

Q&A Regarding the JBA TIBOR Reform

February 2017

General Incorporated Association JBA TIBOR Administration

Q1: What kinds of changes will be made to JBA TIBOR as a result of the implementation of the JBA TIBOR reform?

A1: We, General Incorporated Association JBA TIBOR Administration (“JBATA”), will implement the JBA TIBOR reform on July 24, 2017.

The following four changes will be made as a result of this JBA TIBOR reform.

- ① Enhancement of transparency by integrating and clarifying the calculation and determination process of reference rates

Against the backdrop of international movements to reform financial benchmarks triggered by benchmark manipulation incidents occurred overseas, JBA TIBOR has also been requested to be “more anchored in actual transactions.”

In response to such a request, we carried out public consultation for three times to seek comments on ‘to-be’ JBA TIBOR after reforms. The first consultative document “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”)” was published in December 2014, followed by the second and third consultative documents titled “Promoting the JBA Tokyo Inter Bank Offered Rate (“JBA TIBOR”) Reforms” and “Revision to the “JBA TIBOR Code of Conduct”, etc. for Implementing the JBA Tokyo Inter Bank Offered Rate (“JBA TIBOR”) Reforms” published in August 2015 and November 2016, respectively.

Based on the results of such public consultation, we have integrated and clarified the calculation and determination process of reference banks’ reference rates without changing the current definition of JBA TIBOR in order to realize a financial benchmark that is “more anchored in actual transactions.” Note that the waterfall methodology adopted as the calculation and determination process of reference banks’ reference rates is set out in the “JBA TIBOR Code of Conduct” (revised on February 20, 2017).

- ② Change to the timing of the JBA TIBOR publication

We will extend the time window to publish JBA TIBOR rates by one hour, from “by 12:00 p.m. of the day” to “by 1:00 p.m. of the day”, starting from July 24, 2017.

- ③ Discontinuation of 2 month tenor

Publication of the 2 month tenor will be discontinued from the first business day of April 2019.

- ④ Discontinuation of simultaneous publication of individual submissions

Simultaneous publication of individual submissions will be discontinued from the first business day of April 2019.

Q2: Will the reform have any effects on users?

A2: The users of JBA TIBOR will be influenced in terms of the following two points as a result of the reform. Therefore, please pay particular attention in using JBA TIBOR on and after July 24, 2017.

① Change to the timing of the JBA TIBOR publication

We will extend the time window to publish JBA TIBOR rates by one hour, from “by 12:00 p.m. of the day” to “by 1:00 p.m. of the day”, starting from July 24, 2017.

Therefore, users will need to pay attention to this change of the timing of publication when applying JBA TIBOR rates to transactions referencing such rates.

② Discontinuation of 2 month tenor and discontinuation of simultaneous publication of individual submissions

Starting from the first business day of April 2019, publication of the 2 month tenor as well as simultaneous publication of individual submissions will be discontinued. Users concluding a contract that references such a tenor and submission rates are requested to discuss approaches to be taken with the parties to the contract because these changes will have effects on such a contract.

Q3: If JBA TIBOR rates are referenced under loan agreements or derivative contracts, is it necessary to modify any terms and conditions of such contracts as a result of this JBA TIBOR reform?

A3: The purpose of this JBA TIBOR reform is to integrate and clarify the calculation and determination process of reference banks’ reference rates without changing the current definition of JBA TIBOR and thereby to enhance its transparency and integrity. Therefore, we consider that the identity of JBA TIBOR is maintained in substance. More specifically, since the definition and name of JBA TIBOR remains unchanged, it can be used as an identical benchmark. Given this, it is considered as unnecessary to modify terms and

conditions of existing contracts. However, parties to the contract shall ultimately discuss and make a final decision in this respect.

For the result of legal considerations relating to this matter, please refer to Appendix 3 “Legal Advice (Memorandum)”.