

Amendment 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, bills drawn by companies, commercial paper (excluding asset-backed commercial paper including commercial paper other than asset-backed commercial paper), 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.

Table 1 shall be amended as follows.

Table 1

Categories of Collateral and Collateral Prices

<p>1.</p> <p style="margin-left: 20px;">§</p> <p>6.</p>	}	(No change)	
<u>7. Dematerialized commercial paper</u>			<u>95% of face value</u>
87. Asset-backed Securities			
A residual maturity of:			
<p>(1)</p> <p style="margin-left: 20px;">§</p> <p>(4)</p>	}	(No change)	
<u>9. Dematerialized asset-backed commercial paper</u>			<u>95% of face value</u>
108. Foreign Government Bonds			
A residual maturity of:			
<p>(1)</p> <p style="margin-left: 20px;">§</p> <p>(4)</p>	}	(No change)	
119. International Financial Institution Bonds			
A residual maturity of:			
<p>(1)</p> <p style="margin-left: 20px;">§</p> <p>(4)</p>	}	(No change)	

1210. Bills Drawn by Companies and Special Purpose Companies (including Commercial Paper) (No change)

13. Commercial paper 95% of face value

1411. Loans on Deeds to Companies

An original maturity of:

(1) }
§ } (No change)
(5) }

1512. Loans on Deeds to the Government's Special Account for the Allotment of Local Allocation Tax and Local Transfer Tax

An original maturity of:

(1) }
§ } (No change)
(5) }

1613. Loans on Deeds to the Deposit Insurance Corporation with Government Guarantee

An original maturity of:

(1) }
§ } (No change)
(5) }

(Special Provision)

Among the collateral listed from 1 to 119 above, bonds (No change)
whose principal balance may decrease due to prepayments before the final maturity date such as pass-through bonds;

Table 2 shall be amended as follows.

Table 2

Eligibility Standards for Each Category of Collateral

Collateral Category	Eligibility Standard
Government Bonds (including STRIPS)	} (No change)
Corporate Bonds	
<u>Dematerialized commercial paper</u> <u>Bills drawn by companies</u> <u>Commercial paper (excluding asset-backed commercial paper)</u>	<u>Dematerialized commercial paper, Bills and Commercial paper satisfying the following requirements:</u> <u>(1) Those deemed appropriate in light of relevant conditions including the creditworthiness of an obligor;</u> <u>(2) Those with an original maturity of up to 1 year.</u>
Asset-backed Securities	(No change)
<u>Dematerialized asset-backed commercial paper</u> <u>Asset-backed commercial paper</u>	<u>Dematerialized asset-backed commercial paper and Asset-backed commercial paper (hereinafter referred to as "ABCP") satisfying the following requirements:</u> <u>(1) Creditworthiness of specific assets, etc.</u> <u>Receivables from specific assets (which constitute original sources for repayment) should be deemed sufficient for repayment, in light of the creditworthiness of specific assets and any supplementary means to enhance their creditworthiness.</u>

	<p><u>(2) Structure of ABCP</u></p> <p><u>The structure of ABCP should be deemed sufficient to satisfy the relevant requirements including the followings.</u></p> <p><u>(a) True sale</u> <u>If specific assets are transferred from sellers to such persons as SPCs, such transfer should be one that is deemed valid even in insolvency proceedings such as bankruptcy proceedings of sellers.</u></p> <p><u>(b) Bankruptcy-remoteness</u> <u>Necessary measures should be taken to prevent insolvency proceedings or the dissolution of SPCs, including measures to restrict the power of sellers, etc, to file bankruptcy petitions against SPCs.</u></p> <p><u>(c) Measures for the collection of receivables from specific assets</u> <u>If the collection of receivables from specific assets is conducted by those other than an SPC, necessary measures should be prepared for cases when collection cannot be conducted because of insolvency proceedings such as bankruptcy proceedings against those conducting collection.</u></p> <p><u>(3) Rating of ABCP</u> <u>ABCP should be rated a-1 by an eligible rating agency.</u></p> <p><u>(4) Original maturity</u> <u>An original maturity of ABCP should be no longer than 1 year.</u></p>
<p>Foreign Government Bonds</p> <p>International Financial Institution Bonds</p>	<p>(No change)</p>

Bills Drawn by Companies and Special Purpose Companies (including Commercial Paper)	Bills other than asset-backed commercial paper	Bills satisfying the following requirements: (1) Bills deemed appropriate in light of relevant conditions including the creditworthiness of an obligor; (2) Bills with a residual maturity of up to 1 year.
	Asset-backed commercial paper	Asset-backed commercial paper (hereinafter referred to as "ABCP") satisfying the following requirements: (1) Creditworthiness of specific assets, etc. Receivables from specific assets (which constitute original sources for repayment) should be deemed sufficient for repayment, in light of the creditworthiness of specific assets and any supplementary means to enhance their creditworthiness. (2) Structure of ABCP The structure of ABCP should be deemed sufficient to satisfy the relevant requirements including the followings. (a) True sale If specific assets are transferred from sellers to such persons as SPCs, such transfer should be one that is deemed valid even in insolvency proceedings such as bankruptcy proceedings of sellers. (b) Bankruptcy remoteness Necessary measures should be taken to prevent insolvency proceedings or the dissolution of SPCs, including measures to restrict the power of sellers, etc, to file bankruptcy petitions against SPCs. (c) Measures for the collection of receivables from specific assets If the collection of receivables from specific assets is conducted by those other than an SPC, necessary measures should be prepared for cases when collection cannot be conducted because of insolvency proceedings such as bankruptcy proceedings against those conducting collection.

		<p>(3) Rating of ABCP ABCP should be rated a-1 by an eligible rating agency.</p> <p>(4) Residual maturity A residual maturity of ABCP should be no longer than 1 year.</p>
Loans on Deeds to Companies	}	(No change)
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		
(Special Provision)	(No change)	

(Supplementary Provision)

These amendments shall become effective on a day designated by the Governor, which shall be no later than June 30, 2003.