

January 22, 2009

Bank of Japan

**Amendments to Principal Terms and Conditions  
for Money Market Operations**

At the Monetary Policy Meeting held today, the Policy Board of the Bank of Japan decided to amend principal terms and conditions for money market operations in line with integration of treasury bills and financing bills to form “treasury discount bills” (see attachments).

**Amendments to "Principal Terms and Conditions for the Outright Purchase/Sale of Short-Term Japanese Government Securities"**

- The name of the principal terms and conditions shall be amended to "Principal Terms and Conditions for the Outright Purchase/Sale of Treasury Discount Bills."
- Paragraph 1. shall be amended as follows.

1. Purpose

These Principal Terms and Conditions prescribe the principles for the Bank of Japan's outright purchase/sale of ~~short-term Japanese government securities~~ treasury discount bills (purchase/sale of treasury bills [TBs] and financing bills [FBs] without repurchase agreements) with the aim of facilitating money market operations.

- Paragraph 4. shall be amended as follows.

4. Securities to be Purchased/Sold

~~Short-term Japanese government securities~~ Treasury discount bills (TBs and FBs).

**(Supplementary Provision)**

These amendments shall become effective on the day of the first issuance of treasury discount bills.

**Amendments to "Principal Terms and Conditions for the Purchase/Sale of Japanese Government Securities with Repurchase Agreements"**

- Paragraph 1. shall be amended as follows.

1. Purpose

These Principal Terms and Conditions prescribe the principles for the Bank of Japan's purchase/sale of Japanese government bonds with coupons, and treasury discount bills (treasury bills [TBs] and financing bills [FBs]) with repurchase agreements with the aim of facilitating money market operations.

- Paragraph 4. shall be amended as follows.

4. Securities to be Purchased/Sold

Japanese government securities (Japanese government bonds with coupons, ~~TBs and FBs~~ and treasury discount bills).

- Paragraph 8. shall be amended as follows.

8. Collateral and Margin Calls

- (1) } (No change)
- (2) }
- (3) }

(4) Categories of collateral

Categories of collateral shall be as follows;

(a) Collateral supplied to the Bank

Japanese government bonds with coupons, discount Japanese government bonds, ~~TBs, FBs~~ treasury discount bills, and cash.

(b) Collateral supplied by the Bank

Japanese government bonds with coupons, discount Japanese government bonds, ~~TBs and FBs~~ and treasury discount bills.

(5) }  
(6) } (No change)

**(Supplementary Provision)**

These amendments shall become effective on the day of the first issuance of treasury discount bills.

**Amendment to "Principal terms and Conditions for the Sale of Japanese Government Securities with Repurchase Agreements to Provide the Markets with a Secondary Source of Japanese Government Securities"**

- Paragraph 4. shall be amended as follows.

**4. Securities to be Sold**

Securities to be sold shall, pursuant to the Bank's relevant rules, be selected from JGSs (Japanese government bonds with coupons, and treasury discount bills [treasury bills and financing bills]) held by the Bank.

**(Supplementary Provision)**

This amendment shall become effective on the day of the first issuance of treasury discount bills.

**Amendments to "Guidelines on Eligible Collateral"**

- Paragraph 4. shall be amended as follows.

4. Eligibility Standards for Collateral and Procedures for Eligibility Assessment

- (1) } (No change)
- (2) }

(3) Procedures for Eligibility Assessment

As for collateral other than government bonds (excluding treasury bills), treasury discount bills (treasury bills and financing bills), government-guaranteed bonds, municipal bonds issued through public offering, loans on deeds to the Government's Special Account for the Allotment of Local Allocation Tax and Local Transfer Tax, loans on deeds to the Deposit Insurance Corporation with government guarantee, and loans on deeds to the Banks' Shareholdings Purchase Corporation with government guarantee, the Bank shall assess the eligibility upon request of a financial institution that maintains a current account with the Bank (such institution hereinafter referred to as the "counterpart financial institution"). In the case of corporate debt obligations, the creditworthiness of obligors shall be evaluated in accordance with Guidelines on Credit Ratings of Companies (Policy Board Decision on October 13, 2000).

- Table 1 shall be amended as follows.

Table 1

**Categories of Collateral and Collateral Prices**

1. Government Bonds (excluding Floating-Rate Bonds, STRIPS, and Inflation-Indexed Bonds, and Treasury Bills) and Treasury Discount Bills (Treasury Bills and Financing Bills)

(1) }  
 } (No change)  
 (6) }

1-2. }  
 } (No change)  
 1-4. }

2. Financing Bills 99% of market price

~~32.~~ }  
 } (No change)  
~~1817.~~ }

(Special Provision)

Among the collateral listed from 1 to ~~1211~~above, bonds whose principal balance may decrease due to prepayments before the final maturity date such as pass-through bonds;

(1) }  
 } (No change)  
 (2) }

- Table 2 shall be amended as follows.

Table 2

**Eligibility Standards for Each Category of Collateral**

Collateral Category	Eligibility Standard
Government Bonds (including Floating-Rate Bonds, STRIPS, and Inflation-Indexed Bonds, <u>but excluding Treasury Bills</u> )	Ordinary government bonds (except for government bonds specifically designed for individual investors), <u>Fiscal Investment and Loan Program (FILP) bonds, and converted government bonds.</u>
<del>Financing Bills-Treasury Discount Bills (Treasury Bills and Financing Bills)</del>	All <del>financing bills</del> <u>treasury discount bills</u> are eligible.
Government-guaranteed Bonds  Municipal Bonds	(No change)
<del>Fiscal Investment and Loan Program (FILP)-</del> Agency Bonds	(No change)
Corporate Bonds	} (No change)
1	



<p>Loans on Deeds to the Government's Special Account for the Allotment of Local Allocation Tax and Local Transfer Tax</p> <p>Loans on Deeds to the Deposit Insurance Corporation with Government Guarantee</p> <p>Loans on Deeds to the Banks' Shareholdings Purchase Corporation with Government Guarantee</p>	<p>(No change)</p>
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**(Supplementary Provision)**

These amendments shall become effective on the day of the first issuance of treasury discount bills.