

December 19, 2008

Bank of Japan

Establishment of “Principal Terms and Conditions of the Special Funds-Supplying Operations to Facilitate Corporate Financing”

At the Monetary Policy Meeting held today, the Policy Board of the Bank of Japan decided, in view of the recent conditions in corporate financing, to establish “Principal Terms and Conditions of the Special Funds-Supplying Operations to Facilitate Corporate Financing,” with the aim of ensuring stability in financial markets as well as facilitating corporate financing by conducting appropriate money market operations (see Attachment).

Principal Terms and Conditions of the Special Funds-Supplying Operations to Facilitate Corporate Financing

1. Purpose

These terms and conditions prescribe the principles for the Bank of Japan's special funds-supplying operations to facilitate corporate financing (loans that provide funds over the fiscal year-end with the pooled eligible collateral as security by way of open market operations for an unlimited amount against the value of corporate debt pledged as the standing pool of eligible collateral at loan rates equivalent to the target for the uncollateralized overnight call rate) introduced in view of the recent conditions in corporate financing with the aim of ensuring stability in financial markets as well as facilitating corporate financing by conducting appropriate money market operations.

2. Location of Operations

The Bank's Head Office (Operations Department) or its branches.

3. Eligible Counterparties

Eligible counterparties shall, pursuant to the Bank's relevant rules, be selected from financial institutions (as defined in Article 37, Paragraph 1 of the Bank of Japan Act, Act No.89, 1997, excluding the Resolution and Collection Corporation and bridge banks [as defined in Article 2, Paragraph 13 of the Deposit Insurance Act, Act No.34, 1971]), financial instruments firms (Article 10, Paragraph 1, Clause 2 of the Bank of Japan Act Enforcement Order [Order No. 385 of 1997]) that conduct the first financial instruments business (Article 28, Paragraph 1 of the Financial Instruments and Exchange Act, Act No. 25, 1948), securities finance companies (Article 10, Paragraph 1, Clause 3 of the Order), and *tanshi* companies (Article 10, Paragraph 1, Clause 4 of the Order).

4. Form of Loans

Loans shall be provided in the form of electronic lending.

5. Duration of Loans

Taking account of conditions in financial markets, the Bank shall determine the duration of each loan and the duration shall not exceed three months. The maturity date shall be no later than April 30, 2009.

6. Loan Rates and Collection of Interest

- (1) Interest rates on the loans shall be an average of the target for the uncollateralized overnight call rates in the guideline for money market operation during the period in which loans are extended.
- (2) The interest on a loan shall be calculated based on the rate determined by the method described in 6.(1) for the number of days from the first day after the disbursement of the loan up to the maturity date, and the interest shall be collected when the loan reaches maturity.

7. Counterparties and the Amount of Each Loan

Counterparties of each loan are eligible counterparties selected pursuant to 3. that wish to be counterparties for the loan. The amount extended to each counterparty for each loan is the amount each counterparty wishes to borrow within the maximum amount of loan described in 8.(2).

8. Maximum Amount of Loan

- (1) The total amount of loan is unlimited.
- (2) The maximum amount of loan for each counterparty is the total collateral value of corporate debt (corporate bonds, dematerialized commercial paper issued by domestic corporations, dematerialized commercial paper issued by foreign corporations with guarantees, bills drawn by companies, commercial paper [excluding asset-backed commercial paper], and loans on deeds to companies) pledged by each counterparty as the standing pool of eligible collateral to the Bank. However, the maximum amount of loan for each counterparty shall not exceed the unused value of total standing pool of eligible collateral pledged to the Bank at the time of loan disbursement.

9. Date of Loan Disbursement, etc.

Taking account of conditions in financial markets, the Bank shall determine specifications necessary for lending, including the date of loan disbursement

for each loan.

10. Collateral

- (1) The standing pool of eligible collateral pledged by an eligible counterparty to the Bank shall secure the loans made to the counterparty.
- (2) "Guidelines on Eligible Collateral" (Policy Board Decision on October 13, 2000) shall apply to the collateral for the loans.

(Supplementary Provision)

These terms and conditions shall become effective today and shall be valid through April 30, 2009.