

# ASX Rates Highlights:

## OTC, Futures, Benchmarks and Repo – October 2019

### Strong volumes in interest rate derivatives: OTC and Futures

ASX OTC Clearing activity continues to remain strong for Q3 2019 with A\$3,902bn cleared, following a record of A\$4,686bn in Q2 2019.

**\$28.8 trillion**

cumulative cleared notional

**\$1.4 trillion**

total notional cleared Sep 19

**368% ↑**

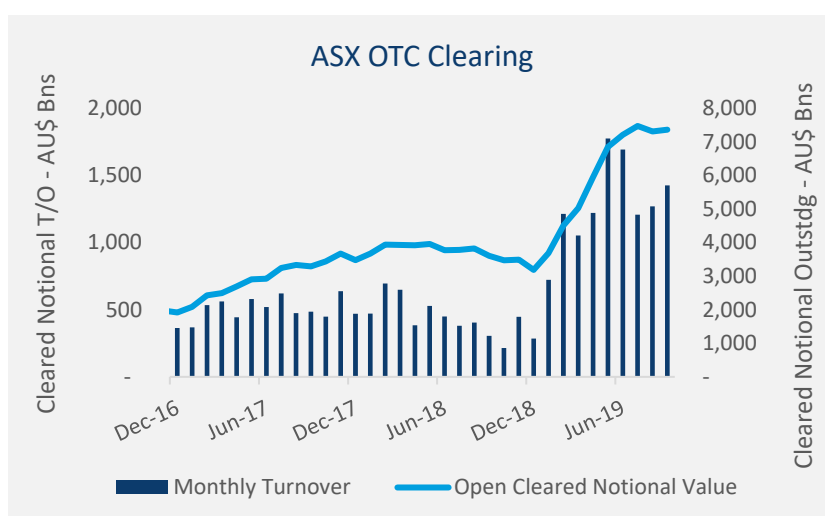
in total notional cleared Sep 19 vs Sep 18

**CAPITAL EFFICIENCY:**

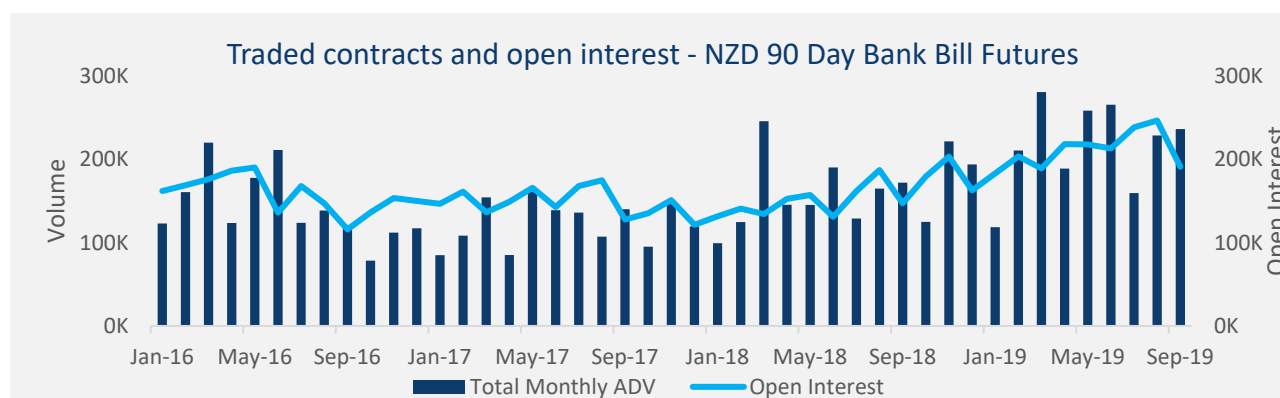
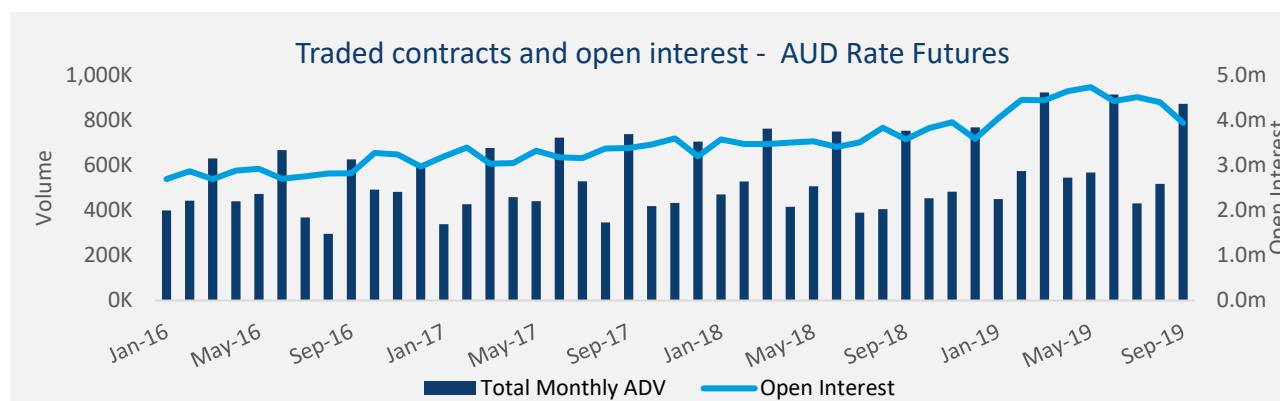
Cross-product margin offsets

**30% Average Margin ↓**

to customers



Interest rate activity was largely driven by continued volatility in short-term rates which contributed to strong volumes in short-term IRS, OIS products, 30 Day Cash Rate Futures and 3 and 10 Year Bond Futures. [Click here for charts](#)



## OTC Variation Margin Characterisation as Settled to Market - 28 October 2019

On 28 October 2019, ASX will be implementing changes which support OTC Variation Margin Characterisation as “Settled-to-Market” in alignment with international practice for Cleared OTC Interest Rate Derivatives.

These changes were requested by ASX OTC Participants in accordance with *Prudential Standard APS 180*, Capital Adequacy: Standardised Approach to Credit Risk (published by APRA) and the Basel III leverage ratio framework and disclosure requirements (published by the Basel Committee on Banking Supervision).

## ASX 24 Bond Futures Roll – tell us what you think

ASX has published a consultation paper outlining potential changes to the contract specifications and order management functionality for the 3 and 10 Year Bond Futures Roll.

The following four options are outlined in the consultation paper:

- Reduction in the minimum tradeable tick increment for the Bond Roll
- Increase to the maximum allowable order size
- Development of Good Till Cancelled (GTC) spread order functionality
- Use of Pre-trade Risk Management tools

**The formal consultation period closes on 3 December 2019.**

[Read consultation paper here](#)

## Getting prepared for zero and negative interest rates

In response to the declining interest rate environment ASX worked with the market to implement changes across ASX, participant and vendor systems to support zero and negative interest rates across the ASX 24 futures market.

On 1 October 2019, ASX removed all restrictions that prevent orders with prices greater than or equal to 100 in interest rate futures products being entered into the ASX 24 trading platform and ASX TradeAccept.

## ASX 90 Day Bank Bill Futures will move to cash settled

ASX published a paper summarising the feedback received during the recent consultation on the 90 Day Bank Bill Futures outlining the changes that ASX intends to implement.

ASX plans to implement the following changes in a phased approach, subject to regulatory clearance:

- Change settlement methodology from deliverable to cash settled against the 3 month BBSW rate, from the September 2020 expiry month onwards
- Reduce the minimum tick increment from 1 basis points to 0.5 basis points for the bank bill futures contract
- List two serial bank bill futures contracts Serial futures are quarterly expiring contracts listed on the non-financial months. Financial months are defined as March, June, September and December.

ASX will further assess the implementation approach and timing for GTC functionality.

[Read summary paper here](#)

## Benchmarks

### BBSW - Australia's first licenced benchmark Administrator

On 1 July 2019, ASX benchmarks was formally granted an Australian Benchmark Administrator Licence by ASIC.

### ASX BBSW Volume Insight



### Realised AONIA

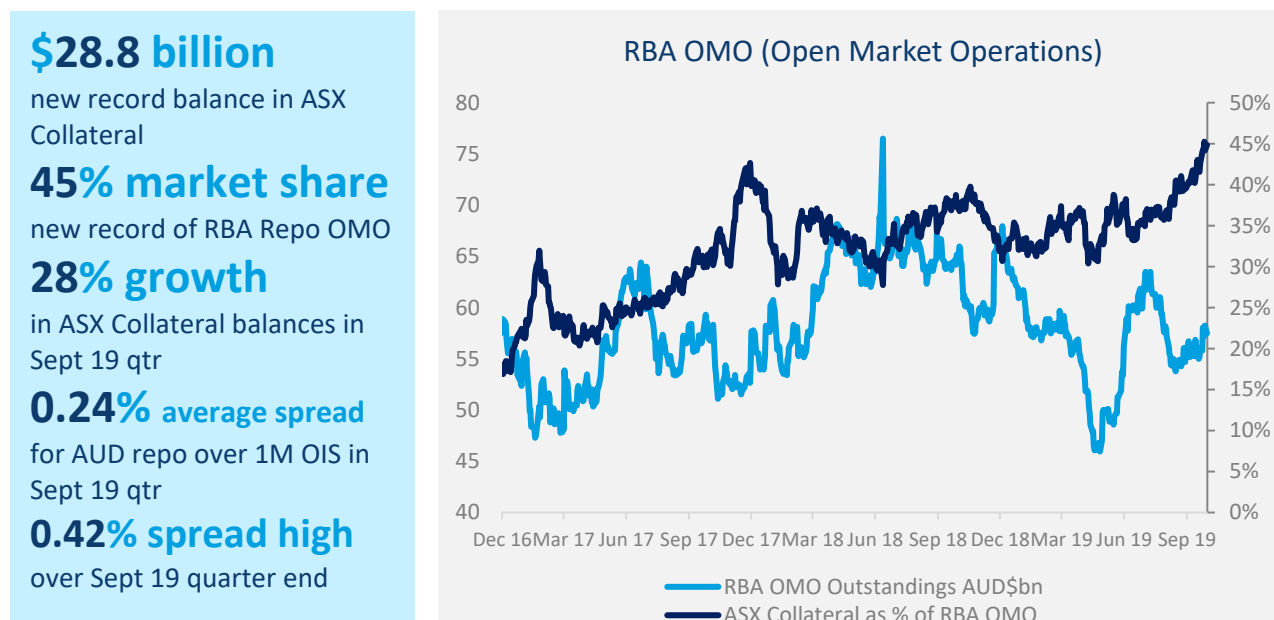
ASX will publish Realised AONIA rates to Bloomberg and Reuters screens from 28th October 2019.

Realised AONIA applies a compounding formula to the daily RBA interbank overnight Cash Rate, to determine the compounded average rate over the prior 1 to 6 month period.

RIC and Ticker codes are now available and included in ASX Online [notice 1039.19.09](#) here:

### ASX Collateral Hits New Record High Balance \$28.8bn

ASX Collateral hit a new record high of \$28.8bn balance and 45% market share of RBA OMO in September 2019, driven by new customer on-boarding and increased activity leading up to September quarter end.



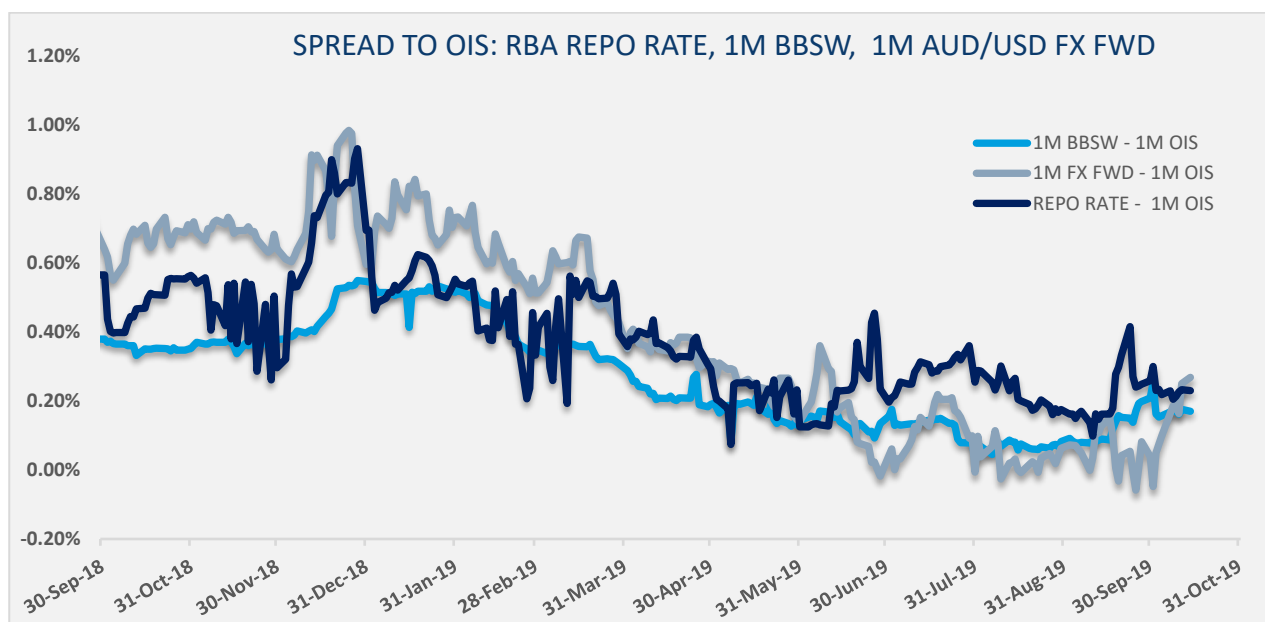
RBA OMO balances averaged \$57.5bn in the last quarter with a high of \$63.5bn and a low of \$53.8bn.

The three 25bps RBA rate cuts since June 2019 have contributed to outright AUD repo rates falling from 1.50% to around 0.95%, although they remain elevated from the current 0.75% RBA cash rate.

## Repo rate spread to OIS

Repo spreads over 1 month OIS averaged 0.24% in the quarter to 30 September. Quarter end spikes continue to be seen with June trading around +45bps over 1month OIS and September at similar levels at +42bps.

For cash providers, the 0.24% spread over the current 0.75% RBA cash rate remains an attractive outperformance opportunity.



### Further enquiries:

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