

Outline of Outright Purchases of Japanese Government Securities

The Bank of Japan decided to conduct the outright purchases of Japanese government securities as follows, effective from January 4, 2018. The next announcement will be on January 31, 2018 at 5 p.m.

1. Outright purchases of Japanese government bonds (JGBs) <competitive auction method>

(1) Bonds to be purchased

JGBs with coupons (2-year bonds, 5-year bonds, 10-year bonds, 20-year bonds, 30-year bonds, 40-year bonds, floating-rate bonds, and inflation-indexed bonds).

(2) Frequency of purchases

Scheduled dates of the auction at this moment are stated in the attachment. However, the Bank may increase the frequency as needed.

(3) Amount to be purchased

The Bank will conduct purchases in a flexible manner, taking account of market conditions, aiming to achieve the target level of a long-term interest rate specified by the guideline for market operations.

(4) Method for auctions

A multiple-price competitive auction.

JGBs with coupons (excluding floating-rate bonds and inflation-indexed bonds): Counterparties bid their "desired yield spreads," which are calculated by subtracting "benchmark yields" from the yields at which counterparties seek to sell to the Bank.

Floating-rate bonds and inflation-indexed bonds: Counterparties bid their "desired price spreads," which are calculated by subtracting "benchmark prices" from the prices at which counterparties seek to sell to the Bank.

2. Outright purchases of JGBs <fixed-rate method>

(1) Bonds to be purchased

Among JGBs with coupons (2-year bonds, 5-year bonds, 10-year bonds, 20-year bonds, 30-year bonds, and 40-year bonds), mainly on-the-run issues.

(2) Frequency of purchases

The Bank will conduct the auction as needed, such as when the level of the yield curve changes substantially.

(3) Amount to be purchased

Depending on market conditions, the Bank may set the purchase size per auction to a fixed amount or to an unlimited amount.

(4) Method for auctions

Purchasing yields will be set per auction, by indicating the yield spreads from the benchmark yields which the Bank determines separately.

3. Outright purchases of treasury discount bills (T-Bills)

Amount outstanding of T-Bills to be purchased, of which the purchase is conducted as part of money market operations, is expected to be about 15-25 trillion yen for the time being. The Bank will decide the purchase size per auction considering the effects on financial markets.

<Monthly schedule (competitive auction method)>

	Residual maturity		Purchase size per auction (billion yen)	Scheduled dates
JGBs with coupons (excluding inflation- indexed bonds and floating-rate bonds)	Up to 1 year		About 10-100	About twice a month
	More than 1 year and up to 5 years	More than 1 year and up to 3 years	About 200-300	January 4, 11, 17, 24, 26, and 31
		More than 3 years and up to 5 years	About 250-350	
	More than 5 years and up to 10 years		About 300-500	January 4, 11, 15, 19, 24, and 29
	More than 10 years	More than 10 years and up to 25 years	About 150-250	January 9, 15, 19, 26, and 31
More than 25 years		About 50-150		
Inflation-indexed bonds			About 25	About twice a month
Floating-rate bonds (in the even months)			About 100	Once every two months

Note 1: With regard to residual maturities of more than 1 year and up to 5 years, and more than 10 years, the Bank may set sub-segments of more than 1 year and up to 3 years & more than 3 years and up to 5 years, and more than 10 years and up to 25 years & more than 25 years, respectively, and announce separate auctions for them at the same time.

Note 2: With regard to residual maturities of more than 1 year and up to 5 years, more than 5 years and up to 10 years, and more than 10 years, the Bank may announce auctions in addition to the dates stated above, taking account of market conditions (the purchase sizes of these auctions will not necessarily fall within those stated above). However, on the day of the JGBs auctions (including enhanced-liquidity auctions) by the Ministry of Finance, the Bank will in principle refrain from announcing auctions for the corresponding maturity segments.

Note 3: With regard to inflation-indexed bonds, the Bank may exclusively include those issued in and after October 2013 in the list of issues to be purchased.

Note 4: With regard to the outright purchases of JGBs with coupons (excluding inflation-indexed bonds and floating-rate bonds), the Bank may set a lower limit on the yield spreads for purchasing yields, taking account of market conditions.

Note 5: As for the outright purchases of JGBs under the fixed-rate method, the Bank will announce auctions as needed, regardless of the description stated above.