

[8.12] **Australian Addendum No. 6 - A\$ Forward Rate Agreements**

Care! Commencing 1 January 2002 AFMA no longer recommends using this Addendum. See [8.06A]

SEPTEMBER 1992
AUSTRALIAN ADDENDUM No. 6 -
A\$ FORWARD RATE AGREEMENTS

ADDENDUM TO SCHEDULE TO MASTER AGREEMENT OF
INTERNATIONAL SWAP DEALERS ASSOCIATION, INC.

(1) **Application**

By incorporating this Addendum in their ISDA Master Agreement, the parties agree that every FRA between them (whether entered into before or after that time) is a Transaction governed by the terms of this Addendum and the ISDA Master Agreement in which it is incorporated.

This applies whether or not the parties:

- (a) refer or referred to the ISDA Master Agreement or this Addendum; or
- (b) state or stated that a FRA is governed by the ABAFRA Terms

when entering into or confirming the FRA.

If a FRA is a Transaction governed by the terms of this Addendum and the ISDA Master Agreement in which it is incorporated, then the ABAFRA Terms do not apply to it even if the parties state or stated that the FRA is governed by the ABAFRA Terms when entering into or confirming the FRA.

(2) **Definitions**

In this Addendum and in any Confirmation:

"**ABAFRA Terms**" means any version of the terms and conditions applicable to FRAs recommended by the Australian Dollar Forward Rate Agreements Working Party of Banks and Merchant Banks operating under the auspices of the Australian Bankers' Association (ABA). These terms and conditions were first approved by the ABA in June 1986 and were amended in May 1989. The latest version appears in the booklet published in 1990 by Australian Financial Markets Association entitled "Dealing Conventions and Market Terminology".

"**AUD-BBR-BBSW**" has the same meaning as in the 1991 Definitions.

"**Borrower**" means the entity seeking to protect itself against a future rise in interest rates.

"**Business Day**" means a day (not being a Saturday or a Sunday) when:

- (a) banks are open for business in the city or cities where amounts are or are potentially payable; and

(b) the Reserve Bank of Australia is conducting a clearing exchange in that city or those cities.

"**Contract Amount**" means the notional amount on which the calculation of the Settlement Sum is based.

"**Contract Rate**" means the agreed forward rate of interest for the Settlement Period.

"**Deal Date**" means the date on which the FRA is negotiated.

"**Designated Maturity**" means, for the purpose of calculating an Interest Settlement Rate, the period determined in accordance with paragraph (3) of this Addendum.

"**FRA**" means an agreement known as a forward rate agreement where the Contract Amount is Australian dollars under which two parties agree to compensate each other if the interest rate applicable on a certain future date differs from an agreed interest rate.

"**Interest Settlement Rate**" means, unless otherwise agreed, AUD-BBR-BBSW.

"**Lender**" means the entity seeking to protect itself against a future fall in interest rates.

"**Maturity Date**" means, subject to paragraph (4) of this Addendum, the date on which the Settlement Period ends.

"**Settlement Date**" means, subject to paragraph (4) of this Addendum, the date on which the Settlement Period starts.

"**Settlement Period**" means the number of days from and including the Settlement Date to but not counting the Maturity Date.

"**Settlement Sum**" means the amount equal to the difference between the amounts calculated in accordance with the following formulae:

$$\frac{36500 \times A}{(D \times Is) + 36500}$$

and

$$\frac{36500 \times A}{(D \times Ic) + 36500}$$

where:

A = Contract Amount

Is = Interest Settlement Rate on the Settlement Date for the Designated Maturity (expressed as a number and not a percentage eg 8.1875 not 8.1875%)

Ic = Contract Rate (expressed as a number and not a percentage)

D = Settlement Period

"1991 Definitions" means the 1991 ISDA Definitions published by International Swap Dealers Association, Inc.

(3) **Calculation of Interest Settlement Rate**

When the Interest Settlement Rate is AUD-BBR-BBSW, then for the purpose of calculating the Interest Settlement Rate using that definition:

- (a) the Reset Date is the Settlement Date; and
- (b) unless otherwise agreed, the Designated Maturity (that is, the tenor of bills of exchange) is a period to be determined by the length of the Settlement Period in accordance with the following table

Designated Maturity - tenor of	covers a Settlement Period of
one month	16 - 45 days
two months	46 - 75 days
three months	76 - 105 days
four months	106 - 135 days
five months	136 - 165 days
six months	166 - 195 days

(4) **Adjustment of Settlement Date and Maturity Date**

If the Settlement Date or the Maturity Date does not fall on a Business Day, then it is to be adjusted in accordance with the Modified Following Business Day Convention. A reference to a Business Day in the definition of Modified Following Business Day Convention in the 1991 Definitions is a reference to a Business Day as defined in this Addendum rather than as defined in the 1991 Definitions.

(5) **Settlement**

On the Settlement Date:

- (a) if the Contract Rate exceeds the Interest Settlement Rate, the Borrower must pay the Settlement Sum to the Lender; or
- (b) if the Interest Settlement Rate exceeds the Contract Rate, the Lender must pay the Settlement Sum to the Borrower.

(6) **Payments**

Payments must be made in Australian dollars on the Settlement Date. They must be made by bank cheque before 4.00 pm (local time in the place for payment) or through Austraclear,

unless otherwise agreed.

(7) **Confirmations**

- (a) The parties acknowledge that FRAs governed by the terms of this Addendum and the ISDA Master Agreement in which it is incorporated may be confirmed by various methods including, without limitation, the following:

- Austraclear
- Telephone
- Telex
- Letter
- SWIFT MT340 messages
- Reuters direct dealing system
- Telerate trading service
- Facsimile

A confirmation produced by any of these methods in accordance with market conventions constitutes a Confirmation for the purpose of this Agreement. Each such Confirmation supplements, forms part of, and is subject to the ISDA Master Agreement in which this Addendum is incorporated.

- (b) The definitions and provisions contained in the 1991 Definitions and in this Addendum are incorporated into each Confirmation. If there is an inconsistency between those definitions and provisions and any such Confirmation, the Confirmation will govern.
- (c) The parties acknowledge that some Confirmations may describe some items by a term other than the defined term in this Addendum. For example:

"Contract Amount" may be referred to as "Face Value", "Notional Amount" or "Amount";

"Contract Rate" may be referred to as "Rate";

"Settlement Period" may be referred to as "Contract Period".

In any case where the intention is clear that a term used in a Confirmation is intended to specify the particulars for a defined term in this Addendum, then that term is to be deemed to be that defined term in this Addendum.

- (d) When a party specifies in the Austraclear Menu:
- (a) "B" at the "side of the trade" item, it intends that the party is the Borrower;
 - (b) "L" at the "side of the trade" item, it intends that the party is the Lender;
 - (c) "Y" at the "Use BBSW (Y/N)" item, it intends that the Interest Settlement Rate is to be AUD-BBR-BBSW.