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Monetary Policy

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Principal Terms and Conditions for the Purchase of CP with Repurchase Agreements

日本語

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September 19, 2007

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1. Purpose

These Principal Terms and Conditions prescribe the principles for the Bank of Japan's purchase of CP with repurchase agreements with the aim of facilitating money market operations.

2. Location of Purchases/Sales

At the Head Office (Operations Department) of the Bank.

3. Eligible Counterparties

- (1) Eligible counterparties shall, pursuant to the Bank's relevant rules, be selected from financial institutions, etc. (as defined in Article 37, Paragraph 1 of the Bank of Japan Act [Act No. 89, 1997]) satisfying the eligibility criteria listed below.
- (a) To have a current account at the Bank.
 - (b) To be deemed sufficiently creditworthy in light of its capital condition and other relevant information obtained through the Bank's on-site examinations and so forth.
- (2) In principle, the Bank shall review eligible counterparties annually.
- (3) If the Bank specifically deems it necessary in order to conduct money market operations smoothly, it can implement such measures as an exclusion of the institution in question from eligible counterparties.

4. CP to be Purchased

Commercial paper, dematerialized commercial paper issued by domestic corporations, dematerialized commercial paper issued by foreign corporations with guarantees, government-guaranteed dematerialized commercial paper, dematerialized asset-backed commercial paper, and dematerialized commercial paper issued by real estate investment corporations accepted as eligible collateral by the Bank under "[Guidelines on Eligible Collateral](#)" (Policy Board Decision on October 13, 2000).

5. Repurchase Agreements

CP purchased shall be resold within three months from the next date of purchases.

6. Method for Purchase

The Bank shall purchase CP using one of these methods.

(1) Competitive auction method

A multiple-price competitive auction shall be conducted for each purchase where counterparties bid yields for the period during which CP is held by the Bank.

(2) Fixed-rate method

The bank shall purchase CP at the fixed-rate determined by the Bank in advance based on the prevailing interest rates in short-term money markets.

7. Purchasing and Reselling Price

CP shall be purchased and resold through a discount method. The purchasing/reselling price is determined in such a way that a yield for the period during which CP is held by the Bank shall be equal to the yields determined by either of the methods prescribed in provision 6.

8. Dates for Purchase and Resale, Amount of CP to be Purchased/Sold, etc.

Taking into account conditions in financial markets, the Bank shall determine specifications necessary for purchases, including dates for purchase and resale, amount of CP to be purchased, and counterparties, for each purchase.