

Study Group on Risk-Free Reference Rates
Minutes for the June 25, 2015 Meeting
4:30 – 5:30 PM
(Meeting Room in the Bank of Japan)

Summary

1. Members approved the minutes of the May 29, 2015 meeting. They also approved to publish the minutes on the Bank of Japan's web site.
2. The Secretariat provided an update on recent developments of international discussions about risk-free reference rates.
3. The Secretariat provided a draft questionnaire to pick up key issues for selecting risk-free reference rates. After considering members' opinions on the questionnaire, the Chair proposed that the survey would focus on the uncollateralized overnight call rate, OIS rate, and GC repo rate as leading candidates for risk-free reference rates, and that members would be asked to provide additional pros and cons of each rate. Members accepted this proposal.
4. The Chair announced that the next meeting would be held in late July.

Views Provided by Group Members

1. Since no transaction-based data for the GC repo rate are currently available, some reforms in its design and administration might be needed to make it an IOSCO-compliant risk-free reference rate.
2. After collateral substitutions in GC repo transactions become easier in the coming market reform, the term structure of the GC repo rate should be extended. However, given that it could be affected by supply and demand in the primary and secondary JGB cash market, the rate may not be appropriate for a risk-free reference rate.
3. It is difficult to regard uncollateralized overnight call rate as a pure risk-free reference rate. It should also be noted that the rate could become volatile on days such as the last day of the reserve maintenance period and the fiscal year-end. On the other hand, the rate has an advantage in that transaction-based data are available.
4. Since transaction volumes in the OIS market are limited, it would be difficult for the OIS rate to satisfy IOSCO principles.
5. OIS transaction volumes are currently limited. However, once the OIS rate is introduced and selected as a risk-free reference rate, transactions anchored to the rate could prevail and take the place of those anchored to LIBOR. Hence, the OIS rate should not be removed from the candidate list.
6. Discussions on the formulation of term structure of the risk-free reference rate are critical for the rate to be widely used.

Study Group on Risk-Free Reference Rates Attendance for the June 25, 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	Kengo Taguchi
	Daiwa Securities	Yukio Shishitani
	Daiwa Securities	Kazunao Obinata
	Deutsche Bank	Kei Kobayashi
	Deutsche Bank	Ikuma Nagata
	Nomura Securities	Shunichi Fukuda
	Nomura Securities	Hayato Ishida
	Barclays Securities	Kosuke Morihara
	Barclays Securities	Daisuke Murayama
	Mizuho Bank	Yoshito Kasamatsu
	Mizuho Bank	Ryosuke Komori
	Mizuho Securities	Hiromichi Kassai
	Sumitomo Mitsui Banking Corporation	Yoshihiro Yamada
	Bank of Tokyo-Mitsubishi UFJ	Atsushi Yamashita
	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	Kaori Horaguchi
	Japanese Bankers Association	Kazuhiro Nagata
	Japanese Bankers Association	Masatoshi Kimura
	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

Masaya Hatoma

Financial Services Agency

Kaori Nakamura

Financial Services Agency

Tomio Mizutani

Bank of Japan

Kenji Fujita

Bank of Japan

Yoshiaki Azuma

Bank of Japan

Itaru Fukuda