

October 14, 2008

Bank of Japan

Introduction of Measures regarding Money Market Operations to Ensure Stability in Financial Markets

The Bank, in view of recent developments in global financial markets, decided to introduce the following measures regarding money market operations with a view to safeguarding stability in Japanese financial markets, and necessary procedures for the introduction were approved at the unscheduled Monetary Policy Meeting held today. The Bank, with these measures, will continue to undertake appropriate money market operations. In addition, based on the Governor's instruction on October 8, the Bank will swiftly examine further steps to enhance the effectiveness of money market operations, including those pertaining to the Bank's reserve system.

1. Measures to improve liquidity in the JGB repo market

- a. The Bank will add floating-rate JGBs, inflation-indexed JGBs, and 30-year government bonds to the list of eligible JGBs for its repo operations.
- b. The Bank will lower the minimum fee rates applied to its Security Lending Facility from 1 percent to 0.5 percent. In addition, the Bank will extend the period of relaxation in conditions for conducting the Security Lending Facility. Both are temporary measures through January 16, 2009.

2. Measures to facilitate corporate financing in the market

- a. The Bank will increase the frequency and the size of CP repo operations, which have generally been conducted quarterly.
- b. As a temporary measure until the end of April 2009, the Bank will broaden the range of eligible asset-backed commercial paper by accepting the debt obligations guaranteed by the Bank's counterparty financial institutions as collateral.

3. Sufficient provision of funds over the year-end

The Bank will start to provide sufficient funds over the year-end at an early stage.

4. Expansion of U.S. dollar funds-supplying operations against pooled collateral

The Bank will, based on "Further Measures to Improve Liquidity in Short-Term U.S. Dollar Funding Markets" announced on October 13, introduce U.S. dollar funds-supplying operations whereby funds are provided at a fixed rate set for each operation for unlimited amount against pooled collateral.