

Interest Rates and OTC Markets Wrap



October 2018

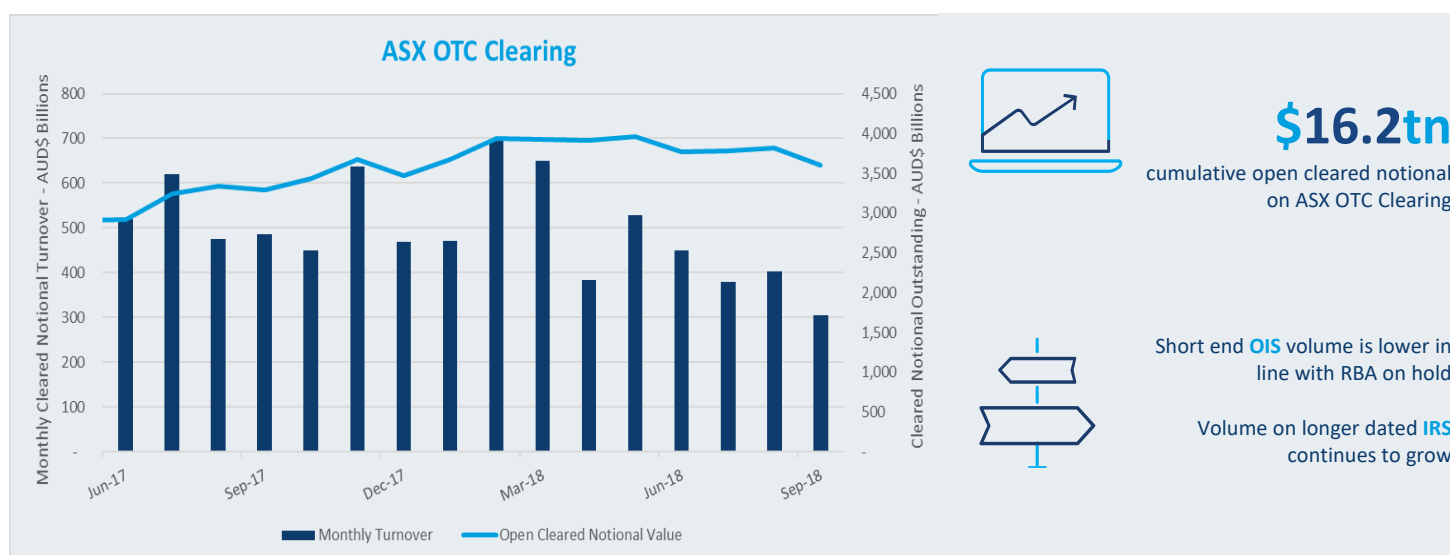
ASX OTC Client Clearing launched by J.P. Morgan

On 26 September 2018, J.P. Morgan became the first ASX OTC Clearing Participant to launch an agency clearing service for Australian and New Zealand dollar denominated OTC derivatives, successfully clearing for one of its clients. ASX operates a fully developed OTC Clearing service, providing global standard API connectivity, 24-hour clearing, AUD and NZD product coverage, and a fully automated cross-margining facility.

ASX's dealer to dealer service has been in operation since 2013, clearing \$6.3 trillion in notional value last financial year. **ASX currently has 8 OTC Clearing Participants that are major swap dealers in the Australian market, being ANZ, CBA, Citi, Deutsche Bank, J.P. Morgan, NAB, UBS and Westpac.**

Further information for the launch is available by accessing the announcement here:

<https://www.asx.com.au/documents/investor-relations/asx-otc-client-clearing-launched-by-jpmorgan.pdf>



20 Year Treasury Bond Futures - 6 Month Exchange Fee Holiday

ASX listed the new 20 Year Government Bond Futures contract with an increased face value of \$65,000.

The new 20 year bond contract allows ASX to list the 10 year – 20 year bond spread with a lot ratio of 1:1 which provides a deeper liquidity pool and improved price formation in the 20 year contract. In conjunction with the new listing, ASX is providing a six month fee holiday between 13 August 2018 and 13 February 2019 for all 20 year bond future trades. This includes on market, EFP and block trades.

Packs and Bundles

ASX has seen increased activity in the Australian white and red Packs and Bundles over the last quarter. Packs and Bundles on Australian and New Zealand 90 Day Accepted Bank Bill Futures allow customers to trade multiple bank bills at a single executed price and provides traders with the ability to transact 1, 2 and 3 year swap equivalent exposure without legging risk. Price transparency in Packs and Bundles is supported by implied-in price functionality from the outright market.

Benchmarks - KangaNews Article "The BBSW Reset"

Australia has bucked the global trend of moving away from interbank offered rates (IBORs). Active trading in bank bills makes the bank bill swap rate (BBSW) a viable base rate for the long term - especially now ASX has radically overhauled the BBSW calculation methodology as a cooperative effort with market participants. ASX share their insights with KangaNews, here:

<http://www.kanganews.com/news/9075-the-bbsw-reset>

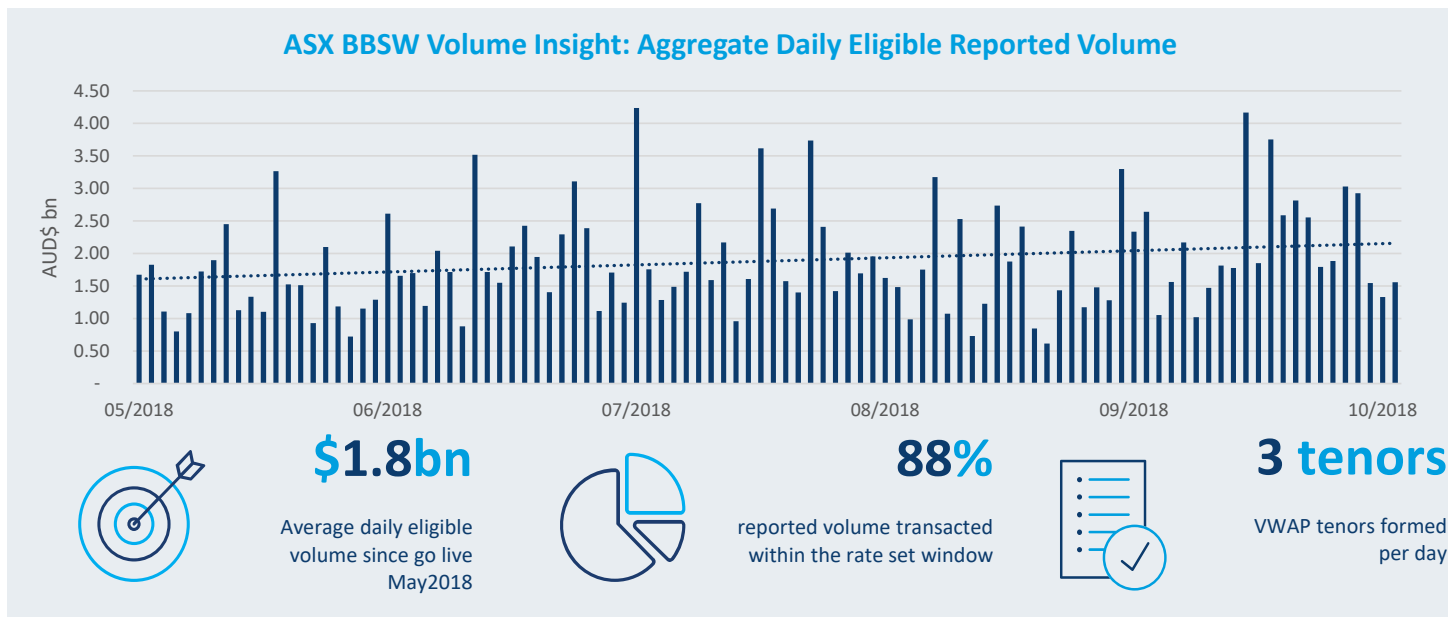
ASX 24 Trading Calendar

The ASX 24 trading and holiday schedule for 2019 is now available. The calendar sets out the days the ASX 24 Australian and New Zealand products are not available for trading. See link here:

<https://asxonline.com/content/asxonline/public/notices/2018/oct/1193.18.10.html>

BBSW Trade and Trade Reporting Guidelines version 1.8

The BBSW Guidelines have been extended to cover the reporting of all transactions in Prime Bank paper. Under the new guidelines, all Prime Bank paper trades are expected to be reported to the Administrator. Trades that occur between 8.30am and 10.00am must be reported by no later than 10.15am. All trades that occur post 10.00am should be reported to the Administrator by no later than 4.30pm. The [draft BBSW Guidelines v1.8](#) are publicly available for review and feedback with an effective date of 29th October 2018. Please provide any feedback in writing to benchmarks@asx.com.au.



Putting the bounce in kangaroo bonds

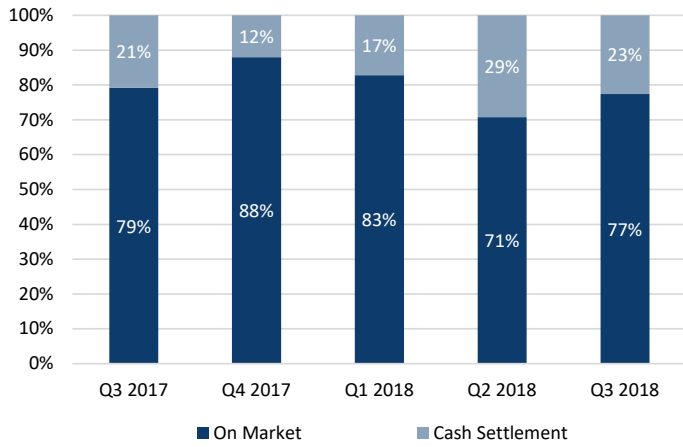
Austraclear currently holds around \$200 billion in kangaroo bonds. These types of bonds are attractive to offshore issuers, as they provide access to a capital market outside their own, which potentially reduces their borrowing costs and diversifies their investor base. Hedging the currency exposure back to their local currency can often be more efficient than borrowing in their own country or in other markets.

To issue a bond in Austraclear, Kangaroo bond issuers need to use an agent and ASX's own service, Austraclear Services Limited, acts as an agent for many of them. Austraclear Services Limited enables their issuance in Australian dollars and manages their Australian dollar cash flows for settlement and coupon payments to investors.

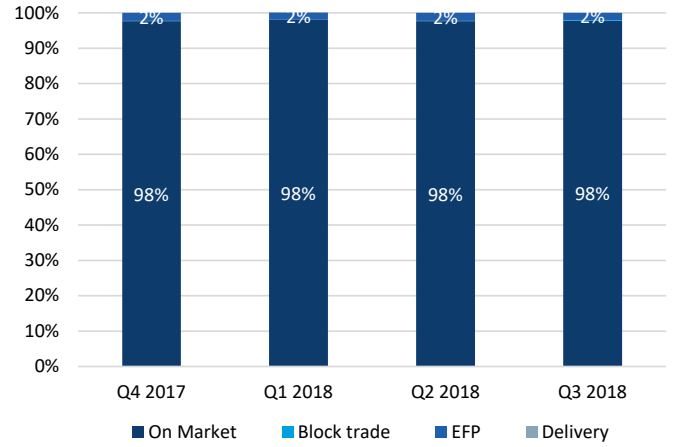
Read more in Investment Magazine's interview with Blair Harrison, Senior Manager for settlement and Collateral at ASX, here: <https://investmentmagazine.com.au/2018/10/putting-the-bounce-into-kangaroo-bonds/>

Volume by trade types - ASX Interest Rate Futures

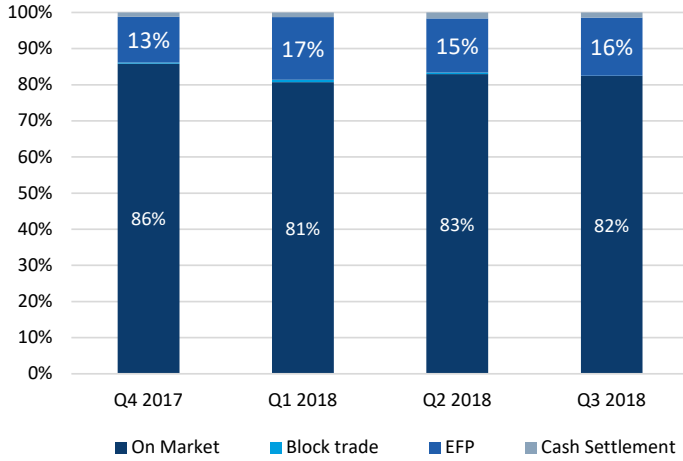
30 Day Interbank Cash Rate Futures



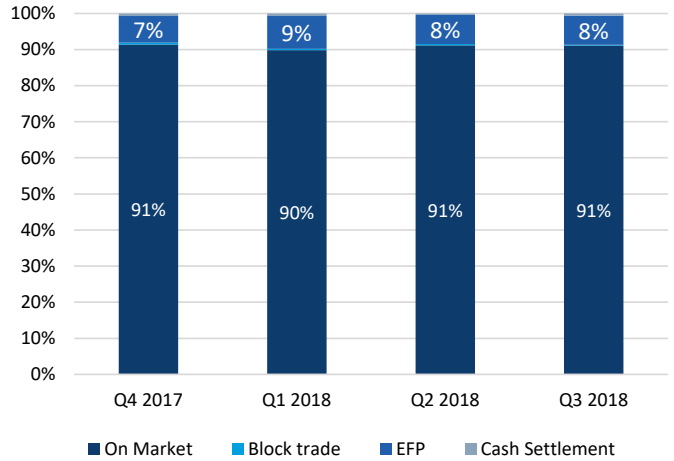
90 Day Bank Bill Futures



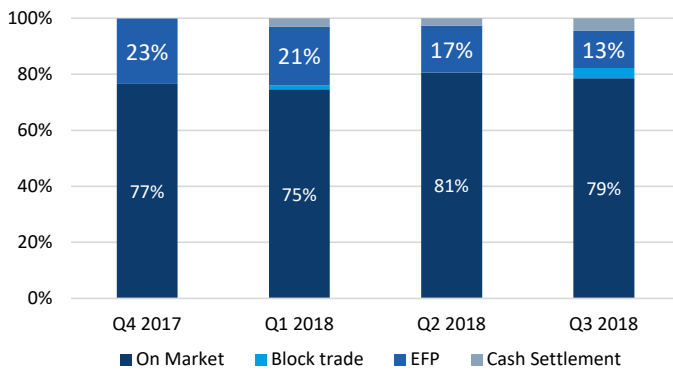
3 Year Treasury Bond Futures



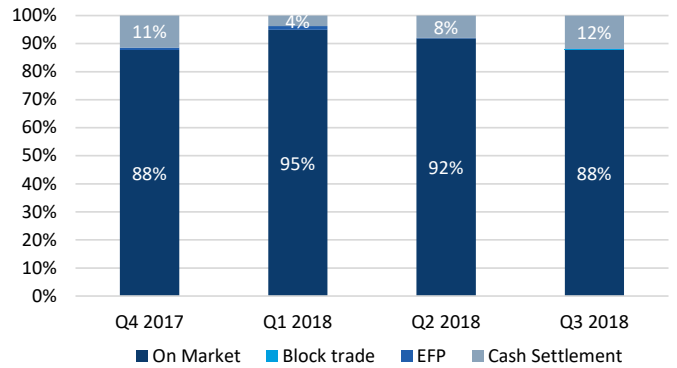
10 Year Treasury Bond Futures



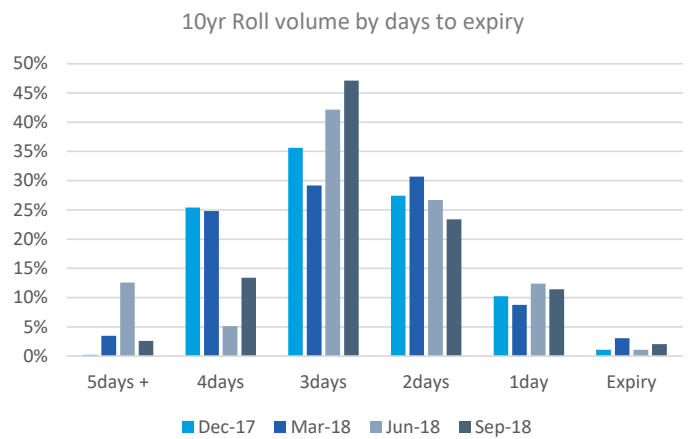
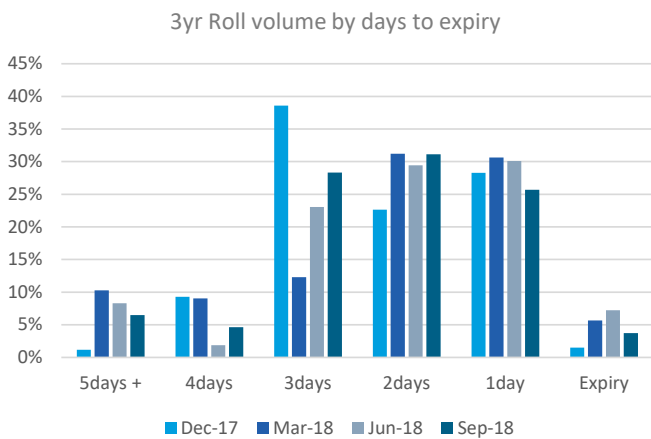
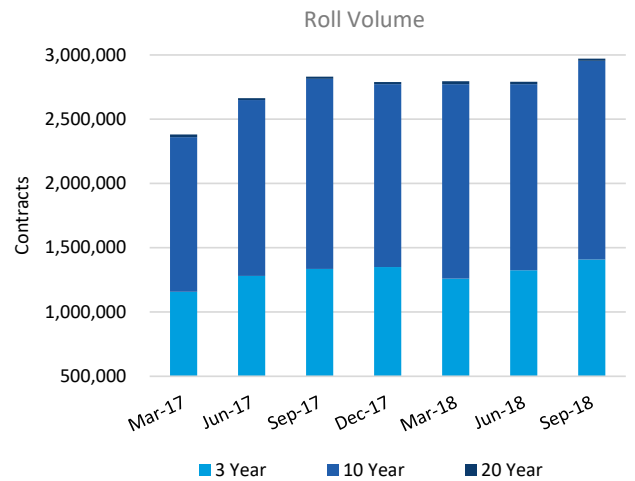
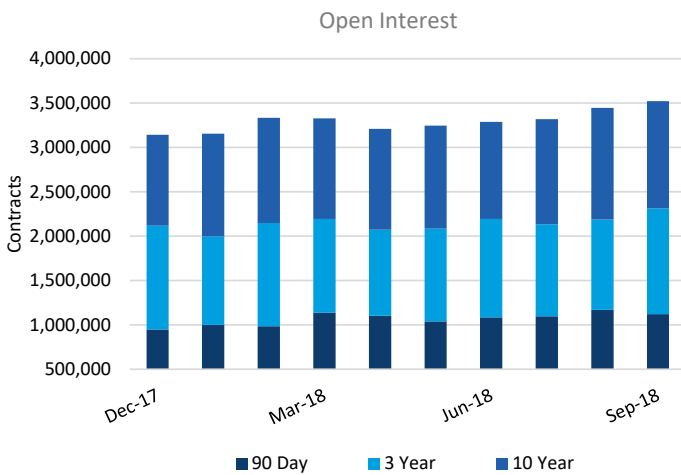
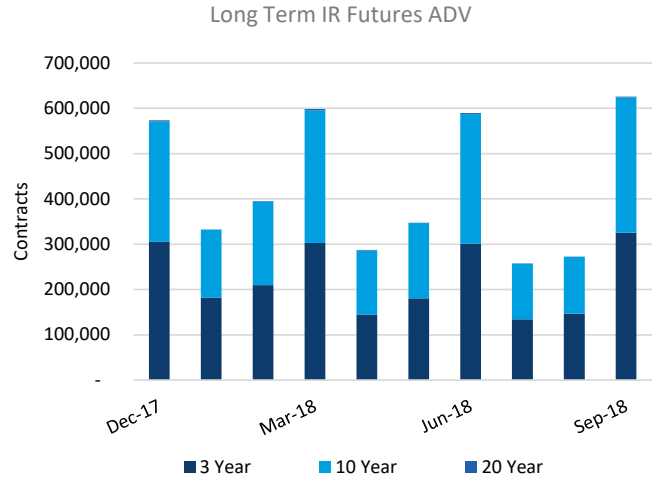
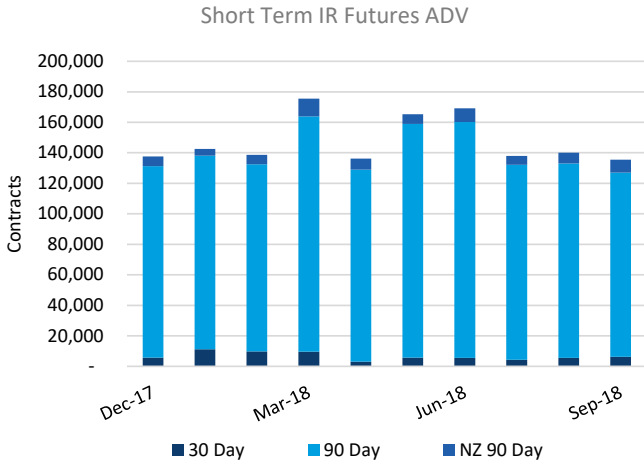
20 Year Treasury Bond Futures



NZ 90 Day Bank Bill Futures



Interest Rate Derivatives Volume



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