

**Study Group on Risk-Free Reference Rates**  
**Minutes for the May 29, 2015 Meeting**  
**4:30 – 6:00 PM**  
**(Meeting Room in the Bank of Japan)**

**Summary**

1. Members approved the minutes of the meeting on April 28, 2015. It was also approved to publish the minutes, and related material on the Bank of Japan website.
2. The JFSA provided an overview of the IOSCO Principles for Financial Benchmarks.
3. The secretariat provided an update on recent developments of uncollateralized call transactions, collateralized call transactions, GC repos, T-bill transactions, and OIS transactions, which were regarded as potential candidates of risk-free rates. The secretariat specified that the trading volumes in GC repos and an overnight uncollateralized call markets have increased considerably.
4. The members exchanged views on data sufficiency and the use of potential risk free rates.
5. The Chair announced the next meeting would be held in late June.

**Views provided by Group Members**

1. GC repo rate can be a candidate of risk-free reference rates when GC repo transactions evolve to T+0 as the shortening of JGB settlement cycle materializes. Prior to the shortening, the overnight uncollateralized call rate should be selected.
2. Since the shortening of JGB settlement cycle will not be implemented until 2018, the Study Group should identify a risk-free reference rate which is viable under the current conditions, and revisit the issue after the shortening of the settlement cycle.
3. Since OIS transactions refer to an overnight uncollateralized call rate, OIS rate and the overnight uncollateralized call rate should be collectively discussed.
4. Although transaction volumes in the OIS market are limited, the level of illiquidity is not as severe as for each trade execution to instantly impact the prices.
5. The use of OIS rate as a discount curve may technically increase the burden of present value calculations.
6. The CCP adopts OIS curve as a discount curve to compute variation margins since the margin is accrued based on overnight uncollateralized call rate.
7. Given the variety of parameters in identifying risk-free reference rates, pros and cons of each risk-free reference rate should be clarified.
8. In establishing a new reference rate, it is important to take account of such factors as its accounting treatment and compatibility with its use including transactions with customers hedging.

## Study Group on Risk-Free Reference Rates Attendance for the May 29, 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 Japan	Kengo Taguchi
	Goldman Sachs Japan	Manabu Tauchi
	Daiwa Securities	Yukio Shishitani
	Daiwa Securities	Kazunao Obinata
	Deutsche Bank AG	Kei Kobayashi
	Nomura Securities	Shunichi Fukuda
	Nomura Securities	Hayato Ishida
	Barclays Securities Japan	Kosuke Morihara
	Barclays Securities Japan	Daisuke Murayama
	Mizuho Bank	Yoshito Kasamatsu
	Mizuho Bank	Ryosuke Komori
	Mizuho Securities	Hiromichi Kassai
	Sumitomo Mitsui Banking Corporation	Yoshihiro Yamada
	Sumitomo Mitsui Banking Corporation	Hiroshi Yamamoto
	Bank of Tokyo-Mitsubishi UFJ	Kenichi Nishii
	Bank of Tokyo-Mitsubishi UFJ	Daisuke Kataoka
	Mitsubishi UFJ Morgan Stanley Securities	Yasuto Aoki
	UBS AG	Hirotsugu Inoue
	UBS AG	Yasuo Ushijima
	ISDA	Yasunobu Arima
	ISDA	Tomoko Morita
	Japanese Bankers Association	Hiroataka Koyama
	Japanese Bankers Association	Kazuhiro Nagata
	Japan Securities Dealers Association	Masato Maruno
	Japan Securities Dealers Association	Yuya Nakase
	Japan Securities Dealers Association	Hajime Takeda

**(Observers)**

Financial Services Agency

Eisuke Tamagawa

Financial Services Agency

Kaori Nakamura

Financial Services Agency

Tomio Mizutani

Financial Services Agency

Kazuki Tashima

Bank of Japan

Kenji Fujita

Bank of Japan

Itaru Fukuda