

August 1, 2018

## Sub-Group for the Development of Term Reference Rates

### 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), the Sub-Group for the Development of Term Reference Rates (the Sub-Group) shall, as a sub-group of the Committee, deliberate on the development of term reference rates based on the uncollateralized overnight call rate (or so-called TONA), which was identified as the Japanese yen (JPY) risk-free reference rate (RFR).

#### 2. Issues to Be Deliberated

- (1) The Sub-Group shall, drawing on the views of practitioners or experts, deliberate on the following:
  - (a) evaluating the necessity of developing term reference rates (deliberations shall cover IBORs/RFRs and forward-looking rates/backward-looking rates and tenors needed by products such as loans, bonds, and derivatives);
  - (b) identifying choices (including data sources, calculation methodologies, and tenors) for term reference rates based on the TONA;
  - (c) evaluating methodologies for the development of term reference rates identified in (b) above;
  - (d) reviewing practical challenges and possible solutions in using the developed term reference rates in loan contracts, bond issuance contracts, and derivatives contracts; and
  - (e) setting a timeline for developing term reference rates as well as a contingency plan in case development is delayed past end-2021.
- (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 loan markets, bond markets, derivatives markets, etc.
- (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) Tokyo Financial Exchange (TFX);
  - (b) Japan Securities Clearing Corporation (JSCC);
  - (c) Japan Syndication and Loan-trading Association (JSLA);
  - (d) Financial Services Agency (FSA); and
  - (e) 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.

(Tentative translation)

## **5. Other Issues**

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