

Cross-Industry Forum on Interest Rate Benchmarks

Minutes for the December 5, 2023 Meeting

4:00-5:00 PM

(The sixth meeting held at the Head Office of the Bank of Japan, hybrid meeting)

I. Exchanging Information on the LIBOR Transition

- The secretariat (Market Infrastructure Division at the Financial Markets Department, Bank of Japan) provided an update on domestic and international trends on the LIBOR transition since the Forum's previous meeting. Then, members from a bank and a securities company made the following comments on the transition away from USD LIBOR.
 - The transition away from USD LIBOR has nearly been completed, with only several percent of the contracts initially estimated left. The transition of bilateral loans and syndicated loans arranged by us has mostly been completed in Japan, the United States, and other Asian countries, whereas in Europe, a few transitions are still ongoing. The transition of syndicated loans led by other banks has been almost completed in Japan and the United States, although there are a few remaining contracts in Europe and other Asian countries. The transition of derivatives has mostly been completed in all regions. The negotiations will continue for contracts that has not reached agreement on transition conditions by the repricing date in July and after. As these remaining contracts use synthetic USD LIBOR, negotiations will be completed by the cessation of the publication of synthetic USD LIBOR at the end of September 2024.
 - The LIBOR transition has mostly been completed. The transition of swap contracts linked to loans, some of which were left at the time of the Forum's previous meeting, has been completed. Measures have been taken for some transitions of bonds using synthetic LIBOR, so that the calculation agent can determine the alternative interest rate benchmark. Most of the remaining contracts are related to hybrid bonds. We will continue to monitor these contracts, since the coupon calculated based on floating rate linked to LIBOR instead of fixed rate in initial arrangement if they are not redeemed at their first call date. As the LIBOR transition has mostly been completed, our internal structure established to handle LIBOR-related matters will wind down by the end of this year. Thereafter, we will deal with the transition as part of our normal business

operations.

- Next, the Financial Services Agency (FSA) noted that the transition away from USD LIBOR had been almost completed according to the results of the Fifth Survey on the Use of LIBOR (survey reference date: end-June 2023). The FSA also indicated that some financial institutions had continued negotiations for contracts with transition plans not decided yet or those using synthetic USD LIBOR. It asked those with such contracts to continue with their diligent action.
- Based on the above comments, the vice-chair (who facilitated this meeting with the chair participating in the meeting online) summarized that the transition away from USD LIBOR had mostly been completed, with necessary measures being taken for some remaining contracts.

II. Future Activities

- The vice-chair reported on the results of the deliberation on the future conduct of the Forum by the chair, the vice-chair, and the secretariat. Specifically the vice-chair proposed the wind-down of the Forum's activities, given that its primary objectives, including to promote the LIBOR transition and a smooth use of interest rate benchmarks, have largely been achieved. In addition, the vice-chair suggested that a final report on the experience of interest rate benchmark reform in Japan be compiled and published, presenting a draft.
- Next, the Bank of Japan (BOJ) suggested that a network of practitioners on interest rate benchmarks be maintained after the wind-down of the Forum to continue sharing information on the use of interest rate benchmarks.
- In response, securities companies, an institutional investor, a bank, and an interest rate benchmark administration made the following comments.
 - There are currently no urgent issues that need to be addressed by the entire market participants using interest rate benchmark, and we have no objection to the wind-down of the Forum's activities. However, in preparation for future contingencies, it would be desirable that the minutes of discussions and other related documents by the past meeting bodies be kept available on the website. We also agree with the maintenance of the network of practitioners. It is important to maintain such a platform so that we can make prompt responses when an issue that requires discussion by the entire market arises in the future. We expect that the network would be operated interactively with

information sharing from not only the secretariat but also interest rate benchmark administrations and exchanges. The drafted final report is valuable in that it provides suggestions for the appropriate use and administration of interest rate benchmarks in the future.

- The Forum and its predecessor meeting bodies played a major role in encouraging institutional investors to respond to the transition. With the USD LIBOR transition mostly completed and the Forum's objectives achieved, we have no objection to the wind-down of the Forum's activities. We support the maintenance of the network, as we believe that a mechanism to gather opinions and share information is necessary in case new issues arise in the future.
 - We have no objection to the wind-down of the Forum's activities, as we believe that the objectives of the Forum have been achieved with a largely successful completion of the LIBOR transition. Should new issues arise in the future, we would like to make necessary coordination through the network of practitioners.
 - The LIBOR transition has been completed in general, thanks to the timely provision of related guidance and information on domestic and international developments by the Forum and its predecessor meeting bodies. We agree with both the wind-down of the Forum's activities and the maintenance of a network of practitioners.
 - The key issue for future discussions on interest rate benchmarks will shift from the transition to the appropriate use of each benchmark. It may be beneficial to strengthen monitoring through the collaboration with participants in the money market.
 - We are currently summarizing the results of public consultation on the permanent cessation of Euroyen TIBOR. Also, from medium- to long-term perspectives, we are planning to make further efforts to maintain and improve the transparency, robustness, and reliability of Japanese Yen TIBOR. We consider it important to share the status of these initiatives with a wide range of experts, and therefore welcome the secretariat's proposal to maintain a network for practitioners.
- Based on the above comments, the vice-chair stated that the Forum would wind down with the convening of this meeting, that the chair's remarks on its wind-down and the closing report would be made public on the website by the end of the year, and that BOJ would ask the Forum members if they are to participate in the new network.
 - Finally, the vice-chair and the FSA expressed their gratitude to all the market participants

involved in the interest rate benchmark reform.

III.AOB

- Prior to the closing, the Director-General of BOJ's Financial Markets Department thanked the efforts made by members of the Forum and its predecessor meeting bodies and expressed his expectation of their continued participation in the new network.
- The secretariat discussed the handling of the minutes and other matters.