

(Provisional Translation)

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Dear CEO of the Financial Institution

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Strategy Development and Management  
Bureau, Financial Services Agency

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## Taking Actions for Permanent Cessation of LIBOR

Since the London Interbank Offered Rate (LIBOR) is not only referenced in financial products and transactions, but also mutual dependent in wide range of systems and conventions in the financial market, there is a possible disruption to users if LIBOR were ceased without sufficient preparation. Therefore, due actions should be required for the financial institutions given that LIBOR will be ceased permanently at the end of 2021. In this regard, given only less than two years available until the end of 2021, it will be required to take appropriate actions described in following "1. Required actions" along a time line.

Therefore, we request you to submit related materials described in "2. Request for submission" by following "3. Due date and place of submission," in order to review whether the board of directors or members of the management meeting have understood and evaluated the risks arising from cessation of LIBOR in a sufficient and precise manner, and have taken appropriate actions to mitigate and manage the identified risks.

### 1. Required actions

The following descriptions would be considered as actions generally required for the financial institutions given that LIBOR will be ceased at the end of 2021. However, as these would not be required in the same way by each category of institution and the nature of business in each financial institution, it is noted that we will not consider taken actions to be

inappropriate only due to the fact that described actions have not been implemented until the time shown in this letter.

#### (1) Transition plan

- ① The plan regarding actions for “transition” or “fallback” for products and transactions referencing LIBOR (transition plan) has already been developed, including schedule.
- ② The board of directors or management meeting has already approved the transition plan.
- ③ The board of directors or management meeting receives regular reporting about progress of the transition plan and provide necessary directions on the actions of the plan.

#### (2) Customer services

- ① Employee training has already been started in order to provide explanations for customers regarding issues and risks related permanent cessation of LIBOR and to proceed amendment of existing contracts.
- ② Robust fallback provisions should be inserted in new contracts and products referencing LIBOR with a maturity beyond the end of 2021.
- ③ Transition to alternative rates or introduction of fallback provisions should be made as soon as possible in existing contracts and products referencing LIBOR with a maturity beyond the end of 2021.
- ④ Target for termination of new issuance and contracts of LIBOR-referenced cash products (loans and bonds) maturing beyond the end of 2021 is set.
- ⑤ Operational processes are developed in order to start consultation with customers as soon as possible on the premise of meeting various conditions.

#### (3) IT systems

- ① New products referencing Risk Free Rates (RFR) will be available in the IT systems by early 2021.

#### (4) Operation

- ① In the aforementioned (3) -①, if products or transactions could not be available in the IT systems (in a case of part of procedure not to be supported by the IT system), operational rules and procedures should be reviewed to be able to provide new products referencing RFR manually by the end of 2020.
- ② Employee training should be conducted to the relevant officials by the end of 2020 to enable them to deal with revised procedures after revision of operational rules and procedures in the above case of (4) -①.
- ③ In operational rules and procedures other than the above case of (4) -①, revision of operational procedures and rules as well as employee training should be conducted by the end of 2020.

## 2. Request for submission

Please submit relevant materials approved by the board of directors or management meeting, which cover the following elements:

- ① Governance framework for LIBOR cessation issues (e.g. responsible senior manager(s) and division(s), arrangements on coordination with relevant divisions, and reporting framework to the management);
- ② Range of potential impact arising from permanent cessation of LIBOR, including specific name of IT systems, operational rules and procedures;
- ③ Contents of the transition plan, including schedule;
- ④ Framework for the management to oversee development and progress on the transition plan, and status of ensuring the effectiveness of the framework;
- ⑤ Status of securing and allocating resources (personnel and budget) based on the results of “Joint Survey on the Use of LIBOR” conducted by the Financial Services Agency and the Bank of Japan in October 2019, and arrangements for flexible allocation of resources along the progress of the implementation timeline;
- ⑥ Status of identifying and evaluating conduct risks arising from transition or fall back, and measures to mitigate them;
- ⑦ Policy of preparation for unexpected termination of LIBOR-referenced transactions ahead of your schedule due to the decline of market liquidity in the products and transactions referencing LIBOR; and
- ⑧ Disclosure policy in financial statements and Investor Relationships.

## 3. Due date and place of submission, related to the above item 2.

- ① Due date: Friday, July 10, 2020  
(Note) Please contact “place of submission” described below if you will not be able to make submission by the above due date because of the impact of the declaration of a state of emergency responding to the COVID-19 epidemic spreads.
- ② Place of submission: Supervision Bureau, Financial Services Agency
- ③ Number of submissions: two copies for each material