

(Tentative translation)

**Cross-Industry Committee on Japanese Yen Interest Rate Benchmarks**  
**Minutes for the April 27, 2021 Meeting**  
**4:30—5:30 PM**  
**(Via conference call)**

I. Update on International Discussions on Interest Rate Benchmarks

The Secretariat informed the Committee of the latest discussions on interest rate benchmarks in major jurisdictions.

II. Results of the Survey on the Status of LIBOR Transition Concerning Domestic Bonds Referencing Japanese Yen LIBOR in Face of Discontinuation of Japanese Yen LIBOR

Japan Securities Depository Center (JASDEC) reported on the results of the survey on the status of LIBOR transition concerning domestic bonds referencing Japanese yen (JPY) LIBOR in face of discontinuation of JPY LIBOR.

On this point, the Financial Services Agency (JFSA) made the following comments.

- For domestic corporate bonds referencing JPY LIBOR issued in accordance with the Japanese Companies Act, it would be necessary, in principle, to either make a transition to an alternative benchmark or introduce a fallback provision, by holding a bondholders' meeting and passing a resolution as provided by the Act.
- Corporate bond issuers would need to take initiatives in making the transition or introducing the fallback provision, while consulting with relevant stakeholders. As the procedures would take a considerable amount of time, it would be important to identify the necessary tasks as early as possible and proceed with them.
- There remained very short time before the discontinuation of JPY LIBOR. Therefore, the JFSR would like corporate bond issuers that had not yet decided on or considered a policy on transitioning to develop their policies as soon as possible. As for corporate bond issuers that had already decided to hold a bondholders' meeting, JFSA expected them to work closely with JASDEC.

III. Overview of the TONA TSR

Refinitiv Japan provided an overview of the TONA-based Tokyo Swap Reference Rate (TONA TSR).

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On this point, a securities company member made the following comment.

- As it was planned to make the TONA TSR an internationally available financial benchmark, it would be helpful to inform market participants of the progress of procedures necessary for complying with the International Organization of Securities Commissions (IOSCO) Principles for Financial Benchmarks and for the registration under the U.K. Benchmark Regulation and the EU Benchmark Regulation.

#### IV. Japan Securities Clearing Corporation's Response to the Discontinuation of Japanese Yen LIBOR

Japan Securities Clearing Corporation (JSCC) explained about its response to the discontinuation of JPY LIBOR.

On this point, a securities company member made the following comment.

- There were differences among JSCC, LCH, and CME regarding the methods for converting interest rate swaps referencing JPY LIBOR to standard Overnight Index Swaps (OIS). Specifically, if LIBOR for the applicable calculation period was published prior to the conversion date, LCH and CME would calculate and pay interests at relevant LIBOR, while JSCC planned to calculate and pay interests at the TONA OIS. In this regard, we wanted to ask whether JSCC planned to be in line with LCH and CME.

In response, JSCC made the following comment.

- JSCC had been working on this issue, including the suggested points, through discussions with market participants.

#### V. Update on "Roadmap to Prepare for the Discontinuation of Japanese Yen LIBOR"

1. The chair of the Committee reported that "Roadmap to Prepare for the Discontinuation of Japanese Yen LIBOR" had been updated based on "Preparations for the discontinuation of LIBOR in the JPY interest rate swaps market" published by the Committee on March 26 and requested market participants to take a necessary action in accordance with the updated roadmap.
2. The chair of the Sub-Group for the Development of Term Reference Rates complemented the comment and requested market participants to carry out the following: (i) to cease the initiation of new interest rate swaps referencing JPY LIBOR as soon as practicable, without

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waiting for the target deadline (the end of September) and (ii) to take concrete action immediately on transition to TONA from LIBOR. In addition, the chair of the sub-group also requested those market participants that had not yet established systems for handling TONA OIS transactions (iii) to take immediate action to establish such systems.

3. As for interest rate swaps, JFSA welcomed the recent announcement about the target deadline for (i) the cessation of the initiation of new interest rate swaps referencing JPY LIBOR and (ii) the adoption of new quoting conventions for JPY interest rate swaps market based on TONA.

In addition, JFSA mentioned that it expected necessary action to be taken ahead of schedule as there remained very short time before the discontinuation of LIBOR.

With regard to the term risk-free rates included in the roadmap for Japan, JFSA stated that the production rates of Tokyo Term Risk Free Rate (TORF), of which the publication had started on April 26 was designated as a "Specified Financial Benchmark" under the Financial Instruments and Exchange Act on April 27, and that QUICK Benchmarks (QBS) was designated as a "Specified Financial Benchmark Administrator" under the Act.

4. Finally, the chair of the Committee noted that (i) discussions had been held in the United Kingdom and the United States on the so-called use cases, which indicated the U.K. and U.S. approaches to the use of term risk-free rates, and (ii) in this regard, there were no restrictions on cash products, while TONA should be the main alternative benchmark for the JPY interest rate swaps market in Japan as stated in the "Preparations for the discontinuation of LIBOR in the JPY interest rate swaps market" published by the Committee on March 26.

On this topic, a bank member made the following comment.

- As there were no descriptions regarding the establishment of governance structures for brokers in the "Outline of QBS TORF" published by QBS, the market was expecting QBS to provide more information on this point.

Another bank member made the following comment.

- Tradeable quote data on the Central Limit Order Book (CLOB) were defined as the second priority in the waterfall structure intended for the calculation of TORF. With a view to improving the transparency of the calculation of TORF, the trading infrastructure on CLOB should be developed.

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In response, the Secretariat made the following comment.

- As mentioned in the material for the March 26, 2021 meeting, we would continue to discuss the way to increase tradeable quote data on CLOB.

Additionally, the chair of the Sub-Group for the Development of Term Reference Rates made the following comment.

- The Sub-Group for the Development of Term Reference Rates would continue to discuss the development of CLOB through dialogue with providers of electronic trading platforms.

Another bank member made the following comment.

- Information on TONA-related benchmarks and fallback rates would be provided by multiple providers. To promote the use of TONA and the transition from LIBOR, information providers were expected to present the availability of the information to the users in an organized manner. In doing so, it would be desirable to use the same notation of TONA instead of several different ones.

## VI. AOB

1. The chair reported that the Committee was organizing the way to proceed with the discussions on tough legacy in Japan, and that the Sub-Group on Loans and the Sub-Group on Bonds would start specific discussions.
2. The vice-chair made several announcements about the Committee's commitment to external communication and its future policy.

## Cross-Industry Committee on Japanese Yen Interest Rate Benchmarks

### Attendance for the April 27, 2021 Meeting

#### (Members)

Chair	MUFG Bank	GODA Kenichiro
Vice Chair	Nomura Securities	NONOMURA Shigeru
	Mizuho Bank	KOBAYAKAWA Motomu
	Sumitomo Mitsui Banking Corporation	ORIHARA Takashi
	Bank of Yokohama	ARAI Tomoki
	North Pacific Bank	TAKAHASHI Kazuhiro
	Deutsche Bank	MORITA Shigeki
	Daiwa Securities	SATO Shinya
	Goldman Sachs	TAGUCHI Kengo
	Morgan Stanley MUFG Securities	EZUKA Takeshi
	Japan Post Bank	ICHIKAWA Tatsuo
	The Norinchukin Bank	HARADA Noriyuki
	Shinkin Central Bank	TANAKA Hiroyuki
	Nippon Life Insurance Company	OKAMOTO Shinichi
	Tokio Marine Holdings	CHIKAMATSU Takehiro
	Daiwa Asset Management	TAKAO Norihisa
	Mitsui&Co.	TANAKA Makoto
	Mitsui Fudosan	IMADA Takahito
	East Japan Railway Company	ISHIMARU Mikito
	Mitsubishi HC Capital	HASHIDA Kei
	Nippon Telegraph and Telephone Corporation	NAKAYAMA Kazuhiko

#### (Observers)

JBA TIBOR Administration	KOYAMA Hirotaka
International Swaps and Derivatives Association	MORITA Tomoko
Financial Law Board	TOTSUKA Takaharu (Attorney-at-Law)

Tokyo Financial Exchange	SEO Ryosuke
Japan Securities Clearing Corporation	KANEKO Takahiko
Japanese Bankers Association	TAKAHASHI Tetsuo
Japan Securities Dealers Association	NISHIMURA Yoshiko
Financial Services Agency	NOBUMORI Takehiro
Bank of Japan	INAMURA Yasunari
Bank of Japan	CHIBA Makoto
Bank of Japan	YOSHIMURA Haruka

The chairs of the sub-groups and the coordinator of the working group attended the meeting.

Chair of the Sub-Group on Loans	Mizuho Bank	SHIBATA Noriyuki
Chair of the Sub-Group on Bonds	Nomura Securities	HASHIMOTO Shigeru
Chair of the Sub-Group for the Development of Term Reference Rates	Citigroup Global Markets Japan	WATANABE Atsuya
Coordinator of the Working Group on Currency Swaps	Sumitomo Mitsui Banking Corporation	ISHIKAWA Satoshi