

December 2, 2008

Bank of Japan

Introduction of Money Market Operation Measures to Facilitate Corporate Financing

1. Since September, when the turmoil in global financial markets and in the U.S. and European financial systems increased in severity, the Bank has undertaken various money market operation measures to ensure stability in Japan's financial markets. These include the introduction of U.S. dollar funds-supplying operations and the Complementary Deposit Facility, and an expansion in the range of JGBs eligible for the Bank's repo operations as well as a substantial increase in the size of CP repo operations. Against the backdrop of these actions, Japan's financial markets remain relatively stable compared to those in the United States and Europe. However, financial conditions in Japan have become less accommodative on the whole, as the financial positions of small firms have deteriorated and an increasing number of large firms have faced a worsening in funding conditions in the markets.

2. At the unscheduled Monetary Policy Meeting held today, the Policy Board of the Bank of Japan decided, in view of facilitating corporate financing during the run-up to the calendar and fiscal year-end, to take the following temporary actions effective through April 30, 2009.

- a. Expansion in the range of corporate debt as eligible collateral
Regarding the treatment of corporate debt as the Bank's eligible collateral, the Bank will ease the criteria on credit ratings from "A-rated or higher" to "BBB-rated or higher." The collateral prices for

newly accepted BBB-rated corporate bonds and loans on deeds will be set as shown in Attachment 1. This action will become effective on December 9.

b. Implementation of a new operation utilizing corporate debt

The Bank will introduce, as a measure to enhance flexibility in funds-supplying operations collateralized by corporate debt, a new operation that provides funds over the fiscal year-end at an interest rate equivalent to the target for the uncollateralized overnight call rate. This new operation will be conducted for an unlimited amount against the value of corporate debt pledged as the standing pool of eligible collateral (see Attachment 2 for the outline of the operation). The principal terms and conditions for the new operation will be decided at the Monetary Policy Meeting to be held on December 18 and 19, and necessary arrangements will be made for the implementation of the operation in January 2009.

3. The Bank will make efforts to ensure market stability during the run-up to the calendar and fiscal year-end by conducting appropriate money market operations, utilizing the existing and newly-introduced measures.

Collateral Prices of Newly Eligible Corporate Bonds and Loans on Deeds to Companies

Corporate Bonds

	A residual maturity of					
	Up to 1 year	1~5 years	5~10 years	10~20 years	20~30 years	More than 30 years
Collateral prices (difference with those of A-rated bonds that are currently eligible)	97% of market price (±0%)	96% (±0%)	95% (±0%)	89% (▲4%)	83% (▲8%)	80% (▲10%)

Loans on Deeds to Companies

	A residual maturity of				
	Up to 1 year	1~3 years	3~5 years	5~7 years	7~10 years
Collateral prices (difference with those of A-rated loans that are currently eligible)	95% of outstanding principal balance (▲1%)	86% (▲4%)	75% (▲5%)	70% (▲5%)	60% (▲5%)

Summary of the New Operations Utilizing Corporate Debt

1. Eligible Counterparties

Financial institutions that are already counterparties in the Bank's Funds-Supplying Operations against Pooled Collateral at All Offices and wish to be counterparties for this operation.

2. Form of Loans

Loans shall be provided in the form of electronic lending (the same form as the Bank's Funds-Supplying Operations against Pooled Collateral).

3. Duration of Loans

Within 3 months (the maturity date shall be no later than April 30, 2009).

4. Loan Rates

An average of the target for the uncollateralized overnight call rates during the period in which loans are extended.

5. Total Amount of Loans

Unlimited.

6. Maximum Loan Amounts for Each Counterparty

The collateral value of corporate bonds, CP, bills drawn by companies, and loans on deeds to companies pledged by each counterparty as the standing pool of eligible collateral to the Bank.

7. Collateral

The standing pool of eligible collateral pledged by an eligible counterparty to the Bank.