

October 7, 2008

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 as a result of 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)	}		
(3)		more than 5 years and up to 10 years	<u>9697</u> % of market price
(4)		more than 10 years and up to 20 years	<u>9395</u> % of market price
(5)		more than 20 years and up to 30 years	<u>9093</u> % of market price
(6)		more than 30 years	<u>8792</u> % of market price

1-2. Floating-Rate Bonds

A residual maturity of:

(1)	}	(No change)	
(2)	}		
(3)		more than 5 years and up to 10 years	<u>9896</u> % of market price
(4)		more than 10 years and up to 20 years	<u>9896</u> % of market price

1-3. STRIPS

A residual maturity of:

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

(3) more than 5 years and up to 10 years	95 <u>96</u> % of market price
(4) more than 10 years and up to 20 years	92 <u>94</u> % of market price
(5) more than 20 years and up to 30 years	86 <u>91</u> % of market price
(6) more than 30 years	81 <u>88</u> % of market price

1-4. Inflation-Indexed Bonds

A residual maturity of:

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

(3) more than 5 years and up to 10 years	95 <u>96</u> % of market price
(4) more than 10 years and up to 20 years	92 <u>94</u> % of market price
(5) more than 20 years and up to 30 years	89 <u>92</u> % of market price
(6) more than 30 years	86 <u>91</u> % of market price

2. (No change)

3. Government-guaranteed Bonds

A residual maturity of:

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

(3) more than 5 years and up to 10 years	95 <u>96</u> % of market price
(4) more than 10 years and up to 20 years	92 <u>94</u> % of market price
(5) more than 20 years and up to 30 years	89 <u>92</u> % of market price
(6) more than 30 years	86 <u>91</u> % of market price

4. Municipal Bonds

A residual maturity of:

(1)	} (No change)	
(2)		
(3)	more than 5 years and up to 10 years	95 <u>96</u> % of market price
(4)	more than 10 years and up to 20 years	92 <u>94</u> % of market price
(5)	more than 20 years and up to 30 years	89 <u>92</u> % of market price
(6)	more than 30 years	86 <u>91</u> % of market price

5. Fiscal Investment and Loan Program (FILP)

Agency Bonds

A residual maturity of:

(1)	} (No change)	
(2)		
(3)	more than 5 years and up to 10 years	94 <u>95</u> % of market price
(4)	more than 10 years and up to 20 years	91 <u>93</u> % of market price
(5)	more than 20 years and up to 30 years	88 <u>91</u> % of market price
(6)	more than 30 years	85 <u>90</u> % of market price

6. Corporate Bonds

A residual maturity of:

(1)	} (No change)	
(2)		
(3)	more than 5 years and up to 10 years	94 <u>95</u> % of market price
(4)	more than 10 years and up to 20 years	91 <u>93</u> % of market price
(5)	more than 20 years and up to 30 years	88 <u>91</u> % of market price
(6)	more than 30 years	85 <u>90</u> % of market price

7.	} (No change)	
8.		

9. Asset-backed Securities

A residual maturity of:

(1)	} (No change)	
(2)		
(3) more than 5 years and up to 10 years		94 <u>95</u> % of market price
(4) more than 10 years and up to 20 years		91 <u>93</u> % of market price
(5) more than 20 years and up to 30 years		88 <u>91</u> % of market price
(6) more than 30 years		85 <u>90</u> % of market price

10. (No change)

11. Foreign Government Bonds

A residual maturity of:

(1)	} (No change)	
(2)		
(3) more than 5 years and up to 10 years		94 <u>95</u> % of market price
(4) more than 10 years and up to 20 years		91 <u>93</u> % of market price
(5) more than 20 years and up to 30 years		88 <u>91</u> % of market price
(6) more than 30 years		85 <u>90</u> % of market price

12. International Financial Institution Bonds

A residual maturity of:

(1)	} (No change)	
(2)		
(3) more than 5 years and up to 10 years		94 <u>95</u> % of market price
(4) more than 10 years and up to 20 years		91 <u>93</u> % of market price
(5) more than 20 years and up to 30 years		88 <u>91</u> % of market price
(6) more than 30 years		85 <u>90</u> % of market price

13. }
 14. } (No change)
 15. }

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

A residual maturity of:

- (1) (No change)
- (2) more than 1 year and up to 3 years 9293% of outstanding
principal balance
- (3) }
 \ } (No change)
- (5) }

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

A residual maturity of:

- (1) (No change)
- (2) more than 1 year and up to 3 years 9293% of outstanding
principal balance
- (3) }
 \ } (No change)
- (5) }

**18. Loans on Deeds to the Banks'
Shareholdings Purchase Corporation with
Government Guarantee**

A residual maturity of:

- (1) (No change)
- (2) more than 1 year and up to 3 years 9293% of outstanding
principal balance
- (3) }
 \ } (No change)
- (5) }

(Special Provision)

(No change)

(Supplementary Provision)

These amendments shall become effective on a day designated by the Governor, which shall be no later than October 31, 2008.

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

- Table 1 shall be amended as underlined.

Table 1

Margin Ratios

1. Securities purchased by the Bank

A residual maturity of:

(1) up to 1 year	1.002 <u>1.001</u>
(2) more than 1 year and up to 5 years	1.006 <u>1.007</u>
(3) more than 5 years and up to 10 years	1.019 <u>1.017</u>
(4) more than 10 years and up to 20 years	1.036 <u>1.024</u>
(5) more than 20 years	1.048 <u>1.033</u>

2. Securities sold by the Bank

A residual maturity of:

(1) up to 1 year	0.998 <u>0.999</u>
(2) more than 1 year and up to 5 years	0.994 <u>0.993</u>
(3) more than 5 years and up to 10 years	0.982 <u>0.984</u>
(4) more than 10 years and up to 20 years	0.967 <u>0.977</u>
(5) more than 20 years	0.957 <u>0.969</u>

- Table 2 shall be amended as underlined.

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 <u>99.9</u> % of market price
(b) more than 1 year and up to 5 years	99.4 <u>99.3</u> % of market price
(c) more than 5 years and up to 10 years	98.2 <u>98.4</u> % of market price
(d) more than 10 years and up to 20 years	96.6 <u>97.7</u> % of market price
(e) more than 20 years and up to 30 years	95.5 <u>96.8</u> % of market price
(f) more than 30 years	93.4 <u>95.2</u> % of market price

(2) Floating-Rate Bonds

A residual maturity of:

(a) up to 1 year	99.8 <u>99.9</u> % of market price
(b) more than 1 year and up to 5 years	99.4 <u>99.3</u> % of market price
(c) more than 5 years and up to 10 years	99.1 <u>97.9</u> % of market price
(d) more than 10 years and up to 20 years	99.1 <u>97.9</u> % of market price

(3) Inflation-Indexed Bonds

A residual maturity of:

(a) } (b) }	(No change)
(c) more than 5 years and up to 10 years	97.0 <u>97.6</u> % of market price

(d) more than 10 years and up to 20 years	95.2 <u>96.4</u> % of market price
(e) more than 20 years and up to 30 years	93.4 <u>95.2</u> % of market price
(f) more than 30 years	92.2 <u>94.6</u> % 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 <u>100.1</u> % of market price
(b) more than 1 year and up to 5 years	100.6 <u>100.7</u> % of market price
(c) more than 5 years and up to 10 years	101.8 <u>101.6</u> % of market price
(d) more than 10 years and up to 20 years	103.4 <u>102.3</u> % of market price
(e) more than 20 years and up to 30 years	104.5 <u>103.2</u> % of market price
(f) more than 30 years	106.6 <u>104.8</u> % of market price

(2) Floating-Rate Bonds

A residual maturity of:

(a) up to 1 year	100.2 <u>100.1</u> % of market price
(b) more than 1 year and up to 5 years	100.6 <u>100.7</u> % of market price
(c) more than 5 years and up to 10 years	100.9 <u>102.1</u> % of market price
(d) more than 10 years and up to 20 years	100.9 <u>102.1</u> % of market price

(3) Inflation-Indexed Bonds

A residual maturity of:

(a) } (b) }	(No change)	
(c) more than 5 years and up to 10 years		103.0 <u>102.4</u> % of market price
(d) more than 10 years and up to 20 years		104.8 <u>103.6</u> % of market price
(e) more than 20 years and up to 30 years		106.6 <u>104.8</u> % of market price
(f) more than 30 years		107.8 <u>105.4</u> % of market price

(Supplementary Provision)

These amendments shall become effective on a day designated by the Governor, which shall be no later than October 31, 2008.

**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) up to 1 year	0.998 <u>0.999</u>
(ii) more than 1 year and up to 5 years	0.994 <u>0.993</u>
(iii) more than 5 years and up to 10 years	0.982 <u>0.984</u>
(iv) more than 10 years and up to 20 years	0.967 <u>0.977</u>
(v) more than 20 years	0.957 <u>0.969</u>

(Supplementary Provision)

These amendments shall become effective on a day designated by the Governor, which shall be no later than October 31, 2008.