Amendments to "Guidelines on Eligible Collateral"

At the Monetary Policy Meeting held today, the Policy Board of the Bank of Japan decided, with a view to further facilitating the Bank's money market operations, to accept bonds issued by real estate investment corporations, dematerialized commercial paper issued by real estate investment corporations, bills drawn by real estate investment corporations, commercial paper issued by real estate investment corporations, and loans on deeds to real estate investment corporations as eligible collateral for the Bank's provision of credit and to add dematerialized commercial paper issued by real estate investment corporations and commercial paper issued by real estate investment corporations to the list of CP purchased with repurchase agreements (see attachments).

Attachment 1

Amendments 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 issued by domestic corporations, dematerialized commercial paper issued by foreign corporations with guarantees, bills drawn by companies, commercial paper (excluding asset-backed commercial paper and commercial paper issued by real estate investment corporations), 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, bonds issued by real estate investment corporations, dematerialized commercial paper issued by real estate investment corporations, bills drawn by real estate investment corporations, commercial paper issued by real estate investment corporations, and loans on deeds to real estate investment corporations.

• Table 1 shall be amended as follows.

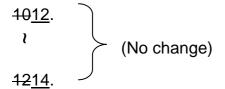
Table 1

Categories of Collateral and Collateral Prices

1. l (No change) 9. 10. Bonds Issued by Real Estate Investment Corporations A residual maturity of: (1) up to 1 year 97% of market price (2) more than 1 year and up to 5 years 96% of market price (3) more than 5 years and up to 10 years 95% of market price (4) more than 10 years and up to 20 years 89% of market price (5) more than 20 years and up to 30 years 83% of market price (6) more than 30 years 80% of market price

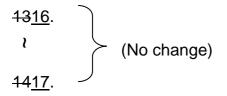
<u>11. Dematerialized Commercial Paper Issued by Real Estate Investment</u> <u>Corporations</u>

96% of face value



15. Bills Drawn by Real Estate Investment Corporations

96% of face value



18. Loans on Deeds to Real Estate Investment Corporations

A residual maturity of:

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

(Special Provision)

Among the collateral listed from 1 to <u>4113</u> above, bonds 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 Floating-Rate Bonds, STRIPS, and Inflation-Indexed Bonds, but excluding Treasury Bills) ₹	(No change)
Municipal Bonds	
Dematerialized commercial paper issued by domestic corporations	
Bills drawn by companies Commercial paper (excluding asset-backed commercial paper <u>and</u> <u>Commercial Paper</u> <u>Issued by Real Estate</u> <u>Investment Corporations</u>)	(No change)

Dematerialized)
Commercial Paper	
Issued by Foreign	
Corporations with	
Guarantees	
2	> (No change)
Domotorialized	
Dematerialized	
Asset-Backed	
Commercial Paper	
Asset-Backed	
Commercial Paper	

Bonds Issued by Real	Bonds issued by real estate investment
Estate Investment	corporations satisfying the following
Corporations	requirements:
	(1) Publicly-offered bonds issued by investment
	corporations (as defined in Article 2, Paragraph
	12 of the Investment Trust and Investment
	Corporation Act, Act No. 198, 1951) which are
	deemed eligible in light of creditworthiness and
	other relevant factors such as being rated AA or
	higher by an eligible rating agency (when
	bonds are guaranteed by other companies,
	factors regarding the creditworthiness of the
	companies such as being rated A or higher
	would also be taken into account. The same
	criteria will be applied to all debt of real estate
	investment corporations).
	(2) Principal investment objects of debtor
	investment corporations should be real estate,
	a leasehold of real estate, superficies of real
	estate, asset-backed securities backed by
	these assets or real estate-related assets which
	are deemed correspoding to these assets.

Dematerialized	Demotorialized commercial paper issued by
	Dematerialized commercial paper issued by
Commercial Paper	real estate investment corporations, bills drawn
Issued by Real Estate	by real estate investment corporations, and
Investment Corporations	commercial paper issued by real estate
	investment corporations satisfying the following
Bills Drawn by Real	requirements:
Estate Investment	(1) Those deemed appropriate in light of
<u>Corporations</u>	creditworthiness of debtor investment
	corporations and other relevant factors.
Commercial Paper	(2) Principal investment objects of debtor
	investment corporations should be real
Issued by Real Estate	estate, a leasehold of real estate, superficies
Investment Corporations	of real estate, asset-backed securities backed
	by these assets or real estate-related assets
	which are deemed correspoding to these
	assets.
	(3) Those with an original maturity of up to 1
	year.
Foreign Government	
Bonds	
International Financial	(No change)
Institution Bonds	
Loans on Deeds to	
Companies	

Loans on Deeds to Real	Loans on Deeds to real estate investment
Estate Investment	corporations satisfying the following
<u>Corporations</u>	requirements:
	(<u>1) Those deemed appropriate in light of</u>
	creditworthiness of debtor investment
	corporations and other relevant factors such
	as being rated AA or higher by an eligible
	rating agency.
	(2) Principal investment objects of debtor
	investment corporations should be real
	estate, a leasehold of real estate, superficies
	of real estate, asset-backed securities backed
	by these assets or real estate-related assets
	which are deemed correspoding to these
	assets.
	(3) Loans on deeds with a residual maturity of
	up to 10 years (those with a maturity date
	falling in the same month of the tenth year are
	included).

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	(No change)
Loans on Deeds to the Banks' Shareholdings Purchase Corporation with Government Guarantee	

(Supplementary Provision)

These amendments shall become effective on the day designated by the Governor, which shall be no later than February 28, 2009.

Amendment to "Principal Terms and Conditions for the Purchase of CP with Repurchase Agreements"

• Paragraph 4. shall be amended as follows.

4. CP to be Purchased

Commercial paper, dematerialized commercial paper issued by domestic corporations, dematerialized commercial paper issued by foreign corporations with guarantees, and dematerialized asset-backed commercial paper, and dematerialized commercial paper issued by real estate investment corporations accepted as eligible collateral by the Bank under "Guidelines on Eligible Collateral" (Policy Board Decision on October 13, 2000).

(Supplementary Provision)

This amendment shall become effective when the Attachment 1 of "Amendments to 'Guidelines on Eligible Collateral'" (Policy Board Decision on January 22, 2009) becomes effective.

Amendment to "Principal Terms and Conditions of the Special Funds-Supplying Operations to Facilitate Corporate Financing"

- Paragraph 8.(2) shall be amended as follows.
- (2) The maximum amount of loan for each counterparty is the total collateral value of corporate debt (corporate bonds, dematerialized commercial paper issued by domestic corporations, dematerialized commercial paper issued by foreign corporations with guarantees, bills drawn by companies, commercial paper [excluding asset-backed commercial paper____and commercial paper issued by real estate investment corporations], and loans on deeds to companies) pledged by each counterparty as the standing pool of eligible collateral to the Bank. However, the maximum amount of loan for each counterparty shall not exceed the unused value of total standing pool of eligible collateral pledged to the Bank at the time of loan disbursement.

(Supplementary Provision)

This amendment shall become effective when the Attachment 1 of "Amendments to 'Guidelines on Eligible Collateral'" (Policy Board Decision on January 22, 2009) becomes effective.

Amendment to "Principal Terms and Conditions for Outright Purchases of CP"

- Paragraph 4. shall be amended as follows.
- 4. CP to be Purchased

Commercial paper (excluding asset-backed commercial paper <u>and</u> <u>commercial paper issued by real estate investment corporations</u>), dematerialized commercial paper issued by domestic corporations, dematerialized commercial paper issued by foreign corporations with guarantees, asset-backed commercial paper and dematerialized asset-backed commercial paper which shall fulfill the following criteria and have no particular obstacles to become eligible.

(Supplementary Provision)

This amendment shall become effective when the Attachment 1 of "Amendments to 'Guidelines on Eligible Collateral'" (Policy Board Decision on January 22, 2009) becomes effective.