

(Tentative translation by the Secretariat)

Study Group on Risk-Free Reference Rates
Minutes for the September 23, 2016 Meeting
4:30 – 5:10 PM
(Meeting Room in the Bank of Japan)

1. Members approved the minutes of the July 26, 2016 meeting. They also approved the publication of 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 explained that regarding the potential issues on derivative transactions that might be highlighted if an unsecured rate is identified as a Japanese yen risk-free rate whilst a secured rate is identified as a risk-free rate in other currencies, no significant concerns were raised after discussions at the previous meeting. Following that remark, members concurred that there are no pressing problems or concerns on this issue and market participants could deal with this issue by developing basis swaps between secured rates and unsecured rates when necessary.
4. The working group, which was formed after the previous meeting to intensively discuss the characters of the repo rate that could be used as a risk-free rate, delivered an interim report on potential repo rates, and proposed three candidates: a rate calculated based on the reference institutions' submissions, a rate calculated by money market brokers, and a rate calculated by central counterparties (CCPs). In addition, the working group noted that there remained many issues that need consideration, such as factors that might result in a distortion of the rate, use of CCPs and development in the new GC repos under subsequent collateral allocation method after the introduction of shortening of the Japanese government bond settlement cycle to T+1.
5. The Chair proposed that the working group would invite a CCP as an observer for the second meeting of the working group and for further discussion, ask for advice about the feasibility of the creation of a repo rate calculated by a CCP.
6. The Chair announced that, at the next meeting scheduled in late-October, members would reach a conclusion on the preliminary study on developing the GC repo benchmark based on the final report of the aforementioned working group, and would advance discussion about the identification of a Japanese yen risk-free rate.

Study Group on Risk-Free Reference Rates

Attendance for the September 23, 2016 Meeting

(Attendees)

Chair	Sumitomo Mitsui Banking Corporation	Hiroshige Katsurada
Vice Chair	Nomura Securities	Shigeru Hashimoto
	SMBC Nikko Securities	Kazuhiro Ojima
	SMBC Nikko Securities	Tsukasa Nakao
	Goldman Sachs	Kengo Taguchi
	Daiwa Securities	Takuya Kikuchi
	Nomura Securities	Akifumi Sakurai
	Barclays Securities	Daisuke Asai
	Mizuho Bank	Hideki Kubo
	Mizuho Securities	Hiromichi Kassai
	Sumitomo Mitsui Banking Corporation	Naoki Ihara
	Sumitomo Mitsui Banking Corporation	Tadaaki Shima
	Bank of Tokyo-Mitsubishi UFJ	Nobukazu Negi
	Mitsubishi UFJ Morgan Stanley Securities	Yasuto Aoki
	MorganStanley MUFG	Takehiko Igarashi
	MorganStanley MUFG	Jun Sawada
	UBS AG	Hirotsugu Inoue
	ISDA	Yasunobu Arima
	ISDA	Tomoko Morita
	Japanese Bankers Association	Hiroataka Koyama
	Japanese Bankers Association	Tetsuya Hasegawa
	Japan Securities Dealers Association	Hajime Takeda
	Japan Securities Dealers Association	Masato Maruno

(Observers)

Financial Services Agency

Yoshie Kanetaka

Financial Services Agency

Mitsune Shirasawa

Financial Services Agency

Keisuke Niwa

Financial Services Agency

Fumi Miyauchi

Financial Services Agency

Koichi Miyaji

Bank of Japan

Kota Iijima

Bank of Japan

Shigeru Shimizu