

January 29, 2016

Bank of Japan

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

At the Monetary Policy Meeting held on January 28 and 29, 2016, the Policy Board of the Bank of Japan made the following decisions with the aim of facilitating money market operations.

1. The Bank shall amend the "Principal Terms and Conditions of Complementary Deposit Facility as a Temporary Measure to Facilitate Supplying of Funds" (see Attachment 1).
2. The Bank shall amend the "Temporary Rules regarding Funds-Supplying Operation against Pooled Collateral" (see Attachment 2).

**"Principal Terms and Conditions of Complementary Deposit Facility"
(Full amendment)**

1. Purpose

These Terms and Conditions prescribe the principles of interest on current account balances and the special reserve account balances at the Bank of Japan with the aim of facilitating money market operations.

2. Eligible Institutions

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

(1) Institutions shall be designated financial institutions (hereinafter referred to as the "DFIs") as defined in Article 2, Paragraph 1 of the Law Concerning Reserve Deposit Requirement System (Law No. 135, 1957, hereinafter referred to as the "Law").

(2) Institutions which are not DFIs shall have a current account at the Bank and shall be financial institutions, etc. as defined in Article 37, Paragraph 1 of the Bank of Japan Act (Act No. 89, 1997).

3. Balances on Which Interest is Paid

Current account balances and the special reserve account balances at the Bank (hereinafter referred to as the "CABs").

4. Interest Rate

(1) The interest rate applied to the average amount of CAB during a reserve

maintenance period (as defined in Article 7, Paragraph 3 of the Law) for which interest is calculated (hereinafter referred to as the "Designated Reserve Maintenance Period" or "DRMP") shall be 0% per annum up to the amount of required reserve per day (as defined in Article 2, Paragraph 2 of the Law) during the DRMP.

- (2) The interest rate applied to the average amount of CAB during the DRMP subtracted by the amount of required reserve per day during the DRMP (excluding the case where such amount is negative) shall be +0.1% per annum up to the average amount of CAB between the reserve maintenance period starting from January 16, 2015 and the reserve maintenance period starting from December 16, 2015 (hereinafter referred to as the "Benchmark Balance") subtracted by the amount of required reserve per day during the DRMP (excluding the case where such amount is negative).
- (3) The interest rate applied to the average amount of CAB during the DRMP, subtracted by the amount of required reserve per day during the DRMP and the amount stipulated in (2) above (excluding the case where such amount is negative), shall be 0% per annum up to the amount of the sum of (a) and (b) below.
 - (a) The amount calculated by multiplying the Benchmark Balance by a certain ratio specified by the Bank (hereinafter referred to as the "Benchmark Ratio").
 - (b) The average amount of yen-denominated loans under the "Principal Terms and Conditions for the Loan Support Program" (Policy Board Decision on December 20, 2012) and the "Principal Terms and Conditions for the Funds-Supplying Operation to Support Financial Institutions in Disaster Areas" (Policy Board Decision on April 28, 2011) during the DRMP.
- (4) The interest rate applied to the average amount of CAB during the DRMP,

subtracted by the amount of required reserve per day during the DRMP, the amount stipulated in (2) above and the amount of (3) above, shall be -0.1% per annum (excluding the case where such amount is negative).

5. Calculation of Interest

- (1) The interest each institution receives or pays is calculated based on the interest rate stipulated in Paragraph 4. for each DRMP.
- (2) When the Bank recognizes that an eligible institution increases substantially its vault cash holding during the DRMP compared to its vault cash holding between the reserve maintenance period starting from January 16, 2015 and the reserve maintenance period starting from December 16, 2015, an amount, such as an increased amount of vault cash holding, specified by the Bank shall be subtracted from the amounts stipulated in Paragraph 4. (3) and 4. (2) in this order. The amount shall be added to the amount stipulated in Paragraph 4. (4).

6. Review of the Benchmark Ratio

The Benchmark Ratio stipulated in Paragraph 4. (3) (a) shall be zero initially, and shall be reviewed, taking account of change in the total amount of CABs held by eligible institutions.

Supplementary Provisions

These amendments shall become effective on February 16, 2016.

"Temporary Rules regarding Funds-Supplying Operation against Pooled Collateral" (Full amendment)

The interest rates listed below shall be 0%, regardless of the provisions in the relevant Principal Terms and Conditions.

1. The Interest rate on loans disbursed based on the fixed-rate method stipulated in Paragraph 6. (1) (b) of the "Principal Terms and Conditions for Funds-Supplying Operations against Pooled Collateral" (Policy Board Decision on April 11, 2006).
2. The interest rate stipulated in Paragraph 6. (1) of the "Principal Terms and Conditions for the Fund-Supplying Operation to Support Financial Institutions in Disaster Areas" (Policy Board Decision on April 28, 2011).
3. The interest rate stipulated in Paragraph 6. (1) of the "Principal Terms and Conditions for the Fund-Provisioning Measure to Support Strengthening the Foundations for Economic Growth Conducted through the Loan Support Program" (Policy Board Decision on June 15, 2010).
4. The interest rate stipulated in 5. (3) and 6. (2) of the "Principal Terms and Conditions for the Fund-Provisioning Measure to Stimulate Bank Lending Conducted through the Loan Support Program" (Policy Board Decision on December 20, 2012).

Supplementary Provisions

1. These amendments shall become effective on February 16, 2016.

2. The interest rate on existing loans listed below under the "Principal Terms and Conditions for the Fund-Provisioning Measure to Support Strengthening the Foundations for Economic Growth Conducted through the Loans Support Program" or the "Principal Terms and Conditions for the Fund-Provisioning Measure to Stimulate Bank Lending Conducted through the Loan Support Program" shall be 0% on or after the day specified respectively.

(1) The loans which the counterparty has an option to prepay on or after February 16, 2016

The day on which the counterparty may prepay such loans on or after February 16, 2016

(2) The loans starting on or before March 31, 2014, the period of which will reach approximately a year or 2 years on or after February 16, 2016 from their initial disbursement or rollover

The day when approximately a year or 2 years will have passed on and after February 16, 2016 since the day the loan was initially extended or rolled over