4th Meeting of the Derivatives Working Group (DWG) for the KLIBOR Transition
15th May 2026
Bank Negara Malaysia

Summary

The meeting was apprised of the latest infrastructure updates for the Malaysia Overnight Rate (MYOR) / Malaysia Islamic Overnight Rate (MYOR-i) and continued discussions on strategies to develop liquidity in the MYOR derivatives market, with a focus on the MYOR Derivatives Auction.

1. Infrastructure updates

1.1 The meeting noted Bloomberg's progress in enhancing their platform's support for MYOR/MYOR-i, which includes improving the reliability of the MYOR OIS curve via a wider range of pricing sources and developing compounded MYOR-i calculators, with a tentative launch date in June to facilitate market participants' system enhancement efforts.

1.2 The meeting also noted LCH's request for standardised market conventions for MYOR non-deliverable overnight index swaps (NDOIS) as part of its preparations on clearing eligibility and agreed for members to review the onshore OIS conventions for use in NDOIS.

2. MYOR Derivatives Auction

2.1 The meeting reviewed the follow-up survey results and affirmed that price discovery should be the primary objective of the auction, with the auction's success measured by the following criteria:

i. minimal genuine matches at the auction (indicating consensus on pricing among participants); and

ii. clear evidence of MYOR OIS liquidity in the OTC market (including narrow bid-ask spreads)

2.2 Members generally agreed that the auction should only be necessary until the achievement of the above success criteria, following which the Auction may be terminated subject to a recommendation by the DWG.

2.3 Based on the survey results, the meeting discussed and recommended the following auction parameters:

i. Tightening of maximum bid-ask spread: Based on assessment and recommendation by DWG

ii. Participation basis: Voluntary

iii. Eligible participants: Starting with DWG members with potential expansion to non-DWG banks in the future, subject to DWG's assessment with consideration to counterparty credit limits

iv. Participation requirements: Submission of one bid and offer per auction tenor

v. Quote size: RM20k in PV01[1] (present value of a basis point) terms
   - Members discussed whether multiple quotes or variable quote sizes should be allowed but preferred standardisation for simplicity

vi. Quote submission time: Before 11 a.m. on the auction day

vii. Matching mechanism: Bid and offer quotes will be ranked in order of competitiveness (higher bids and lower offers are more competitive) and matched for trading where the bid is higher than or equal to the offer, with the final rate set at the midpoint of the matched bid and offer.
   - Members discussed the handling of potentially complex situations involving multiple equal-price quotes and agreed for the Auction Organiser to determine the best approach.

viii. Counterparty credit limits: Prior to each auction, participants are required to update the Auction Organiser on their counterparty credit limits with other participants. If insufficient counterparty credit limits prevent a potential match, the quotes will remain eligible for matching with the next best counterparty.

ix. Trade monitoring: Matched counterparties will be notified via email and are required to update the Auction Organiser upon the completion of trades.

x. Penalty for trade failure: Exclusion from the next three auctions, in the absence of a reasonable justification.

2.4 The meeting discussed the scope and timing of the dissemination of auction results. Members preferred for the auction results to be disseminated simultaneously to DWG members and the public by 3 p.m. on the auction day, noting that this would maximize the benefits of price discovery by ensuring sufficient time for trading by the wider market. Members also recommended the following information for dissemination:

i. range of bids and offers
ii. mean (average) of the mid rates
iii. number of participants
iv. matched rates

2.5 The meeting discussed whether any legal agreements were necessary to operationalise the auction and concluded that the derivatives trades would already be covered under existing ISDA Master Agreements, though an invitation letter from the Auction Organiser would facilitate participants' internal approvals.

3. Contribution of MYOR/MYOR-i OIS prices

3.1 The meeting was broadly aligned on the benefits of having MYOR/MYOR-i OIS curves available on financial market platforms such as Bloomberg and LSEG, though some members highlighted internal difficulties in contributing prices directly to these platforms. Notwithstanding, members agreed to support curve-building efforts by market-making via the domestic brokers, which would indirectly contribute to the platforms' composite pricing.

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[1] Accordingly, the notional amount will be larger for shorter tenors and vice versa

4. Other Matters

4.1 The meeting expressed support for the inclusion of MYOR-i in the 2021 ISDA Interest Rate Derivatives Definitions which would facilitate trading of conventional as well as Islamic derivatives, given referencing of the conventional Definitions for transactions under the Tahawwut Master Agreement (TMA). A few members also indicated interest in using MYOR-i in conventional derivatives such as interest rate and MYOR/MYOR-i basis swaps.

4.2 The meeting discussed the treatment of KLIBOR derivatives contracts with a final rate fixing and maturity date before and after KLIBOR cessation respectively and clarified that KLIBOR would be applicable for the final fixing instead of a fallback rate.

4.3 The meeting was briefed on the Communications Working Group’s plans for an industry briefing on KLIBOR Transition matters and agreed for the Secretariat to seek interest from members to participate.