

[9.11] **Australian Addendum No. 7 - Forward Rate Bill Agreements**

Care! Commencing 1 January 2002 AFMA no longer recommends using this Addendum. See [9.06A].

SEPTEMBER 1992
AUSTRALIAN ADDENDUM No. 7 -
FORWARD RATE BILL 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 FRB 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 FRB is governed by the terms of another master agreement

when entering into or confirming the FRB.

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

(2) **Definitions**

In this Addendum and in any Confirmation:

"**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 bank bill 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 FRB 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.

"FRB" means an agreement known as a forward rate bill agreement where the Contract Amount is in Australian dollars under which:

- (a) two parties agree to compensate each other if the interest rate applicable on a certain future date differs from an agreed interest rate; and
- (b) one party may become obliged to deliver a negotiable instrument having certain agreed features.

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

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

"Maturity Date" means, subject to paragraphs (4) and (5) of this Addendum, the date on which the Settlement Period ends.

"Settlement Date" means, subject to paragraphs (4) and (5) 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:

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

and

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

where:

A = Contract Amount

I_s = 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%)

I_c = 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) **Settlement Date and Maturity Date**

The Settlement Date and Maturity Date must each fall on one of the first to the fifteenth days of a month. If for any reason the parties agree otherwise, they must also agree on a basis for calculating the Interest Settlement Rate as if the Settlement Date or Maturity Date occurred in the early part of the month. It is expected that the parties will agree on averaging quotes for this purpose from four reference market makers.

(5) **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.

(6) **Cash 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.

(7) **Physical settlement**

If the Borrower is determined by Austraclear to be a net borrower in connection with a particular Settlement Date or the Lender is determined by Austraclear to be a net lender in connection with a particular Settlement Date, then the party must comply with the FRB market conventions in connection with the physical delivery of stock on the Settlement Date.

(8) **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.

(9) **Confirmations**

- (a) The parties acknowledge that FRBs governed by the terms of this Addendum and the ISDA Master Agreement in which it is incorporated must be confirmed through Austraclear.

A confirmation through Austraclear 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 such Confirmation. If there is an inconsistency between those definitions and provisions and any such Confirmation, the Confirmation will govern.
- (c) The following terms used in the Austraclear FRTRADE menu correspond to the following terms in this Addendum:

FRTRADE menu	this Addendum
Buy	Borrower
Sell	Lender
Amount	Contract Amount
Rate	Contract Rate

- (d) When a party specifies in the Austraclear Menu:
- (a) "B" at the "Buy/sell" item, it intends that the party is the Borrower;
- (b) "L" at the "Buy/sell" item, it intends that the party is the Lender.