




# TOKYO SWAP RATE (FOR SWAPS REFERENCING TIBOR®)

## CONSULTATION OUTCOME STATEMENT

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# 1. Introduction

Refinitiv is a leading calculator and administrator of benchmarks and indices.

Refinitiv calculates and administers the Tokyo Swap Rate (TSR), a Japanese Yen (JPY) interest rate swap (IRS) benchmark family comprising benchmark rates with tenors from 1 - 40 years. Refinitiv currently produce three versions of the Tokyo Swap Rate:

- Tokyo Swap Rate (for swaps referencing TIBOR®)
- Tokyo Swap Rate (for swaps referencing TONA)
- Tokyo Swap Rate Fallback

The Tokyo Swap Rate (for swaps referencing TIBOR®) measures the fixed leg of a vanilla IRS where the floating leg is Euroyen TIBOR® (commonly known as Z-TIBOR®). Tokyo Swap Rate (for swaps referencing TIBOR®) is available in 11 tenors from 1-10 years and determined using input data from a panel of banks. It is published at 15:30 Tokyo time, on each business day in Japan.

There are currently three banks contributing to Tokyo Swap Rate (for swaps referencing TIBOR®) and one of them intends to withdraw from the panel immediately after 31 January 2022. The publication of Tokyo Swap Rate (for swaps referencing TIBOR®) using the existing methodology is not viable past this date. On 19 January 2022 Refinitiv issued a [consultation paper](#) to collect feedback on the level of use of Tokyo Swap Rate (for swaps referencing TIBOR®) and the approach for an orderly cessation of the rate.

A summary of the key points received and the decisions taken by Refinitiv are in Sections 2 and 3 respectively. Refinitiv is grateful for all responses received to the public consultation.

## 2. Summary of feedback

### **Q1: How widely is Tokyo Swap Rate (for swaps referencing TIBOR®) used?**

The majority of respondents confirmed use of Tokyo Swap Rate (for swaps referencing TIBOR®). Firms use the rate in loans (including syndicated loans and PFI), bonds and structured deposits as well as in valuations and reporting. Some of these contracts have a remaining maturity of more than 25 years and don't have suitable fallback language. A minority of firms confirmed that they did not use the rate.

### **Q2: What is the impact of Tokyo Swap Rate (for swaps referencing TIBOR®) cessation or changes to the methodology on your business?**

Most respondents highlighted that the near term cessation of the Tokyo Swap Rate (for swaps referencing TIBOR®) would have a significant impact on financial contracts and their clients since interest payments could not be calculated and reporting would be affected. Firms not using the rate highlighted that they wouldn't be affected.

### **Q3: Do you require publication of Tokyo Swap Rate (for swaps referencing TIBOR®) after 31 January 2022 using the proposed enhanced methodology? If so, please explain why**

Most respondents requested Refinitiv continue to publish Tokyo Swap Rate (for swaps referencing TIBOR®) after 31 January 2022.

### **Q4: Do you agree with Refinitiv's proposed methodology for calculating the enhanced fallback procedure and publishing it on the existing RICs? If not, please explain your rationale. Please note due to the short implementation timeline there is a limit on the complexity of the fallback that can be implemented.**

No respondents raised concerns about the proposed methodology for calculating the enhanced fallback procedure and nor did they object to publication of this on the existing RICs.

**Q5: If Refinitiv implement an enhanced fallback procedure, does a lack of support for <27143> represent a material issue to you? Please explain any issues in adopting one of the supported RICs.**

A number of respondents highlighted that they access Tokyo Swap Rate (for swaps referencing TIBOR®) via <27143> or they directly reference <27143> in their contracts. Refinitiv understand a notification on <27143> informing users to visit <JPYTSRT=> for the latest rates would not suffice.

**Q6: If Refinitiv enhance the fallback procedure how long do you require Refinitiv to publish Tokyo Swap Rate (for swaps referencing TIBOR®) before ceasing the rate? Please justify the length of time.**

There was significant variation in the length of time respondents requested Tokyo Swap Rate (for swaps referencing TIBOR®) is published for. The majority of firms that responded to this question proposed cessation between Q3 2022 and Q1 2023. One firm suggested longer. Several firms weren't sure or didn't have a view.

### 3. Decisions

Effective 1 February 2022 Refinitiv will amend and implement the fallback procedure methodology for Tokyo Swap Rate (for swaps referencing TIBOR®). As per the proposal in the consultation this will be Tokyo Swap Rate (for swaps referencing TONA) plus a spread adjustment where the spread adjustment is equal to the trimmed average difference between Tokyo Swap Rate (for swaps referencing TONA) and Tokyo Swap Rate (for swaps referencing TIBOR®) for the 10 business days prior to 31 January 2022. The 2 largest and 2 smallest differences between the two rates during these 10 business days will be excluded from the spread adjustment calculation.

Refinitiv will publish the revised Tokyo Swap Rate (for swaps referencing TIBOR®) on the existing RICs. This includes publication on <27143>.

The purpose of the fallback procedure is to facilitate the continued publication of the Tokyo Swap Rate (for swaps referencing TIBOR®) ahead of its permanent cessation. The fallback procedure is not intended to facilitate Tokyo Swap Rate (for swaps referencing TIBOR®) being referenced in new financial contracts. Users of Tokyo Swap Rate (for swaps referencing TIBOR®) should consider alternatives and prepare for the permanent cessation of Tokyo Swap Rate (for swaps referencing TIBOR®).

Refinitiv has not yet announced cessation of Tokyo Swap Rate (for swaps referencing TIBOR®) but intends to do so following a consultation on a D-TIBOR (also known as Japanese Yen TIBOR®) version of Tokyo Swap Rate. **This statement is not a cessation notice for Tokyo Swap Rate (for swaps referencing TIBOR®).**

### 4. Next steps

Effective 1 February 2022 Refinitiv will amend the fallback procedure methodology and published a revised methodology document. Any questions regarding this statement should be sent to [index\\_queries@refinitiv.com](mailto:index_queries@refinitiv.com) and include 'Tokyo Swap Rate' in the email subject.

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