

September 21, 2016

Bank of Japan

Amendment to "Principal Terms and Conditions for the Outright Purchase/Sale of Japanese Government Bonds"

At the Monetary Policy Meeting held on September 20 and 21, 2016, the Policy Board of the Bank of Japan made the following decisions in order to facilitate smooth market operations.

1. The Bank shall amend the "Principal Terms and Conditions for the Outright Purchase/Sale of Japanese Government Bonds" (see Attachment 1).
2. The Bank shall amend the "Principal Terms and Conditions for Funds-Supplying Operations against Pooled Collateral" (see Attachment 2).

Amendment to "Principal Terms and Conditions for the Outright Purchase/Sale of Japanese Government Bonds"

- Paragraph 5. shall be amended as follows.

5. Method for Auctions

- (1) Method for Japanese government bonds excluding floating-rate bonds and inflation-indexed bonds

The Bank shall purchase/sell Japanese government bonds using one of these methods.

(a) Competitive auction method

A multiple-price competitive auction shall be conducted for each purchase/sale where counterparties bid "yield spreads," which are calculated by subtracting the "benchmark yields" (yields which the Bank respectively determines for each issue with consideration for market price) from the yield at which counterparties desire to purchase/sell bonds from/to the Bank.

(b) Fixed-rate method

The Bank shall purchase/sell at the fixed-rate calculated for each purchase/sale by adding the yield spread for each issue, which the Bank determines in accordance with the guideline for monetary market operations, to the benchmark yield.

- (2) (No change)

- Paragraph 6. shall be amended as follows.

6. Purchasing/Selling Price

The purchasing/selling price for each issue is calculated by using the yield obtained by adding the yield spread derived from the method of 5.(1) (a) or (b) to the benchmark yield for the corresponding issue, or by using the price obtained by adding the price spread derived from the method of 5.(2) to the benchmark price.

(Supplementary Provision)

These amendments shall become effective today.

Amendment to "Principal Terms and Conditions for Funds-Supplying Operations against Pooled Collateral"

- Paragraph 5. shall be amended as follows.

5. Duration of Loans

~~Taking account of conditions in financial markets, the Bank shall determine the duration of each loan and the duration shall not exceed one year.~~

(1) Variable-Rate Method

For loans whose interest rates determined by variable-rate method, the Bank shall determine the duration of each loan taking account of conditions in financial markets and the duration shall not exceed one year.

(2) Fixed-Rate Method

For loans whose interest rate determined by fixed-rate method, the Bank shall determine the duration of each loan taking account of conditions in financial markets and the duration shall not exceed ten years.

(Supplementary Provision)

These amendments shall become effective today.