

February 24, 2017

General Incorporated Association JBA TIBOR Administration

**Key Considerations on
Proposed Policy on Treatment of Revisions to JBA TIBOR Official Rates, etc.**

1. Backgrounds

General Incorporated Association JBA TIBOR Administration (“JBATA”) will implement the JBA TIBOR reforms which aim to enhance the transparency and integrity of the JBA TIBOR calculation and determination process with a view to realizing JBA TIBOR “that is more anchored in actual transactions.” (See “Revision to the “JBA TIBOR Code of Conduct” Reflecting the Result of the 3rd Public Consultation, and Implementation Date of JBA TIBOR Reform, etc.” issued on February 24, 2017).

Under these JBA TIBOR reforms, reference rates submitted by reference banks will be determined in accordance with the integrated and clear calculation and determination process anchored in various data including actual transaction data. Along with the implementation of JBA TIBOR reforms, JBATA has drafted “Proposed Policy on Treatment of Revisions to JBA TIBOR Official Rates, etc.” (the “Proposed Policy”), which is included in Appendix 2, to clarify how to treat revisions to rates after publication as stipulated in the JBA TIBOR Operational Rules (Article 18).

2. Key Considerations

(1) Revisions to JBA TIBOR rates after publication

The Proposed Policy proposes not to revise JBA TIBOR rates after publication, in principle, consistent with the requirement set out in the JBA TIBOR Operational Rules. This is to address a concern that revisions to JBA TIBOR rates after publication, if made, may have significant impacts on users who have traded financial transactions, etc. referencing JBA TIBOR rates. Taking this into account, JBATA has determined to extend the time window to publish TIBOR rates by one hour (i.e., “by 1:00 p.m. of the day) for ensuring accurate publication of JBA TIBOR rates on a daily basis and maintaining reliability as a benchmark based on the 3rd Consultative Document. (The consultation period started on November 30, 2016 and the result of consultation released on February 24, 2017.)

This treatment is considered to ensure accurate publication of rates on a daily basis even after the implementation of JBA TIBOR reforms which require to submit rates by collecting various data including actual transactions data. Accordingly, the Proposed Policy has determined not to

make revisions to JBA TIBOR official rates after publication, in principle. Nonetheless, official rates may be revised when there is a significant impact on the level of official rates in accordance with the procedures set out in the JBA TIBOR Operational Rules.

As an alternative to our approach discussed above, there may be an option not to revise official rates unless any errors are identified in official rates by the prescribed timing (i.e., at a certain time on the publication date) as adopted for foreign benchmarks. We would like to seek comments on the Proposed Policy by taking into account such practice.

(2) Level of “Threshold” requiring revisions to JBA TIBOR rates

The Proposed Policy proposes to consider making revisions to JBA TIBOR rates “when there is a significant impact on the level of official rates” in accordance with the JBA TIBOR Operational Rules.

This is because “significant” changes may occur to the level of rates depending on the future interest rates, and may be difficult to establish a specific “threshold” at this moment since there is no instance of inappropriate calculation.

On the other hand, a specific threshold¹ is established for some foreign financial benchmarks for assessing the impact on official rates. Consistent with this, there would be an approach to establish a specific “threshold” also for JBA TIBOR in determining “when there is a significant impact on the level of official rates.” We would like to seek comments on this aspect taking into account such practice.

¹ As a threshold triggering a revision to rates on the publication date, a gap of 3bp or more and 2bp or more between the official rate and the revised rate is established for LIBOR and EURIBOR, respectively.