

Outline of Outright Purchases of Japanese Government Securities

The Bank of Japan decided to conduct the outright purchases of Japanese government securities as follows, effective from October 3, 2016. The next announcement will be on November 1, 2016 at 5 p.m.¹

1. Outright purchases of Japanese government bonds (JGBs) <competitive auction method>

(1) Bonds to be purchased

JGBs with coupons (2-year bonds, 5-year bonds, 10-year bonds, 20-year bonds, 30-year bonds, 40-year bonds, floating-rate bonds, and inflation-indexed bonds).

(2) Frequency of purchases

Approximately 8-10 times (business days) per month. The Bank may increase it as needed.

(3) Amount to be purchased

Approximately 8-12 trillion yen per month in principle. The Bank takes account of market conditions and conducts purchases in a flexible manner, aiming to achieve the target level of a long-term interest rate specified by the guideline for market operations.

Amounts to be purchased from specific brackets, classified by bond type and residual maturity, are stated in the attachment.

(4) Method for auctions

A multiple-price competitive auction.

JGBs with coupons (excluding floating-rate bonds and inflation-indexed bonds): Counterparties bid their "desired yield spreads," which are calculated by subtracting "benchmark yields" from the yields at which counterparties seek to sell to the Bank.

Floating-rate bonds and inflation-indexed bonds: Counterparties bid their "desired price spreads," which are calculated by subtracting "benchmark prices" from the prices at which counterparties seek to sell to the Bank.

¹ In principle, the announcement will be made on the last business day of each month, as before. However, we have made the above arrangement considering that October 31 is the first day of the next Monetary Policy Meeting.

2. Outright purchases of JGBs <fixed-rate method>

(1) Bonds to be purchased

Among JGBs with coupons (2-year bonds, 5-year bonds, 10-year bonds, 20-year bonds, 30-year bonds, and 40-year bonds), mainly on-the-run issues.

(2) Frequency of purchases

The Bank will conduct the auction as needed, such as when the level of the yield curve changes substantially.

(3) Amount to be purchased

Depending on market conditions, the Bank may set the purchase size per auction to a fixed amount or to an unlimited amount.

(4) Method for auctions

Purchasing yields will be set per auction, by indicating the yield spreads from the benchmark yields which the Bank determines separately.

3. Outright purchases of treasury discount bills (T-Bills)

Amount outstanding of T-Bills to be purchased, which is conducted as part of money market operations, will be kept to around the current level. As a result, the amount outstanding at the end of October is expected to be about 43-45 trillion yen.

<Monthly schedule (competitive auction method)>

	Residual maturity		Purchase size (billion yen)			Number of auctions
			Last auction in September	First auction in October	Per auction	
JGBs with coupons (excluding inflation-indexed bonds and floating-rate bonds)	Up to 1 year		70	About 70	About 50-90	About 2
	More than 1 year and up to 5 years	More than 1 year and up to 3 years	400	About 400	About 280-520	About 6
		More than 3 years and up to 5 years	420	About 420	About 300-540	
	More than 5 years and up to 10 years		410	About 410	About 290-530	About 6
	More than 10 years	More than 10 years and up to 25 years	200	About 190	About 140-240	About 5
More than 25 years		120	About 110	About 60-160		
Inflation-indexed bonds			25	About 25	About 25	About 2
Floating-rate bonds (in the even months)			100 (August)	About 100	About 100	1 (bimonthly)

Note 1: The Bank announces two or three auctions for different maturity segments (inflation-indexed bonds and floating-rate bonds are each counted as one maturity segment) at the same time.

Note 2: With regard to residual maturity of more than 1 year and up to 5 years, and residual maturity of more than 10 years, the Bank may set sub-segments; more than 1 year and up to 3 years & more than 3 years and up to 5 years, and more than 10 years and up to 25 years & more than 25 years, respectively, and announce separate auctions for them at the same time.

Note 3: With regard to inflation-indexed bonds, the Bank may exclusively include those issued in and after October 2013 in the list of issues to be purchased.

Note 4: With regard to the outright purchases of JGBs with coupons under the competitive auction method stated above, on the day of the JGBs auctions (including enhanced-liquidity auctions) by the Ministry of Finance, the Bank in principle refrains from announcing auctions for the corresponding maturity segments.

Note 5: With regard to the outright purchases of JGBs with coupons (excluding inflation-indexed bonds and floating-rate bonds), the Bank may set a lower limit on the yield spreads for purchasing yields, taking account of market conditions.

Note 6: The Bank may change the purchase size, taking account of market conditions, aiming to achieve the target level of a long-term interest rate specified by the guideline for market operations.