

November 21, 2013

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 to amend the "Principal Terms and Conditions for the Purchase/Sale of Japanese Government Securities with Repurchase Agreements" (see Attachment) in conjunction with the forthcoming implementation of the first phase of the new BOJ-NET project, with a view to further facilitating the Bank's money market operations.

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

- Paragraph 7. (2) shall be amended as follows.

(2) Margin ratios

Margin ratios shall be as set forth in Table-4.

- Paragraph 8. (1) shall be amended as follows.

(1) Net exposure

"Net exposure" is the amount by which the amount provided in (a) exceeds the amount provided in (b) on a certain business day, assuming that the securities are resold or repurchased on that day.

(a) Total amount of (i) the amount obtained by multiplying the proceeds that the Bank or counterparties would receive when they resell or repurchase securities by margin ratios; and (ii) the market value of the securities that the Bank or counterparties have sold; ~~(iii) the market value of the securities and the amount of cash that the Bank or counterparties have supplied as collateral, and (iv) the amount of interest on cash collateral that the Bank or counterparties would receive.~~

(b) Total amount of (i) the amount obtained by multiplying the proceeds that the Bank or counterparties would pay when they resell or repurchase securities by margin ratios; and (ii) the market value of the securities that the Bank or counterparties have

~~purchased, (iii) the market value of the securities and the amount of cash that have been supplied to the Bank or counterparties as collateral, and (iv) the amount of interest on cash collateral that the Bank or counterparties would pay.~~

- Paragraph 8. (2) shall be amended as follows.

(2) Margin calls by the Bank

(a) When net exposure accrues to the Bank, the Bank shall exercise margin calls against the counterparties by requiring them either to supply additional collateral or return excess collateral accept eligible collateral from the counterparties.

(b) The "Guidelines on Eligible Collateral" (Policy Board Decision on October 13, 2000) and the "Collateral Guidelines on Eligible Foreign Bonds" (Policy Board Decision on May 22, 2009) shall apply to the collateral for the net exposure.

- Paragraph 8. (3), (4), (5), and (6) shall be deleted.

- Paragraph 10. (2) shall be amended as follows.

(2) Interests of the securities

When interests of the securities that have been sold ~~or supplied as collateral~~ to the Bank accrue, the Bank shall pay the amount equal to the accrued interests to the counterparties. When the interests of the securities that the Bank has sold ~~or supplied as collateral~~ accrue, the

Bank shall receive the amount equal to the accrued interests from the counterparties.

- Supplementary Provision shall be amended as follows.

(Supplementary Provision)

"Margin ratios" prescribed in paragraph 7. (2) ~~and "Collateral prices" prescribed in paragraph 8. (5)~~ shall be reviewed in light of conditions in financial markets about once a year in principle and shall be amended when necessary.

- Table 2 shall be deleted and "Table 1" shall be renamed as "Table."

(Supplementary Provision)

These amendments shall become effective on the day of the implementation of the first phase of the new BOJ-NET project.