

October 5, 2010

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, with a view to maintaining the soundness of the Bank's assets and efficiency in market participants' use of collateral, to make the following amendments based on the results of the Bank's annual review of appropriate margins reflecting recent developments in financial markets.

1. The Bank shall amend the "Guidelines on Eligible Collateral" (see Attachment 1).
2. The Bank shall amend the "Principal Terms and Conditions for the Purchase/Sale of Japanese Government Securities with Repurchase Agreements" (see Attachment 2).
3. The Bank shall amend the "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" (see Attachment 3).
4. The Bank shall amend the "Temporary Rules regarding the Eligibility Standards for Corporate Bonds and Loans on Deeds to Companies" (see Attachment 4).
5. The Bank shall amend the "Collateral Guidelines on Eligible Foreign Bonds" (see Attachment 5).

Amendment to "Guidelines on Eligible Collateral"

- Table 1 shall be amended as underlined.

Table 1

Categories of Collateral and Collateral Prices

1. }
 1-2. } (No change)

1-3. STRIPS

A residual maturity of:

- (1) }
 1 } (No change)
 (5) }

(6) more than 30 years

~~92~~93% of market price

1-4. Inflation-Indexed Bonds

A residual maturity of:

- | | |
|---|---|
| (1) up to 1 year | 91 <u>92</u> % of market price |
| (2) more than 1 year and up to 5 years | 91 <u>92</u> % of market price |
| (3) more than 5 years and up to 10 years | 89 <u>90</u> % of market price |
| (4) more than 10 years and up to 20 years | 89 <u>90</u> % of market price |
| (5) more than 20 years and up to 30 years | 88 <u>89</u> % of market price |

(6) more than 30 years 8788% of market price

2. }
7 } (No change)
10. }

11. Bonds Issued by Real Estate Investment Corporations

A residual maturity of:

- (1) (No Change)
- (2) more than 1 year and up to 5 years 9697% of market price
- (3) (No Change)
- (4) more than 10 years and up to 20 years 8991% of market price
- (5) more than 20 years and up to 30 years 8390% of market price
- (6) more than 30 years 8089% of market price

12. }
17. } (No change)

18. Loans on Deeds to Companies

A residual maturity of:

- (1) }
(2) } (No change)
- (3) more than 3 years and up to 5 years 8085% of outstanding principal balance
- (4) }
(5) } (No change)

19. Loans on Deeds to Real Estate Investment Corporations

A residual maturity of:

- (1) } (No change)
- (2) }
- (3) more than 3 years and up to 5 years 8085% of outstanding principal balance
- (4) }
- (5) } (No change)

20. Loans on Deeds to the Government
(including Government's Special Accounts)

A residual maturity of:

- (1) } (No change)
- (2) }
- (3) more than 3 years and up to 5 years 8590% of outstanding principal balance
- (4) more than 5 years and up to 7 years 8085% of outstanding principal balance
- (5) more than 7 years and up to 10 years 7580% of outstanding principal balance
 (Those with maturity date falling in the same month of the tenth year are included.)

21. Loans on Deeds with Government
Guarantees

A residual maturity of:

- (1) } (No change)
- (2) }
- (3) more than 3 years and up to 5 years 8590% of outstanding principal balance
- (4) more than 5 years and up to 7 years 8085% of outstanding principal balance
- (5) more than 7 years and up to 10 years 7580% of outstanding principal balance
 (Those with maturity date falling in the same

month of the tenth year are included.)

22. Loans on Deeds to Municipal Governments

A residual maturity of:

- (1) }
 - 2 }
 - (3) }
- (No change)

(4) more than 5 years and up to 7 years

~~80~~85% of outstanding
principal balance

(5) (No Change)

(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, 2010.

**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) Japanese Government Securities (excluding Floating-Rate Bonds and Inflation-Indexed Bonds)

A residual maturity of:

(a) up to 1 year	4.004 <u>1.003</u>
(b) more than 1 year and up to 5 years	4.006 <u>1.007</u>
(c) } d } (e) }	(No change)
(f) more than 30 years	4.036 <u>1.029</u>

(2) Floating-Rate Bonds

A residual maturity of:

(a) up to 1 year	4.014 <u>1.009</u>
(b) more than 1 year and up to 5 years	4.019 <u>1.013</u>
(c) more than 5 years and up to 10 years	4.026 <u>1.020</u>
(d) more than 10 years and up to 20 years	4.026 <u>1.020</u>

(3) Inflation-Indexed Bonds

A residual maturity of:

(a) up to 1 year	<u>4.0431.039</u>
(b) more than 1 year and up to 5 years	<u>4.0491.043</u>
(c) more than 5 years and up to 10 years	<u>4.0561.051</u>
(d) more than 10 years and up to 20 years	<u>4.0631.058</u>
(e) more than 20 years and up to 30 years	<u>4.0731.068</u>
(f) more than 30 years	<u>4.0801.068</u>

2. Securities sold by the Bank

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

A residual maturity of:

(a) up to 1 year	<u>0.9990.998</u>
(b) } c } (No change) (e) }	
(f) more than 30 years	<u>0.9670.972</u>

(2) Floating-Rate Bonds

A residual maturity of:

(a) up to 1 year	<u>0.9870.992</u>
(b) more than 1 year and up to 5 years	<u>0.9820.988</u>
(c) more than 5 years and up to 10 years	<u>0.9750.981</u>
(d) more than 10 years and up to 20 years	<u>0.9750.981</u>

(3) Inflation-Indexed Bonds

A residual maturity of:

(a) up to 1 year	<u>0.9600.964</u>
(b) more than 1 year and up to 5 years	<u>0.9560.960</u>
(c) more than 5 years and up to 10 years	<u>0.9490.954</u>

(d) more than 10 years and up to 20 years	<u>0.9440.948</u>
(e) more than 20 years and up to 30 years	<u>0.9360.940</u>
(f) more than 30 years	<u>0.9310.940</u>

- Table 2 shall be amended as underlined.

Table 2

Collateral Prices

1. Securities supplied to the Bank

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

A residual maturity of:

(a) up to 1 year	<u>99.999.8%</u> of market price
(b) } r } (e) }	(No change)
(f) more than 30 years	<u>96.697.2%</u> of market price

(2) Floating-Rate Bonds

A residual maturity of:

(a) up to 1 year	<u>98.799.2%</u> of market price
(b) more than 1 year and up to 5 years	<u>98.298.8%</u> of market price
(c) more than 5 years and up to 10 years	<u>97.598.1%</u> of market price
(d) more than 10 years and up to 20 years	<u>97.598.1%</u> of market price

(3) Inflation-Indexed Bonds

A residual maturity of:

(a) up to 1 year	95.9 <u>96.3</u> % of market price
(b) more than 1 year and up to 5 years	95.4 <u>95.9</u> % of market price
(c) more than 5 years and up to 10 years	94.7 <u>95.2</u> % of market price
(d) more than 10 years and up to 20 years	94.1 <u>94.6</u> % of market price
(e) more than 20 years and up to 30 years	93.2 <u>93.7</u> % of market price
(f) more than 30 years	92.6 <u>93.7</u> % of market price

2. Securities supplied by the Bank

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

A residual maturity of:

(a) up to 1 year	100.1 <u>100.2</u> % of market price
(b) } (c) } (e) }	(No change)
(f) more than 30 years	103.4 <u>102.8</u> % of market price

(2) Floating-Rate Bonds

A residual maturity of:

(a) up to 1 year	101.3 <u>100.8</u> % of market price
(b) more than 1 year and up to 5 years	101.8 <u>101.2</u> % of market price
(c) more than 5 years and up to 10 years	102.5 <u>101.9</u> % of market price
(d) more than 10 years and up to 20 years	102.5 <u>101.9</u> % of market price

(3) Inflation-Indexed Bonds

A residual maturity of:

(a) up to 1 year	104.1 <u>103.7</u> % of market price
(b) more than 1 year and up to 5 years	104.6 <u>104.1</u> % of market price

(c) more than 5 years and up to 10 years	405.3 <u>104.8</u> % of market price
(d) more than 10 years and up to 20 years	405.9 <u>105.4</u> % of market price
(e) more than 20 years and up to 30 years	406.8 <u>106.3</u> % of market price
(f) more than 30 years	407.4 <u>106.3</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, 2010.

**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"**

- Table shall be amended as underlined.

Table

Margin Ratios

1. JGSs (excluding Floating-Rate Bonds and Inflation-Indexed Bonds)

A residual maturity of:

(1) up to 1 year	0.9990 <u>0.998</u>
(2) } } (No change) (5) }	
(6) more than 30 years	0.9670 <u>0.972</u>

2. Floating-Rate Bonds

A residual maturity of:

(1) up to 1 year	0.9870 <u>0.992</u>
(2) more than 1 year and up to 5 years	0.9820 <u>0.988</u>
(3) more than 5 years and up to 10 years	0.9750 <u>0.981</u>
(4) more than 10 years and up to 20 years	0.9750 <u>0.981</u>

3. Inflation-Indexed Bonds

A residual maturity of:

(1) up to 1 year	0.960 <u>0.964</u>
(2) more than 1 year and up to 5 years	0.956 <u>0.960</u>
(3) more than 5 years and up to 10 years	0.949 <u>0.954</u>
(4) more than 10 years and up to 20 years	0.944 <u>0.948</u>
(5) more than 20 years and up to 30 years	0.936 <u>0.940</u>
(6) more than 30 years	0.931 <u>0.940</u>

(Supplementary Provision)

These amendments shall become effective on a day designated by the Governor, which shall be no later than October 31, 2010.

**Amendment to "Temporary Rules regarding the Eligibility Standards
for Corporate Bonds and Loans on Deeds to Companies"**

- 2. shall be amended as underlined.

2. (No Change)

Corporate Bonds

A residual maturity of:

- | | |
|---|---|
| (1) (No Change) | |
| (2) more than 1 year and up to 5 years | 96 <u>97</u> % of market price |
| (3) (No Change) | |
| (4) more than 10 years and up to 20 years | 89 <u>95</u> % of market price |
| (5) more than 20 years and up to 30 years | 83 <u>94</u> % of market price |
| (6) more than 30 years | 80 <u>93</u> % of market price |

Loans on Deeds to Companies

A residual maturity of:

- | | |
|--|---|
| (1) up to 1 year | 95 <u>93</u> % of outstanding
principal balance |
| (2) more than 1 year and up to 3 years | 86 <u>82</u> % of outstanding
principal balance |
| (3) more than 3 years and up to 5 years | 75 <u>70</u> % of outstanding
principal balance |
| (4) more than 5 years and up to 7 years | 70 <u>60</u> % of outstanding
principal balance |
| (5) more than 7 years and up to 10 years
(including those with the maturity date falling
in the same month of the 10th year) | 60 <u>50</u> % of outstanding
principal balance |

(Supplementary Provision)

These amendments shall become effective on a day designated by the Governor, which shall be no later than October 31, 2010.

Amendment to "Collateral Guidelines on Eligible Foreign Bonds"

- 4.(2) shall be amended as underlined.
- (2) In the case of paragraph 8.(1) of "Principal Terms and Conditions for Funds-Supplying Operations against Pooled Collateral" (Policy Board Decision on April 11, 2006), and paragraph 8.(1) of "Principal Terms and Conditions for U.S. Dollar Funds-Supplying Operations against Pooled Collateral" (Policy Board Decision on ~~September 18, 2008~~May 10, 2010), ~~and paragraph 10.(1) of "Principal Terms and Conditions of the Special Funds-Supplying Operations to Facilitate Corporate Financing" (Policy Board Decision on December 19, 2008)~~, the term "The standing pool of eligible collateral" shall be deemed to be replaced with "The standing pool of eligible collateral (including Eligible Foreign Bonds)."

(Supplementary Provision)

These amendments shall become effective today.