

January 22, 2009

Bank of Japan

Amendments to "Guidelines on Eligible Collateral"

At the Monetary Policy Meeting held today, the Policy Board of the Bank of Japan decided, with a view to further facilitating the Bank's money market operations, to accept bonds issued by real estate investment corporations, dematerialized commercial paper issued by real estate investment corporations, bills drawn by real estate investment corporations, commercial paper issued by real estate investment corporations, and loans on deeds to real estate investment corporations as eligible collateral for the Bank's provision of credit and to add dematerialized commercial paper issued by real estate investment corporations and commercial paper issued by real estate investment corporations to the list of CP purchased with repurchase agreements (see attachments).

Amendments to "Guidelines on Eligible Collateral"

- Paragraph 2. (3) shall be amended as follows.

(3) Utilizing Market Information

To utilize market mechanism, the Bank shall make effective use of market information, such as ratings by rating agencies in assessing the eligibility of collateral, market prices in calculating collateral prices, and public information in evaluating the creditworthiness of corporate bonds, dematerialized commercial paper issued by domestic corporations, dematerialized commercial paper issued by foreign corporations with guarantees, bills drawn by companies, commercial paper (excluding asset-backed commercial paper and commercial paper issued by real estate investment corporations), loans on deeds to companies (hereinafter collectively referred to as "corporate debt obligations"), asset-backed securities, dematerialized asset-backed commercial paper, ~~and~~ asset-backed commercial paper, bonds issued by real estate investment corporations, dematerialized commercial paper issued by real estate investment corporations, bills drawn by real estate investment corporations, commercial paper issued by real estate investment corporations, and loans on deeds to real estate investment corporations.

- Table 1 shall be amended as follows.

Table 1

Categories of Collateral and Collateral Prices

1. }
 7 } (No change)
 9. }

10. Bonds Issued by Real Estate Investment Corporations

A residual maturity of:

<u>(1) up to 1 year</u>	<u>97% of market price</u>
<u>(2) more than 1 year and up to 5 years</u>	<u>96% of market price</u>
<u>(3) more than 5 years and up to 10 years</u>	<u>95% of market price</u>
<u>(4) more than 10 years and up to 20 years</u>	<u>89% of market price</u>
<u>(5) more than 20 years and up to 30 years</u>	<u>83% of market price</u>
<u>(6) more than 30 years</u>	<u>80% of market price</u>

11. Dematerialized Commercial Paper Issued by Real Estate Investment Corporations

96% of face value

1012. }
 1 } (No change)
1214. }

15. Bills Drawn by Real Estate Investment Corporations

96% of face value

1316. }
 1 } (No change)
1417. }

18. Loans on Deeds to Real Estate Investment Corporations

A residual maturity of:

- | | |
|---|---|
| <u>(1) up to 1 year</u> | <u>96% of outstanding principal balance</u> |
| <u>(2) more than 1 year and up to 3 years</u> | <u>90% of outstanding principal balance</u> |
| <u>(3) more than 3 years and up to 5 years</u> | <u>80% of outstanding principal balance</u> |
| <u>(4) more than 5 years and up to 7 years</u> | <u>75% of outstanding principal balance</u> |
| <u>(5) more than 7 years and up to 10 years</u> | <u>65% of outstanding principal balance</u> |

(Those with a maturity date falling in the same month of the tenth year are included.)

4519. }
1 } (No change)
4721. }

(Special Provision)

Among the collateral listed from 1 to 4413 above, bonds whose principal balance may decrease due to prepayments before the final maturity date such as pass-through bonds;

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

- 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, but excluding Treasury Bills) } Municipal Bonds	(No change)
Dematerialized commercial paper issued by domestic corporations Bills drawn by companies Commercial paper (excluding asset-backed commercial paper and <u>Commercial Paper</u> <u>Issued by Real Estate</u> <u>Investment Corporations</u>)	(No change)

<p>Dematerialized Commercial Paper Issued by Foreign Corporations with Guarantees</p> <p>2</p> <p>Dematerialized Asset-Backed Commercial Paper</p> <p>Asset-Backed Commercial Paper</p>	<p>(No change)</p>
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<p><u>Bonds Issued by Real Estate Investment Corporations</u></p>	<p><u>Bonds issued by real estate investment corporations satisfying the following requirements:</u></p> <p><u>(1) Publicly-offered bonds issued by investment corporations (as defined in Article 2, Paragraph 12 of the Investment Trust and Investment Corporation Act, Act No. 198, 1951) which are deemed eligible in light of creditworthiness and other relevant factors such as being rated AA or higher by an eligible rating agency (when bonds are guaranteed by other companies, factors regarding the creditworthiness of the companies such as being rated A or higher would also be taken into account. The same criteria will be applied to all debt of real estate investment corporations).</u></p> <p><u>(2) Principal investment objects of debtor investment corporations should be real estate, a leasehold of real estate, superficies of real estate, asset-backed securities backed by these assets or real estate-related assets which are deemed corresponding to these assets.</u></p>
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<p><u>Dematerialized Commercial Paper Issued by Real Estate Investment Corporations</u></p> <p><u>Bills Drawn by Real Estate Investment Corporations</u></p> <p><u>Commercial Paper Issued by Real Estate Investment Corporations</u></p>	<p><u>Dematerialized commercial paper issued by real estate investment corporations, bills drawn by real estate investment corporations, and commercial paper issued by real estate investment corporations satisfying the following requirements:</u></p> <p><u>(1) Those deemed appropriate in light of creditworthiness of debtor investment corporations and other relevant factors.</u></p> <p><u>(2) Principal investment objects of debtor investment corporations should be real estate, a leasehold of real estate, superficies of real estate, asset-backed securities backed by these assets or real estate-related assets which are deemed corresponding to these assets.</u></p> <p><u>(3) Those with an original maturity of up to 1 year.</u></p>
<p>Foreign Government Bonds</p> <p>International Financial Institution Bonds</p> <p>Loans on Deeds to Companies</p>	<p>} (No change)</p>

<p><u>Loans on Deeds to Real Estate Investment Corporations</u></p>	<p><u>Loans on Deeds to real estate investment corporations satisfying the following requirements:</u></p> <p><u>(1) Those deemed appropriate in light of creditworthiness of debtor investment corporations and other relevant factors such as being rated AA or higher by an eligible rating agency.</u></p> <p><u>(2) Principal investment objects of debtor investment corporations should be real estate, a leasehold of real estate, superficies of real estate, asset-backed securities backed by these assets or real estate-related assets which are deemed corresponding to these assets.</u></p> <p><u>(3) Loans on deeds with a residual maturity of up to 10 years (those with a maturity date falling in the same month of the tenth year are included).</u></p>
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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	(No change)
Loans on Deeds to the Banks' Shareholdings Purchase Corporation with Government Guarantee	

(Supplementary Provision)

These amendments shall become effective on the day designated by the Governor, which shall be no later than February 28, 2009.

Amendment to "Principal Terms and Conditions for the Purchase of CP with Repurchase Agreements"

- Paragraph 4. shall be amended as follows.

4. CP to be Purchased

Commercial paper, dematerialized commercial paper issued by domestic corporations, dematerialized commercial paper issued by foreign corporations with guarantees, ~~and—~~dematerialized asset-backed commercial paper, and dematerialized commercial paper issued by real estate investment corporations accepted as eligible collateral by the Bank under "Guidelines on Eligible Collateral" (Policy Board Decision on October 13, 2000).

(Supplementary Provision)

This amendment shall become effective when the Attachment 1 of "Amendments to 'Guidelines on Eligible Collateral'" (Policy Board Decision on January 22, 2009) becomes effective.

Amendment to "Principal Terms and Conditions of the Special Funds-Supplying Operations to Facilitate Corporate Financing"

- Paragraph 8.(2) shall be amended as follows.

(2) The maximum amount of loan for each counterparty is the total collateral value of corporate debt (corporate bonds, dematerialized commercial paper issued by domestic corporations, dematerialized commercial paper issued by foreign corporations with guarantees, bills drawn by companies, commercial paper [excluding asset-backed commercial paper and commercial paper issued by real estate investment corporations], and loans on deeds to companies) pledged by each counterparty as the standing pool of eligible collateral to the Bank. However, the maximum amount of loan for each counterparty shall not exceed the unused value of total standing pool of eligible collateral pledged to the Bank at the time of loan disbursement.

(Supplementary Provision)

This amendment shall become effective when the Attachment 1 of "Amendments to 'Guidelines on Eligible Collateral'" (Policy Board Decision on January 22, 2009) becomes effective.

Amendment to "Principal Terms and Conditions for Outright Purchases of CP"

- Paragraph 4. shall be amended as follows.

4. CP to be Purchased

Commercial paper (excluding asset-backed commercial paper and commercial paper issued by real estate investment corporations), dematerialized commercial paper issued by domestic corporations, dematerialized commercial paper issued by foreign corporations with guarantees, asset-backed commercial paper and dematerialized asset-backed commercial paper which shall fulfill the following criteria and have no particular obstacles to become eligible.

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

(Supplementary Provision)

This amendment shall become effective when the Attachment 1 of "Amendments to 'Guidelines on Eligible Collateral'" (Policy Board Decision on January 22, 2009) becomes effective.