

Continuation of the Relaxation of the Terms and Conditions
for the Securities Lending Facility for the Cheapest-to-Deliver Issues

The Bank of Japan relaxed the terms and conditions for the Securities Lending Facility (SLF) for the cheapest-to-deliver (CTD) issues¹ in June 2022 in order to ensure stability in the market by easing excessive tightening in the supply and demand of Japanese government securities in the repo market. The Bank has since continued to implement the relaxation measures while changing the applicable issues at the timing of the rollover of Japanese government bond (JGB) futures contracts.

Given that the JGB issues of which the Bank holds a significant share are expected to become the CTD after mid-December 2024, the Bank will continue to implement the following measures regarding the SLF for the CTD issues in the same manner as before for the time being.

For the latest release regarding the relaxation, please refer to "Relaxation of the Terms and Conditions for the Securities Lending Facility for the Cheapest-to-Deliver Issues" published on August 30, 2024.

1. Increase in the Upper Limit on the Consecutive-Day Purchases of the Same Issue
Regarding the CTD issues, the upper limit on the consecutive-day purchases of the same issue has been increased to enable the consecutive use of the SLF until the delivery settlement date of the JGB futures. Specifically, while the upper limit is in principle 50 business days under the regular conditions, it is in principle 80 business days under the relaxed conditions.

2. Expansion of the Issues Applicable to the Relaxed Conditions for the Delivery of the CTD Issues

Under the regular conditions of the SLF, only the CTD issues of which the share of the Bank's holdings in the market exceeds 80 percent are applicable to the relaxed conditions for the delivery to the Bank. Under the current relaxed conditions, however, all the CTD

¹ The first and second CTD issues of 10-year JGB futures in the nearest two contract months.

issues are applicable to the relaxed conditions for the delivery in principle, regardless of the share of the Bank's holdings.

As specified in 2., counterparties can request a reduction in the amount of the CTD issues repurchased by the Bank in the following two circumstances: (1) there is no prospect for the successful delivery of the CTD issues to the Bank; (2) the reduction is expected to contribute to improving the liquidity of the JGB market. Regarding the latter case, the Bank will accept counterparties' requests in the same manner as before in principle, if the reduction is deemed to contribute to improving the liquidity of the JGB market.

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