Key Results of the Survey on the Use of LIBOR

September 29, 2023

Financial Services Agency and Bank of Japan

Summary of the cessation of LIBOR publication

- All settings of London Interbank Offered Rate (LIBOR) based on the methodology referencing rates provided by panel banks (panel-based LIBOR) have ceased to be published, with the cessation of some USD LIBOR tenors at end-June 2023.
- Regarding synthetic LIBOR calculated using market data, the publication of 3-month synthetic GBP LIBOR and 1-, 3-, and 6-month synthetic USD LIBOR will be ceased at end-March 2024 and at end-September 2024, respectively.
  - ✓ Synthetic LIBOR settings for other currencies and tenors have already ceased to be published.

<table>
<tr><th rowspan="2">Currency</th><th rowspan="2">Tenors</th><th rowspan="2">Last date of publication of panel-based LIBOR</th><th colspan="2">Synthetic LIBOR</th></tr>
<tr><th>First date of publication</th><th>Last date of publication</th></tr>
<tr><td rowspan="2">JPY</td><td>Overnight, 1-week, 2-month, and 12-month</td><td rowspan="8">December 31, 2021</td><td colspan="2">No publication</td></tr>
<tr><td>1-, 3-, and 6-month</td><td>January 4, 2022</td><td>December 31, 2022</td></tr>
<tr><td rowspan="3">GBP</td><td>Overnight, 1-week, 2-month, and 12-month</td><td colspan="2">No publication</td></tr>
<tr><td>1- and 6-month</td><td>January 4, 2022</td><td>March 31, 2023</td></tr>
<tr><td>3-month</td><td>January 4, 2022</td><td>March 31, 2024</td></tr>
<tr><td>CHF</td><td rowspan="2">Overnight, 1-week, 1-, 2-, 3-, 6-, and 12-month</td><td colspan="2" rowspan="4">No publication</td></tr>
<tr><td>EUR</td></tr>
<tr><td rowspan="3">USD</td><td>1-week and 2-month</td></tr>
<tr><td>Overnight and 12-month</td><td rowspan="2">June 30, 2023</td></tr>
<tr><td>1-, 3-, and 6-month</td><td>July 3, 2023</td><td>September 30, 2024</td></tr>
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Summary of survey

Survey reference date	End-June 2023
Surveyed financial institutions	This survey covers 279 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, SBI Shinsei Bank, and Aozora Bank), 100 regional banks, 40 other banks (8 trust banks that are excluded from the major banks, 13 other Japanese banks, 16 foreign bank branches, Shinkin Central Bank, Norinchukin Bank, and Japan Post Bank), 33 securities companies (19 major Japanese securities companies and 14 foreign securities companies), and 97 insurance companies (42 life insurance companies and 55 non-life insurance companies).
Main survey items	• The volume of contracts referencing USD LIBOR for which the publication was ceased at end-June 2023, as well as the status of transition arrangements • The volume of contracts that use or may use synthetic USD LIBOR Note: In cases where synthetic USD LIBOR was used at the time of response to the survey from July 2023 onward, the dates chosen by individual financial institutions were set as reference dates.

Summary of survey results

Transition away from USD LIBOR for which the publication was ceased at end-June 2023

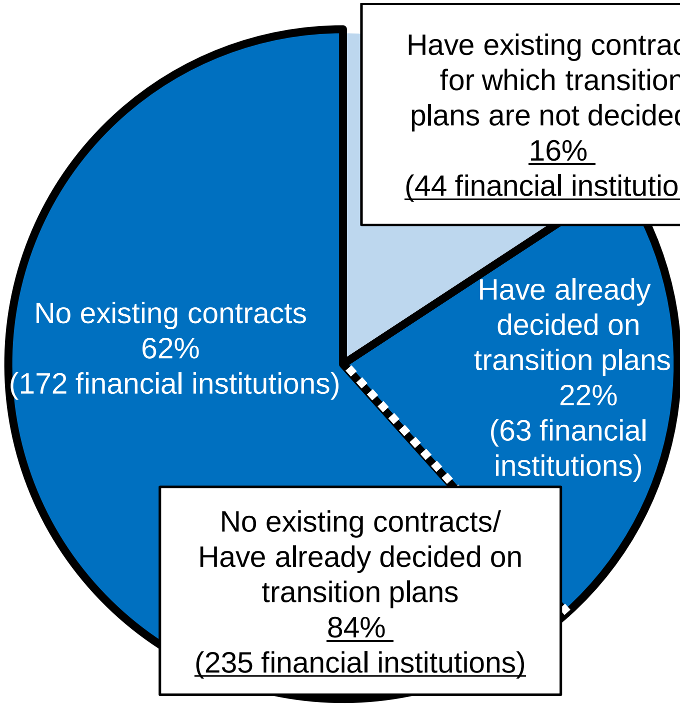
- Transition arrangements of contracts referencing panel-based USD LIBOR are almost completed.
  - ✓ The amounts outstanding and number of remaining contracts that did not incorporate fallback provisions[1] as of end-June 2023 declined significantly for assets (loans, etc.), liabilities (deposits, bonds, etc.), and derivatives compared to the previous survey (as of end-December 2022).
  - ✓ With regard to contracts that did not incorporate fallback provisions as of end-June 2023, transition policies had already been decided at most financial institutions. For example, the transition to alternative interest rate benchmarks by the first fixing date in or after July 2023 was agreed on between contracting parties.
- The use of synthetic USD LIBOR is limited, including its temporary use until contracting parties reach agreement on transition plans.

Note: 1. The incorporation of fallback provisions is an approach where contracting parties reach agreement in advance on the fallback rates after the publication of LIBOR is ceased.

Status of transition arrangements for contracts referencing USD LIBOR

- With regard to the transition of contracts referencing USD LIBOR as of end-June 2023, over 80 percent of financial institutions either have no existing contracts[1] or have already decided on transition plans, mainly based on an agreement between contracting parties (or consider that additional actions are not necessary). Thus, their transition arrangements are almost completed.
- The remaining financial institutions have existing contracts with some time until the first fixing date in or after July 2023, for which transition plans are not yet decided due to the factors such as customers' requests. However, contracting parties share an awareness of the need to deal with the transition and have continued negotiations to complete coordination by the first fixing date.

Status of LIBOR transition arrangements as of end-June 2023



Outline of existing contracts for which transition plans are not decided

- With regard to the existing contracts for which there is some time until the first fixing date in or after July 2023, customers have expressed intentions to assess the interest rate situation.
- Regarding contracts that are taking time to reach agreement among many contracting parties, particularly syndicated loans, specific alternative interest rate benchmarks or spread adjustment methodologies have not been decided.

Outline of contracts for which transition plans have already been decided (or no additional actions are needed)

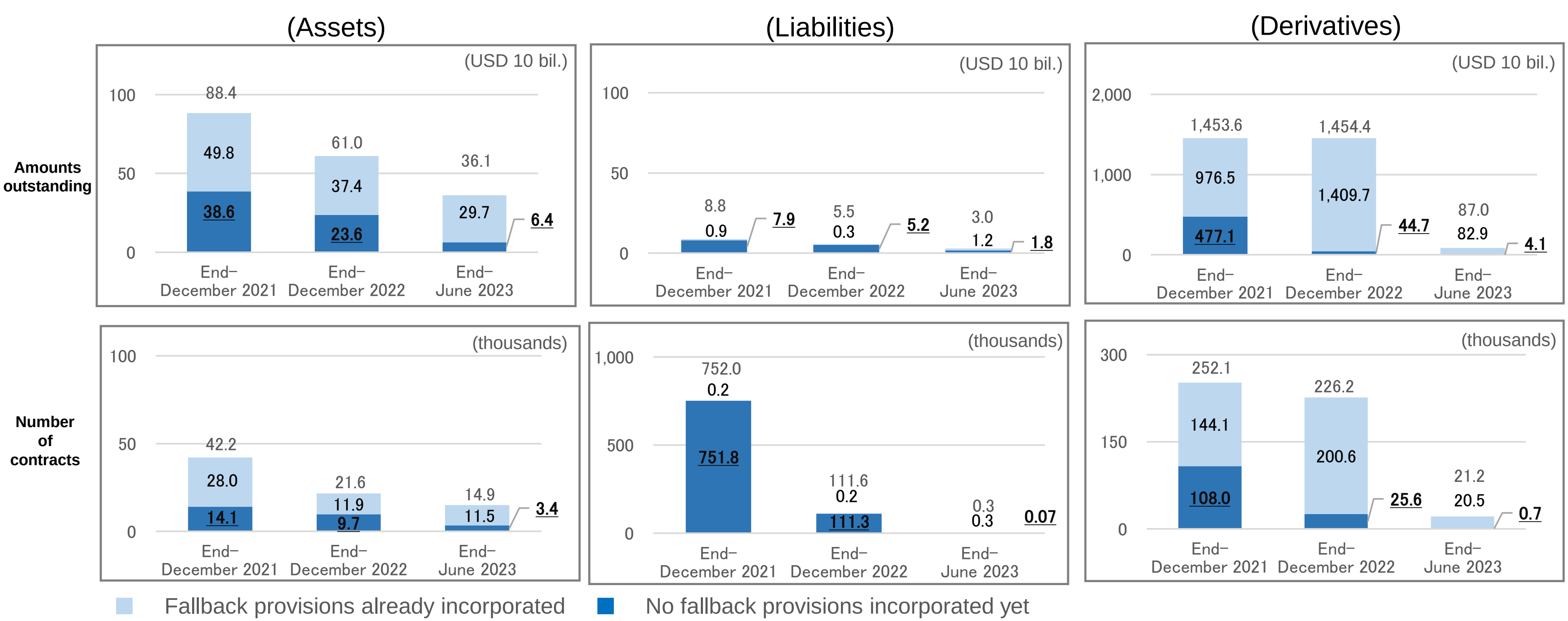
- The transition to alternative interest rate benchmarks by the first fixing date in or after July 2023 is agreed on between contracting parties.
- With regard to contracts for bonds, etc. that have a prepayment clause and reference USD LIBOR only when issuers do not exercise the prepayment option, such option is expected to be exercised.
- The U.S. federal law[2] is scheduled to be applied.
- Synthetic USD LIBOR is expected to be used temporarily (see page 6 for details on the contracts for which synthetic USD LIBOR is expected to be used).

Notes:
1. Existing contracts include those that do not incorporate fallback provisions and those that have incorporated fallback provisions based on amendment approach. Fallback provisions that specify a single replacement rate or a rate to be determined by waterfall methodology when introducing a fallback provision are referred to as the hardwired approach and those other than that are referred to as the amendment approach.
2. In the United States, a federal law (the LIBOR Act) was enacted in March 2022, establishing a uniform process for changing interest rates from USD LIBOR in "tough legacy" contracts that are governed by U.S. law. For details, see https://www.federalregister.gov/documents/2023/01/26/2023-00213/regulations-implementing-the-adjustable-interest-rate-libor-act.

Volume of contracts referencing USD LIBOR (amounts outstanding and number of contracts)

- Of all contracts referencing USD LIBOR among surveyed financial institutions, the amounts outstanding and number of remaining contracts that did not incorporate fallback provisions (as of end-June 2023) declined substantially for assets, liabilities, and derivatives, compared to end-December 2022.
  - ✓ At end-June 2023, the amounts outstanding and number of remaining contracts that did not incorporate fallback provisions were as follows: 64 billion U.S. dollars and 3.4 thousand contracts for assets; 18 billion U.S. dollars and 0.07 thousand contracts for liabilities; and 41 billion U.S. dollars and 0.7 thousand contracts for derivatives.
- For most of the contracts that did not incorporate fallback provisions, transition policies had already been decided, mainly based on an agreement between contracting parties (see page 4). Thus, transition arrangements are almost completed.

Amounts outstanding/number of contracts referencing USD LIBOR (overnight, 1-, 3-, 6-, and 12-month) and incorporation of fallback provisions[1]



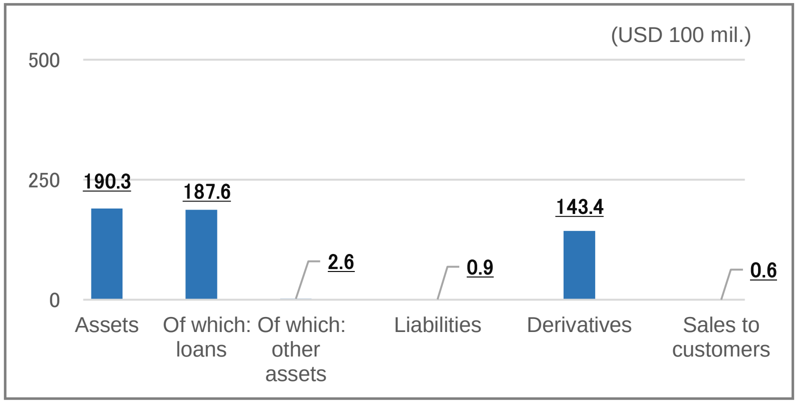
Note: 1. The figures for end-December 2021 and end-December 2022 in the chart are for contracts maturing beyond end-June 2023 at the time of the survey.

Contracts that may use synthetic USD LIBOR

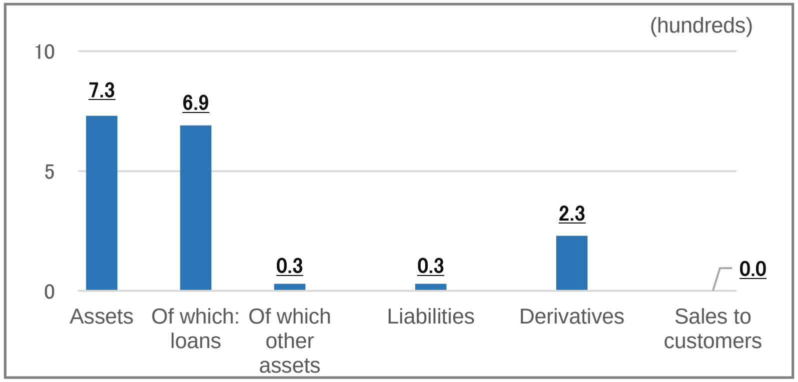
- At the time of response to the survey, 39 institutions among surveyed financial institutions were using synthetic USD LIBOR or responded that they may use it going forward.
- Even among financial institutions that may use synthetic USD LIBOR, a majority of institutions replied that they would use it temporarily until contracting parties reach agreement on transition plans and the use would be limited.

Contracts that may use synthetic USD LIBOR[1]

Amounts outstanding



Number of contracts



Backgrounds to the use of synthetic USD LIBOR

- With regard to loan projects for which foreign financial institutions act as agents, particularly in Europe, there are contracts where it takes time to reach agreement on alternative interest rate benchmarks or spread adjustment methodologies. For these contracts, synthetic USD LIBOR will be used temporarily until contracting parties reach agreement.
- Based on agreement among contracting parties, synthetic USD LIBOR will be used for contracts that mature by end-September 2024, when its publication will be ceased.
- Synthetic USD LIBOR may be used temporarily for contracts for which transition plans are not decided, if coordination among contracting parties cannot be completed by the first fixing date.

Note: 1. The figures are for contracts for which financial institutions indicated that they were using or may use synthetic USD LIBOR going forward. Since the figures include contracts that may use synthetic USD LIBOR, they could be different from the actual number of contracts using it.

Next steps based on the survey results

For financial institutions

Transition away from panel-based USD LIBOR for which the publication was ceased at end-June 2023	Transition away from synthetic USD LIBOR for which the publication will be ceased at end-September 2024
● From July 2023, financial institutions are required to plan and take appropriate actions, which are necessary after the cessation of USD LIBOR, such as proper management of some existing contracts and administrative procedures related to the transition. In particular, financial institutions with existing contracts for which transition plans are not decided are required to take appropriate actions while keeping in mind the timeframe until the first fixing date in or after July 2023.	● Financial institutions are required to plan and take appropriate actions for their customers and transition to alternative interest rate benchmarks, while keeping in mind that the synthetic USD LIBOR is a time-limited measure until end-September 2024.

Wrap-up of the surveys on the use of LIBOR and next steps for the FSA and the BOJ

- Through the past five surveys on the use of LIBOR, including this survey, it has been confirmed that the transition away from LIBOR is almost completed.
- However, some financial institutions have existing contracts referencing panel-based USD LIBOR for which the publication was ceased at end-June 2023 and transition plans are not decided, as well as contracts referencing synthetic USD LIBOR for which the publication will be ceased at end-September 2024. The FSA and the BOJ will continue to monitor their progress in the transition and require them to take necessary actions in light of the situation.

【Attachment】Volume of contracts referencing USD LIBOR (by business type)

	All business types		Major banks		Regional banks		Other banks		Securities companies		Insurance companies	
	Amount outstanding (USD 10 bil.)	Number of contracts (thousands)	Amount outstanding (USD 10 bil.)	Number of contracts (thousands)	Amount outstanding (USD 10 bil.)	Number of contracts (thousands)	Amount outstanding (USD 10 bil.)	Number of contracts (thousands)	Amount outstanding (USD 10 bil.)	Number of contracts (thousands)	Amount outstanding (USD 10 bil.)	Number of contracts (thousands)
Assets	36.1	14.9	22.2	5.2	2.8	1.6	7.4	1.6	0.2	0.9	3.3	5.5
Of which: contracts incorporating fallback provisions	29.7	11.5	18.7	4.1	1.7	1.2	6.0	0.4	0.2	0.6	2.9	5.0
Loans	24.2	7.8	20.0	4.7	2.0	1.1	1.1	0.4	0.0	0.0	0.9	1.5
Of which: contracts incorporating fallback provisions	19.3	5.9	16.5	3.6	1.0	0.8	0.7	0.2	0.0	0.0	0.8	1.2
Liabilities	3.0	0.4	1.7	0.2	0.0	0.0	0.0	0.0	0.0	0.1	1.2	0.0
Of which: contracts incorporating fallback provisions	1.2	0.3	1.2	0.1	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0
Bonds	1.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.1	0.0
Of which: contracts incorporating fallback provisions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Insurance products	0.0	0.0	－	－	－	－	－	－	－	－	0.0	0.0
Of which: contracts incorporating fallback provisions	0.0	0.0	－	－	－	－	－	－	－	－	0.0	0.0
Derivatives	87.1	21.2	49.1	12.1	1.0	0.5	2.5	0.5	33.4	7.8	0.8	0.1
Of which: contracts incorporating fallback provisions	82.9	20.5	45.7	11.6	0.8	0.4	2.5	0.5	32.8	7.7	0.8	0.1
Sales to customers	1.0	14.4	－	－	－	－	－	－	1.0	14.4	－	－
Of which: contracts incorporating fallback provisions	0.2	3.0	－	－	－	－	－	－	0.2	3.0	－	－

Notes:
1. Contracts referencing overnight, 1-, 3-, 6-, and 12-month tenors, for which the publication was ceased at end-June 2023, are aggregated.
2. "Contracts incorporating fallback provisions" are those incorporating fallback provisions based on hardwired or amendment approach.
3. The aggregated data on the table include those reported as approximate by some financial institutions.
4. Loans include commitment line agreements.
5. Derivatives contracts are based on notional amounts.
6. Data for insurance products and sales to customers only cover those of insurance companies and securities companies, respectively.