

July 29, 2016

Results of public consultation regarding “Promoting the JBA Tokyo Inter Bank Offered Rate ("JBA TIBOR") Reforms” (2nd Consultative Document)

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In response to the publication of "Reforming Major Interest Rate Benchmarks" by the Financial Stability Board ("FSB") in July 2014, we, *Ippan Shadan Hojin* JBA TIBOR Administration ("JBATA") (the chairman: Akihiro Wani), have been promoting the JBA TIBOR reforms.

In August 2015, we issued the 2nd Consultative Document " Promoting the JBA Tokyo Inter Bank Offered Rate ("JBA TIBOR") Reforms (the "2nd public consultation") and conducted public consultation about the direction of our reforms and calculation method (waterfall methodology).

Overview of comments from users and other stakeholders is as per the attached sheet and we would like to take this opportunity to express our gratitude to your cooperation.

We continue to consider JBA TIBOR reforms taking into account the comments and condition of inter-bank market in Japan.

Overview of comments from users and other stakeholders about
2nd public consultation

- The overview of comments submitted in response to the 2nd public consultative document “Promoting the JBA Tokyo Inter Bank Offered Rate ("JBA TIBOR") Reforms”, and JBATA’s approach to such comments is as summarized in the following table.
- By the comment due date, a total of 23 companies and organizations (i.e. 16 corporates and 7 non-corporates organizations) submitted their comments. We would like to take this opportunity to express our gratitude to your cooperation.

2nd consultative document	Overview of main comments submitted	JBATA’s approach
<p>(1) Basic concept of TIBOR reforms</p> <ul style="list-style-type: none"> • Regarding achievement of TIBOR+ through reform of the existing TIBOR, a question was asked regarding the basic concept which aims to seamless transition based on the same definition of the existing TIBOR. 	<p>○ Many commented that JBATA should adopt a waterfall methodology which maintains concept of the existing TIBOR, ensures continuity of definition and standardizes and clarifies rate submission process. In addition, regarding reference of NCD transaction (except interbank transaction) and Large Term Deposits, some commented that those transaction should not be taken into account in the 1st and 2nd Level, but in the 3rd Level, because those transactions are affected by relationship with the counterparty.</p>	<ul style="list-style-type: none"> ➤ Taking into account comments, we will achieve TIBOR+ through the ongoing TIBOR reforms initiative and in doing aims to achieve the reforms seamlessly by maintaining identity with the definition of the current TIBOR. ➤ We believe that we can minimize impacts to the current TIBOR users through achieving seamless reform which maintains identity of TIBOR and TIBOR+ and doesn’t need to conduct parallel run. <ul style="list-style-type: none"> ※ Concrete impacts for TIBOR users is to revise existing contract which refer to current TIBOR to refer TIBOR+ etc.

2nd consultative document	Overview of main comments submitted	JBATA's approach
<p>(2)"Proposed waterfall methodology"</p> <ul style="list-style-type: none"> • Regarding the waterfall methodology which reference bank calculates submission rate base on, the following questions were asked. <p>① The priority of quotes and relevant markets</p> <ul style="list-style-type: none"> ✓ In order to make TIBOR a benchmark that reflects actual transactions in the wholesale market, priority between transaction data regarding relevant markets, such as NCD transactions with corporates and Large Term Deposits as indicated in the FSB Report, and quotes. 	<p>○In the view of continuity of definition of current TIBOR, JBATA received many comments which support to prioritize quotes rather than transaction data regarding relevant markets, such as NCD transactions with corporates and Large Term Deposits.</p>	<ul style="list-style-type: none"> ➤ Taking into account comments which support to the waterfall methodology in the 2nd consultative document, we will consider detailed mechanism to calculate TIBOR rate which build in the waterfall methodology. ➤ Taking into account comments, we will design the waterfall methodology which prioritizes quotes than transaction data regarding relevant markets as proposed in the 2nd consultative document.

2nd consultative document	Overview of main comments submitted	JBATA's approach
<p>②The retroactive use of actual transaction data</p> <p>✓ In the case there is no actual transaction in the 1st Level, using actual transaction data by dating back a certain number of days to submit rate.</p>	<p>○In the case there is no actual transaction in the 1st Level, JBATA received many comments which support to collect actual transaction data by dating back 5 business days.</p> <p>On the other hand, JBATA received other comment which it's slightly long to date back 5 business days in the light of actual practice and it can't reflect the latest prevailing market.</p>	<p>➤ Taking into account comments, we will shorten the period of dating back from 5 business days to 3 business days. Hence, reference bank "collects actual transaction data by 3 business days".</p>
<p>③ Approaches to use actual transaction data at the 3rd Level</p> <p>✓ Approaches to use (a) NCD transactions (non-interbank) and Large Term Deposits transaction and (b) relevant markets (short-term government bonds market, GC repo market, and OIS market) data at the 3rd Level</p>	<p>○ JBATA received many comments which support to the idea to use NCD transactions (non-interbank) and Large Term Deposits transaction as 1-day change of the rate submitted on the previous business day, not as refer directly.</p> <p>○JBATA also received many comments which support the idea to use relevant markets (short-term government bonds market, GC repo market, and OIS market) data as 1-day change of the rate submitted on the previous business day, not as refer completely.</p>	<p>➤ Taking into account comments, we will design the methodology to use NCD transactions (non-interbank) and Large Term Deposits transaction and relevant markets (short-term government bonds market, GC repo market, and OIS market) data as 1-day change from previous business day each data and deleting or adding average of the data to/from previous day's rate.</p>
<p>(3) Discontinuation of publication of 2 months & 12 months tenor</p> <p>• A questions was asked regarding the</p>	<p>○ Many commented that discontinuation of publication of 2 months rate has no significant impact.</p> <p>○On the other hand, JBATA received other comment stated that discontinuation</p>	<p>➤ Taking into account comments, we will continue publication of 12 months tenor.</p> <p>➤ Regarding discontinuation of 2 months tenor, we think there are no significant</p>

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<p>impact of Discontinuation of publication of 2 months and 12 months tenor.</p>	<p>of publication of 12 months has impacts to conduct linear interpolation from other tenor.</p>	<p>impacts, even if we discontinue publication of 2 months tenor, we will discontinue publication of 2 months tenor after a certain period.</p>
<p>(4) Discontinuation of simultaneous publication of individual submissions</p> <p>•A question was asked regarding the impact of simultaneous publication of individual submissions .</p>	<p>○ Few commented that it's appropriate to continue simultaneous publication of individual rate in the point of view from transparency. However, many commented that discontinuation of simultaneous publication of individual submissions has no significant impacts.</p>	<p>➤ Taking into account comments, we will discontinue simultaneous publication of individual submission rate and publish it 3 months later after a certain period.</p> <p>➤ We don't intend that this discontinuation does not disturb disclosure of individual rate from reference bank to refer in the loan agreement with the reference bank.</p>