

October 27, 2021

VIA ELECTRONIC SUBMISSION

**Bank of England
Threadneedle Street,
London, EC2R 8AH2
United Kingdom**

Re: Consultation Paper on Derivatives clearing obligation – introduction of contracts referencing TONA: Amendment to BTS 2015/2205

The Global Association of Central Counterparties (“CCP12”) appreciates the opportunity to comment on the Bank of England’s (“BoE”) Consultation Paper on Derivatives clearing obligation – introduction of contracts referencing TONA: Amendment to BTS 2015/2205 (“the Consultation Paper”).¹

CCP12 is the global association for CCPs, representing 41 members who operate more than 60 individual central counterparties (CCPs) globally across the Americas, EMEA and the Asia-Pacific region.

I. Responses to specific Questions in the Consultation Paper

Question 1: Do you agree with the proposed modification to the scope of the clearing obligation? If not, please provide your rationale.

CCP12 supports BoE’s proposed modification to the scope of the clearing obligation.

As the Consultation Paper rightfully points out, the recent announcements by the Japanese authorities, including the publication of a consultation paper by the Japanese Financial Services Agency on September 08, 2021, and ‘TONA first’ initiative result in the significant migration of trading and liquidity in interest rate derivatives contracts referencing JPY Libor to contracts referencing TONA. We believe the migration will be further accelerated for the reasons detailed below.

a. Conversion of JPY IRS by CCPs from Libor to TONA

All of the major CCPs clearing JPY LIBOR IRS plan to fully transition JPY LIBOR IRS cleared at each of their CCPs to JPY TONA OIS on the weekend of December 04, 2021. On that weekend, existing cleared JPY LIBOR IRS will undergo a conversion to JPY TONA IRS.

¹ BoE, Consultation Paper, Derivatives clearing obligation – introduction of contracts referencing TONA: Amendment to BTS 2015/2205 (Sept. 2021), available at [Link](#).

b. More than one CCP is available for clearing TONA OIS

Clearing of TONA OIS is available in CME, Eurex, JSCC and LCH. Thus, there would be little, if any, concern on the availability of clearing service for those entities subject to a clearing mandate for JPY TONA OIS.

Now that most of the CCPs clearing JPY IRS have finalized drafting of their conversion plans, the market is organically migrating away from JPY LIBOR. It is becoming clear that the market is shifting to TONA OIS as the replacement for JPY LIBOR².

Question 2: Do you agree with the proposed date for when this modification will come into force? If not, please provide your rationale.

CCP12 agrees with the proposed date for when this modification will come into force.

Question 3: Do you have any other comments on the proposal set out in this consultation?

CCP12 appreciates that the BoE is coordinating the transition to the new rates with regulators in other jurisdictions to the extent possible, which would be important to ensure a harmonized transition globally.

² According to ISDA-Clarus RFR Adoption Indicator (August 2021), the percentage of IRD DV01 traded as an RFR in JPY was 49.5%, which was higher than for both USD (12.5%) and EUR (2.4%). The percentage of RFR-linked IRD DV01 traded with a tenor longer than 2 years in JPY was 95.4%, which was also the highest among the currencies covered in the report - USD (62.3%), EUR (59.3%), GBP (60.1%), AUD (0.6%), and CHF (80.9%).

ISDA-Clarus RFR Adoption Indicator (August 2021) is available in the website link: [Link](#)

II. About CCP12

CCP12 is the global association for CCPs, representing 41 members who operate more than 60 individual central counterparties (CCPs) globally across the Americas, EMEA and the Asia-Pacific region.

CCP12 promotes effective, practical, and appropriate risk management and operational standards for CCPs to ensure the safety and efficiency of the financial markets it represents. CCP12 leads and assesses global regulatory and industry initiatives that concern CCPs to form consensus views, while also actively engaging with regulatory agencies and industry constituents through consultation responses, forum discussions and position papers.

For more information, please contact the office by e-mail at office@ccp12.org or through our website by visiting www.ccp12.org.

III. CCP12 Members

