

(Tentative translation)

(Meeting item for the Aug. 13, 2021 Meeting)

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

- The Sub-Group for the Development of Term Reference Rates exchanged information with some of its members who are market makers and interdealer brokers, to discuss practical issues for realization of "TONA First," an initiative to recommend liquidity providers -- including cases in which trading takes place via interdealer brokers -- to change the quoting conventions from Japanese yen (JPY) LIBOR to TONA.¹
- Based on the discussion in this information exchange, the sub-group consulted with its members on the specific matters of "TONA First" such as target products and deadlines. Views provided by the consulted members (respondents) are as follows. Also, the sub-group published and engaged in external communication regarding the appendix.

– Views provided by the consulted members (respondents) are specifically as follows.

1. Quoting conventions* of the following JPY interest rate swaps (linear products), carried out in the interbank market via voice brokers, shall be ceased altogether immediately after the close of the market on July 30, 2021.

* Including trade execution. The same shall apply hereinafter.

- *JPY LIBOR Outright Swaps (JPY LIBOR vs. fixed rate)*
- *JPY LIBOR Interest Rate Swap Curve Trades*
- *JPY LIBOR Interest Rate Swap Butterfly Trades*
- *JPY LIBOR vs. TIBOR Basis Swaps*
- *JPY LIBOR Asset Swaps (JPY LIBOR Interest Rate Swaps vs. yields on Cash JGBs)*

¹ The Sub-Group exchanged information on the specific matters of the "Preparations for the discontinuation of LIBOR in the JPY interest rate swaps market" (published on March 26, 2021), which indicated that 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.

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[Note]

- The following types of transactions are examples of those excluded from the scope of the initiative laid out in 1.
 - *JPY LIBOR vs. TONA Basis Swaps*
 - *Single Basis Swaps referencing JPY LIBOR on both legs (6 Months vs. 3 Months, 6 Months vs. 1 Month, and 3 Months vs. 1 Month)*
 - *JPY LIBOR Forward Rate Agreements*
 - *JPY LIBOR Single Period Swaps*

2. The initiative laid out in 1. is designed for dealer-to-dealer transactions in the interbank market via voice brokers. Other transactions (including dealer-to-client transactions) are not expected to follow the initiative.

[Note]

- Dealers will be able to continue streaming transactions prices to dealer-to-client electronic trading platforms, for which quoting conventions followed in the interbank market via voice brokers are subject to the cessation.

3. Each voice broker publishing the quoting conventions of the transactions listed in 1. is expected to make appropriate preparations as soon as practicable, taking into account the impact on end users including those arising from the cessation of the brokers' screen.

- On the other hand, the sub-group did not make any conclusions at this time about the simultaneous cessation of quoting conventions of the JPY interest rate swaps (non-linear products) due to insufficient preparations in the market and by related firms such as those involved in the calculation and publication of the production rates for TONA TSR. Discussions will continue to be held with regard to the cessation date of the quoting conventions of non-linear products in the interbank market via voice brokers with reference to the initiatives for linear products.

Appendix: Transition of Quoting Conventions in the JPY interest rate swaps market
("TONA First")

The Sub-Group for the Development of Term Reference Rates has reached a consensus on "TONA First," an initiative to recommend liquidity providers -- including cases in which trading takes place via interdealer brokers -- to change the quoting conventions from Japanese yen (JPY) LIBOR to TONA in the JPY interest rate swaps market as follows. It is encouraging market participants to proceed with necessary preparations in accordance with the consensus below.¹

1. Quoting conventions* of the following JPY interest rate swaps (linear products), carried out in the interbank market via voice brokers, shall be ceased altogether immediately after the close of the market on July 30, 2021.
 - * Including trade execution. The same shall apply hereinafter.
 - *JPY LIBOR Outright Swaps (JPY LIBOR vs. fixed rate)*
 - *JPY LIBOR Interest Rate Swap Curve Trades*
 - *JPY LIBOR Interest Rate Swap Butterfly Trades*
 - *JPY LIBOR vs. TIBOR Basis Swaps*
 - *JPY LIBOR Asset Swaps (JPY LIBOR Interest Rate Swaps vs. yields on Cash JGBs)*
2. The initiative laid out in 1. is designed for dealer-to-dealer transactions in the interbank market via voice brokers. Other transactions (including dealer-to-client transactions) are not expected to follow the initiative.
3. Each voice broker publishing the quoting conventions of the transactions listed in 1. is expected to make appropriate preparations as soon as practicable, taking into account the impact on end users including those arising from the cessation of the brokers' screen.
4. Discussions will continue to be held with regard to the cessation date of quoting conventions of JPY LIBOR swaps (non-linear products) in the interbank market via voice brokers with reference to the initiatives for JPY LIBOR swaps (linear products).

¹ This statement is intended to present the specific matters of the "Preparations for the discontinuation of LIBOR in the JPY interest rate swaps market" (published on March 26, 2021), which indicated that 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.