

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 July 1, 2021.

Regarding outright purchases of Japanese Government Bonds (JGBs), the Bank will announce the schedule separately in "Quarterly Schedule of Outright Purchases of Japanese Government Bonds (Competitive Auction Method)" at the end of March, June, September, and December.

1. Outright purchases of JGBs <competitive auction method> ^(Note)

(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) Schedule of purchases

The Bank, in principle, will release the schedule of purchases for the following month in advance on the last business day of each month.

(3) Amount to be purchased

In the schedule of purchases for the following quarter, the amount of purchases per type of JGBs / residual maturity will be specified taking account of market conditions, which the Bank, in principle, will purchase accordingly. The Bank may exceptionally adjust the amount in case the level of the yield curve changes substantially, posing the risk of long-term interest rate (10-year JGB yields) surpassing either the upper or the lower limit of the range.

(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.

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.

2. Outright purchases of JGBs <fixed-rate method> ^(Note)

(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) Schedule of purchases

The Bank will conduct the auctions as needed, such as when the level of the yield curve rises substantially, posing the risk of long-term interest rate (10-year JGB yields) surpassing the upper limit of the range.

(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.

(5) Fixed-rate purchase operations for consecutive days

The conduct of fixed-rate purchase operations for consecutive days will be announced as needed before conducting these operations. The Bank, in principle, will release the information regarding bonds to be purchased, schedule of the purchases, purchase size per auction and the fixed-rate applied in the auctions on its website.

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

Regarding purchases of T-Bills, conducted as part of money market operations, the Bank will decide the purchase size per auction considering the effects on financial

markets.

Note: Bidding at the auctions assuming the use of Securities Lending Facility (SLF) is not permitted. In case the Bank deems it appropriate, the Bank will not accept either all or a part of the bids at the auctions for its outright purchases of JGBs, T-Bills, and SLF.