Amendments to "Principal Terms and Conditions for the Outright Purchase/Sale of Japanese Government Bonds"

At the Monetary Policy Meeting held today, the Policy Board of the Bank of Japan decided, in accordance with the inclusion of floating-rate bonds and inflation-indexed bonds to the list of eligible JGBs for the outright purchase (decided at the Monetary Policy Meeting held on December 18 and 19, 2008), to amend “Principal Terms and Conditions for the Outright Purchase/Sale of Japanese Government Bonds” (see Attachment).
Amendments to "Principal Terms and Conditions for the Outright Purchase/Sale of Japanese Government Bonds"

- Paragraph 4. shall be amended as follows.

4. Bonds to be Purchased/Sold

   (1) Japanese government bonds with coupons excluding floating-rate bonds and inflation-indexed bonds (among those issued not more than a year ago, the latest 2 issues of each maturity are excluded).

   (2) Floating-rate bonds and inflation-indexed bonds (among both of those issued not more than a year ago, the latest 2 issues of each maturity are excluded).

- Paragraph 5. shall be amended as follows.

5. Method for Auctions

   (1) Method for Japanese government bonds excluding floating-rate bonds and inflation-indexed bonds

       A multiple-price competitive auction shall be conducted for each purchase/sale where counterparties bid "yield spreads," which are calculated by subtracting the "benchmark yields" (yields which the Bank respectively determines for each issue with consideration for market price) from the yield at which counterparties desire to purchase/sell bonds from/to the Bank.

   (2) Method for floating-rate bonds and inflation-indexed bonds
A multiple-price competitive auction shall be conducted for each purchase/sale where counterparties bid "price spreads," which are calculated by subtracting the "benchmark prices" (prices which the Bank respectively determines for each issue with consideration for market prices) from the prices at which counterparties desire to purchase/sell bonds from/to the Bank.

- Paragraph 6. shall be amended as follows.

6. Purchasing/Selling Price

The purchasing/selling price for each issue is calculated by using the yield obtained by adding the yield spread accepted by the Bank derived from the method of 5.(1) to the benchmark yield for the corresponding issue, or by using the price obtained by adding the price spread derived from the method of 5.(2) to the benchmark price.

(Supplementary Provision)

These amendments shall become effective on February 2, 2009.