

August 1, 2018

Sub-Group on Bonds

Terms of Reference

1. Objectives

In accordance with 2. (1) of the Terms of Reference of the Cross-Industry Committee on Japanese Yen Interest Rate Benchmarks (the Committee), with the aim of facilitating the transition of interest rate benchmarks in bond markets and mitigating risks stemming from the potential discontinuance of LIBOR, the Sub-Group on Bonds (the Sub-Group) shall, as a sub-group of the Committee, deliberate on bonds referencing Japanese yen (JPY) IBORs (JPY LIBOR, JPY TIBOR, and Euroyen TIBOR).

2. Issues to Be Deliberated

- (1) The Sub-Group shall, drawing on the views of practitioners or experts, deliberate on the following:
 - (a) developing basic understanding regarding the choice and usage of interest rate benchmarks referenced in bond issuance contracts (deliberations shall cover IBORs/risk-free reference rates [RFRs] and forward-looking rates/backward-looking rates and tenors needed);
 - (b) reviewing contractual arrangements and other practical challenges and measures surrounding new contracts referencing term rates based on the uncollateralized overnight call rate, which was identified as the JPY RFR; and
 - (c) reviewing arrangements for existing bonds referencing interest rate benchmarks such as LIBOR in case of the discontinuance of the benchmarks (e.g. fallback provisions).
- (2) The Sub-Group may, subject to approval of the Committee, deliberate on matters other than those listed in (1) above if deemed necessary by the Sub-Group chair (including co-chairs; the same shall apply hereinafter).

(Tentative translation)

3. Framework and Governance

- (1) In order to carry out necessary deliberations in light of the objectives of the Sub-Group, the members of the Committee are drawn from relevant parties in bond markets.
- (2) The Sub-Group shall have a Sub-Group chair. The Sub-Group chair shall be elected from within its members.
- (3) The following shall take part in the Committee as observers:
 - (a) Japan Securities Depository Center, Incorporated (JASDEC);
 - (b) Financial Services Agency (FSA); and
 - (c) Bank of Japan (BOJ).
- (4) The Sub-Group chair may, if deemed necessary, invite representatives from relevant parties to the Sub-Group or approve their attendance in the Sub-Group to listen to the deliberations.
- (5) The Sub-Group secretariat shall be staffed by the BOJ. The Sub-Group secretariat shall undertake administrative issues of the Sub-Group, such as the preparation of meeting agendas and their distribution to the members, and provision of meeting rooms.
- (6) The decision making of the Sub-Group shall be carried out on a consensus basis.

4. Report and Disclosure

- (1) The Sub-Group chair shall report the outcome of the deliberations of the Sub-Group to the Committee. On the issues where a consensus cannot be achieved, the Sub-Group chair shall also report minority views to the Committee.
- (2) The Sub-Group meetings shall be closed to the public. A summary of the deliberations of the Sub-Group shall be disclosed in the meeting minutes of the Committee.

5. Other Issues

- (1) The members of the Sub-Group shall be subject to the Terms of

(Tentative translation)

Reference of the Committee with regard to the confidentiality of non-public information, compliance with competition laws, and other issues.

- (2) The Sub-Group chair shall decide on any other issues that are necessary to conduct the Sub-Group but not specified in these Terms of Reference or the Terms of Reference of the Committee.