

July 30, 2019

Establishment of the “Task Force on Term Reference Rates”

Amid heightened concerns about the sustainability of LIBOR beyond the end of 2021, the “Cross-Industry Committee on Japanese Yen Interest Rate Benchmarks” (referred to as “Committee” hereinafter) has deliberated on the development of term structures (referred to as “Term Reference Rates” hereinafter) based on the risk-free reference rate (RFR) as options for alternative benchmarks to Japanese yen (JPY) LIBOR.

Note: “Risk-free reference rates” indicate reference rates without bank credit risk. In Japan, the “Study Group on Risk-Free Reference Rates” identified the uncollateralized overnight call rate (TONA) as the JPY RFR in December 2016.

In this respect, at its meeting held on June 5, 2019, the Committee concluded that it is necessary to establish a framework for providing the calculating and publishing entities of Term Reference Rates with practical support so that the entities could smoothly proceed with efforts for the calculation and publication of those rates.

Regarding this matter, in order to provide the calculating and publishing entities of Term Reference Rates with practical support, the “Task Force on Term Reference Rates” (referred to as “Task Force” hereinafter) will be established by the end of August 2019 in cooperation with the Committee, and the secretariat will be staffed by the Bank of Japan.

The Task Force will deliberate on practical matters such as the overall scheme for the calculation and publication of Term Reference Rates, the flow of transaction data and quote data, and the detailed methodology for calculating those rates, as well as matters including the selection criteria for the calculating and publishing entities of Term Reference Rates.

Moreover, the Task Force will provide appropriate advice or support to the Committee in soliciting the calculating and publishing entities of Term Reference Rates.

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