

October 14, 2008

Bank of Japan

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

At the Monetary Policy Meeting held today, the Policy Board of the Bank of Japan decided, in view of recent developments in global financial markets, to take following measures with the aim of ensuring stability in financial markets through conducting appropriate money market operations.

1. The Bank shall amend the margin ratios used in purchase/sale of Japanese government securities with repurchase agreements. See Attachment 1 for the details of amendment.
2. The Bank shall establish "Temporary Rules regarding Eligibility Standards for Asset-backed Commercial Paper and Dematerialized Asset-backed Commercial Paper." See Attachment 2 for the established rules.
3. The Bank shall amend “Principle Terms and Conditions for U.S. Dollar Fund-Supplying Operations against Pooled Collateral.” See Attachment 3 for the details of amendment.
4. The Bank shall amend “Summary of a U.S. Dollar-Yen Swap Agreement with the Federal Reserve Bank of New York” and revise the agreement in accordance with the amendment. See Attachment 4 for the details of amendment.

**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

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

A residual maturity of:

(1a) up to 1 year	1.001
(2b) more than 1 year and up to 5 years	1.007
(3c) more than 5 years and up to 10 years	1.017
(4d) more than 10 years and up to 20 years	1.024
(5e) more than 20 years <u>and up to 30 years</u>	1.033
<u>(f) more than 30 years</u>	<u>1.051</u>

(2) Floating-Rate Bonds

A residual maturity of:

<u>(a) up to 1 year</u>	<u>1.001</u>
<u>(b) more than 1 year and up to 5 years</u>	<u>1.007</u>
<u>(c) more than 5 years and up to 10 years</u>	<u>1.022</u>

<u>(d) more than 10 years and up to 20 years</u>	<u>1.022</u>
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(3) Inflation-Indexed Bonds

A residual maturity of:

<u>(a) up to 1 year</u>	<u>1.013</u>
<u>(b) more than 1 year and up to 5 years</u>	<u>1.019</u>
<u>(c) more than 5 years and up to 10 years</u>	<u>1.025</u>
<u>(d) more than 10 years and up to 20 years</u>	<u>1.038</u>
<u>(e) more than 20 years and up to 30 years</u>	<u>1.051</u>
<u>(f) more than 30 years</u>	<u>1.057</u>

2. Securities sold by the Bank

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

A residual maturity of:

<u>(1a) up to 1 year</u>	<u>0.999</u>
<u>(2b) more than 1 year and up to 5 years</u>	<u>0.993</u>
<u>(3c) more than 5 years and up to 10 years</u>	<u>0.984</u>
<u>(4d) more than 10 years and up to 20 years</u>	<u>0.977</u>
<u>(5e) more than 20 years and up to 30 years</u>	<u>0.969</u>
<u>(f) more than 30 years</u>	<u>0.954</u>

(2) Floating-Rate Bonds

A residual maturity of:

<u>(a) up to 1 year</u>	<u>0.999</u>
<u>(b) more than 1 year and up to 5 years</u>	<u>0.993</u>
<u>(c) more than 5 years and up to 10 years</u>	<u>0.979</u>
<u>(d) more than 10 years and up to 20 years</u>	<u>0.979</u>

(3) Inflation-Indexed Bonds

A residual maturity of:

<u>(a) up to 1 year</u>	<u>0.988</u>
<u>(b) more than 1 year and up to 5 years</u>	<u>0.982</u>
<u>(c) more than 5 years and up to 10 years</u>	<u>0.976</u>
<u>(d) more than 10 years and up to 20 years</u>	<u>0.965</u>
<u>(e) more than 20 years and up to 30 years</u>	<u>0.954</u>
<u>(f) more than 30 years</u>	<u>0.948</u>

(Supplementary Provision)

1. These amendments shall become effective on October 30, 2008.
2. The following margin ratios shall apply from today through October 29, 2008.

Margin Ratios

1. Securities purchased by the Bank

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

A residual maturity of:

(a) up to 1 year	1.002
(b) more than 1 year and up to 5 years	1.006
(c) more than 5 years and up to 10 years	1.019
(d) more than 10 years and up to 20 years	1.036
(e) more than 20 years and up to 30 years	1.048
(f) more than 30 years	1.071

(2) Floating-Rate Bonds

A residual maturity of:

(a) up to 1 year	1.002
(b) more than 1 year and up to 5 years	1.006
(c) more than 5 years and up to 10 years	1.009
(d) more than 10 years and up to 20 years	1.009

(3) Inflation-Indexed Bonds

A residual maturity of:

(a) up to 1 year	1.013
(b) more than 1 year and up to 5 years	1.019
(c) more than 5 years and up to 10 years	1.031
(d) more than 10 years and up to 20 years	1.051
(e) more than 20 years and up to 30 years	1.071
(f) more than 30 years	1.085

2. Securities sold by the Bank

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

A residual maturity of:

(a) up to 1 year	0.998
(b) more than 1 year and up to 5 years	0.994
(c) more than 5 years and up to 10 years	0.982
(d) more than 10 years and up to 20 years	0.967
(e) more than 20 years and up to 30 years	0.957
(f) more than 30 years	0.938

(2) Floating-Rate Bonds

A residual maturity of:

(a) up to 1 year	0.998
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(b) more than 1 year and up to 5 years	0.994
(c) more than 5 years and up to 10 years	0.991
(d) more than 10 years and up to 20 years	0.991

(3) Inflation-Indexed Bonds

A residual maturity of:

(a) up to 1 year	0.988
(b) more than 1 year and up to 5 years	0.982
(c) more than 5 years and up to 10 years	0.970
(d) more than 10 years and up to 20 years	0.954
(e) more than 20 years and up to 30 years	0.938
(f) more than 30 years	0.927

Temporary Rules regarding Eligibility Standards for Asset-backed Commercial Paper and Dematerialized Asset-backed Commercial Paper

1. When assessing the eligibility of asset-backed commercial paper and dematerialized asset-backed commercial paper, the Bank shall not apply paragraph 5. of Guidelines on Eligible Collateral, which stipulates that the debt obligations guaranteed by the Bank's counterparty financial institutions and their affiliates shall be ineligible.
2. When the Bank, with the view to maintain the soundness of its assets, deems it necessary to review the creditworthiness of specific assets and other procedures, the Bank may make exceptions to the rule set forth in paragraph 1.
3. Above rules shall become effective on the day designated by the Governor, which shall be no later than October 31, 2008, and shall be valid through April 30, 2009.

**Amendment to "Principal Terms and Conditions for U.S. Dollar
Funds-Supplying Operations against Pooled Collateral"**

- Paragraph 1. shall be amended as underlined.

1. Purpose

These Terms and Conditions prescribe the principles for the Bank of Japan's U.S. Dollar (USD) funds-supplying operations against pooled collateral (USD denominated loans that are made against pooled eligible collateral by way of open market operations ~~with loan rates determined by competitive auctions~~) introduced with the aim of further facilitating money market operations and maintaining the smooth functioning of the money market as well as ensuring stability in financial markets in view of the possible impact of recent liquidity pressures in the USD money market on liquidity in the Yen money market.

- Paragraph 6. shall be amended as underlined.

6. Loan Rates and Collection of Interest

(1) Interest rates on the loans

Interest rates shall be determined by one of the following methods.

- (a) Interest rates on the loans shall be determined by multiple-rate competitive auctions. The rate shall not fall below the rate set by the Federal Reserve Bank of New York (FRBNY) as a prevailing

USD Overnight Indexed Swap market rate that corresponds to the duration of the loan.

(b) Interest rates on the loans shall be set by the Federal Reserve Bank of New York taking account of a prevailing USD Overnight Indexed Swap market rate that corresponds to the duration of the loan.

(2) Collection of Interest

The interest on a loan shall be calculated based on the rate determined by the method described in (1) for the number of days from the first day after the disbursement of the loan up to the maturity date, and the interest shall be collected after the loan reaches maturity.

(Supplementary Provision)

These amendments shall become effective today.

**Amendment to the “Summary of a U.S. Dollar-Yen Swap Agreement
with the Federal Reserve Bank of New York”**

- Paragraph 5. shall be amended as underlined.

5. Maximum aggregate amount

~~120 billion USD~~ Unlimited