

Policy on Material Changes in the Definition or Calculation Method and Permanent Cessation of JBA TIBOR

March 19, 2020

Revised on March 15, 2023

1. Objective

The objective of the “Policy on Material Changes in the Definition or Calculation Method and Permanent Cessation of JBA TIBOR” (“Policy”) is to set out policy to be taken for a material change in the definition or calculation method of JBA TIBOR under Article 49 of the JBA TIBOR Operational Rules (“Rules”) and permanent cessation of JBA TIBOR under Article 51 of the Rules with a view to further enhancing the robustness of JBA TIBOR in response to the *Final report on Principles for Financial Benchmarks* issued by the International Organization of Securities Commissions (“IOSCO”).

2. Definitions

The definitions of the terms shall be those defined in the Rules except for those defined below:

- Alternative benchmark

A benchmark to be referenced in contracts referring Japanese Yen TIBOR or Euroyen TIBOR after there is a material change in the definition or calculation method or permanent cessation of JBA TIBOR. Specifically, benchmarks that will be referenced after the permanent cessation of JBA TIBOR are fallback rates in fallback¹ arrangements.

3. Dissemination to users, etc. concerning points to note in the use of JBA TIBOR

General Incorporated Association JBA TIBOR Administration (“JBATA”) shall announce the following on its website to disseminate to users or other relevant parties in accordance with Article 27 of the Rules: there is a possibility that the definition and/or calculation methodology of JBA TIBOR will be reviewed or JBA TIBOR will be permanently ceased following a change in the Japan unsecured call market or the Japan Offshore Market.

JBATA shall, through its website, recommend parties to contracts referencing JBA TIBOR to take advance measures² in the contracts in preparation for the case where there is a material change in the definition or calculation methodology and the permanent cessation of JBA TIBOR.

¹ Fallback in the context of the Policy is an approach to agree between the contracting parties referencing JBA TIBOR in advance on the treatment after its permanent cessation.

² Fallback provisions including (i) triggers and (ii) benchmark replacement (fallback rate plus spread adjustment) should be introduced into contracts referencing JBA TIBOR as advance measures. In considering these issues, “Results of Public Consultation on fallback issues for JBA TIBOR” should be used as one of references.

https://www.jbatibor.or.jp/english/Results_of_Public_Consultation_on_fallback_issues.pdf

4. Recommendation on reaching an agreement related to alternative benchmarks

It is preferable that alternative benchmarks selected in preparation for a material change in the definition or calculation methodology and permanent cessation of JBA TIBOR aligns with the elements considered as significant by the contracting parties (consistency with related transactions and compatibility with current practices) by taking into account characteristics of individual transactions.

Users of JBA TIBOR would be recommended to reach an agreement on the matters related to alternative benchmarks between contracting parties in advance.

5. Points to note in making material changes in the definition or calculation method of JBA TIBOR and permanently ceasing JBA TIBOR

(1) Material changes in the definition or calculation method of JBA TIBOR

(i) Discussions with stakeholders

JBATA shall seek public comment with sufficient period and hold discussions with stakeholders, as appropriate in considering material changes in the definition or calculation method of JBA TIBOR in accordance with paragraph (4) of Article 49 of the Rules.

In addition, this consideration and decision shall, to the utmost extent, reflect an objective of ensuring the soundness of JBA TIBOR determination continuously, considering the effect of such a change on the stability of the financial economy, the scope of contracts referencing JBA TIBOR, and the degree of the impact of such a change on the contract.

(ii) Prior disclosure of the effective date and other related items

When JBATA changes the definition or calculation method of JBA TIBOR, it shall disclose the following on its website at least three months prior to the effective date in accordance with paragraph (7) of Article 49 of the Rules.

- a. Details of the change
- b. Reason
- c. Effective date
- d. Feedback and comments submitted by stakeholders through public comments and the details of the discussions with the comment submitter(s) based on such comments (unless the comment submitter(s) request non-disclosure)

(2) Permanent cessation of JBA TIBOR

(i) Discussions with stakeholders

JBATA shall seek public comment with sufficient period and hold discussions with market participants including the users and related authorities, as appropriate in considering permanent cessation of JBA TIBOR in accordance with Paragraphs (2) to (4) of Article 51 of the Rules.

In addition, this consideration and decision shall, to the utmost extent, reflect an objective of ensuring the soundness of JBA TIBOR determination continuously, taking into account the effect

of such cessation, etc. on the stability of the financial economy, the scope of contracts referencing JBA TIBOR, and the degree of the impact of such cessation on the contract.

(ii) Prior disclosure of the effective date and other related items

When JBATA ceases JBA TIBOR permanently, it shall disclose the following on its website at least six months prior to the effective date in accordance with Paragraph (5) of Article 51 of the Rules.

- a. Timing of the cessation
- b. Reason
- c. Feedback and comments submitted by stakeholders through public comments and the details of the discussions with the comment submitter(s) based on such comments (unless the comment submitter(s) request non-disclosure)

6. Revisions

Revisions to the Policy shall be discussed by JBA TIBOR Administration Committee and determined by the Board of Directors, by taking into account factors including a change in environment surrounding the underlying market of JBA TIBOR and discussions aiming for the financial benchmark reform at a global level.

Revisions to the Policy shall be reported to JBA TIBOR Oversight Committee before the determination at the Board of Directors.

(Supplement)

1. Effective date

The Policy is effective from March 19, 2020.

2. Date of Revision and Enforcement

The revisions dated March 15, 2023 shall come into effect on April 1, 2023. (based on the Results of Public Consultation on fallback issues for JBA TIBOR)