Outline of Outright Purchases of Japanese Government Securities

The Bank of Japan decided to conduct the outright purchases of Japanese government securities as follows, effective from October 3, 2016. The next announcement will be on November 1, 2016 at 5 p.m.¹

1. Outright purchases of Japanese government bonds (JGBs)
   <competitive auction method>

   (1) Bonds to be purchased
   JGBs with coupons (2-year bonds, 5-year bonds, 10-year bonds, 20-year bonds, 30-year bonds, 40-year bonds, floating-rate bonds, and inflation-indexed bonds).

   (2) Frequency of purchases
   Approximately 8-10 times (business days) per month. The Bank may increase it as needed.

   (3) Amount to be purchased
   Approximately 8-12 trillion yen per month in principle. The Bank takes account of market conditions and conducts purchases in a flexible manner, aiming to achieve the target level of a long-term interest rate specified by the guideline for market operations.
   Amounts to be purchased from specific brackets, classified by bond type and residual maturity, are stated in the attachment.

   (4) Method for auctions
   A multiple-price competitive auction.
   JGBs with coupons (excluding floating-rate bonds and inflation-indexed bonds):
   Counterparties bid their “desired yield spreads,” which are calculated by subtracting "benchmark yields" from the yields at which counterparties seek to sell to the Bank.
   Floating-rate bonds and inflation-indexed bonds: Counterparties bid their "desired price spreads," which are calculated by subtracting "benchmark prices" from the prices at which counterparties seek to sell to the Bank.

¹ In principle, the announcement will be made on the last business day of each month, as before. However, we have made the above arrangement considering that October 31 is the first day of the next Monetary Policy Meeting.
2. Outright purchases of JGBs <fixed-rate method>

(1) Bonds to be purchased
Among JGBs with coupons (2-year bonds, 5-year bonds, 10-year bonds, 20-year bonds, 30-year bonds, and 40-year bonds), mainly on-the-run issues.

(2) Frequency of purchases
The Bank will conduct the auction as needed, such as when the level of the yield curve changes substantially.

(3) Amount to be purchased
Depending on market conditions, the Bank may set the purchase size per auction to a fixed amount or to an unlimited amount.

(4) Method for auctions
Purchasing yields will be set per auction, by indicating the yield spreads from the benchmark yields which the Bank determines separately.

3. Outright purchases of treasury discount bills (T-Bills)
Amount outstanding of T-Bills to be purchased, which is conducted as part of money market operations, will be kept to around the current level. As a result, the amount outstanding at the end of October is expected to be about 43-45 trillion yen.
### Monthly schedule (competitive auction method)

<table>
<thead>
<tr>
<th>Residual maturity</th>
<th>Purchase size (billion yen)</th>
<th>Number of auctions</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Last auction in September</td>
<td>First auction in October</td>
</tr>
<tr>
<td>JGBs with coupons (excluding inflation-indexed bonds and floating-rate bonds)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Up to 1 year</td>
<td>70</td>
<td>About 70</td>
</tr>
<tr>
<td>More than 1 year and up to 5 years</td>
<td>400</td>
<td>About 400</td>
</tr>
<tr>
<td>More than 3 years and up to 5 years</td>
<td>420</td>
<td>About 420</td>
</tr>
<tr>
<td>More than 5 years and up to 10 years</td>
<td>410</td>
<td>About 410</td>
</tr>
<tr>
<td>More than 10 years and up to 25 years</td>
<td>200</td>
<td>About 190</td>
</tr>
<tr>
<td>More than 25 years</td>
<td>120</td>
<td>About 110</td>
</tr>
<tr>
<td>Inflation-indexed bonds</td>
<td>25</td>
<td>About 25</td>
</tr>
<tr>
<td>Floating-rate bonds (in the even months)</td>
<td>100 (August)</td>
<td>About 100</td>
</tr>
</tbody>
</table>

**Note 1:** The Bank announces two or three auctions for different maturity segments (inflation-indexed bonds and floating-rate bonds are each counted as one maturity segment) at the same time.

**Note 2:** With regard to residual maturity of more than 1 year and up to 5 years, and residual maturity of more than 10 years, the Bank may set sub-segments; more than 1 year and up to 3 years & more than 3 years and up to 5 years, and more than 10 years and up to 25 years & more than 25 years, respectively, and announce separate auctions for them at the same time.

**Note 3:** With regard to inflation-indexed bonds, the Bank may exclusively include those issued in and after October 2013 in the list of issues to be purchased.

**Note 4:** With regard to the outright purchases of JGBs with coupons under the competitive auction method stated above, on the day of the JGBs auctions (including enhanced-liquidity auctions) by the Ministry of Finance, the Bank in principle refrains from announcing auctions for the corresponding maturity segments.

**Note 5:** With regard to the outright purchases of JGBs with coupons (excluding inflation-indexed bonds and floating-rate bonds), the Bank may set a lower limit on the yield spreads for purchasing yields, taking account of market conditions.

**Note 6:** The Bank may change the purchase size, taking account of market conditions, aiming to achieve the target level of a long-term interest rate specified by the guideline for market operations.