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Amendment to "Principal Terms and Conditions of the Special Funds-Supplying Operations to Facilitate Financing in Response to the Novel Coronavirus (COVID-19)"

Bank of Japan/Central Bank of Japan

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May 22, 2020

Bank of Japan

Amendment to "Principal Terms and Conditions of the Special Funds-Supplying Operations to Facilitate Financing in Response to the Novel Coronavirus (COVID-19)"

At the Monetary Policy Meeting held today, the Policy Board of the Bank of Japan made the following decisions to further support financing mainly of firms, with a view to addressing the spread of the novel coronavirus (COVID-19).

1. The Bank shall amend the "Principal Terms and Conditions of the Special Funds-Supplying Operations to Facilitate Financing in Response to the Novel Coronavirus (COVID-19)" (see Attachment 1).
2. The Bank shall amend the "Special Rules for Member Financial Institutions of Central Organizations of Financial Cooperatives to Use the Special Funds-Supplying Operations to Facilitate Financing in Response to the Novel Coronavirus (COVID-19)" (see Attachment 2).
3. The Bank shall amend the "Principal Terms and Conditions for Outright Purchases of CP and Corporate Bonds" (see Attachment 3).

Amendment to "Principal Terms and Conditions of the Special Funds-Supplying Operations to Facilitate Financing in Response to the Novel Coronavirus (COVID-19)"

- Paragraph 1. shall be amended as follows.

1. Purpose

Given the impact of the novel coronavirus (COVID-19) on economic activity, these terms and conditions prescribe the principles for the Bank of Japan's special funds-supplying operations to facilitate financing (i.e., an open market operation through which the Bank provides loans that are made against eligible collateral within the sum of the value of private debt pledged as the standing pool of eligible collateral and the amounts outstanding of loans made by eligible counterparties to small and medium-sized firms in response to COVID-19) as a temporary measure, with a view to doing its utmost to ensure smooth financing of the private sector and maintaining stability in financial market through appropriate market operations.

- Paragraph 8. shall be amended as follows.

8. Maximum Amount of Loans for Each Counterparty

The maximum amount of loans for each counterparty shall be the sum of the following (1) and (2). However, it shall not exceed the unused value of total standing pool of eligible collateral pledged to the Bank at the time of loan disbursement.

(1) The maximum amount of loans for each counterparty is tThe total

collateral value of debt (corporate bonds, dematerialized commercial paper issued by domestic corporations, dematerialized commercial paper issued by foreign corporations with guarantees, asset-backed securities, dematerialized asset-backed commercial paper, bonds issued by real estate investment corporations, dematerialized commercial paper issued by real estate investment corporations, bills drawn by companies, bills drawn by real estate investment corporations, commercial paper, electronically recorded monetary claims on companies, electronically recorded monetary claims on real estate investment corporations, loans on deeds to companies [including those denominated in the U.S. dollar], loans on deeds to real estate investment corporations, and beneficial interests of a trust in housing loans), which is pledged to the Bank by each counterparty as the standing pool of eligible collateral at the time of loan disbursement. ~~However, the maximum amount of loan for each counterparty shall not exceed the unused value of total standing pool of eligible collateral pledged to the Bank at the time of loan disbursement.~~

(2) The sum of the amounts prescribed in the following (a) and (b) among the amount outstanding of loans made by each counterparty to small and medium-sized firms in response to COVID-19 at the time determined pursuant to the relevant rules of the Bank

(a) The amount outstanding of loans which each counterparty makes through the guarantee by the credit guarantee corporations or the program to reduce or exempt interest rates, both of which are based on the government's budgetary measures

(b) The amount outstanding of loans of which loan conditions are equivalent to those of loans prescribed in (a) (with the maximum amount of 100 billion yen)

- Paragraph 9. shall be amended as follows.

9. Deadline for New Application for Loans

The period for new application for loans shall end on ~~September~~March
~~30~~31, ~~2020~~2021.

- Supplementary Provision shall be amended as follows.

(Supplementary Provision)

These terms and conditions shall become effective today and shall be valid through ~~September~~March ~~30~~31, ~~2020~~2021. To the loans that are disbursed on or before ~~September~~March ~~30~~31, ~~2020~~2021, these terms and conditions shall be applied until their maturities.

(Supplementary Provision)

The amendments concerning paragraph 9. and the Supplementary Provision shall become effective today, and others shall become effective on the date determined by the Governor.

Amendment to "Special Rules for Member Financial Institutions of Central Organizations of Financial Cooperatives to Use the Special Funds-Supplying Operations to Facilitate Financing in Response to the Novel Coronavirus (COVID-19)"

- Paragraph 1. shall be amended as follows.

1. Central organizations of financial cooperatives shall ~~accept~~ request the following (1) and (2), in advance, ~~private debt that they deemed eligible, such as that listed in paragraph 8. of the Principal Terms and Conditions (hereinafter referred to as "eligible private debt"),~~ as collateral ~~from~~ to the member financial institutions that wish to receive loans from these organizations under the special rules.

(1) To pledge private debt that each central organization of financial cooperatives deemed eligible, such as that listed in paragraph 8. (1) of the Principal Terms and Conditions (hereinafter referred to as "eligible private debt"), as collateral

(2) To report the amounts outstanding of loans prescribed in paragraph 8. (2) of the Principal Terms and Conditions

- Paragraph 2. shall be amended as follows.

2. Notwithstanding paragraph 8. of the Principal Terms and Conditions, the maximum amount of loans for each central organization of financial cooperatives in the case that it receives funds provided under the special rules shall be the sum of the total ~~collateral value of debt~~ prescribed in paragraph 8. of the Principal Terms and Conditions and ~~50 percent of the face value of eligible private debt pledged to the central organization by~~

~~member financial institutions based on 4~~ that prescribed in (1) and (2) below. However, the amount shall not exceed the unused value of total standing pool of eligible collateral pledged to the Bank by the central organization at the time of loan disbursement.

(1) 50 percent of the face value of eligible private debt pledged to the central organization by member financial institutions based on 1. (1)

(2) The sum of the amounts outstanding of loans prescribed in paragraph 8. (2) (a) of the Principal Terms and Conditions and the amounts outstanding of loans prescribed in paragraph 8. (2) (b) of the Principal Terms and Conditions with the maximum amount of 100 billion yen per member financial institution, both of which were reported by the institutions to their central organizations based on 1. (2)

- Paragraph 3. shall be amended as follows.

3. Each central organization of financial cooperatives shall disburse loans with funds provided by the Bank under the special rules to the member financial institutions that have ~~pledged eligible private debt based on~~ carried out either 1. (1) or (2). The amount of loans shall be in accordance with the requests of these institutions within ~~50 percent of the face value of eligible private debt~~ the sum of 2. (1) and (2) of each institution. The duration, the interest rates, and other conditions of the loans disbursed to member financial institutions shall be equivalent to those of the loans provided by the Bank to central organizations of financial cooperatives.

- Supplementary Provision shall be amended as follows.

(Supplementary Provision)

The special rules shall become effective on the date determined by the Governor and shall be valid through ~~September~~March 30~~31, 2020~~2021.

(Supplementary Provision)

The amendments concerning the Supplementary Provision shall become effective today, and others shall become effective on the date determined by the Governor.

Amendment to "Principal Terms and Conditions for Outright Purchases of CP and Corporate Bonds"

- Paragraph 2. to 4. in the Supplementary Provision shall be amended as follows.

2. Notwithstanding paragraph 4. (6) and (7) of the Principal Terms and Conditions, corporate bonds and bonds issued by real estate investment corporations to be purchased shall be as follows until ~~September~~March ~~30~~31, ~~2020~~2021.

(1) }
(2) } (No change)

3. Notwithstanding paragraph 5. of the Principal Terms and Conditions, the amounts outstanding of a single issuer's CP and corporate bonds to be purchased shall not exceed 500 billion yen and 300 billion yen, respectively. In addition, if the amounts outstanding of a single issuer's CP and corporate bonds purchased by the Bank at the time of purchase exceed 50 percent and 30 percent, respectively, of the total amounts outstanding of issuance by a single issuer at the time determined pursuant to the relevant rules of the Bank, such CP and corporate bonds shall be excluded from the list of CP and corporate bonds to be purchased. This rule shall be applied until ~~September~~March ~~30~~31, ~~2020~~2021.

4. Notwithstanding paragraph 5. of the Principal Terms and Conditions, if the Bank deems it necessary in order to conduct market operations smoothly, it can decide the maximum amounts outstanding of a single issuer's CP and corporate bonds to be purchased within the range of the amounts

prescribed in the main clause and proviso of 3. and those prescribed in the main clause and proviso of paragraph 5. of the Principal Terms and Conditions. This rule shall be applied from ~~October~~April 1, 2020~~2021~~ to ~~September~~March 30~~31, 2021~~2022 for CP, and from ~~October~~April 1, 2020~~2021~~ to ~~September~~March 30~~31, 2025~~2026 for corporate bonds.

(Supplementary Provision)

These amendments shall become effective today.