

March 15, 2016

Bank of Japan

Amendment to "Principal Terms and Conditions of Complementary Deposit Facility"

At the Monetary Policy Meeting held on March 14 and 15, 2016, the Policy Board of the Bank of Japan made the decisions following 1., 2. and 3. with the aim of facilitating money market operations.

In accordance with the above decisions of the Policy Board, the Bank will conduct the complementary deposit facility in the manner following 4.

1. The Bank shall amend the "Principal Terms and Conditions of Complementary Deposit Facility" (see Attachment 1, hereinafter referred to as the "Principal Terms and Conditions").
2. The Governor of the Bank shall have the authority to review the Benchmark Ratio and to make exceptions, stipulated in 6. and 7. of the Principal Terms and Conditions, respectively.
3. In light of the functions of the money reserve funds (hereinafter referred to as the "MRFs") for settlement of securities trading, the amount outstanding of MRFs entrusted to an institution (up to the amount outstanding of the previous year) shall be added to the Macro Add-on Balance of the institution (see Attachment 2).
4. The Benchmark Ratio stipulated in 4. (3) (a) of the Principal Terms and Conditions shall be reviewed and announced in the following manner.

- (1) The Benchmark Ratio shall be zero (no change) during the reserve maintenance period starting from March 16, 2016.
- (2) The Benchmark Ratio during the reserve maintenance periods starting from April 16 and May 16, 2016 shall be announced in the first half of April 2016¹.
- (3) On and after June 16, 2016, the Benchmark Ratio shall be reviewed, in principle, every three reserve maintenance periods, and shall be announced in the first half¹ of each respective month of reviewing (June, September, December and March).

¹ The Benchmark Ratio will be announced at around five business days prior to the starting date of each reserve maintenance period.

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- Paragraph 6. shall be amended as follows.

6. Review of the Benchmark Ratio

(1) The Benchmark Ratio stipulated in Paragraph 4. (3) (a) shall be zero initially, and shall be reviewed, in principle, every three reserve maintenance periods, taking account of developments in trading activity in the money markets, in order to change the total amount stipulated in Paragraph 4. (3) held by eligible institutions generally in accordance with changes in the total amount of CABs held by eligible institutions.

(2) When the Bank reviews the Benchmark Ratio, the Bank shall announce the Ratio.

- The following paragraph 7. shall be added after paragraph 6.

7. Exception

If the Bank specifically deems it practically necessary in order to conduct money market operations smoothly, in accordance with the purpose of the complementary deposit facility, the Bank can make exceptions to the terms and conditions stipulated from Paragraph 2. to Paragraph 6. above.

(Supplementary Provision)

Those amendments shall become effective today.

Special Rules for Calculation of Interest of Complementary Deposit Facility

1. Purpose

In light of the functions of the money reserve funds for settlement of securities trading, for the time being, the Bank established special rules for calculation of interest of complementary deposit facility, stipulated in Paragraph 5. of the "Principal Terms and Conditions of Complementary Deposit Facility" (Policy Board Decision on January 29, 2016, hereinafter referred to as the "Principal Terms and Conditions").

2. Calculation of Interest

In calculating the interest of an institution which is a trustee of a money reserve fund (in case sub trust is conducted for a money reserve fund, an institution which is a sub trustee of the money reserve fund), the smaller of the following two is added to the amount of the sum of Paragraph 4. (3) (a) and (b) of the Principal Terms and Conditions.

(1) The amount outstanding of money reserve funds entrusted to the institution during the Benchmark Period.

(2) The amount outstanding of money reserve funds entrusted to the institution during the Designated Reserve Maintenance Period.

(Supplementary Provision)

Those special rules shall be applied to calculation of interest on and after the reserve maintenance period starting from April 16, 2016.