

## **JBA TIBOR Operational Rules**

### **Chapter 1 General Provisions**

#### **(Objective)**

Article 1 (1) The JBA TIBOR Operational Rules (“Rules”) set forth basic benchmark administration rules pertaining to the calculation and publication of Japanese Yen TIBOR and Euroyen TIBOR (collectively, “JBA TIBOR (Tokyo Interbank Offered Rate)”) by the *Ippan Shadan Hojin* JBA TIBOR Administration (“JBATA”).

(2) Pursuant to the Rules, the JBATA shall develop separate rules and regulations, including the JBA TIBOR Code of Conduct (“Code of Conduct”), which sets out rules to be abided by and necessary procedures to be established by reference banks in connection with their rate submission, and the guidelines to be abided by the third parties which a part of JBA TIBOR calculation/publication operations is outsourced to (“Guidelines on Outsourcing”).

#### **(Benchmark administration in light of the IOSCO’s Principles for Financial Benchmarks)**

Article 2 (1) In light of the Principles for Financial Benchmarks issued by the Board of Directors of the International Organization of Securities Commissions (“IOSCO”) (on July 17, 2013; “IOSCO Principles”), the JBATA shall take necessary steps to enhance the transparency and fairness of the JBA TIBOR.

(2) The JBATA shall disclose an overview whether the JBA TIBOR operations comply with the IOSCO Principles every fiscal year.

#### **(Compliance with applicable laws and regulations)**

Article 3 In administering JBA TIBOR, the JBATA shall comply with the relevant laws and regulations in addition to this Rules.

#### **(Definitions)**

Article 4 The terms used in the Rules shall be defined as follows or, unless otherwise specified in the Rules, as defined by relevant rules and guidelines which are established in accordance with the Rules.

##### **(i) Japanese Yen TIBOR**

The Japanese Yen TIBOR is the respective average of interest rates for six maturities

(i.e. 1 week, 1 month, 2 months, 3 months, 6 months and 12 months)<sup>Note1</sup> submitted by reference banks to the JBATA as required by the Code of Conduct. In calculating the Japanese Yen TIBOR, for each maturity, the JBATA excludes the two highest quotes and two lowest quotes from reference banks and averages the remaining rates (rounded to the fifth decimal place).

In a case where some reference bank fails to submit a part of rates for some reason, the forgoing process is followed to derive Japanese Yen TIBOR for each maturity based on the rate submitted by other banks.

(Note1) The rates which reference banks deem as prevailing market rates, assuming transactions between prime banks on the Japan unsecured call market as of 11:00 a.m. The rates are quoted on a 365-day basis, as spot starts in increments of 1/100% (1 basis point).

#### (ii) Euroyen TIBOR

The Euroyen TIBOR is the respective average of interest rates for six maturities (i.e. 1 week, 1 month, 2 months, 3 months, 6 months and 12 months)<sup>Note2</sup> submitted by reference banks to the JBATA as required by the Code of Conduct. In calculating the Euroyen TIBOR, for each maturity, the JBATA excludes the two highest quotes and two lowest quotes from reference banks and averages the remaining rates (rounded to the fifth decimal place).

In a case where some reference bank fails to submit a part of rates for some reason, the forgoing process is followed to derive Euroyen TIBOR for each maturity based on the rate submitted by other banks.

(Note2) The rates which reference banks deem as prevailing market rates, assuming transactions between prime banks on the Japan Offshore Market as of 11:00 a.m. The rates are quoted on a 360-day basis, as spot starts (based on the Tokyo's business day) in increments of 1/100% (1 basis point).

#### (iii) Prime bank

The term "prime bank" used in the foregoing items (i) and (ii) shall represent a bank which is financially resilient (e.g. a bank having adequate capital and sufficient liquid assets) and which is a major player in the Japan unsecured call market (or in the Japan Offshore Market in the case of Euroyen TIBOR).

#### (iv) Reference bank

The term "reference bank" shall represent a bank or financial institution, which is selected by the JBATA in accordance with the procedures set out in Article 35 of the

Rules, as a bank or financial institution, to submit to the JBATA reference rates for Japanese Yen TIBOR and Euroyen TIBOR, respectively, in order for the JBATA to calculate and publish the JBA TIBOR.

(v) Reference rate

The term “reference rate” shall represent a rate quoted and submitted by reference banks to the JBATA for Japanese Yen TIBOR and Euroyen TIBOR, respectively.

(vi) Official rate

The term “official rate” shall represent a rate published by the information providers. The “official rate” and the “reference rate,” which are defined in item (v) described above, shall be collectively referred to as the “official rate, etc.”

(vii) Service provider

The term “service provider” shall represent a company to which the JBATA outsourced the JBA TIBOR calculation and other relevant operations pursuant to Articles 13 and 43 of the Rules.

(viii) Information provider

The term “information provider” shall represent a company, which is selected by the JBATA pursuant to Article 45 of the Rules to publish official rate, etc. sent by the service provider through online services, periodicals or other similar methods.

## **Chapter 2 Organization of the JBATA**

### **(Board of Directors)**

Article 5 (1) The JBATA shall form the Board of Directors as a decision-making body.

The Board of Directors shall be responsible for the matters prescribed in the articles of incorporation, including determination of the execution of the JBATA’s operations and oversight of the Director’s performance of duties.

(2) Under the Board of Directors, committees, including the JBA TIBOR Planning Committee, the JBA TIBOR Administration Committee and the JBA TIBOR Oversight Committee, shall be set up. Further, as secretariat functions, the JBA TIBOR Operation Department, the JBA TIBOR Compliance Office, the JBA TIBOR Internal Audit Office and the JBA TIBOR Oversight Committee Office shall be established.

### **(JBA TIBOR Planning Committee)**

Article 6 (1) The JBA TIBOR Planning Committee (“Planning Committee”) shall

assume the following responsibilities.

- (i) To review and discuss about the matters set forth below and ask the Board of Directors for resolution
  - (a) The organization of the JBATA
  - (b) Budgeting and financial closing of the JBATA
  - (c) In addition to the foregoing (a) and (b), other necessary matters which are delegated by the Board of Directors in term of JBATA administration
- (2) Of the matters set out in the foregoing item (i) of paragraph (1), the Board of Directors may determine those matters which can be resolved by the Planning Committee.
- (3) Where the Planning Committee resolves any matter pursuant to the preceding paragraph, it shall report its resolution to the Board of Directors.
- (4) The Planning Committee shall report those matters submitted for resolution and reported to the Board of Directors, to the JBA TIBOR Oversight Committee defined under Article 8 of the Rules.
- (5) Appointment, term, composition and other relevant matters of the members of the Planning Committee shall be provided for under the Committee guidelines.

**(JBA TIBOR Administration Committee)**

Article 7 (1) The JBA TIBOR Administration Committee (“Administration Committee”) shall assume the following responsibilities.

- (i) To review and discuss matters related to the JBA TIBOR administration set forth below and ask the Board of Directors for resolution
    - (a) The review of the definitions and calculation methodology of the JBA TIBOR
    - (b) The review of the selection criteria of reference banks and the selection of reference banks
    - (c) The review of reference banks’ rate submission procedures
    - (d) The development, amendment and abolition of rules and guidelines in relation to JBA TIBOR
    - (e) Matters associated with the above (a) to (d)
  - (ii) In addition to item (i) described above, to review and discuss matters related to the JBA TIBOR administration which are deemed as necessary by the Board of Directors and ask the Board of Directors for approval
  - (iii) To report the management situation of JBA TIBOR administration to the Board of Directors and the JBA TIBOR Administration Committee defined under Article 8 of the Rules
- (2) In submitting matters for resolution at the Board of Directors pursuant to items (i) and (ii) of paragraph (1), the matters shall also be reported to the JBA TIBOR

Oversight Committee, in cases where clauses separately set out in the Rules the Administration Committee follow those clauses. In other cases, the Administration Committee shall also report those matters submitted for resolution and reported to the Board of Directors, to the JBA TIBOR Oversight Committee even where no specified provision developed separately in the Rules.

- (3) Of the matters set out in the foregoing items (i) and (ii) of paragraph (1), the Board of Directors may determine matters which can be resolved by the Administration Committee.
- (4) Where the Administration Committee resolves any matter pursuant to the preceding paragraph, it shall report its resolution to the Board of Directors and the JBA TIBOR Oversight Committee.
- (5) Appointment, term, composition and other relevant matters of the members of the Administration Committee, shall be separately provided for under the Committee guidelines.
- (6) If necessary, the Administration Committee shall set up a sub-committee, participated by reference banks, for the purpose of seeking comments on the JBA TIBOR administration from reference banks.

**(JBA TIBOR Oversight Committee)**

Article 8 (1) The JBA TIBOR Oversight Committee (“Oversight Committee”) shall assume the following responsibilities.

- (i) Assessment of the appropriateness and recommendation of remedial measures to the Board of Directors for the following matters related to the JBA TIBOR administration.
  - (a) The management of conflicts of interest arising from the JBA TIBOR administration
  - (b) Responses to findings, complaints and other similar actions by relevant authorities or external parties in relation to the JBA TIBOR administration
  - (c) Periodic assessment of the reasonableness and appropriateness of the Code of Conduct
  - (d) The implementation of the monitoring of reference banks’ compliance with the Code of Conduct and rate submissions
  - (e) The review of amendments to the rules and regulations related to the JBA TIBOR
  - (f) The review of an internal audit plan and the results of such audits of the JBATA prescribed in Article 23 of the Rules
  - (g) The punishment of reference banks
- (2) The Oversight Committee investigates and confirms the overall operations of the JBATA, which are not limited to the matters to be resolved to the Board of

Directors in the preceding paragraph, by the Oversight Committee itself or by Oversight Committee Office with instruction of the Committee. These activities include overseeing and challenging the scrutiny and monitoring of inputs or submissions by the JBATA.

- (3) The Board of Directors selects the member of the Oversight Committee. The members should be comprised of lawyers, accountants, academic experts, and other experts who have the knowledge about the related laws, regulations, accounting, audit and/or corporate governance. The members shall not be included parties such as reference banks which may have conflict of interest to maintain its independence. The members of the Oversight Committee shall, upon assuming the position of a member, inform the JBATA whether he/she has any conflict of interest in the JBATA's operations, and if so, shall inform the details of such a conflict of interest. Any subsequent change in conflicts of interest shall also be reported to the JBATA. Further, any member who has a conflict of interest in the Oversight Committee's resolution shall not participate in such resolution.
- (4) In addition to the preceding paragraph, appointment, term, composition and other relevant matters of the members of the Oversight Committee shall be separately provided for under the Committee guidelines.
- (5) The Oversight Committee shall discuss the procedures to implement the monitoring prescribed in the foregoing item (i)(d) of paragraph (1) and the Board of Directors shall make decisions on such procedures.

**(JBA TIBOR Operation Department)**

Article 9 (1) The JBA TIBOR Operation Department ("Operation Dept.") shall assume the following responsibilities.

- (i) Check and Review of the JBA TIBOR rates for publication
  - (ii) The secretariat function for the administration of the Board of Directors, the Planning Committee and the Administration Committee defined in Articles 5 to 7 of the Rules.
- (2) The Operation Dept. shall report the performance of its duties, which are set out under the foregoing items (i) and (ii) of paragraph (1), to the Administration Committee and the Oversight Committee on a regular basis.

**(JBA TIBOR Compliance Office)**

Article 10 (1) The JBA TIBOR Compliance Office ("Compliance Office") shall assume the responsibility for the JBATA's compliance issue.

- (2) The Compliance Office shall report the performance of its duties to the Board of Directors on a regular basis.

**(JBA TIBOR Internal Audit Office)**

Article 11 (1) The JBA TIBOR Internal Audit Office (“Internal Audit Office”) shall assume the responsibility for internal audits of the JBATA.

(2) In carrying out internal audits under the preceding paragraph, the Internal Audit Office shall develop internal audit plans for each fiscal year, and report such plans and internal audit results to the Oversight Committee and then to the Board of Directors.

**(JBA TIBOR Oversight Committee Office)**

Article 12 The JBA TIBOR Oversight Committee Office (“Oversight Committee Office”), as a secretariat function under the Oversight Committee, shall assume responsibility for, among other things, the organization of the Oversight Committee’s meetings, reception of complaints and consultation with regards to JBA TIBOR, and investigation in accordance with the Oversight Committee’s instructions.

**Chapter 3 JBA TIBOR Calculation/Publication**

**(JBA TIBOR publication)**

Article 13 (1) The JBA TIBOR shall be calculated and published based on the reference rates submitted by reference banks to the JBATA in accordance with the definitions set out in items (i) and (ii) of Article 4 of the Rules.

(2) Pursuant to Article 43 of the Rules, the JBATA may outsource the calculation and publication operations of the JBA TIBOR described in the preceding paragraph (“calculation operations, etc.”) to the service provider. In such cases, the JBA TIBOR calculation shall follow the procedures stipulated in the following five articles.

**(Rate submission procedures by reference banks)**

Article 14 (1) Reference banks shall submit their reference rates for Japanese Yen and Euroyen respectively to the service provider no later than 11:20 a.m. on every business day. In principle, any revision after 11:20 a.m. is not allowed.

(2) Notwithstanding the preceding paragraph, should there be need to revise the reference rates after 11:20 a.m., reference banks shall make a request for such a revision to the service provider before 11:35 a.m. on the same day upon consultation with the JBATA.

**(JBA TIBOR calculation by the service provider)**

Article 15 (1) The service provider shall compile the reference rates of the day

submitted by reference banks and calculate official rate.

- (2) The service provider shall present official rate, etc. to the Operation Dept., and ask permission for its publication.
- (3) The Operation Dept. shall review official rate, etc. presented by the service provider and grant the permission to publish such rates. Upon receipt of permission, the service provider shall transmit official rate, etc. to the information providers, which then publish such rates.

**(Review of the reference rates by the JBATA)**

Article 16 (1) The Operation Dept. shall check (review) official rate, etc., which is presented by the service provider pursuant to the preceding article, and grant permission to the service provider to publish official rate, etc.

Such permission shall be granted by the personnel in a managerial position of the Operation Dept.

- (2) If the Operation Dept. identifies any possible error in the reference rate during the reviewing process in the preceding paragraph, it shall make an inquiry to the reference bank which submitted such a rate.
- (3) If, as a result of the inquiry made pursuant to the preceding paragraph, it is concluded that there is an error in the reference rate, the Operation Dept. shall instruct the reference bank to revise its rate. The reference bank shall make a request to the service provider to revise the rate no later than 11:35 a.m. of the same day.
- (4) The Operation Dept. shall retain the record of erroneous submission identified through its review and other relevant matters and report them to the Administration Committee and the Oversight Committee on a regular basis.
- (5) When obtaining information from a front office function of reference banks in connection with the processes of paragraphs (1) to (3), the Operation Dept. shall pay particular attention to the accuracy of such information.

**(The service provider's publication through the information providers)**

Article 17 The service provider shall transmit official rate, etc. to the information providers upon obtaining permission from the Operation Dept. pursuant to Article 16 of the Rules. The information providers shall immediately publish official rate and also the reference rates of each reference bank.

**(Revision of rates after publication)**

Article 18 (1) In the event that the JBATA needs to revise the JBA TIBOR after publication for unavoidable reasons, the Administration Committee shall discuss the revision, taking into consideration, among other things, reasons for the revision and



impact of the revision on contracts referring to the JBA TIBOR. The decision on the revision shall be made by the Board of Directors.

- (2) Where official rate is revised pursuant to the preceding paragraph, the JBATA shall inform the revision to the information providers through the service provider, and make public announcement about the revision from the JBATA.

**(Minimum number of reference banks, etc.)**

Article 19 (1) The floor (minimum number) of reference banks shall be eight.

- (2) Should the number of reference banks temporarily falls below the floor prescribed in the preceding paragraph due to emergencies, such as severe damages of relevant facilities and electricity outage, as well as excessive market stress and a sharp decrease of reference banks, steps shall be taken in accordance with the contingency plan defined in Article 46 of the Rules.

**(Procedures where the service provider is not used)**

Article 20 The procedures to be followed when the service provider is not used shall be prescribed by separate rules or guidelines.

**Chapter 4 The JBATA's Management Framework and Dissemination to Users, etc.**

**(Processes and frameworks for the management of conflicts of interest)**

Article 21 (1) The JBATA shall put in place processes and frameworks to manage a conflict of interest that may arise in the course of the JBA TIBOR administration in order to ensure the soundness of the JBA TIBOR as a financial benchmark.

- (2) The term "conflicts of interest" used in the preceding paragraph shall be defined in the following items. The Oversight Committee shall review the scope of conflicts of interest, which should be managed by the JBATA, on a regular basis.

- (i) Given the extensive use of the JBA TIBOR as a reference rate for lending and derivatives contracts, conflicts of interest may arise from the conflict of the individual interests, the influence which arise from the involvement in the process of definition, determination, administration and governance of the JBA TIBOR by the person belonging to the financial institution which deal financial instruments as described previously on one hand, and, on the other hand the responsibility of submitting the rate appropriately pursuant to the definitions of the JBA TIBOR.

- (ii) A conflict of interest may arise when a person who may gain financial benefits depending on the level of the JBA TIBOR is involved in the JBA TIBOR determination process.

- (3) In order to develop processes to manage a conflict of interest pursuant to paragraph

(1), the JBATA shall be fully aware of the potential conflicts of interest which are stipulated in the preceding paragraph and take the following steps.

(i) The majority of the Board members of the JBATA shall consist of the persons other than those who are working for or belonging to financial institutions.

(ii) The revision of the JBA TIBOR definitions and other significant matters shall be reviewed by the Oversight Committee.

(iii) To ensure the soundness of rate submissions by reference banks, the Code of Conduct shall be developed and require reference banks to establish internal frameworks. The JBATA shall monitor their status of compliance with the frameworks.

(iv) An appropriate administration framework shall be maintained by, for example, limiting operations outsourced to the service provider to the simple ones, such as collection, calculation and publication.

(v) The documents considered material in light of conflicts of interest management and the transparency of the JBA TIBOR (e.g. relevant rules and audit results) shall be disclosed. If there is any individual case of a conflict of interest that is considered material to be disclosed to the JBA TIBOR users, such a case shall be disclosed to users. The Oversight Committee shall discuss whether to be such a case, with the final decision being made by the Board of Directors.

(vi) In respect of conflicts of interest, information shall be treated with the utmost care and be thoroughly managed on a case-by-case basis. The JBATA requires that parties shall adopt adequate measures to manage conflicts of interest promptly and fairly. In particular, they shall consider establishing effective procedures to control the exchange of information between relevant persons, who take part in activities that give rise to a risk of a conflict of interests.

(4) Management and employees of the Administration shall comply with the processes and frameworks for the management of conflicts of interest set out the preceding paragraph when they conduct their operations.

#### **(Management of administrative processes and procedures)**

Article 22 For the purpose of the execution of accurate JBA TIBOR calculation and publication operations, the JBATA shall take necessary steps to minimize operational risks by, for example, developing administrative processes and procedures.

#### **(Audit)**

Article 23 (1) On an annual basis, in principle, the JBATA shall be subject to internal and external audits on the execution of the JBA TIBOR calculation and publication operations, establishment and implementation of processes/procedures and

frameworks required under the Rules and the review of the JBA TIBOR administration framework (including reviewing the definitions and calculation methods).

- (2) The external audit provided the preceding paragraph shall be executed by an independent external audit firm and the selection of the audit firm shall be discussed at the Planning Committee, and then decided by the Board of Directors. This selection shall be reported to the Oversight Committee.
- (3) Audit results shall be reported to the Oversight Committee and then to the Board of Directors.
- (4) The JBATA shall disclose the outline of its execution of audits.

**(Establishment of process to address consultation and complaints)**

Article 24 (1) The JBATA shall set up a liaison function under the Oversight Committee Office so that the JBA TIBOR users can contact to seek consultation or make complaints.

- (2) With regard to the liaison function set up pursuant to the preceding paragraph, the JBATA shall establish processes and procedures that are convenient for the users, for example, by posting the contact information on the JBATA's website and by allowing the users to contact via e-mail.
- (3) If any complaint or consultation is received through the liaison function set up pursuant to paragraph (1), the Oversight Committee Office shall examine the content, confirm the fact and develop measures to be taken and then report such results to the Oversight Committee.
- (4) Specific measures to be taken for such complaints/consultation shall be discussed and implemented by relevant departments of the JBATA. The implementation of such measures shall be reported periodically to the Oversight Committee, which reviews the content of such reporting. Based on the result of its review, the Oversight Committee shall recommend necessary actions to be taken (for example, outsourcing the review of the JBA TIBOR to external bodies) to the Board of Directors as necessary.
- (5) If the above recommendation is presented from the Oversight Committee, the Board of Directors shall take necessary steps, such as giving instructions on appropriate measures to the Administration Committee and the Planning Committee. The Oversight Committee may require the Board of Directors to report and explain its actions taken in response to the recommendation.
- (6) The JBATA shall follow Articles 48 and 49 of the Rules when reviewing the administration, definitions, calculation methods, etc. of the JBA TIBOR pursuant to the preceding paragraphs (1) to (5).

**(Establishment of a whistle-blowing system)**

Article 25 (1) The JBATA shall set up a helpline system within the Compliance Office so that personnel of the JBATA, companies and their personnel to which the JBA TIBOR-related operations are outsourced and personnel of reference banks can report and consult about manipulation and misconduct related to the JBA TIBOR in order to detect such incidents at an earlier stage. The helpline system shall encompass helplines connected to internal contacts and also to independent, external bodies.

(2) The Compliance Office shall report periodically to the Oversight Committee with regard to the status of the use of the helpline system, which is stipulated in the preceding paragraph.

**(Retention of records regarding the JBA TIBOR calculation, etc.)**

Article 26 The JBATA shall properly retain the records set out below for five years after such records are created.

- (i) Reference banks' reference rates and the JBA TIBOR official rates
- (ii) If applicable, records concerning expert judgment used in determining the JBA TIBOR
- (iii) Documents submitted by reference banks to the JBATA in accordance with the Code of Conduct
- (iv) Records of communication with reference banks and the service provider in connection with the calculation of the JBA TIBOR official rate
- (v) Records identifying the personnel of the JBATA and the service provider involved in the JBA TIBOR-related operations
- (vi) External opinions, complaints and other responses to the overall JBA TIBOR administration
- (vii) Records of audits stipulated under Article 23 of the Rules
- (viii) If applicable, records of extraordinary measures which are not specified in the Rules but are taken in determining the JBA TIBOR official rate

**(Dissemination to users, etc. concerning reminders regarding the use of the JBA TIBOR)**

Article 27 (1) The JBATA shall disseminate to users or other relevant parties regarding the use of the JBA TIBOR by announcing them to the public or by other means.

- (i) Due to severe damages of the relevant facilities, electricity outage and other similar events, excessive market stress, decrease in reference banks and other operational risks arising from the JBA TIBOR calculation, there is a possibility that the calculation and publication of the JBA TIBOR is conducted not in usual process, suspended, or that the rates may be revised after the publication. This

may have an impact on those contracts referring to the JBA TIBOR by affecting a debtor-creditor relationship of the parties to the contracts which depends on the JBA TIBOR, or by affecting the market value of financial instruments. Further, in cases where calculation and publication of the JBA TIBOR are difficult due to severe damages of the relevant facilities, electricity outage and other similar events, excessive market stress, decrease in reference banks described above, JBA TIBOR could be calculated and published by the methodology provided in the Contingency Plan for JBA TIBOR Publication (“Contingency Plan”) under Article 46 of the Rules. In such cases, the previous day’s JBA TIBOR could be used as the current day’s JBA TIBOR.

(ii) In the event that a change occurs in the Japan unsecured call market or the Japan Offshore Market, there is a possibility that the definitions and/or calculation methodology of the JBA TIBOR will be reviewed to ensure its fairness as a benchmark as well as to better reflect actual market conditions; or that the JBA TIBOR publication will be suspended. In such cases, there may be influences on the claims or liabilities under the financial agreements referring to the JBA TIBOR or on the fair market value of financial instruments.

(iii) The JBATA shall not be responsible for any impact on individual contracts referring to the JBA TIBOR that will, or may be caused by, the revision of the JBA TIBOR after publication, or by the review of its definitions or calculation methods (unless the JBATA is deemed as responsible).

(2) The JBATA shall, through its website, recommend parties to the contracts referring to the JBA TIBOR to take measures considering terms and conditions for using the JBA TIBOR stipulated in the preceding paragraph. Such measures may include agreeing to include the fallback provision in the contract between the parties to the contract referring to the JBA TIBOR with regard to the arrangement in the case of the JBA TIBOR’s revision after publication or the alternative measures in the case of the suspension of the JBA TIBOR publication.

#### **(Collection of information from external sources)**

Article 28 (1) If the JBATA needs to collect information from external sources in determining official rate, the Administration Committee shall discuss the need to collect such information, selection of its sources and methods of its use and management, by taking into account the soundness and confidentiality of the external information. The Board of Directors shall make the final decision.

(2) If the JBATA collects information from a front office function of a financial institution pursuant to the preceding paragraph, the JBATA shall give careful consideration to the accuracy of the information.

(3) Information to be collected or collected pursuant to paragraph (1) shall be treated

appropriately in compliance with the rules on how to use and manage such information, which differ depending on the content of the information and take into account the soundness and protection of confidentiality of the information. Further, the soundness and confidentiality of such information shall be corroborated as much as possible by supporting information and/or data obtained from other sources.

**(Submission and reporting to relevant authorities)**

Article 29 The JBATA shall cooperate with audit bodies and other relevant authorities by submitting and reporting records and audit results retained pursuant to Article 26 of the Rules to them immediately upon their request.

**(Obligation of confidentiality by personnel involved in the JBA TIBOR administration)**

Article 30 (1) Management and employees of the JBATA and members of the Planning Committee, Administration Committee and Oversight Committee shall not leak confidential information concerning the JBATA's operations obtained in the course of their duties to third parties.

(2) Management and employees of the JBATA and members of the Planning Committee, Administration Committee and Oversight Committee shall not use information obtained concerning the JBATA's operations for their own interests or for third party's interests.

(3) Paragraphs (1) and (2) shall apply even after such management and employees of the JBATA and members of the Planning Committee, Administration Committee and Oversight Committee are removed from their respective positions.

**(Training)**

Article 31 (1) The JBATA shall provide staff training including business ethics and conflicts of interest to ensure that its management and employees comply with the Rules in executing the JBA TIBOR operations.

(2) The JBATA shall provide training sessions to those companies to which the JBA TIBOR-related operations are outsourced on a regular basis in order to enlighten them on the Rules and the Code of Conduct.

(3) The JBATA shall prepare training materials, which cover, among other things, relevant laws and regulations including market abuse regulation and financial benchmark regulations, for the training purposes stipulated in the preceding paragraph. These training materials shall also be provided for internal training for staffs in reference bank.

**(Remuneration plan)**

Article 32 The JBATA shall ensure that remuneration plans for its executives, employees and committee members are appropriately designed and implemented by giving due regard to risk management and compliance in order to avoid such plans to incentivize manipulation of the JBA TIBOR, for example not setting a JBA TIBOR-based remuneration.

**(Minutes of the Board of Directors and the committees)**

Article 33 The JBATA shall take the minutes of the Board of Directors and the committees which are stipulated under Articles 5 to 8 of the Rules and shall make them available to relevant authorities upon request.

**Chapter 5 Recruitment, Selection and Monitoring of Reference Banks**

**(Code of Conduct for reference banks)**

Article 34 (1) The JBATA shall formulate the Code of Conduct, with which reference banks should comply, the JBATA shall also require reference banks to establish internal frameworks listed in the following items which include ethical standards, segregation of duties, remuneration and communications:

- (i) Processes and frameworks for appropriate rate submission;
- (ii) Processes and frameworks for management of conflicts of interest in relation to rate submission;
- (iii) Process for prohibition of information sharing, coordination and similar behaviors regarding rate submission;
- (iv) Processes to enable post-submission explanations for the ground of rate submissions;
- (v) Process and frameworks for retention of communication records regarding rate submission; and
- (vi) Process for reporting to the JBATA if problem occurs.
- (vii) In-house training in line with the Code of Conduct which includes relevant laws and regulations including market abuse regulation

(2) With regard to the processes and frameworks for management of conflicts of interest in relation to rate submission as stated in item (ii) of the preceding paragraph, if the JBATA receives a report from a reference bank on the concurrent appointment of the person responsible for rate submission/staff performing rate submission tasks as defined in the Code of Conduct and the person responsible for/staff performing the operations of trading activities related to financial instruments referencing the JBA TIBOR, as well as the internal verification processes implemented, the appropriateness of the report shall be verified by the Oversight Committee.

**(Recruitment and selection of reference banks)**

Article 35 (1) The selection of reference banks as stated in item (i) (b), paragraph (1) of Article 7 of the Rules, shall be carried out in line with the procedures specified in the following paragraphs.

(2) The JBATA shall recruit and select reference banks for rate submissions every year.

(3) In selecting reference banks pursuant to the preceding paragraph, the JBATA shall take the following factors into account such as market trading volume (trading volume in Japanese unsecured call money market for Japanese Yen TIBOR and trading volume in the Japanese Offshore Market for Euroyen TIBOR); Yen asset balance; reputation; track record in rate submissions; and internal control for the compliance with the Code of Conduct. In addition, the JBATA also shall consider the continuity of the JBA TIBOR and the diversification of category of reference banks. Reference banks shall consist of banks or financial institutions that are local or global active participants in the market and comply with the Code of Conduct regardless of their jurisdiction.

(4) The selection of reference banks shall be decided by the Board of Directors after discussions at the Administration Committee. In submitting matters for deliberation to the Board of Directors, the matters shall also be reported to the Oversight Committee.

(5) The JBATA shall receive the acceptance letter from the selected reference bank regarding the rate submissions in compliance with the Code of Conduct.

(6) The JBATA shall disclose the result of selecting reference banks.

**(Resignation of reference banks during its tenure)**

Article 36 (1) The JBATA shall announce on its website the offer of resignation as well as the (planned) date of resignation in principle within three business days, including the date of receipt, in case of receiving an offer of resignation in writing from a reference bank during its tenure.

(2) In case of receiving the offer pursuant to the preceding paragraph, the Operation Dept. shall report to the Board of Directors after reporting to the Administration Committee and the Oversight Committee.

**(Action for rate submissions that have not been conducted or have been delayed by some of reference banks)**

Article 37 (1) If some of reference banks have not conducted or have delayed rate submissions, the Operation Dept. shall report to the Administration Committee and the Oversight Committee.

(2) Once it is determined that there is no reasonable reason that such reference banks



have not conducted or have delayed rate submissions, the JBATA shall disclose the fact after the Board of Directors decides on such disclosure. In submitting matters for deliberation to the Board of Directors, the matters shall also be reported to the Oversight Committee.

**(Monitoring of reference banks)**

Article 38 The matters related to reference banks as defined in item (i) (d), paragraph (1) of Article 8 of the Rules shall be monitored in accordance with the procedures pursuant to the following two articles.

**(Monitoring of compliance with the Code of Conduct)**

Article 39 (1) The JBATA shall receive a report from reference banks on internal and external audits in line with the Code of Conduct and report to the Board of Directors after the Oversight Committee verifies its appropriateness.

(2) The JBATA shall receive a report from reference banks on the in-house training held in line with the Code of Conduct and report to the Board of Directors after the Oversight Committee verifies its appropriateness.

**(Monitoring of rate submissions)**

Article 40 (1) The Oversight Committee Office shall carry out ex-post monitoring of rate submissions and, if there is a doubt about the appropriateness of the submissions, shall inquire of the relevant reference bank to confirm facts.

(2) The monitoring pursuant to the preceding paragraph shall include verifying whether a person other than the person responsible for rate submissions and staff conducting rate submission activities registered by a reference bank has not conducted rate submissions.

(3) The Oversight Committee Office shall report to the Oversight Committee the result of the monitoring pursuant to paragraph (1) (including the result of the inquiry and confirmation with the reference bank, if any).

**(Report of reference bank's breaches of the Code of Conduct)**

Article 41 (1) Notwithstanding the preceding two articles, once the JBATA identifies a doubt about the appropriateness of rate submissions by reference banks or breaches of the Code of Conduct by reference banks, it shall report the fact to the Oversight Committee promptly.

(2) Where the Oversight Committee receives a report pursuant to the preceding paragraph, it shall consider countermeasures and make recommendations to the Board of Directors, as appropriate. Further, the Oversight Committee shall also consider the necessity of reporting the occurrence of such incident to the related

authorities.

- (3) The JBATA shall disclose, as necessary, the action taken as a result of receiving recommendations from the Oversight Committee.

**(Revocation of reference bank selection)**

Article 42 (1) The JBATA may revoke reference bank selection upon discussions at the Oversight Committee and upon decision by the Board of Directors if the bank meets any of the following conditions:

- (i) The bank is consistently late in providing rate submissions, frequently requires revision of its submissions or encounters other difficulties with regard to rate submissions that make its continued participation unsuitable for the smooth administration of the JBA TIBOR publication;
  - (ii) The bank cannot take appropriate actions within a reasonable period in response to the JBATA's request for improvement, if any problem is found in the bank's compliance with the Code of Conduct;
  - (iii) The bank is assessed as being no longer eligible for the reference bank selection in light of the selection criteria as stipulated in Article 35 of the Rules due to changes in its business or for other reasons; or
  - (iv) The bank is assessed as being not suitable as a reference bank in light of its violation of laws, receipt of administrative punishment, occurrence of misconduct and or other incidents.
- (2) Where the JBATA revokes the reference bank selection pursuant to the preceding paragraph, it shall disclose the fact to the public promptly.

**Chapter 6 Outsourced Administrative Operations**

**(Outsourced administrative operations including official rates calculation)**

Article 43 (1) When the JBATA outsources the administrative operations for calculating and publishing the JBA TIBOR (calculation operations, etc.) to a service provider, such outsourcing shall be decided by the Board of Directors after discussion at the Administration Committee. In submitting matters for deliberation to the Board of Directors, the matters shall also be reported to the Oversight Committee.

- (2) The operations outsourced shall be disclosed where they have the impacts on the JBA TIBOR users
- (3) The service provider shall be re-selected, in principle, every four years.
- (4) In the event of any situation where the above operations cannot be outsourced due to termination of a service contract with the service provider or other reasons, the Operation Dept. shall conduct the calculation operations until a replacement is

selected.

### **(Supervision of the service provider)**

Article 44 (1) The JBATA shall formulate the “Guidelines on Outsourcing JBA TIBOR Calculation/Publication Operations” as a guidance which the service provider should comply with in conducting the outsourced operations. The Operation Dept. shall periodically monitor compliance therewith.

(2) The JBATA shall periodically monitor the framework for, and the implementation of, the operations outsourced to other service provider, including the back-up institution as stipulated in Article 47 of the Rules.

(3) The Operation Dept. shall report the results of the monitoring as stated in paragraphs (1) and (2) to the Administration Committee, the Oversight Committee and the Board of Directors.

## **Chapter 7 Selection of Information Providers**

### **(Selection of Information Providers)**

Article 45 (1) The selection of an information provider shall be decided by the Board of Directors after discussion at the Administration Committee. In submitting matters for deliberation to the Board of Directors, the matters shall also be reported to the Oversight Committee.

(2) The JBATA shall disclose the JBA TIBOR information providers to the public.

## **Chapter 8 Establishment of A Contingency Plan for the JBA TIBOR Calculation and Publication, etc.**

### **(Establishment of a contingency plan)**

Article 46 (1) The JBATA shall establish “Contingency Plan for JBA TIBOR Publication” (“Contingency Plan”) that sets out measures to prepare for and to cope with the occurrence of emergencies, such as electricity outage or severe damages of relevant facilities (“emergencies”) and for the cases where the JBA TIBOR calculation/publication is difficult, in contradiction to the intent of the JBATA, due to excessive market stress or decrease in reference banks.

(2) The Contingency Plan as stated in paragraph (1) shall cover the cases where the service provider cannot carry out its outsourced operations in times of disaster or other emergencies.

### **(Back-up institution of the JBATA)**

Article 47 (1) In preparation for cases where the JBATA faces difficulties in carrying

out the publication operations of the JBA TIBOR due to the adverse impact of emergencies, the JBATA shall select a back-up institution to review the JBA TIBOR or carry out related operations. The back-up institution shall comply with the Rules to the extent of the outsourced operations in order to carry out such activities on behalf of the JBATA.

- (2) In accordance with the Contingency Plan as stated in the preceding paragraph, the JBATA shall promptly request a back-up institution to act in the position of the JBATA to review the JBA TIBOR and to grant the service provider permission to publish the JBA TIBOR, in case it is determined that the JBATA itself is unable to conduct such activities.
- (3) If the JBATA change the back-up institution, the change shall be decided by the Board of Directors, after discussion at the Administration Committee.
- (4) The Operation Dept. shall periodically verify and report to the Administration Committee, the Oversight Committee and the Board of Directors the framework for, and the implementation of, the operations outsourced to the back-up institution pursuant to paragraphs (2) and (3) of Article 44 of the Rules.
- (5) The JBATA shall disclose the back-up institution and the operations outsourced where they have the impacts on the JBA TIBOR users, etc.

## **Chapter 9 Review of Operational Framework**

### **(Periodical review of operational framework)**

Article 48 (1) The JBATA shall assess and review the definitions, calculation method and overall operation of the JBA TIBOR at the Administration Committee, in consideration of relevant market conditions and feedbacks provided by external parties to the JBATA.

- (2) With regard to the assessment and review at the Administration Committee as set forth in the preceding paragraph, the JBATA shall report to the Oversight Committee at least annually, and that the Oversight Committee shall examine the contents of such report and make recommendations to the Board of Directors, as necessary.
- (3) In response to the recommendations by the Oversight Committee as stipulated in the preceding paragraph, the Board of Directors shall take necessary actions, such as giving an instruction on appropriate measures to the Administration Committee and the Planning Committee. Further, the Oversight Committee may receive a report on and require the explanation on the subsequent actions taken by the Board of Directors in response to the recommendations.
- (4) Notwithstanding the above, a review of the scope and management method of conflicts of interest shall be considered in accordance with the provisions of Article 21 of the Rules.

**(Changes in the definitions or calculation methods of the JBA TIBOR)**

Article 49 (1) The JBATA shall consider changes in the definitions or calculation methods of the JBA TIBOR in cases where any of the following situations continues to exist for a certain period of time and there is no prospect of early remediation of such situation(s), which may make the JBA TIBOR no longer representative as benchmark:

- (i) where there have been any structural changes in the Japan unsecured call money market or the Japan Offshore Market that may require changes in the definitions, calculation methods; or
  - (ii) where underlying interest which the JBA TIBOR seeks to measure is no longer generally used or is not functioning, and hence is deemed to be not fulfilling its role as a reliable benchmark.
- (2) Notwithstanding the preceding paragraph, the JBATA shall consider changes in the definitions, calculation methods of the JBA TIBOR, as appropriate, where it is deemed necessary to make such change in light of a change in users' needs and actual market conditions.
- (3) When the JBATA considers changes in the definitions, calculation methods of the JBA TIBOR pursuant to paragraphs (1) and (2), such change shall be decided by the Board of Directors after discussion at the Administration Committee. The Oversight Committee shall scrutinize and challenge as necessary the discussion. This consideration and decision shall, to the utmost extent, reflect an objective of continuously ensuring the soundness of the JBA TIBOR determination, considering the effect of such change on the stability of the financial economy, the scope of contracts referring to the JBA TIBOR, and the degree of the impact of such change on the contracts. As a result of the consideration as stated herein, where it is deemed necessary to consider suspending the ongoing publication of the JBA TIBOR, rather than changing the definitions and calculation methods, such suspension shall be considered in accordance with Article 51 of the Rules. However, this shall not preclude simultaneously considering the change in the definition and methodology pursuant hereto and the suspension pursuant to Article 51 of the Rules.
- (4) If the change considered pursuant to paragraphs (1) to (3) is deemed material (a material change means that the change may significantly undermine the similarity with the pre-change JBA TIBOR, or is reasonably expected to have a significant impact on the level of the JBA TIBOR rate), the JBATA shall seek public comment and hold discussions with stakeholders, as appropriate.
- (5) Notwithstanding the preceding paragraph, if the change is deemed a material change based on the consideration and determination pursuant to paragraph (3), the

JBATA may seek public comment and hold discussions with stakeholders as appropriate, as set forth in the preceding paragraph.

- (6) In seeking public comment as stated in paragraphs (4) and (5), the JBATA shall allow a sufficient period so that stakeholders, such as users, can make full discussions, and the JBATA shall consider carrying out an impact analysis of such change, as appropriate.
- (7) When the JBATA changes the definitions or calculation methods of the JBA TIBOR as stated herein, it shall disclose on its website at least three months prior to the effective date the details of the change, the reason, the feedback and comments submitted by stakeholders through the public comment as stated in the preceding paragraphs and the details of the discussions with the comment submitter(s) based on such comment (unless the comment submitter(s) request non-disclosure), and effective date.

#### **(Temporary suspension)**

Article 50 (1) If it is deemed necessary to temporarily suspend the JBA TIBOR publication due to unavoidable circumstances caused by disasters affecting broad areas or other emergencies, the publication may be temporarily suspended, upon a decision by the chairperson or vice-chairperson of the JBATA, or if such a chairperson or vice-chairperson is not capable of performing its duty due to accidents, by the chairperson of the Administration Committee or by a substitute person pre-designated by the Board of Directors, in accordance with the Contingency Plan as stipulated in Article 46 of the Rules, as well as after having a discussion with relevant authorities, as appropriate.

- (2) When the suspension has been decided pursuant to the preceding paragraph, the JBATA shall disclose it promptly. In such cases, the current day's JBA TIBOR shall be identical with the previous day's JBA TIBOR.

#### **(Continuous suspension of the JBA TIBOR)**

Article 51 (1) The JBATA shall consider continuous suspension of the JBA TIBOR publication in cases where any of the following situations continues to exist for a certain period of time and there is no prospect of early remediation of such situation(s), which may make the JBA TIBOR no longer representative as benchmark:

- (i) where any structural changes in the Japan unsecured call money market or the Japan Offshore Market have given rise to not only the decline in the awareness of such market as an active market by market participants and related authorities but also a doubt about the necessity of the existence as a market;
- (ii) where the publication of the JBA TIBOR has violated the laws and

regulations;

(iii) where impact on the financial industry and the economy is believed to be limited even if a remarkable reduction in the needs of the JBA TIBOR users has given rise to the suspension of the publication; or

(iv) where the situation as stated in paragraph (1) of the preceding article continues to exist although the change in the definitions or calculation methods of the JBA TIBOR has been considered pursuant to the preceding Article 49 of the Rules.

(2) When the JBATA considers the continuous suspension of the JBA TIBOR publication pursuant to the preceding paragraph, such suspension shall be decided by the Board of Directors after discussion at the Administration Committee. the suspension shall be reported to the Oversight Committee. This consideration and decision shall, to the utmost extent, reflect an objective of continuously ensuring the soundness of the JBA TIBOR determination, taking into account the effect of such suspension on the stability of the financial economy, the scope of contracts referring to the JBA TIBOR, and the degree of the impact of such suspension on the contract.

(3) In considering the suspension pursuant to the preceding paragraphs, the JBATA shall seek public comment and hold discussions with stakeholders, as appropriate.

(4) In seeking the public comment as stated in preceding paragraph, the JBATA shall allow a sufficient period so that stakeholders, such as users, can make full discussions and shall consider carrying out an impact analysis of such change, as appropriate.

(5) When the JBATA suspends the JBA TIBOR publication on a continued basis as stated herein, it shall disclose at least six months prior to the effective date the timing of the suspension, its reason, the feedbacks and comments submitted by stakeholders through the public comment as stated in the preceding paragraphs and the details of the discussions with the comment submitter(s) based on such comment (unless the comment submitter(s) request non-disclosure), and effective date.

## **Chapter 10 Membership Fees relating to the JBA TIBOR Administration**

### **(Allocation of membership fees relating to the JBA TIBOR administration)**

Article 52 Membership fees for the JBATA shall be separately stipulated in the articles of incorporation.

## **Chapter 11 Revision of the Rules**

### **(Revision of the rules)**

Article 53 (1) The Rules and sub-rules shall be revised by the Board of Directors after

discussion at the Administration Committee.

- (2) Matter(s) relating to the revision as stated in paragraph (1) shall be reported to the Oversight Committee.
- (3) The details of any revision in the Rules and the sub-rules shall be disclosed.

## **Supplement**

### 1. Effective Date

The Rules shall be effective from April 1, 2014.

### 2. Transition

When items (i) and (ii), paragraph (1) of Article 4 of the Rules apply to the JBA TIBOR that will be published up to March 31, 2015, “interest rates for six maturities (i.e. 1 week, 1 month, 2 months, 3 months, 6 months and 12 months)” as set out in the said paragraph shall be replaced with “interest rates for thirteen maturities (i.e. 1week, 1month, 2months, 3months, 4months, 5months, 6months, 7months, 8months, 9months, 10months, 11months, 12 months)”.

(This English translation is provided exclusively as a convenience. Any questions that may arise in interpretation of words and provisions of these rules shall be interpreted in accordance with the Japanese original.)