

(Tentative translation by the Secretariat)

**Study Group on Risk-Free Reference Rates**  
**Minutes for the September 16, 2015 Meeting**  
**4:30 – 5:30 PM**  
**(Meeting Room in the Bank of Japan)**

**Summary of the Proceedings**

1. Members approved the minutes of the July 29, 2015 meeting. They also approved to publish the minutes on the Bank of Japan's web site.
2. The Secretariat provided an update on recent developments of international discussions about risk-free reference rates.
3. The Secretariat provided a summary of issues related to the case in which the uncollateralized overnight call rate (Tokyo Overnight Average Rate, TONAR) is used as a risk-free reference rate for financial contracts and transactions. After some questions and discussions, members agreed to the summary.
4. Members discussed plans on how to conduct outreach to market participants and end users.
5. The Chair announced that the next meeting would be held in mid-October. The Chair proposed that they would not additionally consider issues regarding the OIS rate as they are already clarified along with the TONAR, and that at the next meeting, they would discuss issues including challenges when introducing and utilizing the GC repo rate. Members agreed to this proposal.

**Summary of Issues Related to TONAR**

1. The summary of issues agreed by the members is as follows.
  - i. Introducing TONAR as a reference rate for interest rate swaps should involve less administrative costs than other rates because the yen OIS market, a market which uses TONAR as a reference rate, already exists. Members also noted that using TONAR would facilitate risk taking/hedging in line with economic fundamentals. On the other hand, transitions from LIBOR based transactions might pose challenges because market participants may be inclined to avoid market liquidity segregation.
  - ii. When using TONAR as a reference rates for cross-currency swaps, compatibility with other major currencies is important. Technically, it would be feasible to execute cross-currency swaps by using overnight rate.
  - iii. There might be some demands from investors in using TONAR as a reference rates for bonds. On the other hand, using TONAR as a reference rates for loans diverges from current market practice. Such use was not assumed in the FSB/MPG reports either.
  - iv. For uses of TONAR as a discount curve for derivatives, transition would not be an issue because OIS based discounting is a prevailing method in the streets.

**Discussion on the Outreach Plan**

1. It is beneficial to exchange views with market participants who are not members of this study group in acquiring additional opinions.

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2. In the steps toward a widespread use of risk-free reference rates, it is expected that at an early stage, financial institutions would be the major users and only after the transaction cases are accumulated, corporate treasuries would follow suit.
3. Financial institutions are the first priorities in the outreach plan in order to advance discussions about facilitating uses of risk-free reference rates.

## Study Group on Risk-Free Reference Rates

### Attendance for the September 16, 2015 Meeting

#### (Attendees)

Chair	Mizuho Bank	Junichi Kimura
Vice Chair	Nomura Securities	Shigeru Hashimoto
	SMBC Nikko Securities	Kazuhiro Ojima
	SMBC Nikko Securities	Kazuhiro Matsushita
	Goldman Sachs	Kengo Taguchi
	Daiwa Securities	Kazunao Obinata
	Daiwa Securities	Yukio Shishitani
	Deutsche Bank	Kei Kobayashi
	Nomura Securities	Hayato Ishida
	Nomura Securities	Akifumi Sakurai
	Nomura Securities	Shunichi Fukuda
	Barclays Securities	Daisuke Murayama
	Barclays Securities	Kosuke Morihara
	Mizuho Bank	Yoshito Kasamatsu
	Mizuho Securities	Hiromichi Kassai
	Sumitomo Mitsui Banking Corporation	Yoshihiro Yamada
	Bank of Tokyo-Mitsubishi UFJ	Daisuke Kataoka
	Mitsubishi UFJ Morgan Stanley Securities	Yasuto Aoki
	UBS AG	Hirotsugu Inoue
	UBS AG	Yasuo Ushijima
	ISDA	Kaori Horaguchi
	Japanese Bankers Association	Hiroataka Koyama
	Japanese Bankers Association	Kazuhiro Nagata
	Japan Securities Dealers Association	Hajime Takeda
	Japan Securities Dealers Association	Yuya Nakase
	Japan Securities Dealers Association	Masato Maruno

**(Observers)**

Financial Services Agency

Tomoaki Hayashi

Financial Services Agency

Mitsune Shirasawa

Financial Services Agency

Hiroki Fukushima

Bank of Japan

Kenji Fujita

Bank of Japan

Yoshiaki Azuma

Bank of Japan

Shigeru Shimizu