

October 30, 2009

Bank of Japan

## Statement on Monetary Policy

At the Monetary Policy Meeting held today, the Policy Board of the Bank of Japan made the following decisions on the future conduct of monetary policy and various temporary measures regarding money market operations.

### 1. Monetary policy

The Bank will maintain the extremely accommodative financial environment for some time by holding interest rates at their current low levels and providing ample funds sufficient to meet demand in financial markets.

The Policy Board decided, by a unanimous vote,<sup>1</sup> to set the following guideline for money market operations for the intermeeting period:

The Bank of Japan will encourage the uncollateralized overnight call rate to remain at around 0.1 percent.

### 2. Temporary measures regarding money market operations<sup>2</sup>

In order to address extreme contraction of financial markets, the Bank introduced various temporary measures, including extraordinary ones for a central bank such as outright purchases of CP and corporate bonds, since the autumn of 2008. Japan's financial environment, with some lingering severity, has been increasingly showing signs of improvement, particularly in the CP and corporate bond markets. Going forward, in order to ensure financial market stability and thereby facilitate corporate financing, it becomes necessary to adopt the most effective method for money market operations that conforms to changes in financial markets. Based on this understanding, the Bank made the following decisions on the temporary measures.

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<sup>1</sup> Voting for the action: Mr. M. Shirakawa, Mr. H. Yamaguchi, Mr. K. G. Nishimura, Ms. M. Suda, Mr. A. Mizuno, Mr. T. Noda, Mr. S. Nakamura, and Mr. H. Kamezaki. Voting against the action: None.

<sup>2</sup> Mr. A. Mizuno voted against the expiration of special funds-supplying operations to facilitate corporate financing at the end of March 2010 and that of outright purchases of corporate bonds at the end of 2009.

(1) Special funds-supplying operations to facilitate corporate financing

Special funds-supplying operations to facilitate corporate financing will remain in effect until the end of March 2010, in order to ensure financial market stability toward the end of the fiscal year, and will expire. From April 2010 onward, the Bank will be prepared to provide ample liquidity mainly through funds-supplying operations against pooled collateral, which accept a wider range of collateral.

(2) Outright purchases of CP and corporate bonds

Outright purchases of CP and corporate bonds will expire at the end of 2009 as scheduled, given that issuing conditions in the CP and corporate bond markets have been improving markedly and thus the purpose of the purchases to restore market functioning has been achieved.

(3) Expansion in the range of eligible collateral

Expansion in the range of corporate debt and asset-backed commercial paper eligible as collateral will remain in effect until the end of 2010, given that it is serving an important role in facilitating corporate financing.

(4) Complementary deposit facility

The complementary deposit facility will remain in effect for the time being, from a viewpoint of ensuring smooth conduct of money market operations while providing ample funds sufficient to meet liquidity demand in financial markets.

(Reference)

Meeting hours:

October 30: 9:00-13:00

Policy Board members present:

Masaaki Shirakawa (Governor)

Hirohide Yamaguchi (Deputy Governor)

Kiyohiko G. Nishimura (Deputy Governor)

Miyako Suda

Atsushi Mizuno

Tadao Noda

Seiji Nakamura

Hidetoshi Kamezaki

(Others present)

From the Ministry of Finance:

Yoshihiko Noda, Senior Vice Minister of Finance (9:00-12:35,12:45-13:00)

From the Cabinet Office:

Keisuke Tsumura, Parliamentary Vice-Minister (9:00-12:35,12:45-13:00)

Release of the minutes:

8:50 on Thursday, November 26