

Report on Compliance with the Principles for Financial
Benchmarks Established by the International Organization of
Securities Commissions

For the period from December 1, 2023 to November 30, 2024

QUICK Benchmarks Inc.

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Disclaimers

- This report (the "Report") is prepared to provide information regarding compliance of the indexes calculated and provided by QUICK Benchmarks Inc. (QBS), with the "Principles for Financial Benchmarks" established by the International Organization of Securities Commissions (IOSCO). The recipient of the Report is responsible for the use of the Report and QBS assumes no responsibility.
- The recipient of the Report shall not reproduce and/or reprint without prior consent of QBS.
- The Report is originally prepared in Japanese. The English version is provided for reference purposes. If there is a discrepancy between the Japanese and the English versions, the Japanese version shall prevail.

Section 1.

IOSCO Principles and TORF (Tokyo Term Risk
Free Rate)

Section 1. IOSCO Principles and TORF (Tokyo Term Risk Free Rate)

1. Introduction

In July 2013, the International Organization of Securities Commissions (IOSCO) released the final report on “Principles for Financial Benchmarks” (“IOSCO Principles” or the “Principles”). IOSCO states in the report that the Principles are intended to promote the reliability of benchmark determinations and enhance benchmark governance, quality, and accountability mechanisms, and requires indicator operators to disclose their compliance status once a year.

QUICK Benchmarks Inc. (QBS) was established on January 18, 2021 as a subsidiary of QUICK Corp. (QUICK) to calculate and publish the TORF (Tokyo Term Risk Free Rate) production rate, which can be used for trading as a risk-free rate for the Japanese yen. On April 26, 2021, QBS began calculating and publishing the TORF production rate and has since been working to improve the framework for compliance with the IOSCO Principles. Beginning 2021, QBS publishes the Report with the assurance of Deloitte Touche Tohmatsu LLC (DTTL) regarding the description of design, implementation and operational status for compliance with the IOSCO Principles. QBS will continue to prepare and publish a report on compliance with the IOSCO Principles on an annual basis.

The details of QBS’s responses to each item of the Principles and examinations performed by DTTL are presented in Section 4.

2. The History of TORF

In July 2017, Andrew Bailey, who at that time was serving as Chief Executive Officer of the Financial Conduct Authority (FCA), which oversees LIBOR, announced that he would not exercise the right to enforce the reporting of LIBOR rates for panel banks after the end of 2021. As such, the possibility of a suspension of LIBOR publication after the end of 2021 rapidly increased.

In light of these circumstances, in August 2018, the “Cross-Industry Committee on Japanese Yen Interest Rate Benchmarks” (“Committee”) was established with the Bank of Japan as its secretariat, and the Committee discussed basic ideas and specific issues concerning the appropriate selection and use of Japanese Yen interest rate benchmarks to replace the Japanese Yen LIBOR. The “Final Report on the Results of the Public Consultation on the Appropriate Choice and Usage of Japanese Yen Interest Rate Benchmarks” (published in November 2019), which was based on the opinions received in the consultations on the appropriate choice and usage of Japanese Yen interest rate benchmarks (published in July 2019), showed that, among the five alternatives to the Japanese Yen LIBOR, the term risk free rate, which is characterized by its “fixing in advance formula” showing the interest rate at the beginning of the calculation period, had the greatest support.

Based on the results of the aforementioned report, the Committee decided to calculate and publish the term risk free rate based on the data of the Japanese Yen “Overnight Index Swap (OIS) market” in a phased manner, from calculation and publication of prototype rate (Phase 1) to calculation and publication of the production rate (Phase 2). In October 2019, the Committee conducted a public solicitation for entities to calculate and publish the prototype rate for Phase 1. As a result, it was decided in February 2020 that QUICK would be the entity for calculating and publishing prototype rates, and the weekly publication of the term risk free rate for the Japanese Yen began in May of the same year. In July of the same year, QUICK decided on TORF as the official name for the Japanese Yen

term risk free rate and switched the frequency of updates to daily publication in October while preparing a framework for calculating and publishing TORF.

On January 18, 2021, QUICK established QBS, a subsidiary responsible for calculating and publishing the production rate for Phase 2 and has been working to build governance as an operator of financial indexes. On April 26, 2021, the calculation and publication of the TORF production rate began, and on the following day, April 27, TORF was designated as a “Specified Financial Benchmark” and QBS was designated as a “Specified Financial Benchmark Administrator” under the Financial Instruments and Exchange Act.

In order to calculate and publish the TORF, QBS established the TORF Operational Rules and other rules on April 21, 2021, and these rules have been applied since the start of publishing the TORF production rate. After the revision on October 13, 2021, QBS obtained the approval of the Commissioner of the Financial Services Agency for the Operational Rules and other related rules to operate the TORF calculation and publication on October 26, 2021.

Chronology (selected items)

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| December 2013 | Summarized the discussions at the “Study Group on Regulation of Financial Benchmarks” |
| April 2015 | Established the “Study Group on Risk-Free Reference Rates” |
| August 2018 | Established the “Cross-Industry Committee on Japanese Yen Interest Rate Benchmarks” |
| August 2019 | Established the “Task Force on Term Reference Rates” |
| October 2019 | Commenced the solicitation of the calculating and publishing entities of prototype rates for Term Reference Rates (Swap) |
| February 2020 | Selected QUICK as the entity to calculate and publish the prototype rate of the term risk free rate |
| May 2020 | Commenced the weekly publication of the prototype rate of the term risk free rate |
| July 2020 | Decided the official name of the term risk free rate as Tokyo Term Risk Free Rate (TORF) (on July 28) |
| October 2020 | Commenced the daily publication of the TORF prototype rate |
| January 2021 | Established QUICK Benchmarks Inc. (QBS) |
| April 2021 | Established TORF Operational Rules and other rules (April 21) |
| | Commenced the publication of the TORF production rate (April 26) |
| | Designated TORF as a “Specified Financial Benchmark” and designated QBS as a “Specified Financial Benchmark Administrator” (April 27) |
| October 2021 | Received approval from the Commissioner of the Financial Service Agency for related rules, including Operational Rules for the TORF calculation and publication operations (October 26) |

3. Scope of the Benchmarks

TORF (Tokyo Term Risk Free Rate)

- Outright transaction of Japanese Yen OIS (OIS stands for Overnight Index Swap)
- Spot start (starts two business days after the execution of the contract)
- A tenor of 1 month, 3 months, or 6 months
- 365-day basis
- Transactions during Tokyo business days
- Centrally-cleared transactions (transactions supposed to be cleared at either Japan Securities Clearing Corporation (“JSCC”) or LCH Limited)
- Orders valid between 15:00:01 JST on the previous business day and 15:00:00 JST on the current business day

4. Basic Policy of QUICK Benchmarks Inc. (QBS) for the IOSCO Principles

Based on the IOSCO Principles, QBS takes measures to improve the transparency and fairness of TORF and confirms and announces the status of TORF’s compliance with the IOSCO Principles once a year.

As a specific measure QBS has established the TORF Oversight Committee which is composed of a majority of outside experts, and while ensuring independence and neutrality, QBS has built a governance structure that is responsible for confirming and approving the appropriateness of TORF operations and making recommendations to the Board of Directors on improvement measures.

In addition, as part of its transparency efforts, QBS published the six rules required for calculating and publishing TORF, as well as a TORF Methodology and related materials on our website.

Section 2.

Management Statement

(TRANSLATION)

Management Statement

January 24, 2025
QUICK Benchmarks Inc.
President, CEO
Masahiro Sasaki

QUICK Benchmarks Inc. (QBS) is responsible for appropriately implementing and fairly describing the responses to comply with the Principles for Financial Benchmarks published by the International Organization of Securities Commissions dated July 2013 (the "IOSCO Principles").

In addition, QBS is responsible for appropriately designing and effectively operating the responses to comply with the IOSCO Principles.

We express that:

(a) The accompanying description in Section 4 fairly presents our policies and procedures to comply with the IOSCO Principles during the period from December 1, 2023 to November 30, 2024.

(b) The responses described in Section 4 to comply with the IOSCO Principles are appropriately designed and effectively operated regarding the Benchmarks described in Section 1 during the period from December 1, 2023 to November 30, 2024.

[The above represents a translation, of the original report issued in Japanese for convenience only.]

Section 3.

Independent Assurance Report

Independent Assurance Report

January 24, 2025

To the President and CEO of QUICK Benchmarks Inc.
Mr. Masahiro Sasaki

Deloitte Touche Tohmatsu LLC

Designated Engagement Partner,
Certified Public Accountant:
Toshikazu None

Scope

We have been engaged to report on QUICK Benchmarks Inc. (the “Company”)’s description in Section 4 related to the design, implementation and operating effectiveness of the responses to comply with the Principles for Financial Benchmarks published by the International Organization of Securities Commissions (the “IOSCO Principles”) throughout the period from December 1, 2023 to November 30, 2024 (the “Description”) in the form of a reasonable assurance opinion.

Responsibilities of the Company

The Company is responsible for appropriately implementing the responses to comply with the IOSCO Principles and preparing the Description in accordance with the criteria documented in the Management Statement (the “Criteria”). In addition, the Company is responsible for appropriately designing and effectively operating the responses to comply with the IOSCO Principles.

Responsibilities of the Practitioner

Our responsibility is to independently express an opinion to the Description based on the procedures we have performed.

We conducted a reasonable assurance engagement in accordance with International Standard on Assurance Engagements 3000 "Assurance Engagements other than Audits or Reviews of Historical Financial Information" issued by the International Auditing and Assurance Standards Board.

Our reasonable assurance engagement involves performing procedures to understand the Company's responses to comply with the IOSCO Principles and obtain evidence about the suitability of the design, implementation and operating effectiveness of the responses.

The procedures selected and performed depend on our judgement, including the assessment of the risks that the Description is not fairly presented, and that responses are not suitably designed, implemented or operated effectively.

The procedures selected and performed by us are described in Section 4 of the Description as "DTTL Procedures".

Our procedures included testing the operating effectiveness of those responses that we consider necessary to provide reasonable assurance that the Criteria were achieved. Our assurance engagement also includes evaluating the suitability of the Criteria.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our Professional Ethics, Independence and Quality Control

We performed procedures in accordance with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, where the fundamental principles are established including Integrity, Objectivity and Professional Competence and Due Care, Confidentiality and Professional behavior.

We complied with International Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Historical, Financial Information, and Other Assurance and Related Services Engagement." Accordingly, we maintain a comprehensive system of quality control.

Inherent Limitation

The Company's responses to comply with the IOSCO Principles are not necessarily operated to achieve the Criteria because of their nature and inherent limitation.

The projection of any evaluation of effectiveness to future periods is also subject to the risk that the Company's responses may become inadequate or fail.

Opinion

Our opinion has been formed on the basis of the matters outlined in the Report. The Criteria we used in forming our opinion are those described in the Management Statement.

In our opinion, in all material respects:

- (a) The Description fairly presents the responses as designed and implemented to comply with the IOSCO Principles throughout the period from December 1, 2023 to November 30, 2024;
- (b) The responses stated in the Description were suitably designed throughout the period from December 1, 2023 to November 30, 2024; and
- (c) The responses stated in the Description were operated effectively throughout the period from December 1, 2023 to November 30, 2024.

[The above represents a translation, of the original report issued in Japanese for convenience only.]

Section 4.

QUICK Benchmarks' Responses to Comply with
the IOSCO Principles

QUICK Benchmarks' Responses to Comply with IOSCO Principles

QUICK Benchmarks, Inc. (hereinafter referred to as "QBS") has listed, in the "QBS's Responses" column of the table below, the frameworks for compliance with the IOSCO Principles that were designed, implemented and operated by QBS for the period from December 1, 2023 to November 30, 2024 (hereinafter referred to as the "Applicable Period"), with respect to the index listed in Section 1 of the report.

Deloitte Touche Tohmatsu LLC (hereinafter referred to as "DTTL") has listed, in the "DTTL Procedures" column, the procedures taken to verify that the frameworks listed in "QBS's Responses" were designed, implemented and operated as described therein. The "DTTL Procedures" form the basis for the opinions reported in the assurance report in Section 3.

| IOSCO Principles | QBS's Responses | DTTL Procedures |
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| Governance | | |
| 1. Overall Responsibility of the Administrator | | |
| <p>The Administrator should retain primary responsibility for all aspects of the Benchmark determination process. For example, this includes:</p> <p>a) Development: The definition of the Benchmark and Benchmark Methodology;</p> <p>b) Determination and Dissemination: Accurate and timely compilation and publication and distribution of the Benchmark;</p> <p>c) Operation: Ensuring appropriate transparency over significant decisions</p> | <p>Since April 26, 2021, QBS has been calculating and publishing TORF (Tokyo Term Risk Free Rate) based on data from derivative transactions whose underlying asset is the uncollateralized overnight call rate, which is a typical risk-free rate that does not include the credit risk of financial institutions.</p> <p>QBS has primary responsibility for the TORF benchmark determination process and governance frameworks.</p> <p>[About a), b), and c)]</p> <p>Specific concepts for the TORF benchmark determination process, calculation methods,</p> | <p>DTTL reviewed the "TORF Methodology" and confirmed that TORF is calculated based on the trading rate of interest rate swaps that use the average uncollateralized overnight call rate in Japanese yen as the reference floating rate and that TORF has been published from April 26, 2021.</p> <p>[About a), b), and c)]</p> <p>For specific details, see "DTTL Procedures" in</p> |

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| <p>affecting the compilation of the Benchmark and any related determination process, including contingency measures in the event of absence of or insufficient inputs, market stress or disruption, failure of critical infrastructure, or other relevant factors;</p> <p>and</p> <p>d) Governance: Establishing credible and transparent governance, oversight and accountability procedures for the Benchmark determination process, including an identifiable oversight function accountable for the development, issuance and operation of the Benchmark.</p> | <p>etc. are described in the section after the Responses to Principle 2.</p> <p>QBS has stipulated in the "TORF Operational Rules" that the definition, the calculation method, and other overall benchmark administration of TORF shall be verified, reviewed, and published at least once a year.</p> <p>[About d)]</p> <p>On April 27, 2021, TORF was designated as a "Specified Financial Benchmark" and QBS was designated as a "Specified Financial Benchmark Administrator" under the Financial Instruments and Exchange Act. As a result, QBS is under the regulation and supervision of the Financial Services Agency (FSA) and has established the following related regulations, including the "TORF Operational Rules," which are the operational rules required to be prepared by the Specified Financial Benchmark Administrator. The "TORF Operational Rules" and other related regulations were approved by the Commissioner of the Financial Services Agency on October 26, 2021.</p> <ul style="list-style-type: none"> ● TORF Operational Rules ● TORF Code of Conduct ● Complaints Consultation Management | <p>Principle 2 and subsequent sections.</p> <p>DTTL reviewed the "TORF Operational Rules" and confirmed that the definition, calculation method, and other benchmark operations of TORF are to be verified, reviewed, and published at least once a year.</p> <p>[About d)]</p> <p>DTTL reviewed the "Designation of Specified Financial Benchmark Administrator" and confirmed that TORF had been designated as a Specified Financial Benchmark and QBS was designated as a Specified Financial Benchmark Administrator on April 27, 2021.</p> <p>DTTL also reviewed the "Approval of Operational Rules for Calculation of Specified Financial Benchmark" and confirmed that it was approved by the Commissioner of the Financial Services Agency as of October 26, 2021.</p> <p>In addition, DTTL reviewed the "TORF Operational Rules," "TORF Code of Conduct," "Complaints Consultation Management Rule of TORF," "TORF Calculation Guidelines," "Conflict of Interest Management Policy for TORF," and "Contingency Plan for</p> |
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| | <p>Rule of TORF</p> <ul style="list-style-type: none"> • TORF Calculation Guidelines • Conflict of Interest Management Policy for TORF • Contingency Plan for TORF Calculation and Publication | TORF Calculation and Publication” and confirmed that each of these rules had been established. |
| 2. Oversight of Third Parties | | |
| <p>Where activities relating to the Benchmark determination process are undertaken by third parties - for example collection of inputs, publication or where a third party acts as Calculation Agent - the Administrator should maintain appropriate oversight of such third parties. The Administrator (and its oversight function) should consider adopting policies and procedures that:</p> <p>a) Clearly define and substantiate through appropriate written arrangements the roles and obligations of third parties who participate in the Benchmark determination process, as well as the standards the Administrator expects these third parties to comply with;</p> <p>b) Monitor third parties’ compliance with the standards set out by the Administrator;</p> | <p>QBS calculates TORF and oversees third parties responsible for data collection and publication.</p> <p>The Reporting Brokers (defined in the "TORF Operational Rules") are responsible for collecting data on derivatives transactions using "uncollateralized overnight call rates" as the underlying asset. Information vendors are responsible for the publication of TORF calculated by QBS and provided to Subscribers.</p> <p>[About a)]</p> <p>QBS has established the “TORF Code of Conduct,” which sets out the requirements to be observed by Reporting Brokers with respect to rate reporting. In the “TORF Code of Conduct,” QBS has clarified the roles and obligations of Reporting Brokers and has entered into an information provision agreement with Reporting Brokers. In addition, Reporting Brokers are required to establish</p> | <p>DTTL reviewed the “TORF Code of Conduct” and confirmed that it defines the roles and obligations of the Reporting Brokers and sets out the Reporting Brokers’ compliance requirements.</p> <p>DTTL also reviewed the “TORF Operational Rules” and confirmed if it defines the roles of the information vendors.</p> <p>[About a)]</p> <p>DTTL reviewed the information provision agreement and other documents and confirmed that QBS had entered into an information provision agreement with Reporting Brokers, that the agreement defines the roles and obligations of Reporting Brokers, and that the agreement states that Reporting Brokers comply with the Code of Conduct.</p> |

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| <p>c) Make Available to Stakeholders and any relevant Regulatory Authority the identity and roles of third parties who participate in the Benchmark determination process; and</p> <p>d) Take reasonable steps, including contingency plans, to avoid undue operational risk related to the participation of third parties in the Benchmark determination process.</p> <p>This Principle does not apply in relation to a third party from whom an Administrator sources data if that third party is a Regulated Market or Exchange.</p> | <p>internal rules and regulations to ensure compliance with the "TORF Code of Conduct."</p> <p>QBS and QUICK Corp. (hereinafter referred to as "QUICK"), an information vendor, have entered into a sales license agreement, and QUICK and other information vendors have entered into redistribution license agreements, thereby clarifying the roles and obligations of information vendors in providing TORF to its Subscribers.</p> <p>[About b)]</p> <p>QBS appropriately oversees Reporting Brokers on the appropriateness of their reporting rates and compliance with the Code of Conduct, as described below.</p> <p>The appropriateness of the reporting rate is regularly monitored on a quarterly basis, and the results are referred to the TORF Oversight Committee to ensure that it is being operated appropriately.</p> <p>QBS announces the presence or absence of inappropriate calculations on its website on a quarterly basis, considering the results of regular monitoring.</p> <p>An internal audit by the Reporting Brokers of the Reporting Brokers' compliance with the</p> | <p>DTTL reviewed the "Sales License Agreement" and confirmed that QBS has entered into a sales license agreement with QUICK Corp., that it defines the roles and obligations of QUICK, and that it states that QUICK may grant redistribution licenses to other information vendors.</p> <p>[About b)]</p> <p>DTTL reviewed the minutes of the TORF Oversight Committee meetings and confirmed that the results of the monitoring of the appropriateness of reporting rates had been reported to and confirmed by the TORF Oversight Committee.</p> <p>In addition, DTTL reviewed the QBS website and confirmed that the "Inappropriate calculations of TORF Official rates, etc." have been published.</p> <p>DTTL also reviewed the minutes of the TORF Oversight Committee meetings and confirmed that the results of the internal audit by</p> |
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| | <p>Code of Conduct is requested, and the TORF Oversight Committee confirms the compliance status.</p> <p>QBS calculates the TORF and distributes the official rate and other data directly to QUICK, and through QUICK to other information vendors. Each information vendor publishes the official rate, etc. distributed by QUICK on its online service, etc.</p> <p>QBS has established a system in which those in charge of calculation operations can check the status of QUICK's data distribution through QUICK's online service. In addition, QBS has established a system for mutual communication in the event of problems in the distribution of TORF among information vendors. This oversees that TORF is being successfully provided to Subscribers.</p> <p>QBS also implements initiatives to improve convenience for Subscribers through regular opinion exchange meetings with major information vendors.</p> <p>[About c)] QBS discloses its Reporting Brokers and major information vendors to TORF users and the FSA through its website.</p> | <p>Reporting Brokers had been reported to the TORF Oversight Committee.</p> <p>DTTL reviewed the extracted "operation reports" during the verification period and confirmed that there was no delay of the publication time and that the name of the authorizer was listed in the approval column. DTTL also reviewed the "List of Contact Information for Information Vendors" and confirmed that the contact information for each of the information vendors was included. DTTL also reviewed the minutes of the meetings with QBS and the information vendors and confirmed that opinions had been exchanged with QBS and the information vendors.</p> <p>[About c)] DTTL reviewed the QBS website and confirmed that the Reporting Brokers and information vendors are made public and that the</p> |
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| | <p>Reporting Brokers</p> <ul style="list-style-type: none"> ● Ueda Tradition Securities Ltd. ● Totan ICAP Co., Ltd. ● Tullett Prebon (Japan) Limited/ Tullett Prebon Information Ltd. <p>Major information vendors</p> <ul style="list-style-type: none"> ● QUICK Corp. ● Refinitiv Japan K.K. ● Bloomberg Finance L.P. <p>[About d)]</p> <p>Both the rate reporting system from the Reporting Brokers and the TORF calculation system are duplexed. Procedures to deal with problems are established, and failure training has been conducted.</p> <p>Regarding responses in the event of an emergency, QBS has established a "Contingency Plan for TORF Calculation and Publication," which is published on its website.</p> | <p>Reporting Brokers and information vendors listed in "QBS's Responses" are consistent with the publicized information.</p> <p>[About d)]</p> <p>DTTL reviewed the "Process Configuration Diagram" and confirmed that the Reporting Brokers' rate reporting system and the TORF calculation system are duplexed.</p> <p>DTTL also reviewed the "Contingency Plan for TORF Calculation and Publication" and confirmed that the procedures for dealing with problems were established.</p> <p>In addition, DTTL reviewed the extracted "Operational Training Evaluation Sheet" during the verification period and confirmed that the evaluation sheet contained comments and suggestions for improvement after participating in the operational training.</p> <p>DTTL reviewed the QBS website and confirmed that the "Contingency Plan for TORF Calculation and Publication" has been</p> |
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| | | published. |
| 3. Conflicts of Interest for Administrators | | |
| <p>To protect the integrity and independence of Benchmark determinations, Administrators should document, implement and enforce policies and procedures for the identification, disclosure, management, mitigation or avoidance of conflicts of interest. Administrators should review and update their policies and procedures as appropriate.</p> <p>Administrators should disclose any material conflicts of interest to their users and any relevant Regulatory Authority, if any.</p> <p>The framework should be appropriately tailored to the level of existing or potential conflicts of interest identified and the risks that the Benchmark poses and should seek to ensure:</p> <p>a) Existing or potential conflicts of interest do not inappropriately influence Benchmark determinations;</p> <p>b) Personal interests and connections or business connections do not compromise the</p> | <p>QBS has established a framework for the management of conflicts of interest in the "TORF Operational Rules" and the "Conflict of Interest Management Policy for TORF." Regular reviews by the TORF Oversight Committee ensure that existing or potential conflicts of interest do not inappropriately influence the TORF benchmark determination process. These "TORF Operational Rules" and "Conflict of Interest Management Policy for TORF" are published on its website.</p> <p>[About a)]</p> <p>QBS has taken the following steps to ensure that existing or potential conflicts of interest do not inappropriately influence the TORF benchmark determination process.</p> <ul style="list-style-type: none"> ● No member of a financial institution, Reporting Broker or other companies in the same industry is an outside director of QBS or a member of the TORF Oversight Committee. ● Outside directors are added to the Board of Directors. ● Most of the members of the TORF | <p>DTTL reviewed "TORF Operational Rules" and confirmed that they stipulate a system to manage conflicts of interest that may arise in the operation of TORF shall be established to protect the integrity of TORF as a financial benchmark and that the TORF Oversight Committee shall regularly review the scope of conflicts of interest.</p> <p>DTTL also reviewed the "Conflict of Interest Management Policy for TORF" and confirmed that it provides for the methods to identify the conflicts of interest that may arise among those who conduct TORF-related business and to manage them.</p> <p>In addition, DTTL reviewed the QBS website and confirmed that the "TORF Operational Rules" and "Conflict of Interest Management Policy for TORF" were published.</p> <p>[About a)]</p> <p>DTTL has reviewed the Employee Register and confirmed that QBS's outside directors and the TORF Oversight Committee members do not belong to financial institutions or Reporting Brokers, that QBS's Board of Directors includes</p> |

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| <p>Administrator's performance of its functions;</p> <p>c) Segregation of reporting lines within the Administrator, where appropriate, to clearly define responsibilities and prevent unnecessary or undisclosed conflicts of interest or the perception of such conflicts;</p> <p>d) Adequate supervision and sign-off by authorized or qualified employees prior to releasing Benchmark determinations;</p> <p>e) The confidentiality of data, information and other inputs submitted to, received by or produced by the Administrator, subject to the disclosure obligations of the Administrator;</p> <p>f) Effective procedures to control the exchange of information between staff engaged in activities involving a risk of conflicts of interest or between staff and third parties, where that information may reasonably affect any Benchmark determinations; and</p> <p>g) Adequate remuneration policies that ensure all staff who participate in the Benchmark determination are not directly or indirectly rewarded or incentivized by the levels of the</p> | <p>Oversight Committee are not executives or employees of QUICK.</p> <ul style="list-style-type: none"> ● The TORF Oversight Committee confirms the validity of any review of the definition and calculation method of TORF. ● Documents that are considered important from the perspective of managing conflicts of interest and transparency of benchmarks (including related regulations and documents such as audit results) are made public. <p>The relevant rules and regulations of TORF and the status of inappropriate calculations TORF official rate on a quarterly basis, etc. are published on its website.</p> <ul style="list-style-type: none"> ● For matters related to conflicts of interest, QBS strictly handles information and thoroughly manages information on a case-by-case basis. <p>Access to the dedicated room for calculation is controlled by the IC cards.</p> <p>In case it is difficult to calculate in the dedicated room, an alternative office area will be provided. The alternative office area will be equipped with a camera that can take a panoramic view, and the entrance will be locked with a "No Entry" sign. Entry and exit</p> | <p>outside directors, and that a majority of the members of the TORF Oversight Committee are not executives or employees of QUICK.</p> <p>DTTL reviewed the "TORF Operational Rules" and the "Conflict of Interest Management Policy for TORF," and confirmed that they set out that the TORF Oversight Committee will confirm the review of the definition and other aspects of TORF.</p> <p>DTTL also reviewed the minutes of the TORF Oversight Committee meetings and confirmed that the results of the review of the TORF definition and calculation method had been reported to and confirmed by the TORF Oversight Committee.</p> <p>DTTL reviewed the QBS website and confirmed that the relevant rules of TORF and the "Inappropriate calculations of TORF official rates, etc." has been published.</p> <p>DTTL confirmed that no one can enter the dedicated room for calculation without using the IC card.</p> <p>DTTL also reviewed the "Office Access Card History" and confirmed that no one other than QBS executives and employees had been given</p> |
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| <p>Benchmark.</p> <p>An Administrator's conflict of interest framework should seek to mitigate existing or potential conflicts created by its ownership structure or control, or due to other interests the Administrator's staff or wider group may have in relation to Benchmark determinations. To this end, the framework should:</p> <p>a) Include measures to avoid, mitigate or disclose conflicts of interest that may exist between its Benchmark determination business (including all staff who perform or otherwise participate in Benchmark production responsibilities), and any other business of the Administrator or any of its affiliates; and</p> <p>b) Provide that an Administrator discloses conflicts of interests arising from the ownership structure or the control of the Administrator to its Stakeholders and any relevant Regulatory Authority in a timely manner.</p> | <p>from the alternative office area shall be recorded.</p> <p>Critical information is kept in a locked location or on an electronic drive with controlled access.</p> <ul style="list-style-type: none"> ● QBS executives and employees, as well as members of the TORF Oversight Committee and the Planning and Administration Committee, have submitted to QBS a written pledge not to divulge in any third-party confidential information obtained in connection with QBS's business and not to use such information to benefit themselves or any third party. ● QBS has established a whistle-blowing system for the early detection of fraudulent operations and misconduct related to TORF. <p>In addition, for Reporting Brokers, the "TORF Code of Conduct" stipulates the establishment of a framework for the appropriate management of conflicts of interest. A system is in place for the TORF Oversight Committee to confirm the appropriateness of the internal audit results related to conflicts of interest based on the internal audit results reported by</p> | <p>cards.</p> <p>In addition, DTTL inquired of the person in charge and received a response that an alternative office area will be provided in case it is difficult to calculate in the dedicated room as described in "QBS's Responses."</p> <p>DTTL reviewed the extracted "pledge forms" during the verification period and confirmed that the pledges were written as described in "QBS's Responses" and that the submitter's seal was affixed.</p> <p>DTTL reviewed the screen copy of the QBS internal portal site and confirmed that the "Whistleblower for TORF manipulation" was listed.</p> <p>DTTL reviewed the "TORF Code of Conduct" and confirmed that it provides for Reporting Brokers to manage conflicts of interest. DTTL also reviewed the "TORF Operational Rules" and confirmed that the TORF Oversight Committee is responsible for verifying the appropriateness of the Reporting Brokers'</p> |
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| | <p>the Reporting Brokers conducted annually.</p> <p>[About b)]</p> <p>QBS has established the "Guidelines for the Prevention of Insider Trading" to restrict transactions by QBS personnel in financial instruments that use TORF as reference rates. QBS has also received written pledges from its executives and employees, as well as from each member of the TORF Oversight Committee and the Planning and Administration Committee, to comply with these guidelines.</p> <p>[About c), d), and f)]</p> <p>QBS has taken the following measures in the calculation of TORF.</p> <ul style="list-style-type: none"> ● Calculations are performed in a dedicated room where access is restricted by the IC cards. ● In case it is difficult to calculate in the dedicated room, an alternative office area will be provided. The alternative office area will be equipped with a camera that can take a panoramic view, and the entrance will be locked with a "No Entry" sign. Entry and exit from the alternative office area shall be recorded. | <p>internal audit results.</p> <p>DTTL also reviewed the minutes of the TORF Oversight Committee meetings and confirmed that the results of the internal audit by Reporting Brokers had been reported to and confirmed by the TORF Oversight Committee.</p> <p>[About b)]</p> <p>DTTL reviewed the "Guidelines for the Prevention of Insider Trading, etc." and confirmed that they are set forth as described in the "QBS's Responses."</p> <p>In addition, DTTL reviewed the extracted "pledge forms" during the verification period and confirmed that the pledges were written as described in "QBS's Responses" and that the submitter's seal was affixed.</p> <p>[About c), d), and f)]</p> <p>DTTL confirmed that no one can enter the dedicated room for calculation without using an IC card.</p> <p>In addition, DTTL inquired of the person in charge and received a response that an alternative office area will be provided in case it is difficult to calculate in the dedicated room as described in "QBS's Responses."</p> <p>DTTL also reviewed the "Visitor IC Card</p> |
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| | <ul style="list-style-type: none"> ● The use of private information devices is prohibited in the dedicated room, and only devices in the dedicated room are allowed to be used for external communication during calculation hours. ● The status of calculation operations is recorded and stored by surveillance cameras. <p>In addition, QBS has established the authority and roles of the calculation staff and the authorizer in the TORF calculation process in "TORF Operational Rules" and the operation manual and has established the approval process for TORF calculation.</p> <p>The calculation staff checks the validity of the reporting rates by the Reporting Brokers, starting with the operation of the system, receiving files, and deviation from the previous day's adopted rate.</p> <p>The authorizer checks the work items of the calculation staff, confirms that there is no problem with the reporting rates, and then executes the delivery process by pressing the approve button.</p> <p>The names of the calculation staff and the authorizer, as well as the status of the day's</p> | <p>Records" and confirmed that the IC cards record the lending dates, the persons who lent the card, and the equipment brought in. In addition, DTTL reviewed the extracted video recordings of the surveillance cameras during the verification period and confirmed that they were recording and storing the status of calculation operations.</p> <p>DTTL reviewed the "TORF Operational Rules" and the "Operation Manual" and confirmed that the respective authorities and roles of the calculation staff and authorizer are defined. In addition, DTTL reviewed the extracted "operation reports" during the verification period and confirmed that the authorizer was listed in the approval column and that the status of the day's calculation operations was recorded and saved.</p> |
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| | <p>calculation operations, are recorded and stored in the operation report.</p> <p>[About e)] QBS requires each QBS executive and employee, and each member of the TORF Oversight Committee and the Planning and Administration Committee, to submit a written pledge that they do not divulge to any third party any confidential information obtained during QBS's business, and that they do not use such information to benefit themselves or third parties.</p> <p>[About g)] "TORF Operational Rules" were established by QBS to ensure the appropriate design and operation of the remuneration system for executives and employees so that the remuneration system is not linked to the level of TORF. QBS also require that QBS executives and employees, as well as members of the TORF Oversight Committee and the Planning and Administration Committee, submit a written pledge that they agree that their remuneration system is not linked to TORF levels.</p> | <p>[About e)] DTTL reviewed the extracted "pledge forms" during the verification period and confirmed that the pledges were written as described in "QBS's Responses" and that the submitter's seal was affixed.</p> <p>[About g)] DTTL reviewed the "TORF Operational Rules" and confirmed that the remuneration system for executives and employees is appropriately designed and operated to ensure that it is not linked to TORF's level. In addition, DTTL reviewed the extracted "pledge forms" during the verification period and confirmed that the pledges were written as described in "QBS's Responses" and that the submitter's seal was affixed.</p> <p>Regarding conflicts of interest with the parent company, QUICK, etc.</p> |
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| | <p>QBS has taken the following measures to prevent conflicts of interest with the parent companies such as QUICK.</p> <p>[About a) and b)]</p> <p>The "Conflict of Interest Management Policy for TORF" or the internal rules stipulate that QUICK and other parent companies shall report to QBS when they execute financial transactions related to TORF, and that QBS shall monitor the status of such transactions once a year and disclose the results as necessary.</p> <p>In addition, QUICK is continuously conducting training on insider trading prevention and other topics. As part of this training, QUICK added precautions for trading financial instruments that use TORF as a reference rate.</p> | <p>[About a) and b)]</p> <p>DTTL reviewed the "Conflict of Interest Management Policy for TORF" and confirmed that it stipulates that QUICK shall report to QBS when it executes financial transactions related to TORF, and that QBS monitors the status of such transactions once a year and discloses the results as necessary.</p> <p>DTTL also reviewed QUICK's internal rules and confirmed that they provide for the handling of financial transactions referencing to TORF benchmark.</p> <p>In addition, DTTL reviewed the "Notification of Financial Transactions Referring to TORF" and confirmed that the parent company reported the presence or absence of financial transactions related to TORF.</p> <p>In addition, DTTL reviewed the materials for the insider trading prevention training and confirmed that QUICK has been responding as described in "QBS's Responses."</p> |
| 4. Control Framework for Administrators | | |
| An Administrator should implement an appropriate control framework for the process of determining and distributing the Benchmark. The control framework should be appropriately tailored to the materiality of the potential or | QBS has established and is operating an appropriate control framework for the process of TORF benchmark determination and distribution in the "TORF Operational Rules." | DTTL reviewed the "TORF Operational Rules" and confirmed that the basic rules for the benchmark administration in TORF calculation and publication have been established. |

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| <p>existing conflicts of interest identified, the extent of the use of discretion in the Benchmark setting process and to the nature of Benchmark inputs and outputs. The control framework should be documented and available to relevant Regulatory Authorities, if any. A summary of its main features should be Published or Made Available to Stakeholders.</p> <p>This control framework should be reviewed periodically and updated as appropriate. The framework should address the following areas:</p> <p>a) Conflicts of interest in line with Principle 3 on conflicts of interests;</p> <p>b) Integrity and quality of Benchmark determination:</p> <p>i. Arrangements to ensure that the quality and integrity of Benchmarks is maintained, in line with principles 6 to 15 on the quality of the Benchmark and Methodology;</p> <p>ii. Arrangements to promote the integrity of Benchmark inputs, including adequate due diligence on input sources;</p> | <p>In addition to the Board of Directors, the TORF Oversight Committee, which consists of many lawyers etc., meets four times or more per a year as the core of the governance system. The committee confirms the appropriateness of the overall TORF calculation process and makes recommendations to the Board of Directors as appropriate.</p> <p>[About a)] The "TORF Operational Rules" and "Conflict of Interest Management Policy for TORF" have been established to provide a framework for controlling conflicts of interest at QBS. For details, please refer to the response to Principle 3.</p> <p>Both regulations also stipulate the establishment of a Code of Conduct to manage conflicts of interest for Reporting Brokers.</p> <p>[About b)] The actions taken to maintain the integrity and quality of TORF benchmark determination are described in the responses to Principles 6 through 19.</p> <p>To maintain the quality and integrity of TORF, the following tasks are carried out in the daily</p> | <p>DTTL reviewed the "TORF Operational Rules" and confirmed they stipulate that the TORF Oversight Committee shall be established as a committee under the Board of Directors to confirm the appropriateness of basic matters related to the benchmark administration in TORF calculation and publication and to recommend improvement measures to the Board of Directors.</p> <p>DTTL reviewed the extracted minutes of the TORF Oversight Committee meetings during the verification period and confirmed that the TORF Oversight Committee meets to discuss the basic matters related to the benchmark administration in TORF calculation and publication.</p> <p>[About a)] See Principle 3.</p> <p>[About b)] For actions taken to maintain the integrity and quality of TORF benchmark determinations, see "DTTL Procedures" in Principles 6 through 19.</p> <p>DTTL reviewed the "TORF Checklist" and confirmed that the items to be checked in the</p> |
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| <p>iii. Arrangements to ensure accountability and complaints mechanisms are effective, in line with principles 16 to 19; and</p> <p>iv. Providing robust infrastructure, policies and procedures for the management of risk, including operational risk.</p> <p>c) Whistleblowing mechanism: Administrators should establish an effective whistleblowing mechanism to facilitate early awareness of any potential misconduct or irregularities that may arise. This mechanism should allow for external reporting of such cases where appropriate.</p> <p>d) Expertise:</p> <p>i. Ensuring Benchmark determinations are made by personnel who possess the relevant levels of expertise, with a process for periodic review of their competence; and</p> <p>ii. Staff training, including ethics and conflicts of interest training, and continuity and succession planning for personnel.</p> | <p>calculation process.</p> <ul style="list-style-type: none"> ● Confirmation of normal startup of the calculation system ● Checking the status of receipt of reporting rates from Reporting Brokers in the calculation system ● Checking the deviation of the reporting rates from the previous day's reporting rate from the Reporting Broker in the calculation system <p>In addition, as described in the response to Principle 3, the calculation staff and the authorizer perform the confirmation and approval work according to their respective authority and roles.</p> <p>In addition, as part of risk management for operational risk, etc., a backup system for checking the calculation process, which is independent from the TORF calculation system, is always in operation, and the person in charge of calculation checks both systems. In addition, access to the TORF calculation system is limited to those in charge of calculation operations and system administrators, and a system has been established to ensure appropriate management.</p> | <p>daily calculation operations described in "QBS's Responses" were included.</p> <p>DTTL also reviewed the extracted "operation reports" during the verification period and confirmed that the authorizers were listed in the approval column.</p> <p>DTTL reviewed the "Process Configuration Diagram" and confirmed that the TORF calculation system is duplexed.</p> <p>DTTL also reviewed the list of accounts with access rights and the login screen of the TORF calculation system and confirmed that access rights were set only for those in charge of calculation operations and the system administrators.</p> |
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| | <p>[About c)] A whistle-blowing office has been established for the early detection of fraudulent operations and misconduct related to TORF.</p> <p>[About d)] The executives and employees engaged in TORF calculation at QBS are those who have gained experience in specialized information handling departments at information vendors or are experienced in the operation of service systems. In addition, QBS continues to deepen its understanding of TORF and ensure compliance with the "TORF Operational Rules" and other related regulations, by conducting internal training on laws and regulations related to financial benchmarks and on TORF design.</p> | <p>[About c)] DTTL reviewed the "TORF Operational Rules" and confirmed that a whistle-blowing system had been established. DTTL reviewed a copy of the screen of the QBS internal portal site and confirmed that the "Whistle-blowing point for TORF Manipulation, etc." was listed.</p> <p>[About d)] DTTL inquired of the person in charge and received a response that the executives and employees engaged in TORF calculation operations are as described in "QBS's Responses ." DTTL also reviewed the "internal training materials" and "internal training attendance questionnaire" and confirmed that internal training has been conducted.</p> |
| <p>Where a Benchmark is based on Submissions: Administrators should promote the integrity of inputs by:</p> <p>a) Ensuring as far as possible that the Submitters comprise an appropriately representative group of participants taking into consideration the underlying Interest measured by the Benchmark;</p> | <p>TORF is calculated by obtaining data from Reporting Brokers on transactions and orders in the Japanese Yen OIS market, which is a market for interest rate swaps that use the average overnight uncollateralized call rate (TONA) as the reference floating rate. The Reporting Brokers' reporting rates shall be based on the rate cleared by the Central Counterparty (CCP) as stipulated in the "TORF</p> | <p>DTTL reviewed the "TORF Code of Conduct" and the "TORF Calculation Guidelines," and confirmed that the definition of TORF is set forth in "QBS's Responses."</p> |

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| <p>b) Employing a system of appropriate measures so that, to the extent possible, Submitters comply with the Submission guidelines, as defined in the Submitter Code of Conduct and the Administrators' applicable quality and integrity standards for Submission;</p> <p>c) Specifying how frequently Submissions should be made and specifying that inputs or Submissions should be made for every Benchmark determination; and</p> <p>Establishing and employing measures to effectively monitor and scrutinize inputs or Submissions. This should include pre-compilation or pre-publication monitoring to identify and avoid errors in inputs or Submissions, as well as ex-post analysis of trends and outliers.</p> | <p>Code of Conduct" and the "TORF Calculation Guidelines." This is in line with regulated markets. For this reason, QBS does not consider TORF to be an interest rate benchmark which is based on submissions.</p> <p>However, to manage existing or potential conflicts of interest and ensure data integrity, QBS requires Reporting Brokers to comply with the Code of Conduct, as described in the response to Principle 3. In addition, as described in the response to Principle 2, QBS conducts regular monitoring on a quarterly basis, and analyzes and verifies the Reporting Broker's reporting data after the fact. In case errors are found in the reported data, QBS will act in accordance with the "TORF Operational Rules" and remind Reporting Brokers to report accurate data in accordance with the "TORF Code of Conduct."</p> | <p>For compliance with the Code of Conduct for Reporting Brokers, see "DTTL Procedures" in Principle 3.</p> <p>For the ex-post analysis and verification of the Reporting Brokers' reporting data, see "DTTL Procedures" in Principle 2.</p> <p>DTTL reviewed the "Results of Regular Monitoring of TORF official rates, etc." on the QBS website and confirmed that the description of the results of regular monitoring is consistent with the description of the "QBS's Responses."</p> <p>In addition, DTTL inquired of the person in charge and received a response that QBS had alerted the Reporting Brokers as described in "QBS's Responses."</p> |
| 5. Internal Oversight | | |
| <p>Administrators should establish an oversight function to review and challenge all aspects of the Benchmark determination process. This should include consideration of intended, expected or known usage of the Benchmark and the materiality of existing or potential</p> | <p>Under the "TORF Operational Rules," QBS has established the TORF Oversight Committee, most of whose members are not executives or employees of QUICK, and consists of experts (lawyers, certified public accountants, academics, etc.) who do not belong to financial</p> | <p>DTTL reviewed the "TORF Operational Rules" and confirmed that the TORF Oversight Committee is set up as described in "QBS's Responses."</p> <p>DTTL reviewed the QBS website and confirmed</p> |

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| <p>conflicts of interest identified.</p> <p>The oversight function should be carried out either by a separate committee, or other appropriate governance arrangements. The oversight function and its composition should be appropriate to provide effective scrutiny of the Administrator. Such oversight function could consider groups of Benchmarks by type or asset class, provided that it otherwise complies with this Principle.</p> <p>An Administrator should develop and maintain robust procedures regarding its oversight function, which should be documented and available to relevant Regulatory Authorities, if any. The main features of the procedures should be Made Available to Stakeholders. These procedures should include:</p> <p>a) The terms of reference of the oversight function;</p> <p>b) Criteria to select members of the oversight function;</p> <p>c) The summary details of membership of any committee or arrangement charged with the</p> | <p>institutions or Reporting Brokers. The Operational Rules set forth that QBS confirms the appropriateness of the TORF benchmark determination process and makes recommendations to the Board of Directors. These "TORF Operational Rules" are published on its website.</p> <p>[About a)]</p> <ul style="list-style-type: none"> ● The TORF Oversight Committee meets four times a year generally, with successive meetings held as necessary. ● The reporting data by Reporting Brokers for TORF calculation is monitored on a quarterly basis to ensure its appropriateness. ● The results of annual internal audits conducted by Reporting Brokers are reviewed to confirm compliance with the Code of Conduct. ● Based on the results of the annual review of the TORF definition and calculation method, as well as external opinions including complaints and consultations, the TORF benchmark determination process is reviewed. ● In the process of confirming each of the above, if there are matters that need to | <p>that the "TORF Operational Rules" was published.</p> <p>[About a)]</p> <p>DTTL reviewed the minutes of TORF Oversight Committee meetings during the verification period and confirmed that TORF Oversight Committee meetings had been held.</p> <p>DTTL reviewed the minutes of the TORF Oversight Committee meetings and confirmed that the results of the monitoring of the appropriateness of reporting rates had been reported to and confirmed by the TORF Oversight Committee.</p> <p>DTTL reviewed the minutes of the TORF Oversight Committee meetings and confirmed that the results of the internal audit by Reporting Brokers had been reported to and confirmed by the TORF Oversight Committee.</p> |
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| <p>oversight function, along with any declarations of conflicts of interest and processes for election, nomination or removal and replacement of committee members.</p> <p>The responsibilities of the oversight function include:</p> <p>a) Oversight of the Benchmark design:</p> <ul style="list-style-type: none"> i. Periodic review of the definition of the Benchmark and its Methodology; ii. Taking measures to remain informed about issues and risks to the Benchmark, as well as commissioning external reviews of the Benchmark (as appropriate); iii. Overseeing any changes to the Benchmark Methodology, including assessing whether the Methodology continues to appropriately measure the underlying Interest, reviewing proposed and implemented changes to the Methodology, and authorizing or requesting the Administrator to undertake a consultation with Stakeholders where known or its Subscribers on such changes | <p>be improved, QBS proposes the details to the Board of Directors as necessary.</p> <p>[About b) and c)]</p> <p>The members of the TORF Oversight Committee are selected each year by the Board of Directors from executives and employees of QUICK, lawyers, certified public accountants, academics, market professionals, and others with expertise in related laws and regulations, accounting, auditing, corporate governance, etc.</p> <ul style="list-style-type: none"> ● From the perspective of ensuring independence, most of the board members are not executives or employees of QUICK. ● From the perspective of preventing conflicts of interest, QBS does not appoint members who belong to financial institutions, Reporting Brokers, or other companies in the same industry. ● Upon assuming office as a member of the TORF Oversight Committee, the members shall declare to QBS whether they have any conflicts of interest with respect to the business conducted by QBS, and if so, the | <p>DTTL reviewed the minutes of the TORF Oversight Committee meetings and confirmed that the results of the review of the TORF definition and calculation method had been reported to and confirmed by the TORF Oversight Committee.</p> <p>[About b) and c)]</p> <p>DTTL reviewed the “TORF Operational Rules” and confirmed that the members of the TORF Oversight Committee are defined as described in "QBS’s Responses.”</p> |
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| <p>as per Principle 12; and</p> <p>iv. Reviewing and approving procedures for termination of the Benchmark, including guidelines that set out how the Administrator should consult with Stakeholders about such cessation.</p> <p>b) Oversight of the integrity of Benchmark determination and control framework:</p> <p>i. Overseeing the management and operation of the Benchmark, including activities related to Benchmark determination undertaken by a third party;</p> <p>ii. Considering the results of internal and external audits, and following up on the implementation of remedial actions highlighted in the results of these audits; and</p> <p>iii. Overseeing any exercise of Expert Judgment by the Administrator and ensuring Published Methodologies have been followed.</p> | <p>nature of such conflicts. The same applies if there is any change in these matters after the appointment. In addition, members with conflicts of interest with respect to TORF Oversight Committee voting are not included in the voting.</p> <p>The TORF Oversight Committee fulfills its responsibilities by exercising oversight over TORF in general.</p> <p>[About a)]</p> <p>The TORF Oversight Committee has the following responsibilities for oversight of the benchmark design.</p> <ul style="list-style-type: none"> ● Confirmation of the results of the review of TORF definition, calculation methods, etc., to be conducted annually ● Regular monitoring on a quarterly basis to ensure that TORF reflects its value as a financial benchmark ● Confirmation of external opinions such as complaints and consultations <p>For the Applicable Period, there were no filings involving complaints or expressions of dissatisfaction regarding the TORF administration, official rate, etc. Inquiries and consultations regarding TORF are responded to</p> | <p>[About a)]</p> <p>DTTL reviewed the minutes of the TORF Oversight Committee meetings and confirmed that the results of the review of the TORF definition and calculation method had been reported to and confirmed by the TORF Oversight Committee.</p> <p>DTTL reviewed the minutes of the TORF Oversight Committee meetings and confirmed that the results of the monitoring of the appropriateness of reporting rates had been reported to and confirmed by the TORF Oversight Committee.</p> <p>DTTL inquired of the person in charge and received a response that for the Applicable</p> |
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| <p>Where conflicts of interests may arise in the Administrator due to its ownership structures or controlling interests, or due to other activities conducted by any entity owning or controlling the Administrator or by the Administrator or any of its affiliates: the Administrator should establish an independent oversight function which includes a balanced representation of a range of Stakeholders where known, Subscribers and Submitters, which is chosen to counterbalance the relevant conflict of interest.</p> | <p>on a case-by-case basis.</p> <p>[About b)]</p> <p>For oversight related to the benchmark determination and the integrity of the control framework, the TORF Oversight Committee has the following responsibilities.</p> <ul style="list-style-type: none"> ● Confirmation of the results of the Reporting Broker’s internal audit reports ● Reviewing reports on the results of internal audits, and external audits as external assurance engagements ● Confirmation of establishment and revision of TORF-related regulations including the “TORF Calculation Guidelines” and “TORF Operational Rules” ● Confirmation of reported details regarding transactions of financial instruments using TORF as a reference rate by the parent companies such as QUICK <p>For the Applicable Period, QBS has confirmed that the parent companies such as QUICK have stipulated internal regulations regarding transactions of financial instruments using TORF as a reference rate. QBS has confirmed that QUICK had no applicable transactions.</p> | <p>Period, the confirmation of external opinions such as the response to complaints and consultations is as described in "QBS’s Responses.”</p> <p>[About b)]</p> <p>DTTL reviewed the minutes of the TORF Oversight Committee meetings and confirmed that the results of the internal audit by Reporting Brokers had been reported and confirmed.</p> <p>DTTL reviewed the minutes of the TORF Oversight Committee meetings and confirmed that they had confirmed the results of the internal audit by Reporting Brokers and the revision of the rules and regulations related to TORF.</p> <p>DTTL reviewed QUICK’s internal rules and confirmed that they provide for the handling of financial transactions referencing to TORF benchmark.</p> <p>In addition, DTTL inquired of the person in charge and received a response that for the Applicable Period, there were no financial transactions referring to TORF at QUICK.</p> |
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| <p>Where a Benchmark is based on Submissions: the oversight function should provide suitable oversight and challenge of the Submissions by:</p> <p>a) Overseeing and challenging the scrutiny and monitoring of inputs or Submissions by the Administrator. This could include regular discussions of inputs or Submission patterns, defining parameters against which inputs or Submissions can be analyzed, or querying the role of the Administrator in challenging or sampling unusual inputs or Submissions;</p> <p>b) Overseeing the Code of Conduct for Submitters;</p> <p>c) Establishing effective arrangements to address breaches of the Code of Conduct for Submitters; and</p> <p>d) Establishing measures to detect potential anomalous or suspicious Submissions and in case of suspicious activities, to report them, as well as any misconduct by Submitters of which it becomes aware to the relevant Regulatory Authorities, if any.</p> | <p>QBS does not consider TORF to be an interest rate benchmark which is based on submissions.</p> <p>However, to ensure the transparency and integrity of TORF as a financial benchmark, the "TORF Code of Conduct" sets forth the items that Reporting Brokers must comply with. As described in the response to Principle 2, Principle 3, Principle 4 and Principle 5, appropriate oversight measures are taken for Reporting Brokers.</p> <p>[About a)]</p> <p>QBS analyzes and verifies the reporting rates by Reporting Brokers in its periodic monitoring. The results of this analysis and verification are reported to the TORF Oversight Committee to determine their validity.</p> <p>QBS announces the presence or absence of inappropriate calculations on its website on a quarterly basis, considering the results of regular monitoring.</p> <p>[About b)]</p> <p>QBS checks the compliance of the Reporting Brokers with the Code of Conduct once a year, and the TORF Oversight Committee confirms</p> | <p>For oversight measures for Reporting Brokers, see "DTTL Procedures" in Principles 2 through 5.</p> <p>[About a)]</p> <p>DTTL reviewed the minutes of the TORF Oversight Committee meetings and confirmed that the results of the monitoring of the appropriateness of reporting rates had been reported to and confirmed by the TORF Oversight Committee.</p> <p>In addition, DTTL reviewed the QBS website and confirmed that the "Inappropriate calculations of TORF Official rates, etc." was published.</p> <p>[About b)]</p> <p>DTTL reviewed the minutes of the TORF Oversight Committee meetings and confirmed</p> |
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| | <p>its appropriateness.</p> <p>[About c)] In the "TORF Code of Conduct", QBS has set forth the development and submission of internal rules as an arrangement to enhance the effectiveness of Reporting Brokers' compliance with the Code of Conduct.</p> <p>[About d)] QBS has stipulated the rules in the "TORF Operational Rules" to promptly report to the TORF Oversight Committee and the relevant authorities when there is any doubt about the appropriateness of the reporting rate of a Reporting Broker or when QBS becomes aware that a Reporting Broker is acting in violation of the Code of Conduct, has established a framework for this purpose.</p> | <p>that the results of the internal audit by Reporting Brokers had been reported to and confirmed by the TORF Oversight Committee.</p> <p>[About c)] DTTL reviewed the "TORF Code of Conduct" and confirmed that QBS requires Reporting Brokers to establish and submit internal rules. DTTL also reviewed the Reporting Broker's internal rules and confirmed that they were established and submitted.</p> <p>[About d)] DTTL reviewed the "TORF Operational Rules" and confirmed that the rules are set forth as described in "QBS's Responses."</p> |
| Quality of the Benchmark | | |
| 6. Benchmark Design | | |
| The design of the Benchmark should seek to achieve, and result in an accurate and reliable representation of the economic realities of the Interest it seeks to measure, and eliminate factors that might result in a distortion of the price, rate, index or value of the Benchmark. | The value measured by TORF is the term interest rate based on the Japanese Yen "risk free rate." By using the Japanese yen OIS (interest rate swap transactions that use the average Japanese yen uncollateralized overnight call rate as the reference floating rate) market, as defined in the "TORF | <p>DTTL reviewed the "TORF Operational Rules" and the "TORF Calculation Guidelines," and, confirmed that the definition of TORF is set forth as described in "QBS's Responses."</p> <p>DTTL reviewed the "TORF Calculation Guidelines" and confirmed that execution data,</p> |

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| <p>Benchmark design should take into account the following generic non-exclusive features, and other factors should be considered, as appropriate to the particular Interest:</p> <ul style="list-style-type: none"> a) Adequacy of the sample used to represent the Interest; b) Size and liquidity of the relevant market (for example whether there is sufficient trading to provide observable, transparent pricing); c) Relative size of the underlying market in relation to the volume of trading in the market that references the Benchmark; d) The distribution of trading among Market Participants (market concentration); e) Market dynamics (e.g., to ensure that the Benchmark reflects changes to the assets underpinning a Benchmark). | <p>Operational Rules” and the “TORF Calculation Guidelines,” as a valuation target, TORF is designed to accurately and reliably reflect the economic reality of its value.</p> <p>The main feature of TORF is that it uses the transaction rate of the Japanese Yen OIS market, rather than an interest rate benchmark that relies on the rate submitted by the panel banks. In addition, TORF has the following features to calculate rates objectively and mechanically without using expert judgment.</p> <ul style="list-style-type: none"> ● QBS uses execution data traded in the Japanese Yen OIS market and quote data presented to Reporting Brokers. ● The rates reported by Reporting Brokers assume centrally cleared transactions for both execution data and quote data. ● In addition, QBS has adopted the Waterfall Methodology as its calculation method, have set the priority so that the execution rate at which the actual trading was conducted would be given the highest priority, and incorporated calculation logic such as outlier exclusion at the 25th percentile in the execution data and | <p>quote data and the calculation method of the Waterfall Methodology are specified as described in “QBS’s Responses.”</p> <p>DTTL reviewed the QBS website and confirmed that the “TORF Calculation Guidelines” was published.</p> |
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| | <p>quality weighted average using the spread between Bid and Offer, thus excluding the distortion that arises to the value of TORF.</p> <p>The details of the Waterfall Methodology are set forth in the "TORF Calculation Guidelines," which are published on its website.</p> <p>[About a)] The Japanese Yen OIS transactions brokered by Reporting Brokers account for most of the Japanese Yen OIS market transactions observable in the market, and QBS believes that it is sufficient to satisfy the adequacy of the sample used.</p> <p>[About b), c), d), and e)] The QBS analysis and verification of the size and liquidity of the Japanese yen OIS market in its regular monitoring has revealed that the Japanese yen OIS market is steadily expanding, especially for 3-month and 6-month OIS. This confirms the appropriateness of using the Japanese Yen OIS market as the target market for the evaluation of TORF.</p> | <p>[About a)] DTTL reviewed material on the sufficiency of the proportion of transactions accounted for by Reporting Brokers in the Japanese Yen OIS market and confirmed that QBS had been considering the adequacy of the sample used.</p> <p>[About b), c), d), and e)] DTTL reviewed the extracted regular monitoring documents during the verification period and confirmed that QBS had been considering as described in "QBS's Responses."</p> |
| 7. Data Sufficiency | | |
| The data used to construct a Benchmark determination should be sufficient to accurately | To ensure the reliability of the data used for TORF benchmark determination, QBS has | For Reporting Brokers, see "DTTL Procedures" in Principle 2. |

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| <p>and reliably represent the Interest measured by the Benchmark and should:</p> <p>a) Be based on prices, rates, indices or values that have been formed by the competitive forces of supply and demand in order to provide confidence that the price discovery system is reliable; and</p> <p>b) Be anchored by observable transactions entered into at arm's length between buyers and sellers in the market for the Interest the Benchmark measures in order for it to function as a credible indicator of prices, rates, indices or values.</p> <p>This Principle requires that a Benchmark be based upon (i.e., anchored in) an active market having observable Bona Fide, Arms-Length Transactions.</p> <p>This does not mean that every individual Benchmark determination must be constructed solely of transaction data. Provided that an active market exists, conditions in the market on any given day might require the Administrator to rely on different forms of data tied to observable market data as an adjunct</p> | <p>selected the following three Reporting Brokers. TORF is calculated based on the execution and quote rates in the Japanese Yen OIS market reported by each Reporting Broker using the Waterfall Methodology calculation method described in Principle 8. TORF reflects the value observable in the JPY OIS market.</p> <ul style="list-style-type: none"> ● Ueda Tradition Securities Ltd. ● Totan ICAP Co., Ltd. ● Tullett Prebon (Japan) Limited / Tullett Prebon Information Ltd. <p>During the regular monitoring on a quarterly basis, QBS verified data on TORF, including the below items, and has confirmed that TORF is based on arm's length transactions observable in the Japanese Yen OIS market.</p> <ul style="list-style-type: none"> ● Monthly frequency of each level determined by the Waterfall Methodology described in the response to Principle 8 ● TORF official rate determined by the Waterfall Methodology described in the response to Principle 8 and rate trends for each level ● Number of execution rates and quote rates reported by the Reporting Brokers | <p>For the calculation method of the Waterfall Methodology, see "DTTL Procedures" in Principle 8.</p> <p>DTTL reviewed the extracted periodical monitoring documents during the verification period and confirmed that the data verification related to TORF, including the items described in "QBS's Responses," had been conducted.</p> |
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| <p>or supplement to transactions.</p> <p>Depending upon the Administrator’s Methodology, this could result in an individual Benchmark determination being based predominantly, or exclusively, on bids and offers or extrapolations from prior transactions. This is further clarified in Principle 8.</p> <p>Provided that subparagraphs (a) and (b) above are met, Principle 7 does not preclude Benchmark Administrators from using executable bids or offers as a means to construct Benchmarks where anchored in an observable market consisting of Bona Fide, Arms-Length transactions.</p> <p>This Principle also recognizes that various indices may be designed to measure or reflect the performance of a rule-based investment strategy, the volatility or behaviour of an index or market or other aspects of an active market. Principle 7 does not preclude the use of non-transactional data for such indices that are not designed to represent transactions and where the nature of the index is such that non-transactional data is used to reflect what the index is designed to measure. For example, certain volatility indices, which are designed to</p> | <ul style="list-style-type: none"> ● Rate trends of TORF, clearing price published by JSCC, and TIBOR <p>In addition, if there is no data available from Reporting Brokers due to market conditions, etc., the “TORF Calculation Guidelines” stipulate a rule that the previous day's data shall be used, which is published on its website.</p> | <p>DTTL reviewed the “TORF Calculation Guidelines” and confirmed it stipulates that if there is no data available from the Reporting Broker, the previous day's data is used.</p> <p>DTTL also reviewed the QBS website and confirmed that the “TORF Calculation Guidelines” was published.</p> |
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| measure the expected volatility of an index of securities transactions, rely on non-transactional data, but the data is derived from and thus “anchored” in an actual functioning securities or options market. | | |
| 8. Hierarchy of Data Inputs | | |
| <p>An Administrator should establish and Publish or Make Available clear guidelines regarding the hierarchy of data inputs and exercise of Expert Judgment used for the determination of Benchmarks. In general, the hierarchy of data inputs should include:</p> <p>a) Where a Benchmark is dependent upon Submissions, the Submitters’ own concluded arms-length transactions in the underlying interest or related markets;</p> <p>b) Reported or observed concluded Arm’s-length Transactions in the underlying interest;</p> <p>c) Reported or observed concluded Arm’s-length Transactions in related markets;</p> <p>d) Firm (executable) bids and offers; and</p> <p>e) Other market information or Expert Judgments.</p> | <p>QBS has adopted a Waterfall Methodology in the TORF benchmark determination based on the “Public Consultation on the Appropriate Choice and Usage of Japanese Yen Interest Rate Benchmarks” released by the “Cross-Industry Committee on Japanese Yen Interest Rate Benchmarks” in July 2019 because of its deliberations.</p> <p>The Waterfall Methodology adopted by TORF is based on the certainty of data observed in the Japanese Yen OIS market by Reporting Brokers, and the level of data is judged as follows.</p> <p>Level 1: Executed transaction (execution) data Level 2: Order data with the transaction price and notional amount quoted on CLOB Level 3: Order data where the transaction price and notional amount for both Bid and Offer side are quoted at the same time Level 4: Order data for either Bid or Offer sides</p> | <p>DTTL reviewed the "TORF Calculation Guidelines" and confirmed that the Waterfall Methodology adopted by TORF is set forth as described in “QBS’s Responses.”</p> <p>In addition, DTTL reviewed the extracted documents related to the calculation process of TORF during the verification period and confirmed that TORF was calculated in accordance with the “TORF Calculation Guidelines.”</p> <p>DTTL reviewed the QBS website and confirmed that the “TORF Calculation Guidelines” was published.</p> |

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| <p>Provided that the Data Sufficiency Principle is met (i.e., an active market exists), this Principle is not intended to restrict an Administrator's flexibility to use inputs consistent with the Administrator's approach to ensuring the quality, integrity, continuity and reliability of its Benchmark determinations, as set out in the Administrator's Methodology. The Administrator should retain flexibility to use the inputs it believes are appropriate under its Methodology to ensure the quality and integrity of its Benchmark. For example, certain Administrators may decide to rely upon Expert Judgment in an active albeit low liquidity market, when transactions may not be consistently available each day. IOSCO also recognizes that there might be circumstances (e.g., a low liquidity market) when a confirmed bid or offer might carry more meaning than an outlier transaction. Under these circumstances, non-transactional data such as bids and offers and extrapolations from prior transactions might predominate in a given Benchmark determination.</p> | <p>with the transaction price and notional amount quoted</p> <p>Level 5: Order data for both Bid and Offer sides with transaction price only</p> <p>The order data with the transaction price and notional amount quoted on CLOB, corresponding to Level 2, is not currently used.</p> <p>The TORF calculation follows this Waterfall Methodology calculation method with the highest level of data being given priority. In addition, no expert judgment was used in the TORF calculation.</p> <p>For details, QBS has published the "TORF Calculation Guidelines" on its website.</p> | |
| <p>9. Transparency of Benchmark Determinations</p> | | |
| <p>The Administrator should describe and publish with each Benchmark determination, to the</p> | <p>As described in the response to Principle 6, QBS uses a computer system to calculate TORF</p> | |

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| <p>extent reasonable without delaying an Administrator publication deadline:</p> <p>a) A concise explanation, sufficient to facilitate a Stakeholder's or Market Authority's ability to understand how the determination was developed, including, at a minimum, the size and liquidity of the market being assessed (meaning the number and volume of transactions submitted), the range and average volume and range and average of price, and indicative percentages of each type of market data that have been considered in a Benchmark determination; terms referring to the pricing Methodology should be included (i.e., transaction-based, spread-based or interpolated/extrapolated);</p> <p>b) A concise explanation of the extent to which and the basis upon which Expert Judgment if any, was used in establishing a Benchmark determination.</p> | <p>based on the reporting rates by Reporting Brokers. TORF is then published to Subscribers through the services of information vendors.</p> <p>[About a)]</p> <ul style="list-style-type: none"> ● The terms used to refer to the calculation policy are described in the "TORF Calculation Guidelines" and the "TORF Methodology." ● The TORF calculation process is described in the "TORF Calculation Guidelines," and the TORF publication process is described in the "TORF Operational Rules" and the "Policy on Treatment of Revisions to TORF official rates, etc.," both of which are published on the QBS website. ● The size and liquidity of the Japanese yen OIS market, including the trading volume and price range and their averages, are disclosed in the annual periodic review as described in the response to Principle 10. <p>[About b)]</p> <p>As described in the response to Principle 8, the calculation of TORF does not involve any expert judgment.</p> | <p>[About a)]</p> <p>DTTL reviewed the "TORF Calculation Guidelines" and the "TORF Methodology" and confirmed that the terms referring to the calculation policy were described.</p> <p>DTTL reviewed the "TORF Calculation Guidelines" and confirmed that it describes the TORF calculation process.</p> <p>DTTL reviewed the "TORF Operational Rules" and the "Policy on Treatment of Revisions to TORF official rates, etc." and confirmed that the TORF publication process is described. In addition, DTTL reviewed the QBS website and confirmed that the "TORF Calculation Guidelines," "TORF Operational Rules" and "Policy on Revisions to TORF official rates, etc." were published.</p> <p>DTTL reviewed the minutes of the TORF Oversight Committee meetings and confirmed that the results of the review of the TORF definition and calculation method had been</p> |
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| | | <p>reported to and confirmed by the TORF Oversight Committee.</p> <p>In addition, DTTL reviewed the QBS website and confirmed that the results of regular monitoring of the TORF administration framework have been published.</p> <p>[About b)]</p> <p>DTTL inquired of the person in charge and received a response that no expert judgment was used in the TORF calculation.</p> |
| 10. Periodic Review | | |
| <p>The Administrator should periodically review the conditions in the underlying Interest that the Benchmark measures to determine whether the Interest has undergone structural changes that might require changes to the design of the Methodology.</p> <p>The Administrator also should periodically review whether the Interest has diminished or is non-functioning such that it can no longer function as the basis for a credible Benchmark. The Administrator should Publish or Make Available a summary of such reviews where material revisions have been made to a Benchmark, including the rationale for the revisions.</p> | <p>QBS has established the review of the definition and calculation method of TORF based on a periodic review of the conditions in underlying Interest that TORF measures in the "TORF Operational Rules."</p> <p>QBS conducts regular monitoring of reporting rates on a quarterly basis and collects and analyzes basic data that can be used to make decisions to respond to changes in the market environment and the needs of Subscribers. In addition, the Planning and Administration Committee verifies and reviews the definition, the calculation method, and the overall administration of TORF calculation, considering the opinions of external parties to the QBS.</p> | <p>DTTL reviewed the "TORF Operational Rules" and confirmed that they provide for a review of the definition and calculation method of TORF.</p> <p>DTTL reviewed the minutes of the TORF Oversight Committee meetings and confirmed that the results of the monitoring of the appropriateness of reporting rates had been reported to and confirmed by the TORF Oversight Committee.</p> <p>DTTL inquired of the person in charge and received a response that there were no external opinions regarding the definition of</p> |

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| | <p>For the Applicable Period, there were no external opinions regarding the definition and the calculation method of TORF, and the overall administration of TORF calculation and approval.</p> <p>The status of verification and review by the Planning and Administration Committee is reported to the TORF Oversight Committee at least once a year. The TORF Oversight Committee confirms the contents of these reports and recommends improvement measures to the Board of Directors as necessary.</p> | <p>TORF, the calculation method, and the overall operation of TORF calculation and approval.</p> <p>DTTL reviewed the minutes of the TORF Oversight Committee meetings and confirmed that the results of the review of the TORF definition and calculation method had been reported to and confirmed by the TORF Oversight Committee.</p> |
| Quality of the Methodology | | |
| 11. Content of the Methodology | | |
| <p>The Administrator should document and Publish or Make Available the Methodology used to make Benchmark determinations.</p> <p>The Administrator should provide the rationale for adopting a particular Methodology. The Published Methodology should provide sufficient detail to allow Stakeholders to understand how the Benchmark is derived and to assess its representativeness, its relevance to particular Stakeholders, and its appropriateness as a reference for financial</p> | <p>As described in the response to Principle 9, QBS has published its TORF calculation policy in the "TORF Calculation Guidelines."</p> <p>[About a)]</p> <p>In the "TORF Operational Rules" and the "TORF Calculation Guidelines," QBS provides definitions of key terms. As a complement to these regulations, the "TORF Methodology" provides definitions of terms necessary for the calculation.</p> | <p>DTTL reviewed the "TORF Calculation Guidelines" and confirmed that the TORF calculation policy was established.</p> <p>[About a)]</p> <p>DTTL reviewed the "TORF Operational Rules," the "TORF Calculation Guidelines," and the "TORF Methodology" and confirmed that the terms have been defined.</p> |

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| <p>instruments.</p> <p>At a minimum, the Methodology should contain:</p> <p>a) Definitions of key terms;</p> <p>b) All criteria and procedures used to develop the Benchmark, including input selection, the mix of inputs used to derive the Benchmark, the guidelines that control the exercise of Expert Judgment by the Administrator, priority given to certain data types, minimum data needed to determine a Benchmark, and any models or extrapolation methods;</p> <p>c) Procedures and practices designed to promote consistency in the exercise of Expert Judgment between Benchmark determinations;</p> <p>d) The procedures which govern Benchmark determination in periods of market stress or disruption, or periods where data sources may be absent(e.g., theoretical estimation models);</p> <p>e) The procedures for dealing with error reports, including when a revision of a Benchmark would be applicable;</p> | <p>[About b)]</p> <p>QBS has established the "TORF Operational Rules," "TORF Calculation Guidelines," and "Policy on Treatment of Revisions to TORF official rates, etc." as the standards and procedures for calculating TORF. As described in the response to Principle 10, the process for reviewing the definition and calculation method of TORF is set out in the "TORF Operational Rules" as follows.</p> <ul style="list-style-type: none"> ● The Planning and Administration Committee shall verify and review the definition and the calculation method of TORF, and the overall operation of the benchmark based on the opinions received from external parties, and report to the TORF Oversight Committee at least once a year. ● The TORF Oversight Committee shall confirm the contents of the report from the Planning and Administration Committee and recommend improvement measures to the Board of Directors as necessary. ● The Board of Directors shall direct the necessary actions based on the recommendations from the TORF | <p>[About b)]</p> <p>DTTL reviewed the "TORF Operational Rules," "TORF Calculation Guidelines," and "Policy on Treatment of Revisions to TORF official rates, etc." and confirmed that the standards and procedures for TORF calculation have been established.</p> <p>DTTL reviewed the "TORF Operational Rules" and confirmed that the definition and calculation method of TORF have been reviewed as described in "QBS's Responses."</p> <p>DTTL reviewed the minutes of the TORF Oversight Committee meetings and confirmed that the results of the review of the TORF definition and calculation method had been reported to and confirmed by the TORF Oversight Committee.</p> |
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| <p>f) Information regarding the frequency for internal reviews and approvals of the Methodology. Where applicable, the Published Methodologies should also include information regarding the procedures and frequency for external review of the Methodology;</p> <p>g) The circumstances and procedures under which the Administrator will consult with Stakeholders, as appropriate; and</p> <p>h) The identification of potential limitations of a Benchmark, including its operation in illiquid or fragmented markets and the possible concentration of inputs.</p> | <p>Oversight Committee and shall decide and announce the details of such actions.</p> <ul style="list-style-type: none"> ● In considering changes to the definition and calculation method of TORF, QBS shall take into account whether there is any material change (i.e., a change that is reasonably expected to significantly alter the homogeneity of TORF before the change or significantly affect the level of TORF rates). If a change is deemed to be material, QBS calls for public comments, etc. and consults with Stakeholders as necessary. ● In seeking public comments, etc., the comments received from Stakeholders and the details of discussions with comment submitters, etc. based on those comments, are made public, unless the comment submitters request that they not be disclosed. <p>[About c)] For the Applicable Period, QBS did not use expert judgment.</p> <p>[About d)] QBS has established a "Contingency Plan for TORF Calculation and Publication" to determine</p> | <p>[About c)] DTTL inquired of the person in charge, and received a response that for the Applicable Period, expert judgment had not been used.</p> <p>[About d)] DTTL reviewed the "Contingency Plan for TORF Calculation and Publication," and confirmed</p> |
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| | <p>the TORF calculation method in case of market stress or turmoil, or in the absence of data sources, and operates in accordance with the contingency plan.</p> <ul style="list-style-type: none"> ● In the event of an emergency situation that makes it difficult to perform TORF calculations at the QBS Head Office, QBS employees stationed at the QUICK NISHI-NIHON Regional Office assume this role. ● Notwithstanding in the event of excessive market stress, QBS shall in principle carry out its TORF calculation and publication operations. ● If the number of Reporting Brokers is less than two in case of market stress, the official rate of the previous day is used as the rate of the day. ● If it is deemed appropriate to suspend the TORF publication in case of a wide-area disaster, the official rate of the previous day is used as the rate for that day according to a predetermined procedure. For the Applicable Period, there was no matter applicable to the above. <p>[About e)] QBS has set forth the conditions and procedures for revising TORF in the "Policy on</p> | <p>that the method for determining the TORF calculation in times of market stress or turmoil, or the absence of data sources, is as described in "QBS's Responses."</p> <p>In addition, DTTL inquired of the person in charge, and received a response that for the Applicable Period, there were no emergencies, excessive market stress, cases where the number of Reporting Brokers was less than two at the time of market stress, or wide-area disasters as described in "QBS's Responses."</p> <p>[About e)] DTTL reviewed the "Policy on Treatment of Revisions to TORF official rates, etc." and confirmed that it sets forth the conditions and procedures for revising TORF. In addition, DTTL reviewed the QBS website and confirmed that "Inappropriate calculations of TORF Official rates, etc." have been</p> |
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| | <p>Treatment of Revisions to TORF official rates, etc.” Generally, QBS announces the existence of inappropriate calculations, if any, on a quarterly basis on its website.</p> <p>QBS plans to announce the inappropriate calculations that occurred on October 28, 2024, on our company website after the completion of the regular monitoring for October to December 2024.</p> <p>[About f)]</p> <p>QBS has established procedures for reviewing the definition and calculation method of TORF in the “TORF Operational Rules.” This is addressed by holding internal reviews at the Planning and Administration Committee and TORF Oversight Committee on a regular basis and on an ad hoc basis as necessary.</p> <p>[About g)]</p> <p>QBS stipulates, in the “Complaints Consultation Management Rule of TORF,” that QBS accepts complaints and consultations from external parties, including Stakeholders, and responds to inquiries in a fair and appropriate manner. In addition, the circumstances and procedures for consultation with Stakeholders as necessary</p> | <p>published.</p> <p>Furthermore, we conducted inquiries with the responsible parties and received a response stating that the measures for the inappropriate calculations that occurred on October 28, 2024, are planned as described in the “QBS’s Response”.</p> <p>[About f)]</p> <p>DTTL reviewed the “TORF Operational Rules” and confirmed that the procedures for reviewing the definition and calculation method of TORF have been established.</p> <p>DTTL reviewed the minutes of the TORF Oversight Committee meetings and confirmed that the results of the review of the TORF definition and calculation method had been reported to and confirmed by the TORF Oversight Committee.</p> <p>[About g)]</p> <p>DTTL reviewed the “Complaints Consultation Management Rule of TORF,” and confirmed that QBS has established procedures for accepting complaints and consultations from external parties and responding to inquiries in</p> |
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| | <p>are stipulated in the "TORF Operational Rules." The circumstances in which consultation with Stakeholders is held are as follows.</p> <ul style="list-style-type: none"> ● Selection of Reporting Brokers ● Review of the definition and calculation method of TORF ● Continued suspension of TORF publication <p>For the Applicable Period, there were no complaints or appeals regarding the operation of TORF or the official rates, etc. Inquiries and consultations regarding TORF were responded to on an individual basis.</p> <p>[About h)]</p> <p>As described in the response to Principle 10, to address the potential limitations of TORF, such as reduced market liquidity and potential data concentration, QBS provides for the implementation of initiatives including regular monitoring.</p> | <p>a fair and appropriate manner.</p> <p>DTTL reviewed the "TORF Operational Rules" and confirmed that the circumstances and procedures for consultation with Stakeholders, if necessary, are set forth as described in "QBS's Responses."</p> <p>DTTL inquired of the person in charge, and received a response that for the Applicable Period, the confirmation of external opinions such as the response to complaints and consultations is as described in "QBS's Responses."</p> <p>[About h)]</p> <p>DTTL reviewed the "TORF Operational Rules" and confirmed that the rules are set forth as described in "QBS's Responses."</p> <p>In addition, DTTL reviewed the minutes of the TORF Oversight Committee meetings and confirmed that the results of the review of the TORF definition and calculation method had been reported to and confirmed by the TORF Oversight Committee.</p> |
| Where a Benchmark is based on Submissions, the additional Principle also applies: | QBS does not consider TORF to be an interest rate benchmark which is based on submissions. | DTTL reviewed the "TORF Operational Rules" and confirmed that they provide for the recruitment, selection, withdrawal and |

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| <p>The Administrator should clearly establish criteria for including and excluding Submitters. The criteria should consider any issues arising from the location of the Submitter, if in a different jurisdiction to the Administrator. These criteria should be available to any relevant Regulatory Authorities, if any, and Published or Made Available to Stakeholders. Any provisions related to changes in composition, including notice periods should be made clear.</p> | <p>However, to ensure the transparency and integrity of TORF as a financial benchmark, the "TORF Operational Rules" stipulate matters related to the recruitment, selection, withdrawal, and revocation of the selection of Reporting Brokers.</p> <p>QBS publishes the list of selected Reporting Brokers on its website. "Fiscal Year 2025 Application for a Position as TORF Reporting Broker" was issued in July 2024, with three existing firms submitting applications.</p> | <p>revocation of the selection of Reporting Brokers.</p> <p>DTTL reviewed the QBS website and confirmed that the list of selected Reporting Brokers was published.</p> <p>In addition, DTTL inquired of the person in charge, and received a response that in Fiscal year 2025 Application for a position as TORF Reporting Broker is as described in "QBS's Responses."</p> |
| 12. Changes to the Methodology | | |
| <p>An Administrator should Publish or Make Available the rationale of any proposed material change in its Methodology, and procedures for making such changes. These procedures should clearly define what constitutes a material change, and the method and timing for consulting or notifying Subscribers (and other Stakeholders where appropriate, taking into account the breadth and depth of the Benchmark's use) of changes. Those procedures should be consistent with the overriding objective that an Administrator must ensure the continued integrity of its Benchmark determinations.</p> | <p>To ensure that the TORF remains integrity as a financial benchmark, QBS has established procedures in the "TORF Operational Rules" to periodically review changes in the definition and calculation method of TORF. Regardless of whether there are any changes in the definition or calculation method of TORF, the results of the review are announced on its website.</p> <p>In addition, the "TORF Operational Rules" also stipulate the procedures to be followed when a change to the definition and the calculation method of TORF is deemed to be a material change (i.e., a change that is reasonably</p> | <p>DTTL reviewed the "TORF Operational Rules" and confirmed that the procedures for periodically reviewing changes in the definition and calculation method of TORF have been established.</p> <p>In addition, DTTL reviewed the QBS website and confirmed that the results of regular monitoring of the TORF administration framework have been published.</p> <p>DTTL reviewed the "TORF Operational Rules" and confirmed that the procedures are in place</p> |

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| <p>When changes are proposed, the Administrator should specify exactly what these changes entail and when they are intended to apply.</p> <p>The Administrator should specify how changes to the Methodology will be scrutinised, by the oversight function.</p> <p>The Administrator should develop Stakeholder consultation procedures in relation to changes to the Methodology that are deemed material by the oversight function, and that are appropriate and proportionate to the breadth and depth of the Benchmark's use and the nature of the Stakeholders. Procedures should:</p> <p>a) Provide advance notice and a clear timeframe that gives Stakeholders sufficient opportunity to analyse and comment on the impact of such proposed material changes, having regard to the Administrator's assessment of the overall circumstances; and</p> <p>b) Provide for Stakeholders' summary comments, and the Administrator's summary response to those comments, to be made accessible to all Stakeholders after any given</p> | <p>expected to significantly alter the homogeneity of the TORF before the change or significantly affect the level of TORF rates).</p> <p>In reviewing and deciding on such changes, QBS shall, to the utmost extent, reflect an objective of ensuring the continued soundness of the determination of TORF, considering the impact of the changes on financial and economic stability, as well as the scope of the referenced contracts and the degree of impact on them.</p> <p>[About a)]</p> <p>In seeking public comment, QBS shall allow a sufficient period so that stakeholders, such as Subscribers, can make full discussions. For the Applicable Period, there was no matter applicable to the above.</p> <p>[About b)]</p> <p>In the event that the definition and calculation method, etc. of TORF, are to be changed, the specific details of the change, the reason for the change, the comments received from Stakeholders through the public comments in the preceding paragraph, the details of consultations with commenters, etc. based on</p> | <p>for the cases when it is determined that a change in the definition and calculation method of TORF constitutes a material change.</p> <p>[About a)]</p> <p>DTTL reviewed the "TORF Operational Rules" and confirmed that, when public comments are sought, the procedures are stipulated as described in "QBS's Responses."</p> <p>In addition, DTTL inquired of the person in charge, and received a response that for the Applicable Period, no public comments were sought.</p> <p>[About b)]</p> <p>DTTL reviewed the "TORF Operational Rules" and confirmed that changes to the definition, calculation method, etc. of TORF, are specified as described in "QBS's Responses."</p> <p>In addition, DTTL inquired of the person in charge, and received a response that for the</p> |
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| consultation period, except where the commenter has requested confidentiality. | <p>the comments (except in cases where the commenters request that the information not be disclosed), and the date of implementation shall be provided at least three months in advance.</p> <p>For the Applicable Period, there was no matter applicable to the above.</p> | Applicable Period, the definition and calculation method of TORF were not changed. |
| 13. Transition | | |
| <p>Administrators should have clear written policies and procedures, to address the need for possible cessation of a Benchmark, due to market structure change, product definition change, or any other condition which makes the Benchmark no longer representative of its intended Interest. These policies and procedures should be proportionate to the estimated breadth and depth of contracts and financial instruments that reference a Benchmark and the economic and financial stability impact that might result from the cessation of the Benchmark.</p> <p>The Administrator should take into account the views of Stakeholders and any relevant Regulatory and National Authorities in determining what policies and procedures are appropriate for a particular Benchmark. These written policies and procedures should</p> | <p>QBS has stipulated in the "TORF Operational Rules" that if the suspension of TORF publication continues for a long time and there is no prospect of improvement, and TORF is judged to have lost its interest rate benchmark characteristics, QBS considers continued suspension of TORF publication, etc.</p> <p>Specifically, QBS envisions the following situation.</p> <ul style="list-style-type: none"> ● If, due to reasons such as structural changes in the Japanese Yen OIS market or other Japanese Yen interest rate derivatives markets, market participants or the relevant authorities no longer recognize the market as an active market, and doubt is raised as to the necessity of its continued existence as a market. ● When publication of TORF conflicts with laws and regulations. | DTTL reviewed the "TORF Operational Rules" and confirmed that the suspension of TORF publication on a continuous basis is stipulated as described in "QBS's Responses." |

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| <p>be Published or Made Available to all Stakeholders.</p> <p>Administrators should encourage Subscribers and other Stakeholders who have financial instruments that reference a Benchmark to take steps to make sure that:</p> <p>a) Contracts or other financial instruments that reference a Benchmark, have robust fall-back provisions in the event of material changes to, or cessation of, the referenced Benchmark; and</p> <p>b) Stakeholders are aware of the possibility that various factors, including external factors beyond the control of the Administrator, might necessitate material changes to a Benchmark.</p> <p>Administrators' written policies and procedures to address the possibility of Benchmark cessation could include the following factors, if determined to be reasonable and appropriate by the Administrator:</p> <p>a) Criteria to guide the selection of a credible, alternative Benchmark such as, but not limited to, criteria that seek to match to the extent practicable the existing Benchmark's</p> | <ul style="list-style-type: none"> ● When the needs of TORF Subscribers for publication have significantly decreased and the impact on the financial and economic sectors is limited even if publication is suspended. ● When the necessity of the market's continued existence is questionable because changes to the definition and calculation methods, etc. of TORF have been considered, but are deemed to be difficult to make. <p>[About a) and b)]</p> <p>QBS has established procedures and policies for the long-term suspension of TORF publication.</p> <ul style="list-style-type: none"> ● This is reviewed and formulated by the Planning and Administration Committee, considering the impact on financial and economic stability of the continued suspension of TORF publication, as well as the scope of the referenced contracts and the degree of impact on them. The decision is made by the Board of Directors after approval by the TORF Oversight Committee. ● In the event of the continued suspension | <p>[About a) and b)]</p> <p>DTTL reviewed the "TORF Operational Rules" and confirmed that the suspension of TORF publication on a continuous basis is stipulated as described in "QBS's Responses."</p> <p>In addition, DTTL inquired of the person in charge, and received a response that for the Applicable Period, there were no matters related to the long-term and continuous suspension of TORF publication.</p> |
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| <p>characteristics (e.g., credit quality, maturities and liquidity of the alternative market), differentials between Benchmarks, the extent to which an alternative Benchmark meets the asset/liability needs of Stakeholders, whether the revised Benchmark is investable, the availability of transparent transaction data, the impact on Stakeholders and impact of existing legislation;</p> <p>b) The practicality of maintaining parallel Benchmarks (e.g., where feasible, maintain the existing Benchmark for a defined period of time to permit existing contracts and financial instruments to mature and publish a new Benchmark) in order to accommodate an orderly transition to a new Benchmark;</p> <p>c) The procedures that the Administrator would follow in the event that a suitable alternative cannot be identified;</p> <p>d) In the case of a Benchmark or a tenor of a Benchmark that will be discontinued completely, the policy defining the period of time in which the Benchmark will continue to be produced in order to permit existing contracts to migrate to an alternative</p> | <p>of TORF publication, QBS considers the continued suspension of TORF publication, including establishing policies and procedures for the calculation and publication of alternative financial benchmarks to TORF.</p> <ul style="list-style-type: none"> ● When considering whether to suspend TORF publication on a continuous basis, QBS seeks public comments and listens to the opinions of market participants, including Subscribers. QBS also consults with the relevant authorities as necessary. ● In seeking public comment, QBS shall allow a sufficient period so that stakeholders, such as Subscribers, can make full discussions, and QBS shall consider carrying out an impact analysis of such change, as appropriate. ● When QBS suspends TORF publication on a continuous basis, it shall announce the timing of the suspension, the reasons for the suspension, the comments received from Stakeholders in the public comments, etc., as described in the preceding paragraph, and the details of consultations with commenters based on those comments, etc., at least six months prior to the suspension. | |
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| <p>Benchmark if necessary; and</p> <p>e) The process by which the Administrator will engage Stakeholders and relevant Market and National Authorities, as appropriate, in the process for selecting and moving towards an alternative Benchmark, including the timeframe for any such action commensurate with the tenors of the financial instruments referencing the Benchmarks and the adequacy of notice that will be provided to Stakeholders.</p> | <p>For the Applicable Period, there were no matters related to the long-term continuous suspension of TORF publication.</p> | |
| 14. Submitter Code of Conduct | | |
| <p>Where a Benchmark is based on Submissions, the following additional Principle also applies:</p> <p>The Administrator should develop guidelines for Submitters ("Submitter Code of Conduct"), which should be available to any relevant Regulatory Authorities, if any and Published or Made Available to Stakeholders.</p> <p>The Administrator should only use inputs or Submissions from entities which adhere to the Submitter Code of Conduct and the Administrator should appropriately monitor and record adherence from Submitters. The Administrator should require Submitters to confirm adherence to the Submitter Code of</p> | <p>QBS does not consider TORF to be an interest rate benchmark which is based on submissions.</p> <p>However, to ensure the transparency and integrity of TORF as a financial benchmark, QBS has established the "TORF Code of Conduct" to be followed by Reporting Brokers. To ensure compliance with the Reporting Broker's Code of Conduct, QBS is required to conduct an internal audit once a year and report the results of the internal audit to QBS. At the same time, QBS also reviewed the internal rules of the Reporting Broker, which stipulate compliance with the Code of Conduct. The "TORF Code of Conduct" is published on its</p> | <p>DTTL reviewed the "TORF Code of Conduct" and confirmed that the Reporting Brokers' compliance with requirements are as set forth in "QBS's Responses."</p> <p>For the internal rules of Reporting Brokers, see "DTTL Procedures" in Principle 5.</p> <p>DTTL also reviewed the QBS website and confirmed that the "TORF Code of Conduct" was published.</p> |

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| <p>Conduct annually and whenever a change to the Submitter Code of Conduct has occurred. The Administrator's oversight function should be responsible for the continuing review and oversight of the Submitter Code of Conduct.</p> <p>The Submitter Code of Conduct should address:</p> <p>a) The selection of inputs;</p> <p>b) Who may submit data and information to the Administrator;</p> <p>c) Quality control procedures to verify the identity of a Submitter and any employee(s) of a Submitter who report(s) data or information and the authorization of such person(s) to report market data on behalf of a Submitter;</p> <p>d) Criteria applied to employees of a Submitter who are permitted to submit data or information to an Administrator on behalf of a Submitter;</p> <p>e) Policies to discourage the interim withdrawal of Submitters from surveys or Panels;</p> <p>f) Policies to encourage Submitters to submit</p> | <p>website.</p> <p>[About a)]</p> <p>The "TORF Code of Conduct" defines the reportable transactions and reportable items for executed transaction data and quote data as the content of rate reporting based on definitions.</p> <p>[About b), c), and d)]</p> <p>The "TORF Code of Conduct" stipulates the notification of the rate reporting department, the person responsible for rate reporting, and the staff performing rate reporting tasks to ensure that appropriate rate reporting is carried out.</p> <p>[About e)]</p> <p>The "TORF Code of Conduct" stipulates that Reporting Brokers must be prepared to cooperate with inquiries and investigations related to rate reporting. In addition, QBS has entered into agreements with Reporting Brokers to provide data for rate reporting. The "TORF Operational Rules" stipulate the procedures to be followed in cases of Reporting Brokers' refusal.</p> | <p>[About a)]</p> <p>DTTL reviewed the "TORF Code of Conduct" and confirmed that it is set forth as described in "QBS's Responses."</p> <p>[About b), c), and d)]</p> <p>DTTL reviewed the "TORF Code of Conduct" and confirmed that it is set forth as described in "QBS's Responses."</p> <p>[About e)]</p> <p>DTTL reviewed the "TORF Code of Conduct" and confirmed that it provides for Reporting Brokers to cooperate with inquiries and investigations related to rate reporting. DTTL also reviewed the "TORF Operational Rules" and confirmed that it stipulates the procedures for the withdrawal of Reporting Brokers.</p> <p>[About f)]</p> <p>DTTL reviewed the "TORF Code of Conduct" and confirmed that it is set forth as described</p> |
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| <p>all relevant data; and</p> <p>g) The Submitters' internal systems and controls, which should include:</p> <ul style="list-style-type: none"> i. Procedures for submitting inputs, including Methodologies to determine the type of eligible inputs, in line with the Administrator's Methodologies; ii. Procedures to detect and evaluate suspicious inputs or transactions, including inter-group transactions, and to ensure the Bona Fide nature of such inputs, where appropriate; iii. Policies guiding and detailing the use of Expert Judgment, including documentation requirements; iv. Record keeping policies; v. Pre-Submission validation of inputs, and procedures for multiple reviews by senior staff to check inputs; vi. Training, including training with respect to any relevant regulation(covering Benchmark regulation or any market abuse regime); vii. Suspicious Submission reporting; viii. Roles and responsibilities of key personnel and accountability lines; ix. Internal sign off procedures by management for submitting inputs; | <p>[About f)]</p> <p>The "TORF Code of Conduct" sets forth the framework for rate reporting based on the definitions and for ensuring appropriate rate reporting.</p> <p>[About g)]</p> <p>The "TORF Code of Conduct" stipulates the development of each of the following systems.</p> <ul style="list-style-type: none"> •Implementation of internal audits to confirm the appropriateness of reporting rates and compliance with the Code of Conduct •Establishment of processes to enable post-reporting explanations on reporting rates •Retention of communication records regarding rate reporting for five years •Implementation of internal training on the "TORF Code of Conduct" | <p>in "QBS's Responses."</p> <p>[About g)]</p> <p>DTTL reviewed the "TORF Code of Conduct" and confirmed that it is set forth as described in "QBS's Responses."</p> <p>In addition, DTTL reviewed the minutes of the TORF Oversight Committee meetings and confirmed that the results of the internal audit by Reporting Brokers had been reported to and confirmed by the TORF Oversight Committee.</p> |
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| <p>x. Whistle blowing policies (in line with Principle 4); and</p> <p>xi. Conflicts of interest procedures and policies, including prohibitions on the Submission of data from Front Office Functions unless the Administrator is satisfied that there are adequate internal oversight and verification procedures for Front Office Function Submissions of data to an Administrator (including safeguards and supervision to address possible conflicts of interests as per paragraphs (v) and (ix) above), the physical separation of employees and reporting lines where appropriate, the consideration of how to identify, disclose, manage, mitigate and avoid existing or potential incentives to manipulate or otherwise influence data inputs (whether or not in order to influence the Benchmark levels), including, without limitation, through appropriate remuneration policies and by effectively addressing conflicts of interest which may exist between the Submitter's Submission activities (including all staff who perform or otherwise participate in Benchmark Submission responsibilities), and any other business of the Submitter or of any of its affiliates or any of their respective</p> | | |
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| clients or customers. | | |
| 15. Internal Controls over Data Collection | | |
| <p>When an Administrator collects data from any external source the Administrator should ensure that there are appropriate internal controls over its data collection and transmission processes. These controls should address the process for selecting the source, collecting the data and protecting the integrity and confidentiality of the data. Where Administrators receive data from employees of the Front Office Function, the Administrator should seek corroborating data from other sources.</p> | <p>QBS obtains the data necessary to calculate TORF from each Reporting Broker. As described in Responses to Principle 2, Principle 3, Principle 4, and Principle 10, QBS has established internal control over data collection. The specifics are as follows.</p> <ul style="list-style-type: none"> ● Both the rate reporting system from the Reporting Brokers and the TORF calculation system are duplexed. Procedures to deal with problems are established, and failure training is conducted. ● To maintain the quality and integrity of TORF, in addition to checking data at regular points in the daily calculation process using the system, the calculation staff and the authorizer on the day of calculation check the operating status of the system, receive files, and check for deviations from the values adopted the previous day, as described in Principle 3. ● QBS conducts regular monitoring of the reporting rate on a quarterly basis and verifies the validity of the official rate after the fact by collecting and analyzing basic data on the Japanese yen OIS market. | <p>For internal control over the collection of data from Reporting Brokers, see "DTTL Procedures" in Principles 2 through 4 and Principle 10.</p> |

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| | <ul style="list-style-type: none"> As part of risk management for operational risk, etc., a backup system for checking the calculation process, which is independent from the TORF calculation system, is always in operation, and the person in charge of the calculation work checks both systems. In addition, access to the TORF calculation and publication system is limited to those in charge of calculation operations and system administrators, and a system for appropriate management has been established. | |
| Accountability | | |
| 16. Complaints Procedures | | |
| <p>The Administrator should establish and Publish or Make Available a written complaints procedures policy, by which Stakeholders may submit complaints including concerning whether a specific Benchmark determination is representative of the underlying Interest it seeks to measure, applications of the Methodology in relation to a specific Benchmark determination(s) and other Administrator decisions in relation to a Benchmark determination.</p> <p>The complaints procedures policy should:</p> | <p>QBS has decided to establish a consultation desk to receive consultations and complaints from TORF Subscribers, etc., in accordance with the "TORF Operational Rules" and "Complaints Consultation Management Rule of TORF," and has published the information on the complaint and consultation desk on its website.</p> <p>The "Complaints Consultation Management Rule of TORF" stipulates that QBS accepts complaints and consultations in good faith and responds to them fairly and appropriately.</p> | <p>DTTL reviewed the "TORF Operational Rules" and "Complaints Consultation Management Rule of TORF," and confirmed that they are in place as described in "QBS's Responses."</p> <p>DTTL also reviewed the QBS website and confirmed that the complaint and consultation services were publicly available.</p> <p>[About a)]</p> |

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| <p>a) Permit complaints to be submitted through a user-friendly complaints process such as an electronic Submission process;</p> <p>b) Contain procedures for receiving and investigating a complaint made about the Administrator's Benchmark determination process on a timely and fair basis by personnel who are independent of any personnel who may be or may have been involved in the subject of the complaint, advising the complainant and other relevant parties of the outcome of its investigation within a reasonable period and retaining all records concerning complaints;</p> <p>c) Contain a process for escalating complaints, as appropriate, to the Administrator's governance body; and</p> <p>d) Require all documents relating to a complaint, including those submitted by the complainant as well as the Administrator's own record, to be retained for a minimum of five years, subject to applicable national legal or regulatory requirements.</p> | <p>[About a)] QBS accepts complaints and consultations via e-mail and telephone. In addition, the contact information for receiving such inquiries is available on its website.</p> <p>[About b)] The "Complaints Consultation Management Rule of TORF" stipulates a system to ensure independence in investigating complaints and consultations by, depending on the nature of the complaint or consultation, excluding the person in charge of the complaint or consultation from the person conducting the investigation.</p> <p>[About c)] The Oversight Committee Office, which has established a complaint and consultation desk, checks the content, facts, and response measures of complaints and consultations received, classifies them into complaints and consultations, and reports the results to the TORF Oversight Committee on a regular basis. The TORF Oversight Committee reviews the content of the reported complaints and consultations and the status of the response</p> | <p>DTTL reviewed the QBS website and confirmed that the contact information was disclosed as described in "QBS's Responses."</p> <p>[About b)] DTTL reviewed the "Complaints Consultation Management Rule of TORF" and confirmed that they are set forth as described in "QBS's Responses."</p> <p>[About c)] DTTL reviewed the "Complaints Consultation Management Rule of TORF" and confirmed that they are set forth as described in "QBS's Responses." DTTL also reviewed the minutes of the TORF Oversight Committee meetings and regular monitoring documents and confirmed that they were reported to the TORF Oversight Committee as described in "QBS's Responses."</p> |
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| <p>Disputes about a Benchmarking determination, which are not formal complaints, should be resolved by the Administrator by reference to its standard appropriate procedures. If a complaint results in a change in a Benchmark determination, that should be Published or Made Available to Subscribers and Published or Made Available to Stakeholders as soon as possible as set out in the Methodology.</p> | <p>and, if necessary, recommends to the Board of Directors the necessary actions, including the commissioning of a review of benchmarks to an external organization.</p> <p>[About d)]</p> <p>QBS stipulates that the receipt of complaints and consultations, as well as the status of responses to such complaints and consultations, shall be recorded and stored together with related materials for five years.</p> <p>For the Applicable Period, there were no complaints or appeals regarding the operation of TORF or the Official rates, etc. Inquiries and consultations regarding TORF are responded to on an individual basis.</p> | <p>[About d)]</p> <p>DTTL reviewed the “Complaints Consultation Management Rule of TORF” and confirmed that they are set forth as described in "QBS’s Responses.”</p> <p>In addition, DTTL inquired of the person in charge, and received a response that for the Applicable Period, the confirmation of external opinions, such as responses to complaints and consultations, is as described in "QBS’s Responses.”</p> |
| <p>17. Audits</p> | | |
| <p>The Administrator should appoint an independent internal or external auditor with appropriate experience and capability to periodically review and report on the Administrator’s adherence to its stated criteria and with the Principles. The frequency of audits should be proportionate to the size and complexity of the Administrator’s operations. Where appropriate to the level of existing or potential conflicts of interest identified by the</p> | <p>On an annual basis, in principle, QBS shall be subject to internal audits, and external audits by an independent auditor with adequate experience and abilities, on the execution of the TORF calculation and publication operations, establishment of processes/procedures required under the “TORF Operational Rules,” and on the review of the TORF administration framework (including reviewing the definitions and calculation</p> | <p>DTTL reviewed the “TORF Operational Rules” and confirmed that the rules are set forth as described in "QBS’s Responses.”</p> <p>DTTL also reviewed the minutes of the TORF Oversight Committee meetings and confirmed that the internal audit results had been reported.</p> <p>The Independent Assurance Report is provided in Section 3.</p> |

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| <p>Administrator (except for Benchmarks that are otherwise regulated or supervised by a National Authority other than a relevant Regulatory Authority), an Administrator should appoint an independent external auditor with appropriate experience and capability to periodically review and report on the Administrator's adherence to its stated Methodology. The frequency of audits should be proportionate to the size and complexity of the Administrator's Benchmark operations and the breadth and depth of Benchmark use by Stakeholders.</p> | <p>methods).</p> <p>For the Applicable Period, QBS conducted an internal audit and reported to the TORF Oversight Committee that no matters were found that would materially affect the operation of the TORF calculation. DTTL was appointed as the external auditor to perform the external assurance engagements for the year.</p> | |
| 18. Audit Trail | | |
| <p>Written records should be retained by the Administrator for five years, subject to applicable national legal or regulatory requirements on:</p> <p>a) All market data, Submissions and any other data and information sources relied upon for Benchmark determination;</p> <p>b) The exercise of Expert Judgment made by the Administrator in reaching a Benchmark determination;</p> <p>c) Other changes in or deviations from</p> | <p>QBS stipulates in the "TORF Operational Rules" that the records required by the IOSCO Principles shall be appropriately retained for five years from the time they are created.</p> <p>[About a]) The reporting rate and the official rate used to calculate the TORF are stored in a database for five years.</p> <p>[About b]) As stated in the response to Principle 6, QBS does not use expert judgment in the TORF calculation, but when expert judgment is used,</p> | <p>DTTL reviewed the "TORF Operational Rules" and confirmed that the rules are set forth as described in "QBS's Responses."</p> <p>[About a]) DTTL reviewed the extracted documents related to the TORF calculation process during the verification period and confirmed that the reporting rate and the official rate were stored in a database.</p> <p>[About b]) DTTL reviewed the "TORF Operational Rules"</p> |

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| <p>standard procedures and Methodologies, including those made during periods of market stress or disruption;</p> <p>d) The identity of each person involved in producing a Benchmark determination; and</p> <p>e) Any queries and responses relating to data inputs.</p> <p>If these records are held by a Regulated Market or Exchange the Administrator may rely on these records for compliance with this Principle, subject to appropriate written record sharing agreements.</p> | <p>QBS keeps a record of it for five years.</p> <p>[About c)]</p> <p>The records of deviations from standard procedures are kept for five years as specified in the "TORF Operational Rules."</p> <p>For the Applicable Period, there were no cases of deviation from standard procedures in the TORF calculation.</p> <p>[About d)]</p> <p>Records of the members of the TORF Oversight Committee and the Planning and Administration Committee are kept for five years. In addition, the names and other identities of the persons in charge of daily calculations are stored for five years.</p> <p>[About e)]</p> <p>QBS keeps a record of the contents of e-mail and telephone inquiries received at the complaint consultation desk and the responses for five years.</p> | <p>and confirmed that the rules are set forth as described in "QBS's Responses."</p> <p>In addition, DTTL inquired of the person in charge, and received a response that no expert judgment was used in the TORF calculation.</p> <p>[About c)]</p> <p>DTTL reviewed the "TORF Operational Rules" and confirmed that the rules are set forth as described in "QBS's Responses."</p> <p>In addition, DTTL inquired of the person in charge, and received a response that for the Applicable Period, there were no cases of deviation from the standard procedures in TORF calculation.</p> <p>[About d)]</p> <p>DTTL reviewed the "TORF Operational Rules" and confirmed that the rules are set forth as described in "QBS's Responses."</p> <p>DTTL also reviewed the "Employee Register" and confirmed that the names of the members of the TORF Oversight Committee and the Planning and Administration Committee, as well as the names of the persons in charge of the day-to-day calculation operations, were included.</p> |
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| | | <p>[About e)]</p> <p>DTTL reviewed the "Complaints Consultation Management Rule of TORF" and confirmed that it is set forth as described in the "QBS's Responses."</p> <p>DTTL reviewed the "Complaint and Consultation Receipt History" and confirmed that the content of the inquiry and the response were included.</p> |
| <p>When a Benchmark is based on Submissions, the following additional Principle also applies:</p> <p>Submitters should retain records for five years subject to applicable national legal or regulatory requirements on:</p> <p>a) The procedures and Methodologies governing the Submission of inputs;</p> <p>b) The identity of any other person who submitted or otherwise generated any of the data or information provided to the Administrator;</p> <p>c) Names and roles of individuals responsible for Submission and Submission oversight;</p> <p>d) Relevant communications between</p> | <p>QBS does not consider TORF to be an interest rate benchmark which is based on submissions.</p> <p>However, to ensure the transparency and integrity of TORF as a financial benchmark, QBS has stipulated in the "TORF Code of Conduct," as a matter to comply with, that Reporting Brokers must keep various records for five years.</p> <p>[About a)]</p> <p>Records related to internal rules and internal training for Reporting Brokers to ensure their compliance with the "TORF Code of Conduct"</p> <p>[About b) and c)]</p> <p>Notification to QBS regarding the department responsible for appropriate and accurate rate</p> | <p>DTTL reviewed the "TORF Code of Conduct" and confirmed that it requires Reporting Brokers to keep various records for five years.</p> |

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| <p>submitting parties;</p> <p>e) Any interaction with the Administrator;</p> <p>f) Any queries received regarding data or information provided to the Administrator;</p> <p>g) Declaration of any conflicts of interests and aggregate exposures to Benchmark related instruments;</p> <p>h) Exposures of individual traders/desks to Benchmark related instruments in order to facilitate audits and investigations; and</p> <p>i) Findings of external/internal audits, when available, related to Benchmark Submission remedial actions and progress in implementing them.</p> | <p>reporting, the person responsible for rate reporting, and staff performing rate reporting tasks</p> <p>[About d)] Records related to the generation of reporting rates and communication records related to rate reporting</p> <p>[About e) and f)] Records on the details of inquiries and the responses to inquiries concerning rate reporting</p> <p>[About g) and h)] Materials related to conflicts of interest issues concerning rate reporting, and detailed information on exposures to TORF-referencing products when they arise</p> <p>[About i)] Documents submitted for internal audits confirming compliance with the Code of Conduct and related materials</p> | |
| 19. Cooperation with Regulatory Authorities | | |
| Relevant documents, Audit Trails and other documents subject to these Principles shall be made readily available by the relevant parties | QBS is designated as a Specified Financial Benchmark Administrator under the Financial Instruments and Exchange Act and works | DTTL reviewed the "TORF Operational Rules" and confirmed that submissions, reports, etc. to the relevant authorities are set forth as |

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| to the relevant Regulatory Authorities in carrying out their regulatory or supervisory duties and handed over promptly upon request. | closely with the Financial Services Agency. In addition, the "TORF Operational Rules" stipulate that QBS promptly cooperates with any request from regulatory authorities to submit or report on the stored records or audit results. | described in "QBS's Responses." |
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