

# Announcements

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## Introduction of Funds-Supplying Operations against Pooled Collateral

April 11, 2006  
Bank of Japan

At the Monetary Policy Meeting (MPM) held today, the Policy Board of the Bank of Japan decided to take the following measures with a view to facilitating money market operations. These measures are taken to substitute current paper-based bill purchasing operations, which are employed to supply a substantial proportion of funds to the market, with paperless funds-supplying operations against pooled collateral, following up the decision made at the MPM held on September 8, 2005 (see "[Amendment to 'Guidelines on Eligible Collateral'](#)" released on the same day).

1. The Bank shall introduce a new type of market operation, funds-supplying operations against pooled collateral. See the [attachment](#) for the newly established "Principal Terms and Conditions for Funds-Supplying Operations against Pooled Collateral."
2. The Bank shall abolish "Principal Terms and Conditions Pertaining to the Purchase of Bills" on the day when the new operation is introduced. The Bank shall continue to honor any purchases of bills effected prior to that day.

[Attachment](#)

### Principal Terms and Conditions for Funds-Supplying Operations against Pooled Collateral

#### 1. Purpose

These Terms and Conditions prescribe the principles for the Bank of Japan's funds-supplying operations against pooled collateral (loans that are made against pooled eligible collateral by way of open market operations with loan rates determined by competitive auctions), with the aim of facilitating 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 Law, Law No.89, 1997, excluding the Resolution and Collection Corporation and bridge banks <as defined in Article 2, Paragraph 13 of the Deposit Insurance Law, Law No.34, 1971>), domestic and foreign securities companies (Article 10, Paragraph 1, Clause 2 of the Bank of Japan Law Enforcement Order <Order No.385 of 1997> and Article 10, Paragraph 1, Clause 4 of the same Order, respectively), securities finance companies (Article 10, Paragraph 1, Clause 3 of the Order), and *tanishi* companies (Article 10, Paragraph 1, Clause 5 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 one year.

#### 6. Loan Rates and Collection of Interest

- (1) Interest rates on the loans shall be determined by multiple-rate competitive auctions.
- (2) The interest on a loan shall be calculated based on the rate determined by the method described in (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 after the loan reaches maturity.

#### 7. Date of Loan Disbursement, Amount of Loans, etc.

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

#### 8. 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 on the day designated by the Governor, which shall be no later than July 31, 2006.

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