

(Tentative translation)

**Cross-Industry Committee on Japanese Yen Interest Rate Benchmarks**  
**Minutes for the March 26, 2021 Meeting**  
(by written resolution)

**I. Report from the Sub-Group for the Development of Term Reference Rates**

1. The Sub-Group for the Development of Term Reference Rates consulted with its members who participated in the interbank market on points such as a potential course of action for the Japanese yen (JPY) interest rate swaps market and measures to revitalize transactions of JPY overnight index swaps (OIS). Views provided by the consulted members (respondents) were reported to the Committee.
2. Based on these views, the sub-group requested the Committee to publish the following statements and to engage in the external communication regarding this point. The members of the Committee accepted this request.
  - Initiation of new interest rate swaps referencing JPY LIBOR and maturing after the end of 2021 should be ceased by no later than the end of September 2021, except for the purpose of risk management of existing positions. Market participants were expected to transition early, without waiting for the end of September, if they were able to do so.
  - The Tokyo O/N Average rate (TONA) should be the main alternative benchmark for the JPY interest rate swaps market. However, market participants would not be necessarily precluded from using other alternative benchmarks including the Tokyo Term Risk Free Rate (TORF) and TIBOR, as demand for those benchmarks was expected to remain depending on the purpose of trade.
  - New quoting conventions for the JPY interest rate swaps market based on TONA, instead of LIBOR, should be adopted by no later than the end of July 2021. Market participants were expected to adopt the new quoting conventions early, without waiting for the end of July, if they were able to do so.

**II. Report from the Task Force on Term Reference Rates**

The Task Force on Term Reference Rates reported that QUICK Benchmarks, a calculating and publishing entity of TORF, would start publishing production rates of TORF on April 26.

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In this regard, a bank member made the following comment.

- In the United Kingdom and the United States, various discussions had been held with regard to the importance of improving the robustness of term risk-free rates and to use cases of these rates. In order to provide a background for future discussions in Japan, we would like to suggest the Committee consider organizing and reporting on the major issues discussed overseas.

Additionally, a securities company member made the following comment.

- It would be desirable to clarify the timing to start conducting transactions referencing TORF. It would be particularly important to show a wide range of interest rate benchmark users how the designation of TORF as a "Specified Financial Benchmark" under the Financial Instruments and Exchange Act and the equivalence decisions on transactions referencing TORF under the European Benchmark Regulation are related.

### III. AOB

1. The Secretariat announced that the Committee had received the following information from the Tokyo Financial Exchange (TFX).
  - The Committee had suggested the method for developing term reference rates based on prices of Over-Night Call Rate Futures (of which transactions had been suspended) listed on TFX as an alternative benchmark to JPY LIBOR.
  - Given this situation, TFX had been exploring the possibility of resuming transactions of the futures by the end of 2020 by, for example, forming working groups and discussing the matter with market participants. However, it was still deemed difficult to resume transactions at the moment, as the trading needs for the futures were expected to remain limited.
  - TFX would continue to monitor developments in the JPY OIS market and discuss the possibility for resuming transactions of the futures. TFX would like to receive comments if there were any.

In this regard, a securities company member made the following comment.

- In order to confirm the trading needs for the futures among a wide range of interest rate benchmark users, we would like to suggest the Committee consider holding a

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public consultation.

2. The Secretariat announced that the Committee had received the following information from Refinitiv.
  - On March 15, Refinitiv started publishing on Refinitiv Eikon the prototype rates for the TONA-based Tokyo Swap Reference Rate (TONA TSR), an alternative benchmark to the LIBOR-based Tokyo Swap Reference Rate (LIBOR TSR).<sup>1</sup>
  - Refinitiv would continue to work on the calculation and publication of the production rates for TONA TSR and the fallback rates for LIBOR TSR, and publish a public consultation regarding these matters soon.
3. The Secretariat reported that QUICK had started calculation and publication of TONA Averages and TONA Index on March 15.

In this regard, a securities company member made the following comment.

- The Committee had presented O/N RFR Compounding (Fixing in Advance) as an alternative rate option in its first public consultation paper. Our understanding was that TONA Averages would be one of the means to facilitate the use of O/N RFR Compounding (Fixing in Advance). That being said, the use of SOFR Averages was expanding in mortgage loans and other products as a rate fixing in advance in the United States. Therefore, we would like to suggest the Committee consider making an announcement that TONA Averages could be used as O/N RFR Compounding (Fixing in Advance), as they were considered to have especially high affinity with existing operations and systems.
4. The Secretariat reported on the status of initiatives regarding efforts to enhance the robustness of TORF.

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<sup>1</sup> Refinitiv publishes the prototype rates for general information purposes. The prototype rates are not assumed to be actually referenced in contracts for various financial instruments and transactions.

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

### Attendance for the March 26, 2021 Meeting

#### (Members)

Chair	MUFG Bank	GODA Kenichiro
Vice Chair	Nomura Securities	NONOMURA Shigeru
	Mizuho Bank	KOBAYAKAWA Motomu
	Sumitomo Mitsui Banking Corporation	ORIHARA Takashi
	Bank of Yokohama	ARAI Tomoki
	North Pacific Bank	TAKAHASHI Kazuhiro
	Deutsche Bank	MORITA Shigeki
	Daiwa Securities	INADA Yuichiro
	Goldman Sachs	TAGUCHI Kengo
	Morgan Stanley MUFG Securities	EZUKA Takeshi
	Japan Post Bank	ICHIKAWA Tatsuo
	The Norinchukin Bank	CHIBA Yuji
	Shinkin Central Bank	TANAKA Hiroyuki
	Nippon Life Insurance Company	OKAMOTO Shinichi
	Tokio Marine Holdings	NIKKAWA Shinya
	Daiwa Asset Management	KOMIYA Tsutomu
	Mitsubishi Corporation	OKAWARA Makoto
	Mitsui Fudosan	TOGASHI Retsu
	East Japan Railway Company	OONISHI Hidemaro
	Mitsubishi UFJ Lease & Finance	TOMINAGA Osamu
	Nippon Telegraph and Telephone Corporation	NAKAYAMA Kazuhiko

#### (Observers)

JBA TIBOR Administration	KOYAMA Hiroataka
International Swaps and Derivatives Association	MORITA Tomoko
Financial Law Board	TOTSUKA Takaharu (Attorney-at-Law)

Tokyo Financial Exchange	SEO Ryosuke
Japan Securities Clearing Corporation	KANEKO Takahiko
Japanese Bankers Association	TAKAHASHI Tetsuo
Japan Securities Dealers Association	NISHIMURA Yoshiko
Financial Services Agency	NOBUMORI Takehiro
Bank of Japan	INAMURA Yasunari
Bank of Japan	CHIBA Makoto
Bank of Japan	YOSHIMURA Haruka