

October 11, 2007

Bank of Japan

Amendment to "Guidelines on Eligible Collateral"

At the Monetary Policy Meeting held today, the Policy Board of the Bank of Japan decided to amend the margin tables used in accepting eligible collateral as well as in conducting repo operations and securities lending.

The amendment was made to reflect the introduction of 40 year Japanese Government Bond and the Bank's review conducted annually on appropriate margins reflecting recent developments in financial markets, with a view to maintaining the soundness of the Bank's assets and efficiency in market participants' use of collateral (see attachments 1-3 for the amended "Guidelines on Eligible Collateral," "Principal Terms and Conditions for the Purchase/Sale of Japanese Government Securities with Repurchase Agreements," and "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").

Amendment to "Guidelines on Eligible Collateral"

- Table 1 shall be amended as underlined.

Table 1

Categories of Collateral and Collateral Prices

1. Government Bonds (excluding Floating-Rate Bonds, STRIPS, and Inflation-Indexed Bonds)

A residual maturity of:

- | | | |
|-----|--|---|
| (1) | (No change) | |
| (2) | more than 1 year and up to 5 years | 99 <u>98</u> % of market price |
| (3) | } (No change) | |
| (4) | | |
| (5) | more than 20 years <u>and up to 30 Years</u> | 89 <u>90</u> % of market price |
| (6) | <u>more than 30 years</u> | <u>87%</u> of market price |

1-2. Floating-Rate Bonds

A residual maturity of:

- | | | |
|-----|------------------------------------|---|
| (1) | (No change) | |
| (2) | more than 1 year and up to 5 years | 99 <u>98</u> % of market price |
| (3) | } (No change) | |
| (4) | | |

1-3. STRIPS

A residual maturity of:

(1) Up to 5 <u>1</u> years	98% of market price
(2) more than 5 <u>1</u> years and up to 4 <u>0</u> <u>5</u> years	95 <u>97</u> % of market price
(3) more than 4 <u>0</u> <u>5</u> years and up to 2 <u>0</u> <u>1</u> <u>0</u> years	92 <u>95</u> % of market price
(4) more than 2 <u>0</u> <u>1</u> <u>0</u> years <u>and up to 20 years</u>	88 <u>92</u> % of market price
(5) <u>more than 20 years and up to 30 Years</u>	<u>86% of market price</u>
(6) <u>more than 30 years</u>	<u>81% of market price</u>

1-4. Inflation-Indexed Bonds

A residual maturity of:

(1) Up to 5 <u>1</u> years	98% of market price
(2) more than 5 <u>1</u> years and up to 4 <u>0</u> <u>5</u> years	95 <u>97</u> % of market price
(3) more than 4 <u>0</u> <u>5</u> years and up to 2 <u>0</u> <u>1</u> <u>0</u> years	92 <u>95</u> % of market price
(4) more than 2 <u>0</u> <u>1</u> <u>0</u> years <u>and up to 20 years</u>	88 <u>92</u> % of market price
(5) <u>more than 20 years and up to 30 Years</u>	<u>89% of market price</u>
(6) <u>more than 30 years</u>	<u>86% of market price</u>

2. (No change)

3. Government-guaranteed Bonds

A residual maturity of:

(1) Up to 5 <u>1</u> years	98% of market price
(2) more than 5 <u>1</u> years and up to 4 <u>0</u> <u>5</u> years	95 <u>97</u> % of market price
(3) more than 4 <u>0</u> <u>5</u> years and up to 2 <u>0</u> <u>1</u> <u>0</u> years	92 <u>95</u> % of market price
(4) more than 2 <u>0</u> <u>1</u> <u>0</u> years <u>and up to 20 years</u>	88 <u>92</u> % of market price
(5) <u>more than 20 years and up to 30 Years</u>	<u>89% of market price</u>
(6) <u>more than 30 years</u>	<u>86% of market price</u>

4. Municipal Bonds

A residual maturity of:

(1) Up to 5 <u>1</u> years	98% of market price
(2) more than 5 <u>1</u> years and up to 4 <u>0</u> <u>5</u> years	95 <u>97</u> % of market price
(3) more than 4 <u>0</u> <u>5</u> years and up to 2 <u>0</u> <u>1</u> <u>0</u> years	92 <u>95</u> % of market price
(4) more than 2 <u>0</u> <u>1</u> <u>0</u> years <u>and up to 20 years</u>	88 <u>92</u> % of market price
(5) <u>more than 20 years and up to 30 Years</u>	<u>89% of market price</u>
(6) <u>more than 30 years</u>	<u>86% of market price</u>

5. Fiscal Investment and Loan Program (FILP)

Agency Bonds

A residual maturity of:

(1) Up to 5 <u>1</u> years	97% of market price
(2) more than 5 <u>1</u> years and up to 4 <u>0</u> <u>5</u> years	94 <u>96</u> % of market price
(3) more than 4 <u>0</u> <u>5</u> years and up to 2 <u>0</u> <u>1</u> <u>0</u> years	91 <u>94</u> % of market price
(4) more than 2 <u>0</u> <u>1</u> <u>0</u> years <u>and up to 20 years</u>	87 <u>91</u> % of market price
(5) <u>more than 20 years and up to 30 Years</u>	<u>88% of market price</u>
(6) <u>more than 30 years</u>	<u>85% of market price</u>

6. Corporate Bonds

A residual maturity of:

(1) Up to 5 <u>1</u> years	97% of market price
(2) more than 5 <u>1</u> years and up to 4 <u>0</u> <u>5</u> years	94 <u>96</u> % of market price
(3) more than 4 <u>0</u> <u>5</u> years and up to 2 <u>0</u> <u>1</u> <u>0</u> years	91 <u>94</u> % of market price
(4) more than 2 <u>0</u> <u>1</u> <u>0</u> years <u>and up to 20 years</u>	87 <u>91</u> % of market price
(5) <u>more than 20 years and up to 30 Years</u>	<u>88% of market price</u>
(6) <u>more than 30 years</u>	<u>85% of market price</u>

- 7. } (No change)
- 8. }

9. Asset-backed Securities

A residual maturity of:

(1) Up to 5 <u>1</u> years	97% of market price
(2) more than 5 <u>1</u> years and up to 4 <u>0</u> <u>5</u> years	94 <u>96</u> % of market price
(3) more than 4 <u>0</u> <u>5</u> years and up to 2 <u>0</u> <u>1</u> <u>0</u> years	91 <u>94</u> % of market price
(4) more than 2 <u>0</u> <u>1</u> <u>0</u> years <u>and up to 20 years</u>	87 <u>91</u> % of market price
(5) <u>more than 20 years and up to 30 Years</u>	<u>88% of market price</u>
(6) <u>more than 30 years</u>	<u>85% of market price</u>

10. (No change)

11. Foreign Government Bonds

A residual maturity of:

(1) Up to 5 <u>1</u> years	97% of market price
(2) more than 5 <u>1</u> years and up to 4 <u>0</u> <u>5</u> years	94 <u>96</u> % of market price
(3) more than 4 <u>0</u> <u>5</u> years and up to 2 <u>0</u> <u>1</u> <u>0</u> years	91 <u>94</u> % of market price
(4) more than 2 <u>0</u> <u>1</u> <u>0</u> years <u>and up to 20 years</u>	87 <u>91</u> % of market price
(5) <u>more than 20 years and up to 30 Years</u>	<u>88% of market price</u>
(6) <u>more than 30 years</u>	<u>85% of market price</u>

12. International Financial Institution Bonds

A residual maturity of:

(1) Up to 5 <u>1</u> years	97% of market price
(2) more than 5 <u>1</u> years and up to 4 <u>0</u> <u>5</u> years	94 <u>96</u> % of market price
(3) more than 4 <u>0</u> <u>5</u> years and up to 2 <u>0</u> <u>1</u> <u>0</u> years	91 <u>94</u> % of market price
(4) more than 2 <u>0</u> <u>1</u> <u>0</u> years <u>and up to 20 years</u>	87 <u>91</u> % of market price
(5) <u>more than 20 years and up to 30 Years</u>	<u>88% of market price</u>
(6) <u>more than 30 years</u>	<u>85% of market price</u>

13. }
 14. } (No change)

15. Loans on Deeds to Companies

An original residual maturity of:

(1) Up to 1 year	96% of outstanding principal balance
(2) more than 1 year and up to 3 years	94 <u>90</u> % of outstanding principal balance
(3) more than 3 years and up to 5 years	80% of outstanding principal balance
(4) more than 5 years and up to 7 years	70 <u>75</u> % of outstanding principal balance
(5) more than 7 years and up to 10 years (Those with maturity date falling in the same month of the tenth year are included.)	60 <u>65</u> % of outstanding principal balance

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

An original residual maturity of:

(1) Up to 1 year	97% of outstanding principal balance
(2) more than 1 year and up to 3 years	93 <u>92</u> % of outstanding principal balance
(3) more than 3 years and up to 5 years	85% of outstanding principal balance
(4) more than 5 years and up to 7 years	75 <u>80</u> % of outstanding principal balance
(5) more than 7 years and up to 10 years (Those with maturity date falling in the same month of the tenth year are included.)	65 <u>70</u> % of outstanding principal balance

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

An original residual maturity of:

(1) Up to 1 year	97% of outstanding principal balance
(2) more than 1 year and up to 3 years	93 <u>92</u> % of outstanding principal balance
(3) more than 3 years and up to 5 years	85% of outstanding principal balance
(4) more than 5 years and up to 7 years	75 <u>80</u> % of outstanding principal balance
(5) more than 7 years and up to 10 years (Those with maturity date falling in the same month of the tenth year are included.)	65 <u>70</u> % of outstanding principal balance

18. Loans on Deeds to the Banks'

Shareholdings Purchase Corporation with Government Guarantee

An original residual maturity of:

(1) Up to 1 year	97% of outstanding principal balance
(2) more than 1 year and up to 3 years	93 <u>92</u> % of outstanding principal balance
(3) more than 3 years and up to 5 years	85% of outstanding principal balance
(4) more than 5 years and up to 7 years	75 <u>80</u> % of outstanding principal balance
(5) more than 7 years and up to 10 years (Those with maturity date falling in the same month of the tenth year are included.)	65 <u>70</u> % of outstanding principal balance

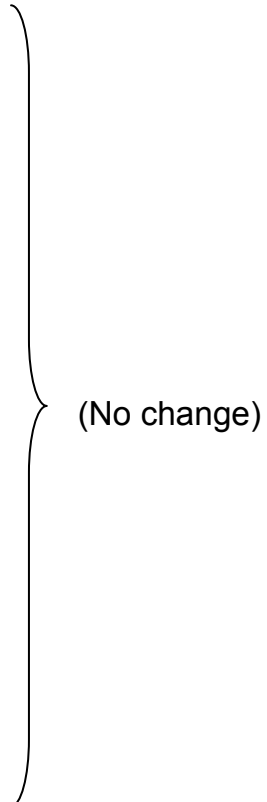
(Special Provision)

(No change)

- Table 2 shall be amended as underlined.

Table 2

Eligibility Standards for Each Category of Collateral

Collateral Category	Eligibility Standard
Government Bonds (including Floating-Rate Bonds, STRIPS, and Inflation-Indexed Bonds)	 <p>(No change)</p>
}	
Foreign Government Bonds International Financial Institution Bonds	
Loans on Deeds to Companies	<p>Loans on deeds satisfying the following requirements:</p> <p>(1) (No change)</p> <p>(2) Loans on deeds with an original <u>residual</u> maturity of up to 10 years (those with maturity date falling in the same month of the tenth year are included).</p>

<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 with an original <u>residual</u> maturity of up to 10 years (those with maturity date falling in the same month of the tenth year are included).</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>	

(Supplementary Provision)

The amendments regarding Loans on Deeds to Companies, 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 shall become effective on a day designated by the Governor, which shall be no later than February 29, 2008. Others shall become effective on a day designated by the Governor, which shall be no later than November 30, 2007.

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

- 7. (2) shall be amended as underlined.

(2) Margin ratios

Margin ratios shall be as follows; set forth in Table 1.

~~(a) Securities purchased by the Bank~~

~~A residual maturity of:~~

(i) up to 1 year	1.002
(ii) more than 1 year and up to 5 years	1.006
(iii) more than 5 years and up to 10 years	1.019
(iv) more than 10 years and up to 20 years	1.036
(v) more than 20 years	1.057

~~(b) Securities sold by the Bank~~

~~A residual maturity of:~~

(i) up to 1 year	0.998
(ii) more than 1 year and up to 5 years	0.994
(iii) more than 5 years and up to 10 years	0.982
(iv) more than 10 years and up to 20 years	0.967
(v) more than 20 years	0.948

- 8. (5) shall be amended as underlined.

(5) Collateral prices

Collateral prices shall be as follows;set forth in Table 2.

~~(a) Securities supplied to the Bank~~

~~A residual maturity of:~~

(i) up to 1 year	99.8% of market price
(ii) more than 1 year and up to 5 years	99.4% of market price
(iii) more than 5 years and up to 10 years	98.2% of market price
(iv) more than 10 years and up to 20 years	96.6% of market price
(v) more than 20 years	94.6% of market price

~~(b) Securities supplied by the Bank~~

~~A residual maturity of:~~

(i) up to 1 year	100.2% of market price
(ii) more than 1 year and up to 5 years	100.6% of market price
(iii) more than 5 years and up to 10 years	101.8% of market price
(iv) more than 10 years and up to 20 years	103.4% of market price
(v) more than 20 years	105.4% of market price

- Table 1 and 2 shall be added after Supplementary Provision.

Table 1

Margin Ratios

1. Securities purchased by the Bank

A residual maturity of:

(1) up to 1 year	1.002
(2) more than 1 year and up to 5 years	1.006

(3) more than 5 years and up to 10 years	1.019
(4) more than 10 years and up to 20 years	1.036
(5) more than 20 years	1.048

2. Securities sold by the Bank

A residual maturity of:

(1) up to 1 year	0.998
(2) more than 1 year and up to 5 years	0.994
(3) more than 5 years and up to 10 years	0.982
(4) more than 10 years and up to 20 years	0.967
(5) more than 20 years	0.957

Table 2

Collateral Prices

1. Securities supplied to the Bank

(1) Government Bonds (excluding Floating-Rate Bonds, STRIPS, and Inflation-Indexed Bonds)

A residual maturity of:

(a) up to 1 year	99.8% of market price
(b) more than 1 year and up to 5 years	99.4% of market price
(c) more than 5 years and up to 10 years	98.2% of market price
(d) more than 10 years and up to 20 years	96.6% of market price

(e) more than 20 years and up to 30 years	95.5% of market price
(f) more than 30 years	93.4% of market price

(2) Floating-Rate Bonds

A residual maturity of:

(a) up to 1 year	99.8% of market price
(b) more than 1 year and up to 5 years	99.4% of market price
(c) more than 5 years and up to 10 years	99.1% of market price
(d) more than 10 years and up to 20 years	99.1% of market price

(3) Inflation-Indexed Bonds

A residual maturity of:

(a) up to 1 year	98.8% of market price
(b) more than 1 year and up to 5 years	98.2% of market price
(c) more than 5 years and up to 10 years	97.0% of market price
(d) more than 10 years and up to 20 years	95.2% of market price
(e) more than 20 years and up to 30 years	93.4% of market price
(f) more than 30 years	92.2% of market price

2. Securities supplied by the Bank

(1) Government Bonds (excluding Floating-Rate Bonds, STRIPS, and Inflation-Indexed Bonds)

A residual maturity of:

(a) up to 1 year	100.2% of market price
(b) more than 1 year and up to 5 years	100.6% of market price
(c) more than 5 years and up to 10 years	101.8% of market price
(d) more than 10 years and up to 20 years	103.4% of market price
(e) more than 20 years and up to 30 years	104.5% of market price
(f) more than 30 years	106.6% of market price

(2) Floating-Rate Bonds

A residual maturity of:

(a) up to 1 year	100.2% of market price
(b) more than 1 year and up to 5 years	100.6% of market price
(c) more than 5 years and up to 10 years	100.9% of market price
(d) more than 10 years and up to 20 years	100.9% of market price

(3) Inflation-Indexed Bonds

A residual maturity of:

(a) up to 1 year	101.2% of market price
(b) more than 1 year and up to 5 years	101.8% of market price
(c) more than 5 years and up to 10 years	103.0% of market price
(d) more than 10 years and up to 20 years	104.8% of market price
(e) more than 20 years and up to 30 years	106.6% of market price
(f) more than 30 years	107.8% of market price

(Supplementary Provision)

The amendments regarding Floating-Rate Bonds and Inflation-Indexed Bonds shall become effective on a day designated by the Governor, which shall be no later than April 30, 2008. Others shall become effective on a day designated by the Governor, which shall be no later than November 30, 2007.

**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"**

- 8. (2) shall be amended as underlined.

(2) Margin ratios

Margin ratios shall be as follows;

A residual maturity of:

- (i) } (No change)
- § } (No change)
- (iv) }

(v) more than 20 years

~~0.948~~0.957

(Supplementary Provision)

This amendment shall become effective on a day designated by the Governor, which shall be no later than November 30, 2007.