

## **[I] Deliberations by the Task Force on Term Reference Rates**

### **1. Background**

The "Cross-Industry Committee on Japanese Yen Interest Rate Benchmarks" (hereinafter the Committee) concluded at its June 2019 meeting that it was necessary to establish a framework for swiftly providing practical support for the calculating and publishing entities of term structures based on Japanese yen (JPY) overnight index swap (OIS) (hereinafter the Term Reference Rates), so that the entities could smoothly proceed with efforts for the calculation and publication of those rates.

Based on this conclusion, the "Task Force on Term Reference Rates" (hereinafter the Task Force) was established in August 2019 in cooperation with the Committee, and the secretariat has been staffed by the Bank of Japan (see Attachment 1 for the list of members).

### **2. Progress in deliberations to date**

The Task Force has held seven meetings to deliberate on such topics as (i) the overall scheme for the calculation and publication of the Term Reference Rates, (ii) the procedure for exchanging transaction data and quote data between JPY OIS brokers and the calculating and publishing entities, and (iii) the specific requirements of data format to be adopted for the data exchange (see Attachment 2 for the scheme image).

In addition, the Task Force deliberated on matters regarding the evaluation of applicants for the calculating and publishing entities after holding discussions with each applicant and receiving presentations.

### **3. Future initiatives**

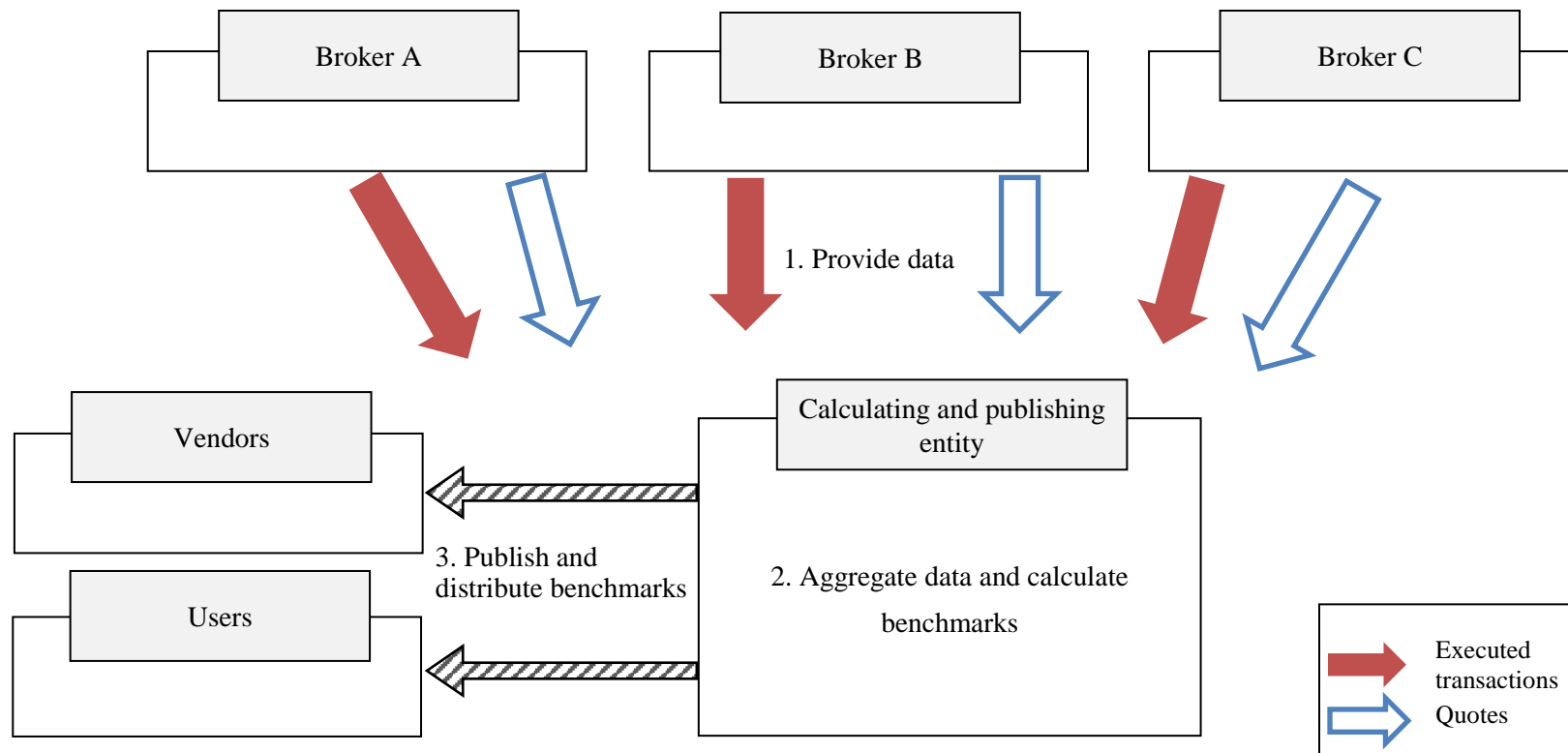
Task Force members shared the recognition that it was necessary to implement initiatives going forward, in order to enhance the liquidity of the JPY OIS in cooperation with the Committee for building robust Term Reference Rates (see Attachment 3).

Once the calculating and publishing entity is selected, the entity will proceed with practical initiatives including development of administrative framework and operational systems. The Task Force will continue to support these initiatives.

## List of the Members of the Task Force on Term Reference Rates

Members	Reference
MUFG Bank	Co-chair of the Sub-Group for the Development of Term Reference Rates
Citigroup Global Markets Japan	Co-chair of the Sub-Group for the Development of Term Reference Rates
Ueda Tradition Securities	Data provider
Tullett Prebon (Japan)	Data provider
Totan ICAP	Data provider
Mitsubishi Corporation	Interest rate benchmark user
International Swaps and Derivatives Association	Institution with knowledge about derivatives
Financial Law Board	Organization with knowledge about law and compliance
Financial Services Agency	—
Bank of Japan	—

### Outline of the Scheme for the Calculation and Publication of Term Reference Rates

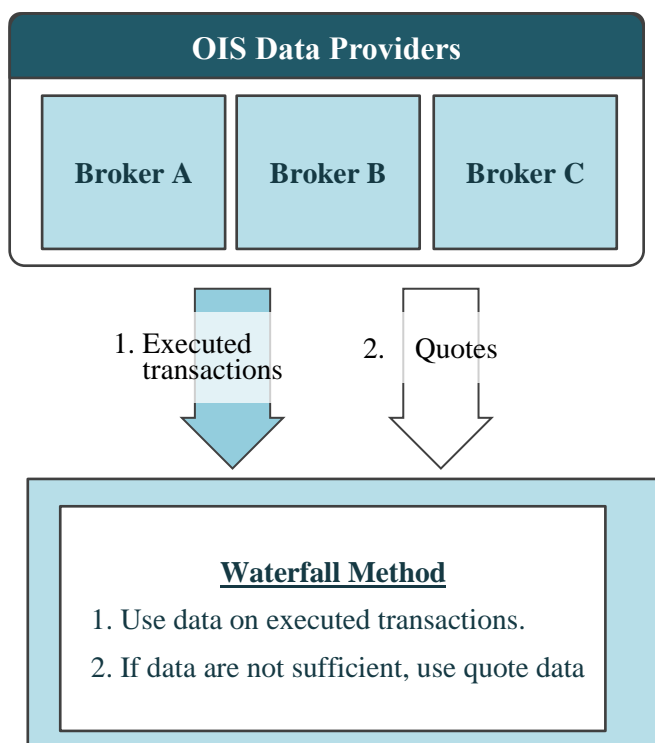


(Note) At this point, Ueda Tradition Securities, Tullett Prebon (Japan), and Totan ICAP are assumed as data providers

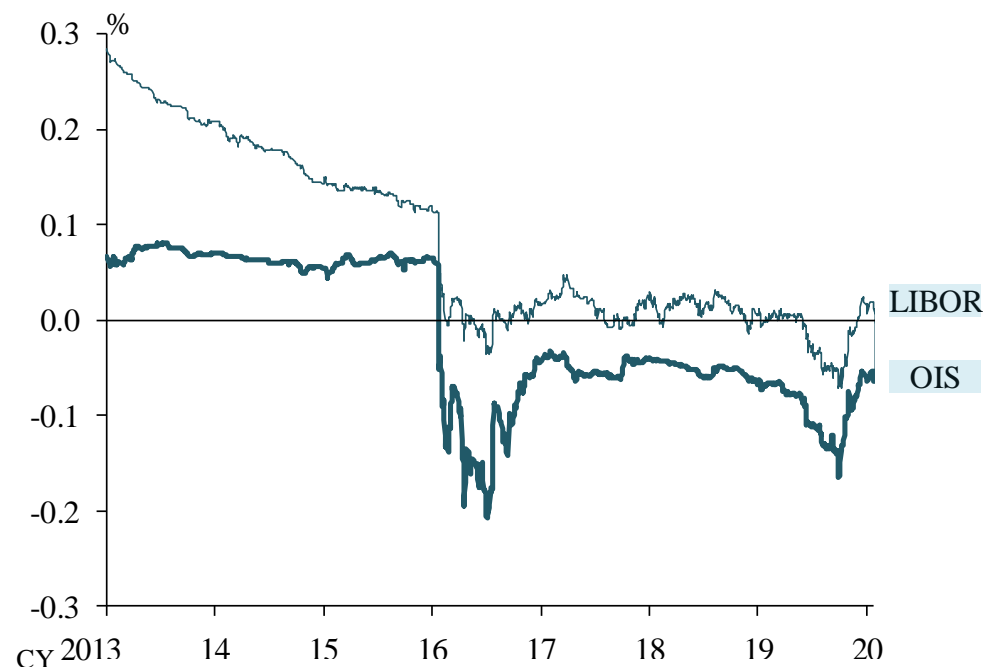
### Initiatives toward Enhancing Robustness of the Term Reference Rates Based on JPY OIS

- As described in the public consultation, to comply with the IOSCO Principles, it is deemed appropriate to adopt the waterfall method when calculating the Term Reference Rates. In order to enhance the robustness of the benchmark, it is critical to further develop market practices for data on both executed transactions and quotes, thereby revitalizing the JPY OIS market.
- The infrastructure for the JPY OIS transactions has already been developed to a certain extent. For example, the Japan Securities Clearing Corporation (JSCC) has been providing clearing services for the JPY OIS transactions as well as applying a margin based on the OIS curve. Market participants are asked to proceed with necessary actions to transition away from enormous LIBOR swap transactions, taking account of the circumstances after the discontinuation of LIBOR.

#### Calculation Method for Term Reference Rates



#### 6-month rates for JPY OIS



Note: The latest data are as of January 31, 2020. The JPY OIS data are published by the JSCC.

Source: Refinitiv.