

(Tentative translation)

**Cross-Industry Committee on Japanese Yen Interest Rate Benchmarks**  
**Minutes for the November 1, 2019 Meeting**  
**4:30 – 5:40 PM**  
**(Meeting Room in the Bank of Japan)**

**I . Update on International Discussions on Interest Rate Benchmarks**

1. The Secretariat informed the Committee of the latest discussions on interest rate benchmarks in major jurisdictions.
2. The International Swaps and Derivatives Association (ISDA) gave an explanation of the results of its benchmark fallbacks consultation on issues such as pre-cessation triggers, and of its future work plan.

**II . Discussion about the Outcome of the Public Consultation**

1. The chair reported that a total of 40 entities from a wide range of industries provided comments to the public consultation during the comment solicitation period from July 2 to September 30, 2019. The responses received were well-aligned with the issues subject to public consultation. In addition, industry organizations were counted as one respondent, and, taking into account the number of constituent companies, it could be assessed that these responses reflect opinions of more than 40 entities.
2. The Secretariat explained the main points of the outcome of the public consultation as follows.
  - It was reported that, in general, most respondents supported term rates based on risk-free rates (referred to as “Term Reference Rates”).
  - Among responses received about alternative benchmarks for loans, with regard to TIBOR, which is an option for alternative benchmarks, some expressed concerns about the difference in rate level from LIBOR. In response to these concerns, the Secretariat provided supplemental explanation that these concerns could be solved through communication between contracting parties; the total level of interest rates could be considered as a starting point in the discussion.
3. A securities company member noted that it would like to cooperate toward the early development of Term Reference Rates. On the other hand, the member noted that, in the United States and the United Kingdom, bonds using a compounded in arrears rate based on overnight RFRs are already issued and traded, and systems and administration are being developed. The member continued that Japanese companies operating globally will need to carefully monitor overseas developments on benchmark reform and that it would like to provide appropriate information to its clients.
4. A financial institution member noted that, going forward, conscientious explanation for clients will be important when implementing initiatives for the transition from LIBOR at individual companies, whether for bonds or for loans. The member also noted that, in order for individual companies to address specific issues, it is important that industry organizations establish transparent guidelines regarding the development of market conventions and appropriate client services.

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5. The Japanese Bankers Association (JBA) responded as follows.

- The JBA is highly motivated to work on development of market conventions and appropriate client services, while keeping in mind the time limit.
- The JBA has started to make efforts to develop market conventions in order to facilitate transition from LIBOR and fallbacks. As for client services, in June 2019, the JBA provided FAQs to its members, and plans to update them going forward. The JBA will also make efforts to enhance its external communication.
- The JBA will make further efforts toward the transition from LIBOR in cooperation with other organizations, and provide necessary feedback to the Committee, which is composed of various entities, so that a transparent approach can be taken as the industry as a whole.

6. The Japan Securities Dealers Association responded that it will deliberate on the appropriate approach to securities businesses with its members comprising of securities companies.

7. As precedent for fallbacks, a financial institution member introduced that it adopted permanent cessation fallbacks for bonds referencing JPY LIBOR which it had issued recently.

8. The chair expressed the view that while industry organizations are expected to lead initiatives going forward, the Committee, which is composed of various entities, could not only serve as a platform for feedback but also offer information to the public as necessary in order to publicize activities by industry organizations. This was embraced by the members.

9. The Financial Services Agency explained some of its initiatives that will be pursued, such as facilitating market-wide initiatives including the development of Term Reference Rates and monitoring each financial institution from the perspective of client protection.

10. Finally, the chair noted that the final report on the results of the public consultation will be published around late November 2019, and this was embraced by the members.

### III. Update on Development of Term Reference Rates

1. With regard to development of Term Reference Rates, the Secretariat informed that the Committee began to solicit the calculating and publishing entities of prototype rates on October 29, 2019, and that the Committee plans to discuss and evaluate each entity in around January 2020, in light of the evaluations by the Task Force.

2. As for requirements for application, the Financial Services Agency informed the Committee that the calculating and publishing entities need to ensure uninterrupted and sustainable calculation of Term Reference Rates, in light of the objectives of the Financial Instruments and Exchange Act, because the newly developed Term Reference Rates assume usage both in Japan and abroad.

### IV. AOB

1. The vice-chair made several announcements about the Committee's commitment to external communication, stating that after the launch of the results of the public consultation around late November 2019, the Committee will monitor the progress of interest rate benchmark reform,

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such as initiatives by each company, specific deliberations by industry organizations, and initiatives to develop Term Reference Rates. Additionally, the vice-chair remarked that the Committee will continue to facilitate initiatives by market participants toward the discontinuation of LIBOR and provide information to overseas market participants and financial authorities in order to shape a future vision of interest rate benchmarks in Japan.

2. The Secretariat reported that the Accounting Standards Board of Japan (ASBJ) began to deliberate on accounting issues arising from interest rate benchmark reform in October 2019.
3. In closing remarks, the Director-General of the Financial Markets Department of the Bank of Japan expressed deep gratitude to all the members of the Committee for their diligent contribution to the Committee's discussions on a cross-industry level, and for their contribution to the final outcome of the public consultation. The director-general also asked members for continuous cooperation in the initiatives to be put into practice toward interest rate benchmark reform.

## Cross-Industry Committee on Japanese Yen Interest Rate Benchmarks

### Attendance for the November 1, 2019 Meeting

#### (Members)

Chair	MUFG Bank	Taro Matsuura
Vice Chair	Nomura Securities	Shigeru Nonomura
	Mizuho Bank	Ken Watanabe
	Sumitomo Mitsui Banking Corporation	Takashi Orihara
	Bank of Yokohama	Yuji Saito
	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	Hiroyuki Tanaka
	The Dai-ichi Life Insurance Company	Kazuyuki Shigemoto
	Tokio Marine Holdings	Shinya Nikkawa
	Daiwa Asset Management	Tsutomu Komiya
	Marubeni Corporation	Yasuhiko Ogura
	Mitsui Fudosan	Retsu Togashi
	East Japan Railway Company	Masato Kanada
	Mitsubishi UFJ Lease & Finance	Osamu Tominaga
	Nippon Telegraph and Telephone Corporation	Seichi Hashimoto

#### (Observers)

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

Tokyo Financial Exchange	Kotaro Kuwabara
Japan Securities Clearing Corporation	Takahiko Kaneko
Japanese Bankers Association	Hiroataka Koyama
Japan Securities Dealers Association	Hideaki Matsunaga
Financial Services Agency	Minoru Aosaki
Bank of Japan	Seiichi Shimizu
Bank of Japan	Hiroki Ootake
Bank of Japan	Hiroyuki Shiozawa

The chairs of the sub-groups and the coordinator of the working group attended 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