

2019

# Debt Management Report

The Government Debt Management and the State of Public Debts

## Contents

### Preface

■ 1	About “Debt Management Report”	2
■ 2	What is Debt Management Policy?	3
	(1) Overview	3
	(2) Framework of “Government Funding Activities”	4
	(3) Debts with Public Characteristics	5
	<b>Column1</b> JGB Yields	7

### I

### FY2019 Debt Management Polices

■ 1	Trends of JGB Market in FY2018	10
	(1) Review	10
	(2) Investor Trends	12
	<b>Column2</b> Strengthening the Framework for Continuous Powerful Monetary Easing	14
■ 2	JGB Issuance Plan for FY2019	16
	(1) Announcement of JGB Issuance Plan for FY2019	16
	(2) Overview of Discussions at Various Panels	16
	(3) Scheduled Issuance Amount of JGBs	17
	(4) JGB Issuance Plan Based on Market Trends and Needs	20
	<b>Column3</b> Investor Demand Trends (Trends of Financial Resources for Investment in JGBs and Their Durations)	22
■ 3	Diversification of JGB Investor Base	24
	(1) JGB Holdings by Retail Investors	25
	(2) JGB Holdings by Foreign Investors	27
	<b>Column4</b> T-Bill Investment Utilizing Basis Swaps	33
	<b>Column5</b> IMF Public Debt Management Forum	35

## ◆ Chapter 1 Government Bonds (JGBs)

■ 1	Primary Market for Government Bonds	38
	(1) JGBs by Legal Grounds of Issuance	38
	(2) Types of JGBs	41
	(3) Methods of Issuance	43
	(4) JGB Market Special Participants Scheme	48
	(5) Government Bond Administration	50
	<b>Column6</b> Debt Management Policies in Foreign Countries	54
■ 2	Secondary Market for Government Bonds	61
	(1) JGB Market Liquidity Maintenance and Enhancement	61
	(2) OTC Transactions and Transactions on the Stock Exchange	61
	(3) Improvements to the JGB Transaction Settlement System	63
	(4) WI Transaction	66
	(5) Bond <i>Gensaki</i> and Bond-Lending Transaction	66
	(6) STRIPS	68
	(7) JGB Futures Trading	69
	<b>Column7</b> Status of Use of GC Repos under Subsequent Collateral Allocation Method	71
■ 3	Debt Management Systems	73
	(1) Redemption System	73
	(2) Liquidity Enhancement Auctions	81
	(3) Buy-back Program	83
	(4) Interest Rate Swap Transaction	85
	(5) Dialogue with Market Participants	85
	<b>Column8</b> OECD Discussions on Liquidity Buffers	87
■ 4	Taxation of Government Bonds	91
	(1) Individuals (residents)	91
	(2) Domestic Corporations	92
	(3) Nonresident Individuals and Foreign Corporations	93
	(4) Tax Exemption Scheme for Nonresident Individuals and Foreign Corporations	93
	<b>Column9</b> Repo Tax System	96

## ◆ Chapter 2 Financing Bills, Borrowings, Government-Guaranteed Debt and Subsidy Bonds

■ 1	Financing Bills	97
	(1) Legal Grounds of Financing Bills	97
	(2) Status of Financing Bills in the Budget	97
	(3) Auction Methods, etc.	98
	(4) Outline of Cash Management of the National Treasury	98
■ 2	Borrowings	99
	(1) Legal Grounds of Borrowings	99
	(2) Status of Borrowings in the Budget	99
	(3) Source of Borrowings	99
	(4) Borrowings from the Private Sector	100

	(5) Borrowing through Public Auction on Private-sector Borrowings	101
■ 3	Government-Guaranteed Debt	102
	(1) Legal Ground of Government Guarantee	102
	(2) Features of Government-Guaranteed Debt	102
	(3) Treatment in the Budget and Examination Process	102
■ 4	Subsidy Bonds	105
	(1) Subsidy Bonds (narrowly defined)	105
	(2) Subscription/Contribution Bonds	105
	(3) Others	105

## ◆ Chapter 3 Other Public Debt

■ 1	Local Government Bonds (LGBs)	107
	(1) Basic Scheme of LGBs	107
	(2) LGB Program	109
■ 2	Debt of Incorporated Administrative Agencies, etc.	111
	(1) Debt of Incorporated Administrative Agencies, etc.	111
	(2) Financial Conditions of Incorporated Administrative Agencies, etc.	112

## III

## Appendices

### ◆ Chapter 1 Government Bonds (JGBs)

■ 1	Primary Market for Government Bonds	114
	(1) Issuance Amount of Government Bonds	114
	(2) Historical Changes in JGB Market Issuance by JGB Types	115
	(3) Auction Results for JGBs and T-Bills in FY2018	116
	(4) Issuance Amount of JGBs and T-Bills Offered to the Market at Each Auction	119
	(5) Principle/Coupon Payment Corresponding to Days of Issuance in FY2019	120
	(6) Successful Bids Share for JGBs by Investor Type in FY2018	121
	(7) Issuance of JGBs for Retail Investors	122
	(8) Issuance by the Bank of Japan Rollover	123
	(9) Front-Loading Issuance of Refunding Bonds	123
	(10) List of Commissions for Issuing JGBs, etc.	124
■ 2	Secondary Market for Government Bonds	125
	(1) 10-Year JGB Yield	125
	(2) 10-Year Government Bonds Yields	125
	(3) Yields of JGBs in FY2018	126
	(4) JGB Yield Curves	126
	(5) Various Rates in the Short-term Financial Market in FY2018	127
	(6) Break-Even-Inflation (BEI) Rate	127
	(7) Market Price of 15-year Floating-rate Bonds	128
	(8) JGB Share in Total Trading Volume of Yen Bonds	128
	(9) JGB Share in Total Issuance Amount of Yen Bonds	129
	(10) Portfolio Investment Assets in FY2018	130
	(11) Portfolio Investment Liabilities in FY2018	130
	(12) Trends in JGB Transactions (by investor type) in FY2018	131

(13) Trading Volume of Yen Bonds	132
(14) Trading Volume of JGB Futures	132
(15) Trading Volume of Bond <i>Gensaki</i>	132
(16) Trading Volume of Bond-Lending	133
(17) Open Interest Amounts of Bond-Lending	133
(18) Trading Volume of JGB Option by OTC	133
(19) Trading Volume of JGB Futures Options	134
(20) Outstanding Amount of STRIPS-Principal-Only Book-entry Transfer JGBs	134
(21) Results of Outright Purchases of JGBs by the Bank of Japan in FY2018	135
(22) Results of Outright Purchases of T-Bills by the Bank of Japan in FY2018	140
(23) Japan's Sovereign Ratings by Major Credit Rating Agencies	141
(24) List of Major Countries' Sovereign Ratings by Major Credit Rating Agencies	141
■ 3 Debt Management Systems	142
(1) Revenues and Expenditures for the Special Account for the GDCF (FY2019 Initial Budget)	142
(2) Payment Status of Debt Redemption Expenses and Interest, Discount Expenses and so on of the Each Account (FY2019 Initial Budget, FY2017 Settlement of Accounts)	143
(3) Transfer of Redemption Sources, Redemption Amount, Outstanding Amount and Refunding Amount of the GDCF (FY2019 Initial Budget)	144
(4) GDCF Investment in JGBs	144
(5) Budgetary Surplus of the Special Account of the GDCF	145
(6) Results of Liquidity Enhancement Auctions in FY2018	145
(7) Buy-back Results in FY2018	145
(8) Buy-back Results	145
(9) Various Councils	146
(10) History of Postwar Debt Management Policy	150
(11) Government Bond-related Legal Systems	152

## ◆ Chapter 2 Financing Bills, Borrowings and Government-Guaranteed Debt

■ 1 Financing Bills (FBs)	155
(1) Outstanding Amount of FBs-Breakdown by the Types (as of the end of FY2018)	155
(2) Outstanding Amount of FBs	155
(3) Issuance Amount of FBs in FY2018-Breakdown by Funding Resources	156
(4) Receipts and Payments on the National Treasury for FY2018	156
■ 2 Borrowings	157
(1) Outstanding Amount of Borrowings	157
(2) Outstanding Amount of Borrowings -Breakdown by the Types of Account (as of the end of FY2018)	157
(3) Outstanding Amount of Borrowings of the Special Account for Local Allocation Tax	158
(4) Amount of Bids Accepted and Average Interest Rate at Each Auction by the Special Account for Local Allocation Tax	158
(5) Auction Results of the Borrowings of the Special Account for Local Allocation Tax in FY2018	159
(6) Auction Results of the Borrowings of the Special Account for the National Forest Debt Management in FY2018	160
(7) Auction Results of the Borrowings of the Special Account for Energy Policy in FY2018	160
■ 3 Government-Guaranteed Debt	161
(1) Changes in the Outstanding Amount of Government-Guaranteed Debt	161
(2) Changes in the Issuance Amount of Government-Guaranteed Domestic Bonds Offered to the Market	161
(3) Breakdown of the Government-Guaranteed Debt by Agencies	162

(4) Issuance Calendar of Government-Guaranteed Domestic Bonds by Agencies in FY2018	163
(5) Outstanding Amount of Government-Guaranteed Foreign Bonds-Breakdown by Denomination and by Agencies (as of the end of FY2018)	165
(6) Yields of 10-Year Government-Guaranteed Bonds in FY2018	165

## ◆ Chapter 3 Other Public Debt

---

■ 1 Local Government Bonds (LGBs)	166
(1) Overview of LGB Program in FY2019	166
(2) LGB Program-Breakdown by Funding Resources	166
(3) Outstanding Amount of LGB Program-Breakdown by Funding Resources	167
(4) Issuance Conditions of Public Offering LGBs in FY2018	168
(5) Issuance Amount of Public Offering LGBs	168
■ 2 Debt of Incorporated Administrative Agencies, etc.	169
(1) FY2019 FILP Plan	169
(2) Planned and Actual Issuance Amount of FILP Agency Bonds	170
(3) Yields of 10-year FILP Agency Bonds in FY2018	171

## ◆ [Supplement] Fiscal Conditions and Debt Outstandings

---

(1) General Account Tax Revenues, Total Expenditures and Government Bond Issues	172
(2) Government Bond Issues and Bond Dependency Ratio	172
(3) Changes in Ratio of Primary Balance to GDP	173
(4) Projections in Primary Balance (Central and Local government basis; percentage of GDP)	173
(5) Government Debt-related Expenditures in the General Account-Breakdown by Categories (FY2019)	174
(6) Historical Changes in Government Debt-related Expenditures	174
(7) Projection of the FY2019 Budget Impact on Following Years' Expenditure and Revenue	175
(8) Cash-flow Projections of the GDCF	176
(9) Changes in the Outstanding Amount of JGBs, Financing Bills, Borrowings and Government-Guaranteed Debt	177
(10) Long-term Debt Outstanding of Central and Local Governments	178
(11) Breakdown of the Outstanding Amount of General Bonds by Remaining Years to Maturity	179
(12) Term-to-maturity Structure of General Bonds (FY2019 Initial Budget Basis)	179
(13) Breakdown of the Outstanding Amount of General Bonds by Maturity Types and Their Average Interest Rate at the end of FY2018	180
(14) Outstanding Interest Rate Weighted Average, Interest Payment of General Bonds and Average Years to Maturity	180
(15) Outstanding Amount of JGB and T-Bill -Breakdown by Holders-	181
(16) Balance Sheet of Japanese Government (General Account and Special Accounts) (as of the end of FY2017)	183
(17) Financial Assets and Liabilities of General Government (Central Government, Local Government and Social Security fund) (End of Dec, 2018 (Preliminary Figures))	184
(18) International Comparison of General Government Financial Balance to GDP	185
(19) International Comparison of General Government Gross Debt to GDP	186
(20) International Comparison of General Government Net Debt to GDP	186
(Reference) JGB-related Advertisements and Publications	187

The tabs located in the same positions indicate that the chapters are relevant to each other across the parts they belong to.

