

Key Points of FY2006 JGB Issuance

Goals for debt management policies

- 1) To ensure smooth and stable financing
- 2) To minimize medium- to long-term financing costs

Reduction in outstanding JGBs by buy-back

–‘FY2008 issue’ is now over–

- **MOF will carry out buy-back program with ¥12 trillion transferred from Fiscal Loan Fund to reduce outstanding JGBs** – ¥1 trillion from the market, ¥5.5 trillion from BOJ’s holdings and ¥5.5 trillion Fiscal Loan Fund’s holdings–.
- **‘FY2008 issue’ will be settled** as the buy-backs from BOJ and Fiscal Loan Fund focus on JGBs maturing on or before FY2008.

Issuance plan meeting both market and issuer’s needs

- **The total JGB issue in FY2006 will be ¥165 trillion, down from ¥170 trillion in FY2005. Market issue will be reduced to ¥118.0 trillion from ¥118.6 trillion.**
- The plan seeks to achieve optimum composition of bond types, meeting both market’s needs and the government’s financing needs.
 - **20-year bonds will be increased to meet strong demands in the market (¥8.4 tri → ¥9.6 tri).**
 - **15-year floating-rate bonds (¥9.0 tri → ¥7.8 tri) and short-term bonds (¥30.0 tri → ¥28.8 tri) will be reduced.**
- * Inflation-indexed bonds would be issued additionally if the accounting standard issue is settled.
- The average maturity will be lengthened to **6 years and 10 months, 1 month longer than in FY2005.**

Improvement of market efficiency

- **The JGB underwriting by the syndicate, since FY1965, will be abolished** and replaced with the ‘JGB Market Special Participant’ scheme.

Improvement of JGB market liquidity and efficient debt management

- **Auction for enhanced-liquidity will be introduced** to reopen aged-20-year bonds due in 2018 to 2021 – ¥600 billion; ¥100 billion per month–.
- **Buy-back will be expanded to include all types of JGBs starting January, 2006.** 30-year, inflation-indexed and 15-year floating bonds will be included pending computer system's revision.
- **MOF will buy back ¥150 billion of JGBs per month from the market from April, 2006.** MOF will buy back ¥1 trillion of JGBs to adjust the total net issuance amount for FY2005.
- **Interest-rate swap transactions will start in January, 2006** –upper limit for FY2006: ¥1.2 trillion on notional principal basis–.

Diversification of JGB instruments and of JGB holders

- **Additional steps to improve market liquidity of inflation-indexed bonds** –best practice guideline for repo transactions, review of accounting standards etc.–
- **A new type of JGBs for individual investors (fixed-rate) will be issued in January, 2006.** Total issue of two types will raise ¥4.4 trillion in FY2006.
- **'JGB European Tour 2006' will visit Amsterdam, Paris, London and Frankfurt in January, 2006.**

Dialogue with market participants

- MOF continues to seek advise from the market experts and academics on **the Advisory Council on Government Debt Management.**
- Dialogue with the market continues in **the Meetings of JGB Market Special Participants and the Meetings of JGB Investors.**
- Extensive data is disclosed annually in an easy-to-comprehend format in **the Debt Management Report.**