

September 19, 2018

Bank of Japan

Establishment of "Special Rules regarding Calculation of Interest of Complementary Deposit Facility for New Institutions"

At the Monetary Policy Meeting held on September 18 and 19, 2018, the Policy Board of the Bank of Japan decided to implement the measures 1., 2. and 3. with the aim of facilitating a smooth operation of the complementary deposit facility.

1. The Bank shall establish the "Special Rules regarding Calculation of Interest of Complementary Deposit Facility for New Institutions" (see Attachment).
2. The Governor of the Bank shall have the authority to reduce the Deemed Benchmark Balance, stipulated in Paragraph 2. (2) of the "Special Rules regarding Calculation of Interest of Complementary Deposit Facility for New Institutions."
3. The title of the existing "Special Rules for Calculation of Interest of Complementary Deposit Facility" shall be renamed "Special Rules regarding Calculation of Interest of Complementary Deposit Facility for Money Reserve Funds."

Special Rules regarding Calculation of Interest of Complementary Deposit Facility for New Institutions

1. Purpose

With the aim of facilitating a smooth operation of the complementary deposit facility, the Bank established special rules regarding calculation of interest of complementary deposit facility, stipulated in Paragraph 5. of the "Principal Terms and Conditions of Complementary Deposit Facility" (Policy Board Decision on January 29, 2016, hereinafter referred to as the "Principal Terms and Conditions") for institutions which became or will become eligible institutions stipulated in Paragraph 2. of the Principle Terms and Conditions on or after January 16, 2016 and do not have Benchmark Balances (hereinafter referred to as "New Institutions").

2. Calculation of Interest

- (1) The average amount of the current account balance and the special reserve account balance at the Bank (hereinafter referred to as the "CAB"), between the reserve maintenance period which includes the day a New Institution becomes eligible and the reserve maintenance period which includes the day eleven months later (hereinafter referred to as the "Deemed Benchmark Period"), shall be deemed to be the Benchmark Balance for the New Institution, stipulated in Paragraph 4. (3) (a) of the Principal Terms and Conditions (hereinafter referred to as the "Deemed Benchmark Balance"). This shall also be applicable to the calculation of interest during the Deemed Benchmark Period.

- (2) When, after the Deemed Benchmark Period, the Bank recognizes that a New Institution substantially decreases its amount of CAB during the

Designated Reserve Maintenance Period compared to its amount of the Deemed Benchmark Balance, an amount specified by the Bank shall be subtracted from the Deemed Benchmark Balance. The remaining amount shall be deemed to be the Benchmark Balance stipulated in Paragraph 4. (3) (a) of the Principal Terms and Conditions.

(Supplementary Provision)

These special rules shall be applied to calculation of interest on and after the reserve maintenance period starting from October 16, 2018. With regard to New Institutions which became or will become eligible on any of the days from January 16, 2016 through October 15, 2018, October 16, 2018 shall be deemed to be the day on which the New Institutions become eligible in applying Paragraph 2. (1).