be made available on the ASX public website.

Will ASX be offering new features and if so, what are they?

ASX aims to introduce the new VWAP waterfall methodology in mid-2017. Details of the methodology relating to the calculation will be released in early 2017 and prior to implementation of the new methodology.

How can I amend my subscription?

Each subscriber will need to enter into a new subscriber agreement with ASX before 31 December 2016 if they wish to continue receiving the BBSW benchmark rate data and EOD BAB/NCD reference rate data. Existing customers can choose which data products they wish to subscribe for in 2017. A full 2017 price list including all of the subscription options can be found at www.asx.com.au/services/benchmark.htm

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I am a new subscriber, how do I order the service?

Please call the ASX dedicated subscriber telephone line or send an e-mail to the address listed below.

Where do I direct enquiries during the transition period?

ASX is committed to making the transition as smooth as possible for all subscribers and vendors, and is providing a dedicated e-mail address and customer support telephone line to answer any queries.

ASX Benchmark Subscriber Services Helpline	131 279 (within Australia) +61 2 9338 0000 (International)
ASX Benchmark Subscriber E-mail Address	benchmarks@asx.com.au

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