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JBA TIBOR Operational Rules

Chapter 1 General Provisions

Article 1 - Objective

- (1) The JBA TIBOR Operational Rules (“Rules”) set out 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 General Incorporated Association JBA TIBOR Administration (“JBATA”) pursuant to Article 156-87 of the Financial Instruments and Exchange Act (Act No. 25 of April 13, 1948; “Act”).
- (2) In addition to the Rules, JBATA shall develop separate rules and regulations set out below as the operational rules defined in Article 156-87 of the Act, which sets out rules to be abided by and necessary procedures to be established by reference banks in connection with their rate submission:
 - (i) JBA TIBOR Code of Conduct ("Code of Conduct")
 - (ii) Guidelines on Outsourcing JBA TIBOR Calculation/Publication Operations
 - (iii) Contingency Plan for JBA TIBOR Publication (“Contingency Plan”)
 - (iv) Conflict of Interest Management Policy
 - (v) Complaints Consultation Management Rule of JBATA
- (3) In addition to the Rules and other rules, policy and guidelines set out in each of the above items, JBATA shall establish other policies, rules, and guidelines necessary to ensure smooth calculation and publication of JBA TIBOR.

Article 2 - Benchmark administration in light of IOSCO’s Principles for Financial Benchmarks

- (1) In light of the Final report on Principles for Financial Benchmarks issued by the Board of Directors of the International Organization of Securities Commissions (“IOSCO”) (on July 17, 2013;

“IOSCO Principles”), JBATA shall take necessary measures to enhance the transparency and fairness of JBA TIBOR.

- (2) JBATA shall assess and disclose an overview of whether JBA TIBOR complies with the IOSCO Principles every fiscal year.

Article 3 - Compliance with applicable laws and regulations

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

Article 4 - Definitions

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 five tenors (i.e. 1 week, 1 month, 3 months, 6 months and 12 months) ^{Note1} provided by reference banks to JBATA as required by the Code of Conduct. In calculating the Japanese Yen TIBOR, for each tenor, JBATA excludes the two highest and two lowest rates provided by reference banks and averages the remaining rates (rounded to the fifth decimal place).

In cases where certain reference banks fail to provide their rates for some reason, the forgoing process is followed to derive Japanese Yen TIBOR for each tenor based on the rates provided by other banks.

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

(ii) Euroyen TIBOR

The Euroyen TIBOR is the respective average of interest rates for five tenors (i.e. 1 week, 1 month, 3 months, 6 months and 12 months) ^{Note2} provided by reference banks to JBATA as required by the Code of Conduct. In calculating the Euroyen TIBOR, for each tenor, JBATA excludes the two highest and two lowest rates provided by reference banks and averages the remaining rates (rounded to the fifth decimal place).

In cases where certain reference banks fail to provide their rates for some reason, the forgoing process is followed to derive Euroyen TIBOR for each tenor based on the rates provided by other banks.

(Note2) The rates which reference banks deem as prevailing market rates, assuming transactions between prime banks on the underlying market (Japan Offshore Market) as of 11:00 a.m. The rates, which are quoted on a 360-day basis, with a spot start (based on Tokyo's business day), increment in 1/100 of 1% (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 is an active participant 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 JBATA in accordance with the procedures set out in Article 35 as a bank or financial institution, to provide JBATA submission rates for Japanese Yen TIBOR and Euroyen TIBOR, respectively, in order for JBATA to calculate and publish JBA TIBOR.

(v) Submission rate

The term "submission rate" shall represent a rate provided by reference banks to JBATA for Japanese Yen TIBOR and Euroyen TIBOR, respectively, pursuant to Article 14.

(vi) Official rate

The term "official rate" shall represent a rate calculated based on submission rates collected and published by the information providers for Japanese Yen TIBOR and Euroyen TIBOR, respectively, pursuant to Articles 14 to 17. The "official rate" and the "submission rate," which is defined in item (v) described above, shall be collectively referred to as the "official rates, etc."

(vii) Service provider

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

(viii) Information provider

The term "information provider" shall represent a company, which is selected by JBATA pursuant to Article 45, to publish official rates, etc. sent directly by the service provider through online services or other similar means.

Chapter 2 Organization of JBATA

Article 5 - Board of Directors

- (1) 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 the determination of the execution of 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.

Article 6 - JBA TIBOR Planning Committee

- (1) The JBA TIBOR Planning Committee ("Planning Committee") shall assume the following responsibilities:
 - (i) To review and discuss about the matters set out below and request the Board of Directors for resolution:
 - (a) The organization of JBATA
 - (b) Budgeting and financial closing of JBATA
 - (c) In addition to the foregoing (a) and (b), other necessary matters which are delegated by the Board of Directors in terms 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.
- (5) Appointment, term, composition and other relevant matters of the members of the Planning Committee shall be provided for under the Planning Committee guidelines.

Article 7 - JBA TIBOR Administration Committee

- (1) The JBA TIBOR Administration Committee ("Administration Committee") shall assume the following responsibilities:

- (i) To review and discuss matters related to JBA TIBOR administration set out below and request the Board of Directors for resolution:
 - (a) The review of the definitions and calculation methodology of 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 termination of rules and guidelines in relation to JBA TIBOR
 - (e) Any other matters associated with the above (a) to (d).
 - (ii) In addition to item (i) described above, to review and discuss matters related to JBA TIBOR administration which are deemed as necessary by the Board of Directors, and request the Board of Directors for resolution.
 - (iii) To report the status of JBA TIBOR administration to the Board of Directors and the JBA TIBOR Oversight Committee defined under Article 8.
- (2) In submitting matters for resolution to the Board of Directors pursuant to items (i) and (ii) of paragraph (1), the Administration Committee shall also report matters to the JBA TIBOR Oversight Committee pursuant to respective provisions separately set out in the Rules. 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 if there are no provisions separately set out 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.
 - (5) Appointment, term, composition and other relevant matters of the members of the Administration Committee shall be separately provided for under the Administration Committee guidelines.
 - (6) If necessary, the Administration Committee shall set up a sub-committee, to be participated in by reference banks, for the purpose of seeking comments on JBA TIBOR administration from reference banks.

Article 8 - JBA TIBOR Oversight Committee

- (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 JBA TIBOR administration:

- (a) The management of conflicts of interest arising from JBA TIBOR administration
 - (b) Responses to findings, complaints and other similar actions by relevant authorities or external parties in relation to JBA TIBOR administration
 - (c) Periodic assessment of the reasonableness and appropriateness of the Code of Conduct
 - (d) Monitoring of reference banks' compliance with the Code of Conduct and rate submissions
 - (e) The review of establishment, amendments and termination of the rules and regulations related to JBA TIBOR
 - (f) The review of an internal audit plan and the results of such audits of JBATA prescribed in Article 23
 - (g) The punishment of reference banks.
- (2) The Oversight Committee may investigate and examine the overall operations of JBATA, which are not limited to the matters in the preceding paragraph, by the Oversight Committee itself or by the Oversight Committee Office defined in Article 12 under the instruction of the Oversight Committee. These activities include overseeing and providing recommendations for investigation and monitoring of submission rates, etc. by JBATA.
- (3) The Board of Directors selects the members of the Oversight Committee. The members shall be comprised of lawyers, accountants, academic experts, and other experts who have knowledge about the related laws, regulations, accounting, audit and/or corporate governance. The members shall not include those persons who are working for, or belonging to, financial institutions (as defined in each item set out in Article 2(i) of the Deposit Insurance Act (Act No. 34 of April 1, 1971); the same shall apply in items (i) and (ii) of Article 21(3)) which may have conflict of interest to maintain their independence. The members of the Oversight Committee shall, upon assuming the position of a member, inform JBATA whether each member has any conflict of interest in JBATA's operations, and if so, shall inform the nature of such conflicts of interest. Any subsequent change in conflicts of interest shall also be reported to JBATA. Further, any members who have a conflict of interest in a particular Oversight Committee's resolution shall not participate in such a 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 Oversight 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.

Article 9 - JBA TIBOR Operation Department

- (1) The JBA TIBOR Operation Department (“Operation Dept.”) shall assume the following responsibilities.
 - (i) Pre-publication checking of JBA TIBOR
 - (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 the preceding paragraph, to the Administration Committee and the Oversight Committee on a regular basis.

Article 10 - JBA TIBOR Compliance Office

- (1) The JBA TIBOR Compliance Office (“Compliance Office”) shall assume the responsibility for JBATA’s compliance issues.
- (2) The Compliance Office shall report the performance of its duties to the Board of Directors on a regular basis.

Article 11 - JBA TIBOR Internal Audit Office)

- (1) The JBA TIBOR Internal Audit Office (“Internal Audit Office”) shall assume the responsibility for internal audits of JBATA.
- (2) In performing 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.

Article 12 - JBA TIBOR Oversight Committee Office

The JBA TIBOR Oversight Committee Office (“Oversight Committee Office”), as a secretariat function of 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 perform investigations in accordance with the Oversight Committee’s instructions.

Chapter 3 JBA TIBOR Calculation and Publication

Article 13 - JBA TIBOR publication

- (1) JBA TIBOR shall be calculated and published based on the submission rates provided by reference banks to JBATA in accordance with the definitions set out in items (i) and (ii) of Article 4.
- (2) Pursuant to Article 43, JBATA may outsource the calculation and publication operations of JBA TIBOR described in the preceding paragraph (“calculation operations, etc.”) to the service provider. In such cases, JBA TIBOR calculation shall follow the procedures stipulated in Articles 14 through 18 below.

Article 14 - Rate submission procedures by reference banks

- (1) Reference banks shall provide their submission rates for Japanese Yen TIBOR and Euroyen TIBOR to the service provider no later than 12:20 p.m. on every business day. In principle, any revision after 12:20 p.m. is not allowed.
- (2) Notwithstanding the preceding paragraph, should there be a need to revise the submission rates after 12:20 p.m., reference banks shall make a request for such a revision to the service provider before 12:35 p.m. on the same day upon consultation with JBATA.

Article 15 - JBA TIBOR calculation by the service provider

- (1) The service provider shall compile the submission rates of the day provided by reference banks and calculate official rates.
- (2) The service provider shall present official rates, etc. to the Operation Dept., and request permission for its publication.

Article 16 - Pre-publication check by JBATA

- (1) The Operation Dept. shall conduct pre-publication checks of the rates which are provided by the service provider pursuant to the preceding article, and grant permission to the service provider to publish them as official rates, etc.
Such permission shall be granted by the personnel in a managerial position of the Operation Dept. (unless a request is made to the back-up institution to conduct pre-publication checks and grant such permission pursuant to Article 47(2)).
- (2) If the Operation Dept. identifies any possible error in the submission rate during the pre-publication check process in the preceding paragraph, it shall make an inquiry to the reference bank.

- (3) If, as a result of the inquiry made pursuant to the preceding paragraph, it is concluded that there is an error in the submission 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 errors no later than 12:35 p.m. of the same day.
- (4) The Operation Dept. shall retain the record of inappropriate calculation identified through its pre-publication check 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.

Article 17 - The service provider's publication through the information providers

The service provider shall transmit official rates to the information providers upon obtaining permission from the Operation Dept. pursuant to the preceding article. The submission rates of each reference bank shall be published based on the rules separately set out by JBATA through the information providers.

Article 18 - Revision of rates after publication

- (1) In the event that JBATA needs to revise the official rates, etc. 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 JBA TIBOR. The decision on the revision shall be made by the Board of Directors.
- (2) Where official rates, etc. are revised pursuant to the preceding paragraph, JBATA shall inform the information providers of the revision through the service provider and make a public announcement about the revision.

Article 19 - Minimum number of reference banks, etc.

- (1) The floor (minimum number) of reference banks shall be eight.
- (2) Should the number of reference banks temporarily fall below the floor prescribed in the preceding paragraph due to, among other things, emergencies such as severe damage of relevant facilities and electricity outages ("Emergencies"), as well as excessive market stress and a sharp decrease of reference banks, measures shall be taken in accordance with the contingency plan defined in Article 46.

Article 20 - Procedures where the service provider is not used

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

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

Article 21 - Processes and frameworks for the management of conflicts of interest

- (1) JBATA shall put in place processes and frameworks to manage conflicts of interest that may arise in the course of JBA TIBOR administration in order to ensure the soundness of 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 JBATA, on a regular basis.
 - (i) Given the extensive use of JBA TIBOR as a reference rate for lending and derivatives contracts, a conflict of interest may arise from a conflict of the individual interest between the influence on the person belonging to the financial institution which deals financial instruments due to their involvement in the process of definition, determination, administration and governance of JBA TIBOR and the responsibility of submitting the rate appropriately pursuant to the definitions of JBA TIBOR.
 - (ii) A conflict of interest may arise when a person who may gain financial benefits depending on the level of 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), JBATA shall be fully aware of the potential conflicts of interest which are stipulated in the preceding paragraph and take the following measures:
 - (i) The majority of the Board members of JBATA shall consist of persons other than those who are working for or belonging to financial institutions.
 - (ii) The members of the Oversight Committee shall be selected from persons other than those who are working for or belonging to financial institutions as stipulated in Article 8(3).
 - (iii) The revision of JBA TIBOR definitions and other significant matters shall be reviewed by the Oversight Committee.
 - (iv) To ensure the soundness of submission rates provided by reference banks, the Code of Conduct shall be developed, and reference banks shall be required to establish internal frameworks. JBATA shall monitor their status of compliance with the frameworks.

- (v) An appropriate administration framework shall be maintained by, for example, limiting operations outsourced to the service provider to areas of relative simplicity, such as collection, calculation and publication.
 - (vi) The documents considered material in light of conflicts of interest management and the transparency of 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 JBA TIBOR users, such a case shall be disclosed to those users. The Oversight Committee shall discuss whether to disclose such a case, with the final decision being made by the Board of Directors.
 - (vii) In respect of conflicts of interest, information shall be treated with the utmost care and be thoroughly managed on a case-by-case basis. 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 are involved in activities that give rise to risks of conflicts of interests.
 - (viii) Pursuant to Article 30(1), management and employees of JBATA and members of the Planning Committee, Administration Committee and Oversight Committee shall not divulge confidential information concerning JBATA's operations obtained in the course of their duties to third parties.
 - (ix) Pursuant to Article 30(2), management and employees of JBATA and members of the Planning Committee, Administration Committee and Oversight Committee shall not use information obtained concerning JBATA's operations for their own interests or for the interests of third parties.
 - (x) Pursuant to Article 25(1), JBATA shall establish a whistle-blowing system in order to detect manipulation and misconduct related to JBA TIBOR at an early stage.
 - (xi) Pursuant to Article 32, JBATA shall ensure that remuneration plans for its management, employees and committee members are appropriately designed and implemented by giving due regard to risk management and compliance in order to avoid incentivizing manipulation of JBA TIBOR, for example not setting a JBA TIBOR-based remuneration.
- (4) Management and employees of JBATA shall comply with the processes and frameworks for the management of conflicts of interest set out in the preceding three paragraphs when they conduct their operations.

Article 22 - Management of administrative processes and procedures

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

Article 23 - Audit

- (1) On an annual basis, in principle, JBATA shall be subject to internal and external audits on the execution of 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 set out in the preceding paragraph shall be performed 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. In submitting matters for resolution to the Board of Directors, the matters shall also be reported to the Oversight Committee.
- (3) Audit results shall be reported to the Oversight Committee and then to the Board of Directors.
- (4) JBATA shall disclose the outline of the status of audits performed.

Article 24 - Establishment of process to address consultation and complaints

- (1) JBATA shall set up a liaison function under the Oversight Committee Office so that JBA TIBOR users can seek consultation or make complaints.
- (2) With regard to the liaison function pursuant to the preceding paragraph, JBATA shall establish processes and procedures that are convenient for the users, for example, by posting the contact information on its website and by allowing the users to contact via e-mail.
- (3) If any complaint or consultation is received through the liaison function pursuant to paragraph (1), the Oversight Committee Office shall examine its nature, confirm the facts and develop measures to be taken and then report the results to the Oversight Committee.
- (4) Specific measures to be taken for complaints/consultation shall be discussed and implemented by relevant departments of JBATA in collaboration with the Oversight Committee Office (including a notification of the result of actions taken to address a complaint to those who made that complaint). 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 JBA TIBOR to external bodies) to the Board of Directors as necessary.

- (5) If the above recommendation is presented by the Oversight Committee, the Board of Directors shall take necessary measures, 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) JBATA shall follow Articles 48 and 49 when reviewing the administration, definitions, calculation methods, etc. of JBA TIBOR pursuant to the paragraphs (1) thorough (5).

Article 25 - Establishment of a whistle-blowing system

- (1) JBATA shall set up a whistle-blowing system within the Compliance Office so that employees of JBATA, companies to which JBA TIBOR-related operations are outsourced and their employees, and employees of reference banks (i.e. persons who are involved in JBA TIBOR operations) can report and consult about manipulation and misconduct related to JBA TIBOR in order to detect such incidents at an early stage. The whistle-blowing 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 whistle-blowing system, which is stipulated in the preceding paragraph.

Article 26 - Retention of records regarding JBA TIBOR calculation, etc.

JBATA shall properly retain the records set out below for five years after such records are created:

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

Article 27 - Dissemination to users, etc. concerning points to note in the use of JBA TIBOR

(1) JBATA shall announce points to note in the use of JBA TIBOR set out in each of the following items and disseminate them to users or other relevant parties:

- (i) Due to Emergencies, excessive market stress, a decrease in reference banks and operational risks arising from JBA TIBOR calculation, there is a possibility that JBA TIBOR is calculated and published outside of the normal process, ceased, or that the rates may be revised after publication. This may have an impact on the debt-credit relationship which depends on JBA TIBOR, or on fair value of financial instruments for contracts referencing JBA TIBOR.

Further, in cases where calculation and publication of JBA TIBOR become difficult temporarily, in contradiction to the intent of JBATA, due to factors such as Emergencies, excessive market stress or a decrease in reference banks described above, JBA TIBOR for that day may be calculated and published by the methodology provided in the Contingency Plan under Article 46. In such cases, JBA TIBOR of the previous business day may be used as JBA TIBOR for that day.

- (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 JBA TIBOR will be reviewed to ensure its fairness as a benchmark as well as to better reflect actual market conditions; or that JBA TIBOR will be permanently ceased. This may have an impact on the debt-credit relationship which depends on JBA TIBOR, or on fair value of financial instruments for contracts referencing JBA TIBOR.

- (iii) JBATA shall not be responsible for any impact on individual contracts referencing JBA TIBOR that will, or may be caused by, the revision of JBA TIBOR after publication, or by the review of its definitions or calculation methods, unless there are special circumstances in which JBATA is deemed as responsible.

(2) JBATA shall, through its website, recommend parties to contracts referencing JBA TIBOR to take advance measures in consideration of the points to note in the use of JBA TIBOR stipulated in the preceding paragraph. Such measures may include agreeing to include fallback provisions in the contracts between the parties referencing JBA TIBOR. These provisions would cover the arrangement in the case of JBA TIBOR's revision after publication, as well as alternative measures in the case of material changes in the definition or calculation method and the permanent cessation of JBA TIBOR.

Article 28 - Collection of information from external sources

- (1) If JBATA collects information from external sources in determining official rates, 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 external information. The Board of Directors shall make a final decision regarding these matters.
- (2) If JBATA collects information from a front office function of a financial institution pursuant to the preceding paragraph, JBATA shall give careful consideration to the accuracy of the information.
- (3) Information to be 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 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.

Article 29 - Submission and reporting to relevant authorities

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

Article 30 - Obligation of confidentiality by personnel involved in JBA TIBOR administration

- (1) Management and employees of JBATA and members of the Planning Committee, Administration Committee and Oversight Committee shall not divulge confidential information concerning JBATA's operations obtained in the course of their duties to third parties.
- (2) Management and employees of JBATA and members of the Planning Committee, Administration Committee and Oversight Committee shall not use information obtained concerning JBATA's operations for their own interests or for the interests of third parties.
- (3) The preceding two paragraphs shall apply even after such management and employees of JBATA and members of the Planning Committee, Administration Committee and Oversight Committee are removed from their respective positions.

Article 31 - Training

- (1) JBATA shall provide staff training including business ethics and processes and frameworks for management of conflicts of interest to ensure that its management and employees comply with the Rules in conducting JBA TIBOR operations.

- (2) JBATA shall provide training sessions to those companies to which JBA TIBOR-related operations are outsourced on a regular basis in order to inform them on the Rules and the Code of Conduct.
- (3) JBATA shall prepare training materials which cover, among other things, relevant laws and regulations including market abuse and financial benchmark regulations, for the training purposes stipulated in the preceding paragraph. These training materials shall also be provided for internal training for reference banks' employees.

Article 32 - Remuneration plan

JBATA shall ensure that remuneration plans for its management, 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 JBA TIBOR, for example not setting a JBA TIBOR-based remuneration.

Article 33 - Minutes of the Board of Directors and the committees

JBATA shall take the minutes of the Board of Directors and the committees which are stipulated under Articles 5 to 8 and shall cooperate with relevant authorities upon request of inspection of such minutes.

Chapter 5 Recruitment, Selection and Monitoring of Reference Banks

Article 34 - Code of Conduct for reference banks

- (1) JBATA shall formulate the Code of Conduct, with which reference banks shall comply. 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) Processes for prohibition of information sharing, coordination and similar behaviors regarding rate submission;
 - (iv) Processes to enable post-submission explanations for the grounds of rate submission;
 - (v) Processes and frameworks for retention of communication records regarding rate submission;
 - (vi) Processes for reporting to JBATA if a problem occurs; and
 - (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 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 JBA TIBOR, as well as the internal verification processes implemented, the appropriateness of the report shall be verified by the Oversight Committee.

Article 35 - Recruitment and selection of reference banks)

- (1) The selection of reference banks as stated in item (i) (b), paragraph (1) of Article 7 shall be carried out in line with the procedures specified in the paragraphs (1) thorough (5) below.
- (2) JBATA shall recruit and select reference banks every year.
- (3) In selecting reference banks pursuant to the preceding paragraph, JBATA shall take into account factors such as market trading volume (trading volume in the Japan unsecured call market for Japanese Yen TIBOR and trading volume in the Japan Offshore Market for Euroyen TIBOR); Yen asset balance; reputation; track record in rate submissions; and internal controls for the compliance with the Code of Conduct. In addition, if it is highly probable that rates are being provided constantly by reference banks in jurisdictions outside Japan, JBATA also shall consider any issues arising from the location of reference banks being in different jurisdictions. Furthermore, JBATA shall also consider the continuity of JBA TIBOR and the diversification of categories of reference banks. Reference banks shall consist of banks or financial institutions that are local or global active participants in the Japan unsecured call market (and in the Japan Offshore Market for Euroyen TIBOR) 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 resolution to the Board of Directors, the matters shall also be reported to the Oversight Committee.
- (5) JBATA shall receive the contract/acceptance letter from the selected reference bank regarding the rate submissions in compliance with the Code of Conduct.
- (6) JBATA shall disclose the result of reference bank selections.

Article 36 - Resignation of reference banks during their tenure

- (1) 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.

Article 37 - Actions for rate submissions that have not been conducted or have been delayed by some of reference banks

- (1) If certain 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 for not conducting or delaying rate submissions, 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.

Article 38 - Monitoring of reference banks

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

Article 39 - Monitoring of compliance with the Code of Conduct

- (1) 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) 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.

Article 40 - Monitoring of rate submissions

- (1) The Oversight Committee Office shall carry out ex-post monitoring of rate submissions and, if there is 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 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).

Article 41 - Report of reference bank's breaches of the Code of Conduct

- (1) Notwithstanding the preceding two articles, once JBATA identifies any doubts about the appropriateness of rate submissions or breaches of the Code of Conduct by reference banks, it shall report the fact to the Oversight Committee and relevant authorities promptly.
- (2) Where the Oversight Committee receives a report pursuant to the preceding paragraph, it shall consider any actions and make a recommendation to the Board of Directors, as appropriate. The Oversight Committee shall also consider the necessity of reporting the occurrence of such an incident to the related authorities.
- (3) In consultation with relevant authorities, JBATA shall disclose, as necessary, the action taken based on the recommendation by the Oversight Committee.

Article 42 - Revocation of reference bank selection

- (1) JBATA may revoke the reference bank selection after a discussion at the Oversight Committee and determination by the Board of Directors if the bank meets any of the following conditions:
- (i) The bank is consistently delayed 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 JBA TIBOR publication;
 - (ii) The bank cannot take appropriate actions within a reasonable period in response to JBATA's request for improvement, if any problem is identified in the bank's compliance with the Code of Conduct;
 - (iii) The bank is assessed as being no longer eligible for reference bank selection in light of the selection criteria as stipulated in Article 35 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 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

Article 43 - Outsourced administrative operations including official rates calculation

- (1) When JBATA outsources the administrative operations for calculating and publishing 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) JBATA shall disclose the matters set out in each of the items below with regard to the operations outsourced, etc.:
 - (i) The trade name, company name or name of the service provider
 - (ii) The nature of business activities of the service provider
 - (iii) In addition to the preceding two items, matters that may have an impact on JBA TIBOR users, etc. resulting from outsourcing calculation operations to the service provider
- (3) JBATA shall re-select the service provider, in principle, every five years.
- (4) In the event of any situation where the above operations cannot be outsourced to the service provider due to termination of a service contract with the service provider or other reasons, the Operation Dept. shall conduct the calculation operations, etc. until a replacement is selected.

Article 44 - Supervision of the service provider

- (1) JBATA shall formulate the “Guidelines on Outsourcing JBA TIBOR Calculation/Publication Operations” as guidance that the service provider shall comply with in conducting the outsourced operations. The Operation Dept. shall periodically monitor compliance therewith.
- (2) JBATA shall periodically monitor the framework for, and the implementation of, the operations outsourced to other service providers, including the back-up institution as stipulated in Article 47.
- (3) The Operation Dept. shall report the results of the monitoring as stated in the preceding two paragraphs to the Administration Committee, the Oversight Committee and the Board of Directors.

Chapter 7 Selection of Information Providers

Article 45 - Selection of Information Providers

- (1) When JBATA selects an information provider, a decision shall be made 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) JBATA shall disclose JBA TIBOR information providers to the public.

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

Article 46 - Establishment of a contingency plan

- (1) JBATA shall establish a “Contingency Plan for JBA TIBOR Publication” that sets out measures to prepare for and to cope with the occurrence of Emergencies and for the cases where the calculation and publication of JBA TIBOR becomes difficult temporarily, in contradiction to the intent of JBATA, due to excessive market stress or a decrease in reference banks.
- (2) The Contingency Plan as stated in the preceding paragraph shall cover the cases where the service provider cannot carry out its outsourced operations in times of disaster or other events.

Article 47 - Back-up institution of JBATA

- (1) In preparation for cases where JBATA faces difficulties in carrying out the publication operations of JBA TIBOR due to the adverse impact of Emergencies, JBATA shall select a back-up institution to conduct pre-publication checks and 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 JBATA.
- (2) In accordance with the Contingency Plan as stated in the preceding article, JBATA shall promptly request a back-up institution to act in the position of JBATA to conduct pre-publication checks of JBA TIBOR and to grant the service provider permission to publish JBA TIBOR, in case it is determined that JBATA itself is unable to conduct such activities.
- (3) If JBATA changes 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.
- (5) JBATA shall disclose the matters set out below with regard to the operations outsourced to the back-up institution:
- (i) The trade name, company name or name of the back-up institution
 - (ii) The nature of business activities of the back-up institution
 - (iii) In addition to the preceding two items, matters that may have an impact on JBA TIBOR users, etc. resulting from outsourcing calculation operations to the back-up institution.

Chapter 9 Review of the Operational Framework

Article 48 - Periodical review of the operational framework

- (1) JBATA shall assess and review the definitions, calculation method and overall operation of JBA TIBOR at the Administration Committee, in consideration of, among other things, the matters set out in the following items and feedback provided by external parties to JBATA:
 - (i) Conditions of the Japan unsecured call market and the Japan Offshore Market, and the adequacy of the percentage of transactions executed by reference banks in these markets
 - (ii) Conditions of relevant markets other than the Japan unsecured call market and the Japan Offshore Market
 - (iii) Reasonableness of the basis for submission rate calculation by reference banks
- (2) With regard to the assessment and review at the Administration Committee as set out in the preceding paragraph, JBATA shall report to the Oversight Committee at least annually, and the Oversight Committee shall examine the contents of such report and make recommendations for remedial actions to the Board of Directors, as necessary. The matters set out in each item of the preceding paragraph shall be disclosed in accordance with the decision by the Board of Directors regardless of whether such recommendations are made to the Board of Directors.
- (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 instructions on appropriate measures to the Administration Committee and the Planning Committee. Further, the Oversight Committee may receive a report on, and require the explanation of, the subsequent actions taken by the Board of Directors in response to the recommendations.
- (4) If, as a result of the assessment and review pursuant to paragraph (1), JBATA concludes that a situation set out in any of the items of paragraph (1) of the following article exists, it shall consider changes to the definitions or calculation methods of JBA TIBOR in accordance with the procedures stipulated in the following article.
- (5) Notwithstanding the provisions of paragraphs (1) to (3), a review of the scope and management method of conflicts of interest shall be considered in accordance with the provisions of Article 21.

Article 49 - Changes in the definitions or calculation methods of JBA TIBOR

- (1) JBATA shall consider changes in the definitions or calculation methods of JBA TIBOR in cases where either or both of the following situations are likely to continue to exist for a certain period

of time and there is no prospect of early restoration of such situation(s), which has led to a conclusion that JBA TIBOR may no longer be representative as a benchmark:

- (i) where there have been any structural changes in the Japan unsecured call market or the Japan Offshore Market that may require changes in the definitions, calculation methods of JBA TIBOR; or
 - (ii) where underlying interest which 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, JBATA shall consider changes in the definitions, calculation methods of JBA TIBOR, as appropriate, where it is deemed necessary to make such changes in light of a change in users' needs and actual market conditions.
- (3) When JBATA considers changes in the definitions or calculation methods of JBA TIBOR pursuant to the foregoing two paragraphs, such changes shall be decided by the Board of Directors after discussion at the Administration Committee. In submitting matters for resolution to the Board of Directors, the matters shall also be reported to the Oversight Committee to receive review. The Oversight Committee may review and challenge as necessary the decision made by the Board of Directors. This consideration and decision shall, to the utmost extent, reflect an objective of continuously ensuring the soundness of JBA TIBOR determination, 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 contracts. As a result of the consideration as stated herein, where it is deemed necessary to consider the permanent cessation of JBA TIBOR, etc., rather than making a change, the permanent cessation, etc. shall be considered in accordance with Article 51. However, this shall not preclude considering the change in the definition and methodology pursuant hereto and the permanent cessation, etc. pursuant to Article 51 simultaneously.
- (4) If the change considered pursuant to the foregoing three paragraphs 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 JBA TIBOR), JBATA shall seek public comment and hold discussions with stakeholders, as appropriate.
- (5) Notwithstanding the preceding paragraph, if the change is deemed as a material change based on the consideration and determination pursuant to paragraph (3), JBATA may seek public comment and hold discussions with stakeholders as appropriate, as set out in the preceding paragraph.
- (6) In seeking public comment as stated in the foregoing two paragraphs, JBATA shall allow a sufficient period so that stakeholders, such as users, can have appropriate time to consider and

comment on the change, and JBATA shall consider carrying out an impact analysis of the change, as appropriate.

- (7) When JBATA changes the definitions or calculation methods of JBA TIBOR as stated herein, it shall disclose on its website at least three months prior to the effective date of the details of the change, the reason, the feedback and comments submitted by stakeholders through public consultations as stated in the preceding paragraphs and the details of the discussions with the comment submitter(s) based on such comments (unless the comment submitter(s) request non-disclosure), and the effective date.

Article 50 - Temporary cessation

- (1) If it is deemed necessary to temporarily cease JBA TIBOR publication due to unavoidable circumstances caused by disasters affecting broad areas or other events, JBATA may cease the publication of that day, upon a decision by the chairperson of JBATA after consultation with relevant authorities in accordance with the Contingency Plan as stipulated in Article 46. In the above case, the previous business day's official rates are published as the current day's JBA TIBOR. If the chairperson is not capable of performing their duty due to accidents or other reasons, the persons set out below, in descending order, shall fulfill the duty on behalf of the chairperson.
- (i) Vice chairperson of JBATA
 - (ii) Chairperson of the Administration Committee
 - (iii) Substitute person pre-designated by the Board of Directors
- (2) When the temporary cessation has been decided pursuant to the preceding paragraph, JBATA shall disclose it promptly and report to the Oversight Committee.

Article 51 - Permanent cessation of JBA TIBOR, etc.

- (1) JBATA shall consider permanent cessation of JBA TIBOR, etc. in cases where any (either individually or collectively) of the following situations are likely to continue to exist over a long period and there is no prospect of early restoration of such situation(s) in the future, which has led to a conclusion that JBA TIBOR is probably no longer representative as a benchmark:
- (i) where any structural changes in the Japan unsecured call market or the Japan Offshore Market have given rise to the decline in the awareness of such market as an active market by market participants and related authorities, and doubt exists as to its use as the underlying market of JBA TIBOR;
 - (ii) where the publication of JBA TIBOR has violated laws and regulations;

- (iii) where the reduction in demand for JBA TIBOR users is significant and it is determined that the impact on the financial industry and the economy will be limited even if the publication of JBA TIBOR will be ceased; or
 - (iv) where a change is deemed to be difficult to improve although the change in the definitions or calculation methods of JBA TIBOR has been considered pursuant to the preceding Article 49 (1).
- (2) When JBATA considers the permanent cessation of JBA TIBOR, etc. pursuant to the preceding paragraph, such permanent cessation shall be decided by the Board of Directors after discussion at the Administration Committee. In submitting matters for resolution to the Board of Directors, the matters shall also be reported to the Oversight Committee. This consideration and decision shall, to the utmost extent, reflect an objective of continuously ensuring the soundness of JBA TIBOR determination, 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.
- (3) In considering the cessation pursuant to the preceding two paragraphs, JBATA shall seek public comment and hold discussions with market participants including the users, as appropriate. Further, JBATA shall hold discussions with related authorities as appropriate.
- (4) In seeking the public comment as stated in preceding paragraph, JBATA shall allow a sufficient period so that stakeholders, such as users, can have appropriate time to consider and comment on the impact of the cessation, and JBATA shall consider carrying out an impact analysis of the cessation, as appropriate.
- (5) When JBATA ceases JBA TIBOR publication, etc. as stated herein, it shall disclose at least six months prior to the effective date of the timing of the cessation, its reason, the feedback and comments submitted by stakeholders through public consultations as stated in the preceding paragraphs and the details of the discussions with the comment submitter(s) based on such comments (unless the comment submitter(s) request non-disclosure).

Chapter 10 Membership Fees relating to JBA TIBOR Administration

Article 52 - Allocation of membership fees relating to JBA TIBOR administration

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

Chapter 11 Revision of the Rules

Article 53 - Revision of the rules

- (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 the preceding paragraph 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 JBA TIBOR that will be published up to March 31, 2015, “interest rates for six tenors (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 tenors (i.e. 1 week, 1 month, 2 months, 3 months, 4 months, 5 months, 6 months, 7 months, 8 months, 9 months, 10 months, 11 months, 12 months)”.

3. Interim Measure for revision as of February 20, 2017 (1)

For the purpose of the application of revised JBA TIBOR Operational Rules as of February 20, 2017, paragraphs (1) and (2) of Article 4 with respect to JBA TIBOR to be published until March 29, 2019, “interest rate for 5 tenors (i.e. 1 week, 1 month, 3 months, 6 months and 12 months)” in the said paragraphs shall be read as “interest rates for 6 tenors (1week, 1 month, 2 months, 3 months, 6 months and 12months)”.

4. Interim Measure for revision as of February 20, 2017 (2)

For the purpose of the application of revised JBA TIBOR Operational Rules as of February 20, 2017, Article 17 with respects to JBA TIBOR to be published until March 29, 2019, “The submission rates of each reference bank shall be published based on the rule separately set out by JBATA through information providers.” in the said paragraph shall be read “The information providers shall immediately publish official rate and also the submission rates of each reference bank.”.

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