

Cross-Industry Committee on Japanese Yen Interest Rate Benchmarks

Minutes for the August 1, 2018 Meeting

4:00 – 5:00 PM

(Meeting Room in the Bank of Japan)

1. The representatives of the Bank of Japan and Financial Services Agency gave opening remarks to the meeting. On behalf of the Bank of Japan, the Director-General of the Financial Markets Department stated that with concerns about the sustainability of LIBOR beyond the end of 2021, it is important for a diverse set of market participants and interest rate benchmark users in Japan, including financial institutions, institutional investors, and non-financial corporates to intensively and collaboratively forward the reform of Japanese yen interest rate benchmarks, in order to improve the integrity and robustness of such benchmarks. On behalf of Financial Services Agency, the Director for International Banking Regulations stated that in order to realize the multiple-rate approach in ways suited to the characteristics of Japanese financial markets, it is necessary to promptly deliberate on topics including ways to choose Japanese yen interest rate benchmarks, transition, and fallback policy.
2. The Secretariat (Market Infrastructure Division at the Financial Markets Department of the Bank of Japan) introduced the terms of reference of the Cross-Industry Committee on Japanese Yen Interest Rate Benchmarks (hereinafter the “Committee”) and they were approved by the Committee. The Secretariat also called attention to the obligations as participants of the Committee to respect confidentiality and to fully comply with all applicable competition laws in Japan and overseas.
3. The election of the Committee’s chair and vice-chair was carried out.
Some members expressed their opinions on who should chair the Committee. A non-financial corporate member stated that since interest rate benchmarks are constructed from underlying transactions in inter-bank and wholesale markets, it is appropriate for a financial institution to chair the Committee. A buy-side member also stated that since it is ideal to carry out the deliberations on interest rate benchmarks in harmony with global discussion, a financial institution that operates globally with a diverse set of clients should chair the Committee. As a result, the MUFG Bank and Nomura Securities were elected as the chair and vice-chair, respectively.
4. The Secretariat touched upon how interest rate benchmarks are used as well as developments regarding interest rate benchmarks in major jurisdictions.
5. According to the Committee’s terms of reference, the following three sub-groups were established and the terms of reference for each group were approved by the Committee.
Given that in Japan, loans and bonds play major roles in both the corporate financing and funds investment of financial institutions and institutional investors, the “Sub-Group on Loans” and “Sub-Group on Bonds” were established. In addition, since the development of term reference rates would become necessary upon the transition of existing IBORs to risk-free reference rates, the “Sub-Group for the Development of Term Reference Rates” was established.

(Tentative translation)

6. The Secretariat proposed a road map for interest rate benchmark reform.

The Secretariat informed that with the rising probability of the discontinuation of the publication of LIBOR, the following steps are expected to be taken. First, the sub-groups would conduct necessary deliberations by March next year. Second, the Committee would review the deliberations of the sub-groups and draw conclusions, and then publish the deliverables after public consultation by autumn next year. The road map was embraced by the members and observers.

7. The chair informed that the deliberations of the sub-groups are planned to start after late August and that based on their deliberations, the next meeting of the Committee is expected to be held at around late October this year. The schedule was embraced by the members and observers.
8. It was agreed that communication with deliberating bodies overseas on interest rate benchmarks will be mainly handled by the Committee's chair and vice-chair.

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Attendance for the August 1, 2018 Meeting

(Members)

Chair	MUFG Bank	Taro Matsuura
Vice Chair	Nomura Securities	Shigeru Nonomura
	Mizuho Bank	Ken Watanabe
	Sumitomo Mitsui Banking Corporation	Hiroshige Katsurada
	Bank of Yokohama	Hiroshi Nishijima
	Bank of Nagoya	Kenji Suzuki
	Deutsche Bank	Shigeki Morita
	Daiwa Securities	Yuichiro Inada
	Goldman Sachs	Kengo Taguchi
	Morgan Stanley MUFG Securities	Jun Sawada
	Japan Post Bank	Tatsuo Ichikawa
	The Norinchukin Bank	Shirou Nagata
	Shinkin Central Bank	Kenji Tanaka
	The Dai-ichi Life Insurance Company	Kazuyuki Shigemoto
	Tokio Marine & Nichido Fire Insurance	Shinya Nikkawa
	Daiwa Asset Management	Tsutomu Komiya
	Marubeni Corporation	Yasuhiko Ogura
	Mitsui Fudosan	Osamu Mizushima
	East Japan Railway Company	Hiroyuki Akaike
	Mitsubishi UFJ Lease & Finance	Osamu Tominaga

(Observers)

JBA TIBOR Administration	Mitsuru Endo
International Swaps and Derivatives Association	Tomoko Morita
Financial Law Board	Takaharu Totsuka (Attorney-at-Law)

Tokyo Financial Exchange	Ryosuke Seo
Japan Securities Clearing Corporation	Takahiko Kaneko
Japanese Bankers Association	Hiroataka Koyama
Japan Securities Dealers Association	Junichi Taguchi
Financial Services Agency	Kenji Oki
Bank of Japan	Seichi Shimizu
Bank of Japan	Hiroki Ootake
Bank of Japan	Hiroyuki Shiozawa