

(Tentative translation)

Cross-Industry Committee on Japanese Yen Interest Rate Benchmarks
Minutes for the January 18, 2019 Meeting
4:00 – 5:20 PM
(Meeting Room in the Bank of Japan)

1. The Secretariat informed the Committee the latest developments regarding interest rate benchmarks in major jurisdictions.
2. The chair gave an overview of the recently held meeting of the Financial Stability Board's (FSB's) Official Sector Steering Group (OSSG).
3. The International Swaps and Derivatives Association (ISDA), an observer, introduced the results of its consultation on technical issues related to new benchmark fallbacks for derivatives contracts that set out options for adjustments that would apply to the fallback rate in the event IBORs such as LIBOR are permanently discontinued.
4. The chairs of the Sub-Group for the Development of Term Reference Rates, Sub-Group on Loans, and Sub-Group on Bonds, as well as the coordinator of the Working Group on Currency Swaps reported what has been discussed so far in their respective sub-groups and working group and the members exchanged views on the reports.

The co-chairs of the Sub-Group for the Development of Term Reference Rates reported the proposed requirements for O/N RFR Compounding (both "Fixing in Advance" and "Fixing in Arrears") on the basis that the rates are publically accessible, and also reported the calculation methodology and the required measures to eventually develop Term Reference Rates (both "Swap" and "Futures"). The chairs of the Sub-Group on Loans and Sub-Group on Bonds reported their approaches to fallbacks and issues regarding accounting for loans and bonds, respectively.

The Secretariat reported that it along with the Financial Services Agency (FSA) has briefed the Accounting Standards Board of Japan (ASBJ) on the issue of whether hedge accounting can continue to be applied beyond the benchmark transition.

In response to these reports, the chair unveiled the possible direction of way forward toward the public consultation, pointing out major issues recognized by each Sub-Group. The chair then clarified and shared the notion that it is important for new cash products referencing Japanese yen (JPY) LIBOR to promptly switch to alternative benchmarks and for legacy products to adopt fallback provisions contemplating the permanent discontinuation of JPY LIBOR.

Some members made comments on the issue of whether hedge accounting can continue to be applied. A financial institution member stated that it hopes to gain prospects on this issue at an early stage to meet customers' funding demands and concurrently maintain appropriate asset-liability management. Also, a non-financial corporate member stated that since the issue is of great significance to its business management, it expects related parties to work in closer cooperation with one another so that hedge accounting can continue to be applied.

5. The vice-chair outlined the Committee's future external communication plan aimed to encourage various entities involved in interest rate benchmarks to address practical issues to benchmark reform through multiple channels such as by taking part in industry-level study groups and information exchange meetings.

Cross-Industry Committee on Japanese Yen Interest Rate Benchmarks

Attendance for the January 18, 2019 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	Hiroyoshi Ito
	Deutsche Bank	Megumi Hirano
	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	Takahiro Machinaga
	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
	Mitsubishi UFJ Lease & Finance	Osamu Tominaga
	Nippon Telegraph and Telephone Corporation	Takashi Hiroi

(Observers)

JBA TIBOR Administration	Yuichi Sera
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	Hiroki Ootake
Bank of Japan	Hiroyuki Shiozawa

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

Chair of the Sub-Group on Loans	Mizuho Bank	Noriyuki Shibata
Chair of the Sub-Group on Bonds	Nomura Securities	Shigeru Hashimoto
Chair of the Sub-Group for the Development of Term Reference Rates	MUFG Bank	Yutaka Amagi
Chair of the Sub-Group for the Development of Term Reference Rates	Citigroup Global Markets Japan	Atsuya Watanabe
Coordinator of the Working Group on Currency Swaps	Sumitomo Mitsui Banking Corporation	Kensuke Tanaka