

October 31, 2008
Bank of Japan

**Establishment of Principal Terms and Conditions of Complementary
Deposit Facility as a Temporary Measure to Facilitate Supplying of Funds**

At the Monetary Policy Meeting held today, the Policy Board of the Bank of Japan decided to establish Principal Terms and Conditions of Complementary Deposit Facility as a Temporary Measure to Facilitate Supplying of Funds with the aim of ensuring stability in financial markets through further facilitating money market operations (see Attachment for the full text of the Principal Terms and Conditions).

**Principal Terms and Conditions of Complementary Deposit Facility as a
Temporary Measure to Facilitate Supplying of Funds**

1. Purpose

These Terms and Conditions prescribe the principles of payment of interest on current account balances (excluding the balances of current account for simultaneous processing of DVP and collateralization and current account with queuing and offsetting facility) and the special reserve account balances at the Bank of Japan as a temporary measure to facilitate funds-supplying operations with the aim of ensuring stability in financial markets.

2. Eligible Institutions

Institutions shall satisfy one of the eligibility criteria listed below and shall have no particular obstacles to become eligible.

- (1) Institutions shall be designated financial institutions (DFIs) as defined in Article 2 of the Law Concerning Reserve Deposit Requirement System (Law No.135, 1957).
- (2) Institutions which are not DFIs shall have a current account at the Bank and be either financial institutions (as defined in Article 37, Paragraph 1 of the Bank of Japan Law, Law No.89, 1997, excluding the Resolution and Collection Corporation and bridge banks [as defined in Article 2, Paragraph 13 of the Deposit Insurance Law, Law No.34, 1971]), financial instruments firms (Article 10, Paragraph 1, Clause 2 of the Bank of Japan Law Enforcement Order [Order No. 385 of 1997]) that conduct the first financial instruments business (Article 28, Paragraph 1 of the Financial Instruments and Exchange Law, Law No. 25, 1948), securities finance companies

(Article 10, Paragraph 1, Clause 3 of the Order), or *tanshi* companies (Article 10, Paragraph 1, Clause 4 of the Order).

3. Balances on Which Interest is Paid

Current account balances and special reserve account balances at the Bank.

4. Interest Rate

(1) The targeted uncollateralized overnight call rate decided at the Monetary Policy Meeting less a spread that will be determined by the Bank.

(2) When the rate stipulated in (1) above changes during a reserve maintenance period stipulated in 5, the lowest rate will be applied.

5. Calculation of Interest Paid

The interest each institution receives for a reserve maintenance period is calculated by multiplying aggregated excess reserve balances and the rate stipulated in 4 divided by 365. Aggregated excess reserve balances are the sum of balances held by an institution at the end of each day during a reserve maintenance period (one month as defined in Article 7, Paragraph 3 of the Law Concerning Reserve Deposit Requirement System) less the product of the amount of required reserve per day (as defined in Article 2, Paragraph 2 of the Law Concerning Reserve Deposit Requirement System) of the institution at the month from which the reserve maintenance period starts and the number of days of the month.

6. Payment of Interest

The interest for a reserve maintenance period will be credited to the institution's current account or special reserve account at the Bank by the 20th day of the month, two months after the month from which the reserve maintenance period starts. When the 20th day of the month is a holiday, the interest will be credited to the institution's current account or special reserve account at the Bank by the next business day.

7. The Period in which Interest is Paid

The payment of interest under these terms and conditions will begin in the reserve maintenance period starting on November 16, 2008, and end in the reserve maintenance period starting on March 16, 2009.

(Supplementary Provision)

These terms and conditions shall become effective today and shall be valid until the termination of the procedure of the last payment of interest stipulated in 7 above.