

Terms and Conditions for Calculation and Publication of Tokyo Repo Rate
(reference institutions average)

August 29, 2017

Japan Securities Dealers Association

1. Purpose

These terms and conditions prescribe the principles for the Tokyo Repo Rate (reference institutions average) with a view to ensuring its appropriate formulation and publication.

2. Name of the repo benchmark rate

The repo benchmark rate that is specified in these terms and conditions shall be referred to as the Tokyo Repo Rate (reference institutions average) (hereinafter referred to as the “Tokyo Repo Rate”).

3. Calculation

The Tokyo Repo Rate shall be calculated as the average of the rates that the reference institutions, prescribed in Section 5, consider to be prevalent market rates at a designated time and report as such. Its detailed specifications are as follows.

Relevant transactions	GC (General Collateral) repos, including transactions under repurchase agreements, securities lending with cash collateral, and Subsequent Collateral Allocation Repos (cleared at CCPs)
Rates to be reported by reference institutions	1) market rates that each reference institution considers to be prevalent at a designated time; 2) mid rates of offers and bids; 3) rates of a 10 billion-yen transaction as a standard size for any maturities; 4) except the overnight, rates without substitution; and

	5) rates on a 365-day basis.
Maturities	overnight (T+0, T+1), 1 week, 2 weeks, 3 weeks, 1 month, 3 months, 6 months and 1 year ➤ The rates of 1 week or longer maturities are on a T+1 settlement basis.
Decimal place of rates	Rates are reported, rounded to three decimal places of percentage.
Designated time for checking rates	Each reference institution shall check the prevalent market rates of all maturities as of 11:00 a.m.
Deadline for reporting rates	Each reference institution shall report the rates of all maturities by 11:45 a.m, once each business day.
Calculation method	Japan Securities Dealers Association (hereinafter referred to as “the JSDA”) shall, for each maturity, eliminate the highest and lowest 15% of all the reported rates. The remaining rates shall be averaged and rounded to three decimal places.

If any of the reference institutions fails to report rates, the Tokyo Repo Rate shall be calculated and published as follows.

- 1) If more than half of the reference institutions fail to report rates, the JSDA shall not calculate or publish the Tokyo Repo Rate. The individual rates reported by reference institutions shall also not be published.
- 2) If not more than half of the reference institutions fail to report rates, the JSDA shall eliminate the same number of reported rates as usual from the highest and lowest, and average the remaining rates.

4. Publication, Correction rule

Each business day at around 0:30 p.m., the JSDA shall publish the Tokyo Repo Rate as well as the rates reported by each reference institution through the financial information providers designated by the JSDA. After the publication through the providers, the JSDA shall also publish the Tokyo

Repo Rate on its website.

The Tokyo Repo Rate shall not, in principle, be corrected once it is published. If, however, correction is necessary, the JSDA shall publish the corrected rates through the providers within one hour of the first publication.

5. Reference institutions

Reference Institutions, which are to report to the JSDA prevalent market rates as of a designated time every business day, shall be selected as follows:

5.1 Number of reference institutions

The number of reference institutions is set to be around 15 (generally from 10 to 20).

5.2 Eligibility criteria

Reference institutions must:

- 1) be a member of the JSDA,
- 2) be active players in the Japanese repo market,
- 3) have good credit standing and reputation,
- 4) have good performance records in reporting rates (applicable when a current reference institution applies for a continuance of the status).

5.3 Obligations of reference institutions

Reference institutions shall comply with the following obligations:

- 1) Reference institutions shall accurately and punctually report rates.
- 2) In order to ensure appropriateness of reported rates and fairness of trading in the Japanese repo market, reference institutions shall avoid any conduct that impedes competition such as exchanging information or coordinating the levels of reporting rates among reference institutions in advance.
- 3) Reference institutions shall actively cooperate to ensure appropriate

formulation and integrity of the Tokyo Repo Rate.

(Note)

In addition to 1), 2) and 3) above, in such cases as a concern about a conflict of interest may arise when reference institutions use the Tokyo Repo Rates for trading with other parties, etc. reference institutions are recommended to clearly define the procedures and policies, etc. for addressing conflicts of interest in accordance with the applicable supervision guidelines with a view to ensuring the appropriateness of reported rates and fairness of trading.

5.4 Selection of reference institutions

The JSDA shall annually select reference institutions. If more than 20 institutions apply for reference institutions, the JSDA shall make a selection based on the criteria prescribed in Section 5.2, with the aim of maximizing the coverage of market participants' various views on interest rates.

5.5 Resignation as a reference institution

To resign as a reference institution due to unavoidable circumstances, the reference institution shall notify the JSDA of its decision in the prescribed form at least one month before the day from which it intends to stop reporting the rates to the JSDA

6. Meeting with reference institutions

In order to ensure appropriate formulation and to discuss improvements of the Tokyo Repo Rate, the JSDA shall hold meetings with reference institutions and other relevant parties, when needed.

7. Outsourcing of operations

The JSDA shall designate a third party to conduct a part of the operations of calculating and publishing the Tokyo Repo Rate on its behalf.