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[1st Consultative Document]
Approach for Integrating Japanese Yen TIBOR and Euroyen TIBOR

October 2, 2018

General Incorporated Association JBA TIBOR Administration

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<Outline of the Consultative Document>

In consideration of “*Reforming Major Interest Rate Benchmarks*” (“FSB Report”) published by the Financial Stability Board (“FSB”)¹ in July 2014 and other things, we, General Incorporated Association JBA TIBOR Administration (“JBATA”) (the chairman: Akihiro Wani), implemented the JBA TIBOR reforms in July 2017² primarily to integrate and clarify the calculation and determination processes of reference banks’ submission rates, after a series of public consultations seeking user’s views and discussions aiming to realize the reforms.

With the JBA TIBOR reforms, expert judgment whose necessity had been discussed as it may lead to arbitrariness has been removed completely from the daily calculation and determination process of submission rates, enhancing the reliability and transparency of the JBA TIBOR’s benchmark determination process. As a result, JBATA evaluates that compliance with the “*Principles for Financial Benchmarks*” (“IOSCO Principles”) issued by the International Organization of Securities Commissions (“IOSCO”)³ has been achieved substantially.⁴

After the implementation of the JBA TIBOR reforms, there have been developments in international financial benchmark initiatives, such as the identification of each currency’s risk-free rate. In light of these developments and other factors, JBATA has decided to start discussing the issue of “integrating Japanese Yen TIBOR and Euroyen TIBOR” that was regarded as a medium and long-term issue as a result of the past three JBA TIBOR reform public consultations⁵ and thereby embark on a further reform. In this Consultative Document, your comment will be sought with respect to, among other things, how we should proceed with the reform.

[Issues on which we are seeking your comments]

- (1) Proceeding with the initiative to integrate Japanese Yen TIBOR and Euroyen TIBOR by retaining Japanese Yen TIBOR and discontinuing Euroyen TIBOR (“integration into Japanese

¹ As of December 2017, the FSB is participated by representatives from central banks, financial supervisors and the Treasury Department/Finance Ministry of 25 major jurisdictions, as well as major standard setters, International Monetary Fund, World Bank, Bank for International Settlements, and Organisation for Economic Co-operation and Development. It undertakes activities to promote coordination across regulators which are responsible for addressing vulnerabilities affecting the global financial system and ensuring stability of financial system.

² See the following link for the implementation of the JBA TIBOR reforms:

http://www.jbatibor.or.jp/english/news/2017/implementation_of_jba_tibor_reform.html

³ The IOSCO is the international body that is comprised of the world's securities regulators and exchanges. It develops and implements global standards including principles and guideline on securities regulation

⁴ See the following link for the status of JBATA’s compliance with the IOSCO Principles (19 Principles):

http://www.jbatibor.or.jp/english/news/Compliance_with_IOSCO_19principles_2017.html.

⁵ See the following links for the Consultative Documents *Promoting the JBA Tokyo Inter Bank Offered Rate (“JBA TIBOR”) Reforms following reports by Financial Stability Board (“FSB”) and International Organization of Securities Commissions (“IOSCO”)* (issued in December 2014), *Promoting the JBA Tokyo Inter Bank Offered Rate (“JBA TIBOR”) Reforms (2nd Consultative Document)* and *Revision to the “JBA TIBOR Code of Conduct”, etc. for Implementing the JBA Tokyo Inter Bank Offered Rate (“JBA TIBOR”) Reforms (3rd Consultative Document)* (issued in November 2016), respectively:

http://www.jbatibor.or.jp/english/news/consultative_documentpromoting_the_jba_tokyo_inter_bank_offered_rate_jba_tibor_reforms_following_rep.html, http://www.jbatibor.or.jp/english/news/2015/150818_tibor_consultation_e.html, and http://www.jbatibor.or.jp/english/news/20161130_tibor_3rd_consultation.html.

Yen TIBOR”)

- (2) Potential issues that may arise from the integration into Japanese Yen TIBOR
- (3) Preparation period needed for the integration into Japanese Yen TIBOR

JBATA will consider comments submitted from users for this Consultative Document and will develop proposed reforms including integration of Japanese Yen TIBOR and Euroyen TIBOR during the first half of 2019 and conduct the second consultation. Then, we will determine and publish the specifics and timing, etc. of the further reforms by the end of 2019.

We would like to ask for your cooperation towards our efforts to further enhance the robustness of the JBA TIBOR as a Japanese yen financial benchmark by implementing further reforms.

1. Background of reforms to date, etc.

In response to such a request for global initiatives of the financial benchmark reforms⁶, etc, and with a view to implementing the JBA TIBOR reforms, JBATA carried out public consultation for three times and implemented the JBA TIBOR reforms in July 2017 based on comments submitted from users.

The basic concepts of the JBA TIBOR reforms are to ensure the continuity and identity before and after the JBA TIBOR reforms by retaining the JBA TIBOR's definition, expand the scope of referenced actual transactions to make the JBA TIBOR "more anchored in actual transactions" and integrate and clarify the calculation and determination processes of reference banks' submission rates based on which the JBA TIBOR is calculated to enhance its transparency and integrity.

Specifically, we introduced an automatic calculation method that is based on various data, including actual transaction data of the underlying market, for the calculation and determination of reference banks' submission rates. With this, the use of expert judgment, which has been focused in the financial benchmark reform initiative as it may give rise to reference bank's arbitrariness is now limited to emergency situations (e.g. affected by large-scale disaster and sudden financial market turmoil) and is excluded completely from the day-to-day calculation and determination process of submission rates.

[Overview of the JBA TIBOR reforms implemented in July 2017⁷]

- ① Retaining the JBA TIBOR definition and the calculation method of officiate rates, and integrating and clarifying the calculation and determination processes of reference banks' submission rates that are referenced to calculate officiate rates
- ② Changing the timing of publication of JBA TIBOR rates by one hour, from "by 12:00 p.m. of the day" to "by 1:00 p.m. of the day"
- ③ Discontinuing the two-month tenor (from the first business day of April 2019)
- ④ Discontinuing simultaneous publication of individual submissions (from the first business day of April 2019)⁸

⁶ Since the publication of the IOSCO Principles, IOSCO has performed reviews based on the IOSCO Principles in April 2014 and August 2015 on the administrators of three major interest rate benchmarks (i.e. LIBOR, EURIBOR and JBA TIBOR (collectively, "IBORs")). In the second review, JBATA was encouraged to immediately implement the proposed JBA TIBOR reforms and also was requested to implement JBA TIBOR reforms in a way that would achieve complete compliance with the IOSCO Principles.

⁷ See the document titled "*Explanatory material for implementation of JBA TIBOR reform*" available from following link for the overview of the JBA TIBOR reforms: <http://www.jbatibor.or.jp/english/public/>.

⁸ Individual submissions will be published on the last business day of the corresponding month that is three months after the publication month of official rates.

2. Necessity of further reforms

JBATA believes that the JBA TIBOR now complies with the IOSCO Principles in its entirety as a result of the reforms implemented in July 2017 but also considers that there is a need for further reforms in order to solve some open issues in the following areas.

[Open issues remaining after the 2017 JBA TIBOR reforms]

- ① Identifying an appropriate alternative benchmark that will be used in the event that the JBA TIBOR cannot be used or its publication is suspended, and establishing and implementing policies and procedures for transitioning to such alternative benchmark
 - It is necessary to consider this issue by paying attention to, among other things, international discussions regarding transition to risk-free rates that are assumed as an alternative to IBORs and international discussions aiming to ensure the robustness of contracts in the event of permanent cessation of IBORs publication.
- ② Considering actions to be taken to address, among other things, prolonged downsizing of the Japan Offshore Market that is the underlying market of Euroyen TIBOR
 - The size of the Japan Offshore Market continues to be small relative to the Japan unsecured call market that is the underlying market of Japanese Yen TIBOR. Given the possibility that the percentage of reference banks' Euroyen TIBOR submission rates being determined based on the underlying market data⁹ will also continue to be low relative to Japanese Yen TIBOR, it is necessary to consider taking actions in advance.

With respect to the issue ①, the FSB Report recommended the use of the multiple-rate approach and made a request to the administrators of major currencies¹⁰ to identify risk-free rates by around end of June 2016 with a view to providing market participants with choices that are better suitable to their transactions purposes and establishing risk-free rates that comply with the IOSCO Principles and do not include bank credit risk.¹¹

In response, each jurisdiction launched initiatives¹² to identify risk-free rates by mobilizing a working group of market participants with the benchmark administrator acting as a secretariat

⁹ The process for calculating and determining reference rates introduced by the JBA TIBOR reforms (i.e. the waterfall methodology) defines the priority of data for reference banks to reference in calculating and determining reference rates. According to this methodology, data in the observable unsecured call market and data in the observable Japan Offshore Market are defined as the first data to be referenced (1st Level) for Japanese Yen TIBOR and Euroyen TIBOR, respectively.

¹⁰ Japanese yen, US dollars, Pound Sterling, Euro and Swiss franc

¹¹ In light of the fact that IBORs had been referenced across transactions with different objectives (e.g. loans, bonds and derivatives), the FSB Report suggested that the administrator of IBORs implements benchmark reforms to adopt the “multiple-rate approach” that would provide market participants with choices that are better suitable to their transactions purposes: for example, referencing risk-free rates for derivatives transactions and referencing IBORs for loan transactions.

¹² As to Euro, in February 2018, the Financial Services and Markets Authority of Belgium (“FSMA”), the European Securities and Markets Authority (“ESMA”), the European Central Bank (“ECB”) and the European Commission (“EC”) formed the Euro Risk-Free Rates Working Group and initiated relevant activities.

office. In Japan, in December 2016, the Study Group on Risk-Free Reference Rates (secretariat: the Bank of Japan) identified the uncollateralized overnight call rate as the Japanese yen risk-free rate.¹³ Going forward, it is expected that there will be a development in discussions regarding the establishment of a framework that enables financial market participants and financial benchmark users to appropriately choose from, and use, multiple Japanese yen interest rate benchmarks in ways suited to the characteristics of financial instruments and financial transactions.¹⁴

In line with the movements in respective jurisdictions to identify risk-free rates, the International Swaps and Derivatives Association (“ISDA”)¹⁵ and other organizations are engaging in discussions internationally regarding alternative benchmark to IBORs (e.g.the JBA TIBOR) and the robustness of a contract under the fallback plan in the event of permanent cessation of the IBORs publication.¹⁶

The administrators of IBORs, including TIBOR, are requested to establish clear policies and procedures for addressing the situation where the IBORs publication needs to be discontinued in the event that they do not represent an appropriate value of the underlying market. In taking alternative measures to respond to such a request, it would be necessary to keep close attention to the developments of international discussions regarding risk-free rates and fallback plans.

With respect to the issue ②, the market size of the Japan Offshore Market remains small relative to the Japan unsecured call market. Specifically, the amount of the transaction balance for deposits and calls denominated in Japanese yen in the Japan Offshore Market (i.e. the underlying market) is only JPY610.5 billion (as of July 31, 2017), , whereas the amount of the transaction balance in the Japan unsecured call market is approximately JPY15.9 trillion (as of July 31, 2017). In addition, reference banks are determining only from 6% (one-month tenor) up to 51% (12-month tenor) of Euroyen TIBOR rates based on the observable data of the underlying market (1st Level of the waterfall methodology), which is a relatively low level compared to Japanese Yen TIBOR rates that are determined based on the 1st Level for almost all transactions. Such market environment, etc. may continue going forward.

Given the above, the JBATA considers that it is necessary to initiate, at an earlier stage, discussions regarding the integration of Japanese Yen TIBOR and Euroyen TIBOR in order to

¹³ See the following link for details of the identification of Japanese yen risk-free rate: <https://www.boj.or.jp/en/paym/market/sg/rfr1612c.pdf>. The Study Group on Risk-Free Reference Rates decided not to schedule any future meetings unless necessary as the primary objectives of its foundation were fully achieved at the 19th meeting held on March 27, 2018.

¹⁴ The Cross-Industry Committee on Japanese Yen Interest Rate Benchmarks was established on August 1, 2018 to engage in necessary discussions to appropriately choose and use Japanese yen interest rate benchmarks in ways suited to the characteristics of financial instruments and financial transactions.

¹⁵ The ISDA was established in order to promote an efficient and steady development of derivatives transactions and is comprised of more than 900 financial institutions across 68 countries.

¹⁶ The ISDA published consultation in July 12, 2018 with respect to the spread adjustment made when the fallback is triggered and other relevant matters. For details, see the following link: <https://www.isda.org/2018/07/12/interbank-offered-rate-ibor-fallbacks-for-2006-isda-definitions>. On the same day, the FSB issued a statement on overnight risk-free rates and term rates which is available from: <http://www.fsb.org/2018/07/fsb-issues-statement-on-reforms-to-interest-rate-benchmarks/>.

solve the aforementioned two issues and further enhance the robustness of the JBA TIBOR.

3. How to proceed with further reforms

(1) Approach of reforms

From the perspectives of further enhancing the robustness of the JBA TIBOR, there are following three options as to how the JBATA could proceed with the integration of Japanese Yen TIBOR and Euroyen TIBOR:

[Options on the approach]

- ① Retaining Japanese Yen TIBOR and discontinuing Euroyen TIBOR (“**integration into Japanese Yen TIBOR**”);
- ② Retaining Euroyen TIBOR and discontinuing Japanese Yen TIBOR (“**integration into Euroyen TIBOR**”); or
- ③ Integrating data (underlying markets) that are referenced when calculating and determining submission rates for Japanese Yen TIBOR and Euroyen TIBOR and transitioning to a new benchmark (“**integration**”).

Of the above three, both the option to integrate into Japanese Yen TIBOR and the option to integrate into Euroyen TIBOR retains one of the JBA TIBOR benchmarks and discontinues the other.

Therefore, if either of the two options is selected, the post-reform benchmark will be either the current Japanese Yen TIBOR or Euroyen TIBOR, Retaining the same definition as the current practice and ensuring the continuity and identity as a benchmark.

On the other hand, the “integration” option further applies the concept of “data cross-reference”¹⁷ introduced in the 2017 JBA TIBOR reforms and integrates the Japan unsecured call market (i.e. the underlying market of Japanese Yen TIBOR) and the Japan Offshore Market (i.e. the underlying market of Euroyen Market) into a single underlying market to calculate the benchmark. This will require the review of the current definitions and may not warrant the benchmark’s continuity from, and identity with, the current JBA TIBOR.

¹⁷ With a view to integrating and clarifying the calculation and determination processes of reference banks’ submission rates, the 2017 JBA TIBOR reforms adopted the waterfall methodology constituted by four levels and introduced the concept of cross-referencing the underlying data in the 2nd Level: i.e. “data in the observable Japan Offshore Market and Interbank NCD market” is used for Japanese Yen TIBOR while “data in the observable unsecured call market and Interbank NCD market” is used for Euroyen TIBOR.

(2) Comparative analysis of the options on the reform approach

In implementing further reforms to enhance the robustness of the JBA TIBOR, it would be appropriate to compare and consider the three options for the reform approach based on the following three points: (i) the underlying interest that the TIBOR seeks to represent; (ii) maintaining the basic concepts of the JBA TIBOR reforms; and (iii) actions to address imminent challenges.

① **The underlying interest that the TIBOR seeks to represent**

In light of the fact that IBORs had been referenced across transactions with different objectives (e.g. loans, bonds and derivatives), the FSB Report suggested that the administrator of IBORs adopt the “multiple-rate approach” that would provide interest rate benchmark choices more suitable to respective transaction purposes. What was behind this FSB Report’s recommendation is discussions on alternatives to existing interest rate benchmarks carried out by the Market Participants Group (“MPG”) in response to the FSB’s request. The MPG published the “*Market Participants Group on Reforming Interest Rate Benchmarks Final Report*” (“MPG Final Report”) in which it discusses the characteristics and reform approach of interest rate benchmarks of major currencies, etc.

The MPG Final Report refers to, among other things, market participants’ recognition that it is preferable to develop multiple interest rate benchmarks, such as IBORs, that include bank credit risk and risk-free rates that do not include bank credit risk, and that risk-free rates are useful as a benchmark for derivatives transactions.

It is considered that there are needs for use of the JBA TIBOR in loan transactions and other areas that are suitable for reflecting bank credit risk. It would be important that the underlying interest that the TIBOR seeks to represent will be taken into account when implementing its further reforms.

Having analyzed the primary purposes of using Japanese Yen TIBOR and Euroyen TIBOR, the former is widely used as an interest rate benchmark for bank loans in Japan, including syndicated loans, and is more frequently used in loan transactions whereas the latter is used primarily for derivatives and swap transactions and is used for loan transactions less frequently. Given this, Japanese Yen TIBOR is more in line with the idea behind the recommendation of the multiple-rate approach (i.e. the necessity of IBORs in loan transactions) relative to Euroyen TIBOR. The integration into Japanese Yen TIBOR would be more appropriate to the underlying interest that the TIBOR seeks to represent, compared to the integration into Euroyen TIBOR.

On the other hand, the “integration” option may not warrant the continuity and identity of the underlying values that the existing JBA TIBOR intends to represent, and therefore it is uncertain at the moment whether this option will be able to ensure the needs for use that are beyond the needs for using the existing JBA TIBOR.

Given these considerations, the integration into Japanese Yen TIBOR would be more preferable than the other two options in terms of the underlying value that the TIBOR intends to represent.

② **Retaining the basic concepts of the JBA TIBOR reforms**

The JBA TIBOR reforms in July 2017 were implemented under the basic concepts of retaining the definition, ensuring the benchmark continuity and identity and making the JBA TIBOR more anchored in actual transactions, and introduced a data cross-reference mechanism (refer to page 6) where submission rates of the JBA TIBOR can be calculated and determined based on the interbank market data and highly similar data even if data in the 1st Level that reflects actual market conditions (i.e. the level that “uses data in the observable unsecured call market” or “uses data in the observable Japan Offshore Market”) are unavailable, and thereby achieved enhanced benchmark robustness.

Taking into consideration those many comments submitted during the past public consultations expecting JBATA to respect the underlying values that the JBA TIBOR intends to represent and to ensure the benchmark identity and continuity, it would be important to apply the basic concepts of the 2017 JBA TIBOR reforms to the further reforms as well.

Having compared the options for the reform approach based on the basic concepts, the integration into Japanese Yen TIBOR or the integration into Euroyen TIBOR retains the current JBA TIBOR definition and ensures the benchmark continuity.

On the other hand, the “integration” option may not warrant the continuity and identity of the underlying values that the current JBA TIBOR intends to represent, and therefore may cause effects on all existing financial transactions that reference current Japanese Yen TIBOR and Euroyen TIBOR.

In this view, the integration into Japanese Yen TIBOR or the integration into Euroyen TIBOR would be more preferable than the “integration” option from the perspective of maintaining the basic concepts of the JBA TIBOR reforms.

③ **Actions to address imminent challenges**

As mentioned in “2. Necessity of further reforms” (refer to pages 4-5), we consider that the JBA TIBOR now complies with the IOSCO Principles in its entirety as a result of the reforms implemented in July 2017¹⁸ but also recognizes some challenges.

¹⁸ Currently, the JBATA has not achieved compliance with the IOSCO Principle 13 “Transition” and also Principle 4 “Control Framework for Administrators” that cannot be addressed until compliance with Principle 13 is completed. This is because we have determined that it would be reasonable and appropriate to take compliance actions for Principle 13 in consideration of developments of international discussions on interest rate benchmark reforms with respect to risk-free rates and fallback plans. As for the result of audits on the design and operating effectiveness of JBATA’s framework, see the following link:
http://www.jbatibor.or.jp/english/news/2017/overview_of_audits_on_establishment_and_implementation_of_jbatas

It would be important that further reforms will contribute to solving two challenges that are still remaining after the 2017 JBA TIBOR reforms in order to achieve full compliance with the IOSCO Principles.

Having compared market environment surrounding Japanese Yen TIBOR and Euroyen TIBOR from this point of view, the size of Euroyen TIBOR's underlying market continues to be small relative to Japanese Yen TIBOR's underlying market. In addition, the percentage of reference banks' Euroyen TIBOR submission rates being determined based on the underlying market data (i.e. 1st Level of the waterfall methodology introduced in the 2017 JBA TIBOR reforms) is low as well.

Given this, the integration into Japanese Yen TIBOR would better contribute to solving the imminent challenges than the integration into Euroyen TIBOR.

On the other hand, if the "integration" option is taken, the percentage of referencing data of the integrated underlying market should increase. Nonetheless, the effect would be limited given the difference in the market size between the unsecured call market and the Japan Offshore Market. Therefore, it would be difficult to prominently exceed the current Japanese Yen TIBOR's percentage of referencing the underlying market data by integrating the underlying market.

In this view, the integration into Japanese Yen TIBOR and the "integration" option would be more preferable than the integration into Euroyen TIBOR from the perspective of resolving imminent challenges.

(3) Summary of the comparative analysis result

Based on the comparison of analysis of the three options for the approach of further reforms from the above points of view, the integration into Japanese Yen TIBOR has an advantage over the integration into Euroyen TIBOR and the "integration" option ("other options") and thus would be the approach towards which we should proceed in order to further enhance robustness of the JBA TIBOR.

Furthermore, the integration into Japanese Yen TIBOR will have less effects on existing financial transactions referencing the current Japanese Yen TIBOR and Euroyen TIBOR relative to other options, and thus would be a realistic and appropriate approach.

As Japanese Yen TIBOR and Euroyen TIBOR are quoted on a 365-day basis and 360-day basis, respectively, the integration into Japanese Yen TIBOR will mean that the benchmark quoted on a 360-day basis will be discontinued. However, this effect on existing transactions, etc. would be relatively small if the JBATA will publish Japanese Yen TIBOR adjusted to a 360-day basis or take other measures.

Euroyen TIBOR will be discontinued as a result of the integration into Japanese Yen TIBOR

but is currently used for derivatives (e.g.) interest rate swaps) and some of these transactions may have long-term maturity periods. It therefore would be necessary to carefully consider, among other things, timing of implementing the integration into Japanese Yen TIBOR and the preparation period by giving due regard to the actual conditions of benchmark use.

4. Questions

We would like to seek comments on the following three points in considering the approach for integrating Japanese Yen TIBOR and Euroyen TIBOR.

(1) Selecting the “integration into Japanese Yen TIBOR” option

JBATA considers that it is realistic and appropriate to focus on, and engage in discussions of, the integration into Japanese Yen TIBOR for further reforms.

We welcome your view on this approach for further reforms.

(2) Potential issues that may arise from the integration into Japanese Yen TIBOR

Potential issues that may arise from the integration into Japanese Yen TIBOR include adjustments to be made in relation to the treatment of existing transactions referencing Euroyen TIBOR to be discontinued, system modifications and the necessity of actions to address discontinuation of the interest rate benchmark quoted on a 360-day basis.

We have summarized potential issues that may arise from the integration into Japanese Yen TIBOR and other issues in Appendix (see pages 15-16).

Of these issues, we will need to take the initiative in discussing, and making decisions on, the following issues ① to ③.

- ① Impact on the existing contracts referencing Euroyen TIBOR that is to be discontinued as a result of the integration into Japanese Yen TIBOR
 - Whether to publish a paper describing the view of a third party who is in a neutral position (e.g. lawyer) with respect to analysis of legal issues that discontinuation of Euroyen TIBOR will not constitute the reasons for nullifying/terminating existing contracts referencing Euroyen TIBOR, etc. (excluding those matters requiring adjustments, etc. between users)
- ② Publication of Japanese Yen TIBOR adjusted to a 360-day basis¹⁹
 - Whether to publish Japanese Yen TIBOR adjusted to 360-day basis by the JBATA in order to address the discontinuation of Euroyen TIBOR publication
- ③ Other issues
 - Whether there are any concerns that need to be considered in relation to the integration into Japanese Yen TIBOR, etc.

¹⁹ Japanese yen interest rate benchmark quoted on a 360-day basis will no longer exist if the integration into Japanese Yen TIBOR is implemented. Taking into account its effects on existing transactions, the JBATA will consider whether to publish a Japanese Yen TIBOR rate adjusted to a 360-day basis which will be calculated as follows: Japanese Yen TIBOR ÷ 365 days × 360 days = Adjusted Japanese Yen TIBOR (rounded off to five decimal places).

We welcome your comments on the potential issues described above or any other issues.

Please note that if the JBATA decides to take the “integration into Japanese Yen TIBOR” option as a result of this public consultation, we will proceed with discussions in consideration of cooperation with related organizations that have in place policies and procedures pertaining to transactions referencing Euroyen TIBOR.

(3) Preparation period needed for the integration into Japanese Yen TIBOR

As mentioned in “(2) Potential issues that may arise from the integration into Japanese Yen TIBOR” (pages 15-16), in order to implement the integration into Japanese Yen TIBOR, users and related organizations, etc. would also need to make adjustments to the treatment of existing transactions, revise relevant policies and procedures and modify relevant systems, etc. in addition to tasks to be considered and carried out by the JBATA.

While specific tasks to be carried out, such as various adjustments (e.g. review of existing transactions) and system modifications, will vary across users, the JBATA expects that at least 1.5 years (18 months) will be needed as a preparation period from the final decision on adopting the “integration into Japanese Yen TIBOR” option until actual transition.

Please comment on the preparation period, if any.

5. How to submit your comments

(1) Consultation period

From Tuesday October 2, 2018 to Friday December 14, 2018 (Comments should arrive at the JBATA no later than December 14, 2018.)

(2) Submission

Comments would be submitted:

- by post to

Operation Department, General Incorporated Association JBA TIBOR Administration
(Address: Asahi Seimei Otemachi building, 6-1, Otemachi 2-chome, Chiyoda-ku, Tokyo 100-0004, JAPAN);

- by e-mail to
contact@jbatibor.or.jp.

[Notes]

Your comment shall be titled “Comment on [Consultative Document] Approach for Integrating Japanese Yen TIBOR and Euroyen TIBOR” and include the following information:

- Name;
- Contact information (Phone number, e-mail address);
- Name of the legal entity or organization (if you are a member of any); and
- Your comments and reasons for your opinions.

Personal information (e.g. name and contact information) included in the comment will be used when the JBATA needs to contact you to inquire about unclear matters in comments.

For further detail regarding the treatment of personal information, see our Privacy Policy.

[Contact information for any inquiry regarding the consultative document]

Operation Department, General Incorporated Association JBA TIBOR Administration

Phone: +81 (0)3-6262-6788

6. Next steps

The result of this public consultation will be published in the first half of 2019. If we determine, after considering comments submitted to this consultative document, to proceed with the “integration into Japanese Yen TIBOR” option in order to further enhance the robustness of the JBA TIBOR, we will publish the second consultative document at the same time with the result of the first public consultation to seek further comments.

Then, based on the result of the second public consultation, the JBATA will determine and publish our policies regarding, among other things, the timing of implementing the integration into Japanese Yen TIBOR by the end of 2019.

Appendix: Potential issues that may arise from the integration into Japanese Yen TIBOR

[Issues to be determined by JBATA]

Issues	Main considerations, etc.
Timing of implementing the integration into Japanese Yen TIBOR	➤ Determine specific timing of implementation based on comments regarding the preparation period needed for the integration into Japanese Yen TIBOR. ^(Note)
Impact on the existing contracts referencing Euroyen TIBOR	➤ Confirm that discontinuation of Euroyen TIBOR will not constitute the reasons for nullifying/terminating existing contracts referencing Euroyen TIBOR, etc.
Publication of Japanese Yen TIBOR adjusted to a 360-day basis	➤ Assess whether there are needs for use, and if any, discuss and summarize practical matters, such as how to publish and when to start publishing. ^(Note)
Others	<ul style="list-style-type: none"> ➤ Activities to disseminate discontinuation of Euroyen TIBOR ➤ Revision and publication of the “JBA TIBOR Code of Conduct” and other relevant policies and procedures, etc. ^(Note)

(Note) We will present specific proposals in the second consultation and seek comments.

[Potential issues that would require adjustments between users going forward]

Issues	Main considerations, etc.
Treatment of a fallback provision [※] in contracts	<ul style="list-style-type: none"> ➤ Treatment in the case where a fallback provision is not included in derivatives/swaps contracts or policies and procedures, etc. and in the case where a party to the contract considers that it is inappropriate to permanently reference an alternative benchmark defined in a fallback provision after discontinuation of Euroyen TIBOR <p style="text-align: center;"><<Main adjustments>></p> <ul style="list-style-type: none"> — Change in a benchmark to be referenced; — Treatment of day count convention/holidays; and — Profit/loss calculation, etc.
Review of the transaction management framework	➤ Where systems are used for transaction management purposes (including accounting treatment), consider system modifications (including overall running test with the external access point, if any, and transition).
Transfer to market transactions	➤ With respect to those contracts between multiple parties that are comprehensively and centrally processed by a central counterparty clearing or other similar organizations under

[※] As an alternative measure in the event of suspension of the JBA TIBOR publication, the JBATA recommends the parties to the contract to, for example, include a fallback provision in the contract.

	<p>unified conditions, such as central counterparty clearing house, discuss and summarize terms and conditions, etc. that are applicable after the discontinuation of Euroyen TIBOR with a view to achieving a smooth market transaction transition based on the agreement by market participants.</p>
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