

Preparations for the discontinuation of LIBOR in the JPY interest rate swaps market

The Sub-Group for the Development of Term Reference Rates has reached a consensus on the course of action with regard to the discontinuation of LIBOR in the Japanese yen (JPY) interest rate swaps market as follows. It expects market participants to proceed with necessary preparations in accordance with the consensus below.

1. Initiation of new interest rate swaps referencing JPY LIBOR and maturing after the end of 2021 shall be ceased by no later than the end of September 2021, except for the purpose of risk management of existing positions. Market participants are expected to transition early, without waiting for the end of September, if they are able to do so.
2. The Tokyo O/N Average rate (TONA) shall be the main alternative benchmark for the JPY interest rate swaps market. However, market participants are not necessarily precluded from using other alternative benchmarks including the Tokyo Term Risk Free Rate (TORF) and TIBOR, as demand for those benchmarks is expected to remain depending on the purpose of trade.
3. New quoting conventions for the JPY interest rate swaps market based on TONA, instead of LIBOR, shall be adopted by no later than the end of July 2021. Market participants are expected to adopt the new quoting conventions early, without waiting for the end of July, if they are able to do so.