12 Endeavour Square, London, E20 1JN
United Kingdom

The Cross- Industry Committee on
Japanese Yen Interest Rate Benchmarks

**Response to "Consultation on proposed decision under Article 23D Benchmarks Regulation for 6 sterling and yen LIBOR settings"**

Dear Sir/Madam:

The Cross-Industry Committee on Japanese Yen Interest Rate Benchmarks ("Committee") appreciates the opportunity to comment on the consultation on proposed decision of the Financial Conduct Authority ("FCA") to use its Article 23D(2) powers to secure an orderly wind-down of the 6 sterling and Japanese yen LIBOR settings.

The Committee supports the FCA's proposed decision expressed in this consultation on Japanese yen LIBOR settings, since we believe the use of Article 23D powers would help the orderly wind-down of Japanese yen LIBOR in Japan.

With respect to the proposed methodology for a synthetic LIBOR, we agree that a forward-looking term risk free rate ("RFR") plus a 5-year historical median of the spread between the corresponding LIBOR setting and relevant RFR would be appropriate to achieve a reasonable and fair approximation of the LIBOR benchmark's expected value.

In April 2021, QUICK Benchmarks Inc. started providing the Tokyo Term Risk Free Rate ("TORF") and the forward-looking term RFR became available in the Japanese yen market. We agree with the FCA to considering TORF an appropriate component of the synthetic yen LIBOR[1]. We also agree that the ISDA spread adjustment would be the fairest and most robust way to calculate the credit risk and funding market liquidity conditions as we admit that it received majority support and acceptance from a wide range of market participants, national working groups, and authorities globally.

[1] It is needed to consider that the day count for TORF is ACT/365, while the day count for yen LIBOR is ACT/360.

The Committee considers that market participants should actively transition legacy contracts and instruments through either an active conversion or an insertion of robust fallback languages before the end of 2021 in line with the milestones provided by relevant national working groups and authorities. However, there are potential risks and uncertainties where inevitable delay in the achievement of milestones may occur in certain legacy contracts. The Committee considers that synthetic yen LIBOR would help deal with these risks and uncertainties as a potential safety net. Although those legacy contracts that cannot feasibly be transitioned away from Japanese yen LIBOR have not yet been confirmed, the Committee will continue to consider the nature of tough legacy, in close cooperation with a wide range of market participants.

The Committee would appreciate it if the FCA could continue to seek engagement from relevant national working groups, authorities, and market participants through a series of further consultations.

(End)