Collateral Guidelines on Eligible Foreign Bonds

1. Purpose

(1) These guidelines prescribe the principles concerning foreign bonds denominated in foreign currencies that have been determined in the Guideline on Eligible Collateral (Policy based on Bank Resolution on October 13, 2000) for the Bank’s provision of credit related to currency and monetary control (hereafter “Eligible Foreign Bonds”).

(2) Provisions of “Guideline on Eligible Collateral” shall be applied to Eligible Foreign Bonds so far as they are relevant to those bonds, unless otherwise specifically provided by these guidelines.

2. Application

(1) These guidelines shall be applied only when deemed necessary for ensuring stability in financial markets through further facilitating the Bank’s money market operations, or when deemed necessary for conducting appropriate monetary market operations in areas of development in domestic and overseas financial markets.

(2) When commencing or suspending application of these guidelines, the Bank shall make it public by means deemed appropriate by the Bank.

3. Eligibility Standards and Collateral Rates

(1) The eligibility standards shall be as set forth in the Bank’s Collateral Guidelines on Eligible Foreign Bonds.

(2) The prices of collateral, according to the reduced interest-rate, shall be calculated by multiplying market prices (yen-denominated) by the margins calculated according to 3. (2) and (3) of “Guideline on Eligible Collateral.”

4. Replacement of Terms in Related Guidelines

In applying these guidelines, in the case of paragraph 4. (3) of “Guidelines on Eligible Collateral,” the term “collateral other than government bonds (excluding treasury bills), treasury discount bills (treasury bills and financing bills), government-guaranteed bonds, and municipal bonds issued through public offering” shall be deemed to be replaced with “collateral other than government bonds (excluding treasury bills), treasury discount bills (treasury bills and financing bills), government-guaranteed bonds, and municipal bonds issued through public offering, and Eligible Foreign Bonds.”

5. Exception

When the Bank specifically deems it necessary for its business operations, it may make exceptions to the guidelines set forth in paragraph 3. and 4. of these guidelines.

Supplementary Provisions

1. These guidelines shall become effective as soon as the preparatory work to accept Eligible Foreign Bonds as collateral is completed, and a specific effective date shall be determined by the Governor.

2. The Governor shall determine specifications necessary for implementing these guidelines, including the procedure for accepting Eligible Foreign Bonds as collateral.

Table: Eligibility Standards

Publicly-offered bonds satisfying the following two requirements (the issuing country needs to be rated AA or higher by at least two rating agencies which the Bank considers to be appropriate): public bonds satisfying the following two requirements (the issuing country needs to be rated AA or higher by at least two rating agencies which the Bank considers to be appropriate):

Bank of Japan is the central bank of Japan.