

Interest Rate Benchmark Reform Forum

"Main Points of the Public Consultation and Overview of Deliberations on Interest Rate Benchmark Reform in Japan and Abroad" (August 1, 2019)

< Opening Remark by MORITA Tokio,
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■ Necessity of actions to prepare for the LIBOR discontinuation

I would like to emphasize that London Interbank Offered Rate (LIBOR), which has been an important financial infrastructure, is expected to be discontinued, and that market participants should take necessary actions in consideration of the deadline at the end of 2021.

■ Actions to manage the transition away from LIBOR

To mitigate the impact of the LIBOR discontinuation, it would be appropriate to consider (1) using non-LIBOR interest rate benchmarks for new contracts as much as possible, and (2) including a "fallback" clauses to existing contracts with maturities exceeding the end of 2021.

(3) If it is inevitable to use LIBOR for reference to new contracts whose maturity exceeds the end of 2021, such contracts should also accompany at least fallback clauses. Still, it should be kept in mind that the risk of continuous reference for LIBOR in the new contracts would not only be exposed to your firm but also affect customers and a wide range of market participants, depending on the type of financial transaction.

■ Role of the JFSA

In order to make an orderly transition away from LIBOR, we will support the market-wide initiatives to carry out the transition plan shown in the public

consultation.

Regarding Tokyo Interbank Offered Rate (TIBOR), we continue to support efforts taken by the JBA TIBOR administrator (JBATA) to improve the appropriateness of TIBOR calculation and its robustness.

In addition, we will monitor actions taken by financial institutions, starting from the review of their transition plans, and encourage them to provide their customers with appropriate financial services in a timely manner.