

April 28, 2015

## Study Group on Risk-Free Reference Rates

### Terms of Reference

#### **Background**

The G20 asked the FSB to review major interest rate benchmarks and develop plans for reform to ensure that interest rate benchmarks are robust and appropriately used by market participants. On July 22, 2014, the FSB published the report on interest rate benchmark reform (*“Reforming Major Interest Rate Benchmarks”*). The report recommended to strengthen existing interest rate benchmarks including TIBOR and to identify alternative nearly risk-free reference rates. With regard to the nearly risk-free reference rates, the FSB recommended the financial industry to identify nearly risk-free reference rates that are more firmly based on transactions from a robust underlying market and that comply with IOSCO principles, in view of the fact that certain financial transactions including derivative transactions are better suited to nearly risk-free reference rates.

#### **Objectives**

With a view to identifying Yen risk-free reference rates, the Study Group will provide necessary deliberations on issues such as following:

- Identification of risk-free reference rates and deliberation on their administrators.
- Market practices and contract design regarding risk-free rates that are based on expected usage of the chosen rates.

#### **Governance**

- The Study Group will be comprised by members of financial institutions that are potential users of risk-free reference rates and other related organizations.

(Tentative translation by the Secretariat)

- The Chair and the Vice Chair of the Study Group will be elected by its members.
- Representatives from the Bank of Japan and the Financial Services Agency will participate as observers.
- The Chair will invite representatives from relevant parties to the Study Group where necessary.
- The Study Group Secretariat will be staffed by the Bank of Japan (Market Infrastructure Division, Financial Markets Department).
- The Secretariat will undertake administrative issues of the Study Group, such as preparation of meeting agendas and its distribution to the members, provision of meeting rooms, and compilation of meeting minutes.

### **The Right to Call a Meeting**

The Chair calls a meeting of the Study Group.

### **Disclosure**

- The Study Group is not open to public. The meeting minutes of the Study Group will be published subject to approval of its members.
- Reports and other materials concluded by the Study Group will be published.

### **Other Issues**

The Chair will decide any other issues not specified in this Terms of Reference that are necessary to conduct the Study Group.