

# Key Results of the Brief Survey on the Use of JPY LIBOR

November 1, 2021

Financial Services Agency and Bank of Japan

# Summary of survey

In order to grasp the current situation of the transition away from JPY LIBOR at Japanese financial institutions in a rapid manner, the Financial Services Agency and the Bank of Japan asked large financial institutions about:

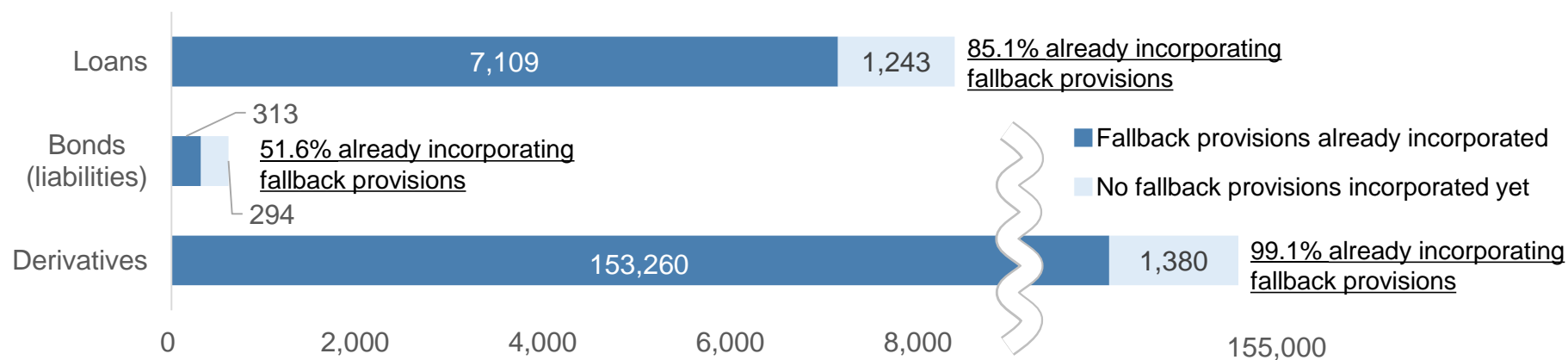
- their estimates regarding the number of contracts referencing JPY LIBOR and incorporation of fallback provisions at domestic branches on a non-consolidated basis; and
- their challenges and policies for the transition with regard to legacy contracts as of end-September 2021.

Survey reference date	End-September 2021
Surveyed financial institutions	This survey covers 27 financial institutions: 9 major banks (Mizuho Bank, MUFG Bank, Sumitomo Mitsui Banking Corporation, Resona Bank, Mitsubishi UFJ Trust and Banking Corporation, Mizuho Trust and Banking Company, Sumitomo Mitsui Trust Bank, Shinsei Bank, and Aozora Bank), 3 other banks (Japan Post Bank, Norinchukin Bank, and Shinkin Central Bank), 10 regional banks (the top 10 banks in terms of the number of contracts referencing JPY LIBOR in the second survey on the use of LIBOR at the end of 2020), and 5 securities companies (the top 5 companies in terms of the number of contracts referencing JPY LIBOR in the second survey on the use of LIBOR at the end of 2020).
Surveyed branches and subsidiaries	Domestic branches on a non-consolidated basis
Main survey items	<ul style="list-style-type: none"><li>• Number of contracts referencing JPY LIBOR and that will mature beyond end-2021 and the number of those already incorporating fallback provisions (loans, bonds on the liability side, and derivatives)</li><li>• Situation regarding the introduction of an active conversion or fallback provisions and policies with regard to legacy contracts as of end-September 2021.</li></ul>
Note	As the data aggregated in this survey are estimates of domestic branches on a non-consolidated basis, they cannot be simply compared with those of the first and second surveys on the use of LIBOR, which were on a consolidated basis including overseas branches and subsidiaries.

# Number of contracts referencing JPY LIBOR and incorporation of fallback provisions (as of end-September 2021)

- The transition away from JPY LIBOR is making great progress with regard to loans, bonds (liabilities), and derivatives as of end-September 2021.
- Among the contracts referencing JPY LIBOR that will mature beyond end-2021 when the publication of JPY LIBOR will cease, the number of those that did not incorporate fallback provisions as of end-September 2021 was 1,243 for loans, 294 for bonds (liabilities), and 1,380 for derivatives.
- Many respondents replied that, for a large number of contracts that were not amended yet, they had already agreed with contracting parties on terms and conditions such as alternative interest rate benchmarks and the spread adjustment methodology.

Number of contracts referencing JPY LIBOR and incorporation of fallback provisions (as of end-September 2021)



## Notes:

1. Figures in the chart indicate the number of contracts that will mature beyond end-2021. Note that the share of contracts already incorporating fallback provisions (percent) is the share of those that had already been amended, which does not include those for which the content of the amendment had been agreed on. The second decimal place is rounded off.
2. Loans include commitment line agreements. Also, loans include retail loan contracts that incorporated fallback provisions at some financial institutions.
3. Contracts for bonds (liabilities) that did not incorporate fallback provisions include bonds for which the transition from JPY LIBOR is not necessary for the time being, since actions are planned to be taken in line with "Q&As regarding regulations on capital adequacy ratios and TLAC in response to the cessation of LIBOR publication," which was partially amended by the Financial Services Agency in February 2021 (available only in Japanese).
4. Among derivative contracts, most of the interbank transactions are in compliance with the International Swaps and Derivatives Association (ISDA) Master Agreement and adhere to the ISDA 2020 IBOR Fallbacks Protocol, which came into effect on January 25, 2021. Thus, fallback provisions are already incorporated. Moreover, contracts with central counterparties are scheduled to be dealt with by bulk conversion to TONA. For details, see the website of Japan Securities Clearing Corporation ([https://www.jpx.co.jp/jscc/en/information/news/20211008\\_01.html](https://www.jpx.co.jp/jscc/en/information/news/20211008_01.html)).

# Challenges and policies for the transition of contracts referencing JPY LIBOR

- Most legacy contracts as of end-September 2021 are expected to transition from JPY LIBOR by the end of 2021. The table below shows the reasons why the transition was not complete by the end of September (challenges for the transition).
- A small number of contracts are in exceptional circumstances and may not complete transition by the end of 2021. However, when responses were collected for the survey, they did not fall under the category of legacy contracts that cannot feasibly be transitioned away from JPY LIBOR (i.e. so-called tough legacy contracts) and there were no contracts for which the use of synthetic yen LIBOR is expected.

	Main reasons why the transition was not complete as of end-September	Examples of contracts for which the transition may not be complete by the end of 2021 as exceptions
Loans	Consultations among relevant parties regarding syndicated loans took time and production rates of the replacement rate for TSR, which is calculated and released based on interest rate swaps referencing JPY LIBOR (hereafter the LIBOR TSR), had not been published.	In cases where customers request to transition by the time of the first revision of interest rates after the turn of 2022, the transition may not be complete by the end of 2021.
Bonds (liabilities)	It took time to obtain the consent from the bondholders and production rates of the replacement rate for the LIBOR TSR had not been published.	In cases where there is a delay in obtaining the consent from the bondholders with production rates of the replacement rate for the LIBOR TSR not being published yet, the transition may not be complete by the end of 2021. However, the transition is expected to be complete by the first interest payment date after the turn of 2022.
Derivatives	The replacement rates for loans and bonds, to which derivatives are linked, had not been fixed.	With regard to contracts for derivatives linked to bonds, for which a convocation of bondholders' meetings is scheduled to be held, the transition may not be complete by the end of 2021 due to the delay in the transition of contracts for bonds referencing the LIBOR TSR. However, the transition is expected to be complete without major delay.

Note: TSR is the Tokyo Swap Reference Rate, a benchmark interest rate calculated and released by Refinitiv. In response to the cessation of the publication of LIBOR, production rates of the replacement rate (TONA TSR), for which the interest rate benchmark has been changed to TONA, have been released from October 28, 2021.