

(Tentative translation)

Cross-Industry Committee on Japanese Yen Interest Rate Benchmarks
Minutes for the April 24, 2019 Meeting
5:00 – 6:00 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 Financial Stability Board (FSB) roundtable on reform of major interest rate benchmarks.
3. 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 (“Fixing in Arrears”) and Term Reference Rates (“Swap”), and the evaluation of the proposed requirements for Term Reference Rates (“Swap”) according to the IOSCO Principles for Financial Benchmarks. The chairs of the Sub-Group on Loans and Sub-Group on Bonds reported additional issues and approaches to them, and the evaluation of the reference rate options for loans and bonds, respectively.

Regarding accounting issues stemming from the permanent discontinuation of LIBOR such as those related to hedge accounting, the Secretariat reported that the Accounting Standards Board of Japan (ASBJ), in response to the proposal by the Standards Advisory Council, approved taking up “Accounting issues arising from interest rate benchmark reform” as a new agenda item. The Committee welcomed these developments at the ASBJ.

A non-financial corporate member noted that, as a globally active company, it has to pay attention to the developments overseas, where discussions have centered around interest rate benchmarks based on risk-free reference rates. The member continued that it sees interest rates fixed in advance as desirable to ensure continuity of existing funding operations, stressing the importance of developing such rates in Japan at an early stage.

4. In response to these reports and with a view to holding a public consultation, the Secretariat outlined the main points of the draft public consultation compiled based on the discussions in the Committee and sub-groups.

A non-financial corporate member noted that although it expects the public consultation document to be technical, the Committee should be considerate as to make the document easy to understand not only for financial institutions but also for other corporates. The member continued that it expects the substance to be neutral for stakeholders such as lenders and borrowers in the case of loans. The member added that although it would be difficult for the ASBJ to start to specifically consider issues related to hedge accounting given that no actual transactions have yet to fulfill preconditions, it is nonetheless a positive development that the ASBJ recognized the urgency of the accounting issues arising from interest rate benchmark reform.

5. The vice-chair outlined the Committee’s future external communication plan to facilitate awareness of its work on interest rate benchmark reform before the public consultation

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scheduled ahead through multiple channels such as by taking part in industry-level study groups and seminars.

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Attendance for the April 24, 2019 Meeting

(Members)

Chair	MUFG Bank	Taro Matsuura
Vice Chair	Nomura Securities	Shigeru Nonomura
	Mizuho Bank	Ken Watanabe
	Sumitomo Mitsui Banking Corporation	Eiji Kawahara
	Bank of Yokohama	Tomoki Arai
	Bank of Nagoya	Kenji Suzuki
	Deutsche Bank	Shigeki Morita
	Daiwa Securities	Yuichiro Inada
	Goldman Sachs	Kengo Taguchi
	Morgan Stanley MUFG Securities	Takeshi Ezuka
	Japan Post Bank	Tatsuo Ichikawa
	The Norinchukin Bank	Shirou Nagata
	Shinkin Central Bank	Kenji Tanaka
	The Dai-ichi Life Insurance Company	Naoto Takeuchi
	Tokio Marine Holdings	Shinya Nikkawa
	Daiwa Asset Management	Tsutomu Komiya
	Marubeni Corporation	Takao Hashimoto
	Mitsui Fudosan	Osamu Mizushima
	East Japan Railway Company	Hiroyuki Akaike
	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	Satoshi Ishikawa