

Outline of Outright Purchases of Japanese Government Securities

In accordance with the Plan for the Reduction of the Purchase Amount of Japanese Government Bonds decided at the Monetary Policy Meeting held today, the Bank of Japan decided to conduct the outright purchases of Japanese government securities as follows.

For the amount of purchases of Japanese government bonds (JGBs) per type / residual maturity in August and September 2024, please refer to "Schedule of Outright Purchases of Japanese Government Bonds (Competitive Auction Method) (August-September 2024)" published on July 31, 2024. Thereafter, the Bank will announce the amount of JGB purchases every quarter in "Quarterly Schedule of Outright Purchases of Japanese Government Bonds (Competitive Auction Method)." Regarding the schedule of purchases, the Bank, in principle, will release the schedule for the following month in advance on the last business day of each month.

Regardless of the planned amount and the schedule of JGB purchases, in the case of a rapid rise in long-term interest rates, the Bank will make nimble responses by, for example, increasing the amount of JGB purchases, including additions to the purchase schedule, and conducting fixed-rate purchase operations of JGBs and the Funds-Supplying Operations against Pooled Collateral.

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, Japan Climate Transition Bonds, floating-rate bonds, and inflation-indexed bonds).

The Bank will select eligible issues per auction, mainly taking into consideration the yield differences between other issues of JGBs with close remaining maturities, the amount outstanding in the market, and the supply and demand conditions in the repo market.

(2) 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 announced at a specific amount, instead of the previous range form. The Bank, in principle, will maintain that purchase amount throughout the quarter.

(3) 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) 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.

(3) 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) ^(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.

4. Conduct of the Securities Lending Facility

The current measures regarding the Securities Lending Facility (SLF), including "Relaxation of the Terms and Conditions for the Securities Lending Facility for the Cheapest-to-Deliver Issues" published on May 31, 2024, will remain effective for the time being.

Note: Bidding at the auctions assuming the use of 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.