

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

The Bank of Japan decided to implement the following measures concerning the Securities Lending Facility (SLF) for 10-year JGBs #367, #368, and #369 for the time being, in order to ensure stability in the market by easing excessive tightening in supply and demand of Japanese government securities in the repo market. The changes below will be effective from March 3, 2025.

1. Increase in the Upper Limit on the Consecutive-day Purchases of the Same Issue

Regular conditions <sup>(Note 1)</sup>	A maximum of 50 business days, in principle
After relaxation	A maximum of 80 business days, in principle <sup>(Note 2)</sup>

Notes: 1. With regard to 10-year JGBs #366, the regular conditions will be applied to new transactions made on and after March 3.

2. The total number of consecutive-day purchases, including those through February 28.

2. Expansion of the Issues Applicable to the Relaxed Conditions for the Delivery of the Cheapest-to-Deliver (CTD) Issues<sup>(Note 1)</sup>

Regular conditions	CTD issues of which the share of the Bank's holdings in the market exceeds 80 percent
After relaxation <sup>(Note 2)</sup>	All CTD issues regardless of the share of the Bank's holdings, in principle

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

2. For 10-year JGBs #366, those supplied through the SLF conducted through March 13 can be delivered on the relaxed conditions.

As shown in “Continuation of the Relaxation of the Terms and Conditions for the Securities Lending Facility for the Cheapest-to-Deliver Issues” published on October 16, 2024, 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 principle, based on the judgement that the reduction contributes to improving the liquidity of the JGB market, until the amount outstanding of each of the CTD issues in the market recovers to about 1.2 trillion yen, as shown in "Treatment of the Reduction in the Amount of the Cheapest-to-Deliver Issues Repurchased by the Bank of Japan under the Securities Lending Facility" published on January 16, 2025.

Furthermore, the Bank recognizes that the degree of improvement in the liquidity of the JGB market depends not only on the size of the amount outstanding in the market but on developments in market conditions, and thus it will continue to closely monitor the situation of sales and purchases, as well as lending, of the CTD issues in the JGB cash and repo markets and take measures as necessary.

<p>For further information, please contact the Market Operations Division, Financial Markets Department (<a href="mailto:post.fmd26@boj.or.jp">post.fmd26@boj.or.jp</a>).</p>
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