

April 28, 2016

Bank of Japan

Establishment of "Principal Terms and Conditions for the Funds-Supplying Operation to Support Financial Institutions in Disaster Areas of the 2016 Kumamoto Earthquake"

At the Monetary Policy Meeting held on April 27 and 28, 2016, the Policy Board of the Bank of Japan made the following decisions, with the aim of supporting financial institutions in disaster areas of the 2016 Kumamoto Earthquake in their initial response efforts in meeting the demand for funds for restoration and rebuilding by conducting appropriate money market operations, and securing sufficient financing capacity of financial institutions in disaster areas.

1. The Bank shall establish the "Principal Terms and Conditions for the Funds-Supplying Operation to Support Financial Institutions in Disaster Areas of the 2016 Kumamoto Earthquake" (see Attachment 1).
2. The Bank shall establish the "Temporary Rules regarding the Eligibility Standards for Debt of Companies in Disaster Areas of the 2016 Kumamoto Earthquake" (see Attachment 2).
3. The Bank shall amend the "Temporary Rules regarding the Eligibility Standards for Loans on Deeds to Companies Denominated in the U.S. Dollar" (see Attachment 3).

Principal Terms and Conditions for the Funds-Supplying Operation to Support Financial Institutions in Disaster Areas of the 2016 Kumamoto Earthquake

1. Purpose

The terms and conditions prescribe the principles for the Bank of Japan's funds-supplying operation to support financial institutions in disaster areas, i.e., fixed-rate loans to financial institutions in disaster areas that are made against eligible collateral by way of open market operations within the maximum amount determined by the Bank. This operation is introduced with the aim of supporting financial institutions in disaster areas in their initial response efforts in meeting the demand for funds for restoration and rebuilding by conducting appropriate money market operations.

*Definitions in the terms and conditions

- Financial institutions:

Financial institutions as defined in Article 37, Paragraph 1 of the Bank of Japan Act, Act No. 89, 1997, excluding the Resolution and Collection Corporation, bridge banks as defined in Article 2, Paragraph 13 of the Deposit Insurance Act, Act No. 34, 1971, and specified bridge financial institutions as defined in Article 126-34, Paragraph 3, Clause 5 of the Deposit Insurance Act.

- Disaster areas:

Areas designated under the Disaster Relief Act, Act No. 118, 1947, with regard to the 2016 Kumamoto Earthquake.

2. Location of Operations

The Bank's Head Office (Operations Department) or its branches.

3. Eligible Counterparties

Eligible counterparties shall, pursuant to the relevant rules of the Bank, be selected from those satisfying either of the following requirements:

- (1) Financial institutions with business offices in disaster areas that conduct lending.
- (2) Central organizations of financial cooperatives (the Shinkin Central Bank, the Shinkumi Federation Bank, the Rokinren Bank, and the Norinchukin Bank, hereinafter the same) whose member financial institutions have business offices that conduct lending in disaster areas.

4. Form of Loans

Loans shall be provided in the form of electronic lending.

5. Duration of Loans

The duration of each loan shall be within 1 year.

6. Loan Rates and Collection of Interest

- (1) The interest rate on loans shall be 0 percent per annum.

- (2) The interest on loans shall be calculated based on the rate stipulated in (1) for the number of days from the first day after the disbursement of the loan up to the maturity date, and the interest shall be collected when the loan reaches maturity.

7. Counterparties and Amount of Each Loan

Counterparties of each loan are eligible counterparties selected pursuant to 3. that wish to be counterparties for the loan. The amount extended to each counterparty for each loan is the amount the counterparty wishes to borrow, provided that it shall not exceed the maximum amount of loan prescribed in 8. and the unused value of the total standing pool of eligible collateral pledged to the Bank.

8. Maximum Amount of Loan

- (1) The total amount of loans shall not exceed 300 billion yen.
- (2) The Bank shall determine the maximum amount of loans to each counterparty, taking into account each counterparty's total amount of lending outstanding at business offices in disaster areas (for central organizations of financial cooperatives, the amount of lending outstanding in disaster areas made by both the central organization and its member financial institutions shall be aggregated).

9. Deadline for New Application for Loans

The period for new application for loans shall end on April 30, 2017.

10. Date of Loan Disbursement, etc.

Taking account of conditions in financial markets, the Bank shall determine, at each operation, necessary specifications, such as dates of loan disbursement.

11. Collateral

- (1) The Bank shall accept eligible collateral from counterparties in advance.
- (2) The "Guidelines on Eligible Collateral" (Policy Board Decision on October 13, 2000) and the "Collateral Guidelines on Eligible Foreign Bonds" (Policy Board Decision on May 22, 2009) shall apply to the collateral for the loans.

(Supplementary Provision)

1. These terms and conditions shall become effective as soon as the preparatory work with regard to funds-supplying operation to support financial institutions in disaster areas is completed, and a specific effective date shall be determined by the Governor.
2. These terms and conditions shall be valid through April 30, 2017. To the loans that are disbursed on or before April 30, 2017, these terms and conditions shall be applied until the maturity of the loans.
3. When it revises the list of eligible counterparties, the Bank shall not apply paragraph 8. (1) until all the loans disbursed to the counterparties on the previous list fully mature.

Temporary Rules regarding the Eligibility Standards for Debt of Companies in Disaster Areas of the 2016 Kumamoto Earthquake

1. Purpose

With the aim of securing sufficient financing capacity of financial institutions in disaster areas of the 2016 Kumamoto Earthquake, in addition to the "Guidelines on Eligible Collateral" (Policy Board Decision on October 13, 2000) and the "Guidelines on Credit Ratings of Companies" (Policy Board Decision on October 13, 2000), the Bank shall apply the temporary rules with regard to the eligibility standards and collateral prices of debt of companies with business offices in disaster areas that are submitted by financial institutions with business offices in disaster areas.

* Definitions in the temporary rules

- Financial institutions:

Financial institutions as defined in Article 37, Paragraph 1 of the Bank of Japan Act, Act No. 89, 1997, excluding the Resolution and Collection Corporation, bridge banks as defined in Article 2, Paragraph 13 of the Deposit Insurance Act, Act No. 34, 1971, and specified bridge financial institutions as defined in Article 126-34, Paragraph 3, Clause 5 of the Deposit Insurance Act.

- Disaster areas:

Areas designated under the Disaster Relief Act, Act No. 118, 1947, with regard to the 2016 Kumamoto Earthquake.

2. Application

(1) Eligible Financial Institutions

Financial institutions with current accounts at the Bank and that have business offices in disaster areas that conduct lending.

(2) Eligible Collateral

For debtors (drawees in case of bills) stipulated in the following paragraphs, categories of eligible collateral shall be as stipulated in each respective paragraph.

(a) Companies with Business Offices in Disaster Areas

Corporate bonds, bills, electronically recorded monetary claims, and loans on deeds

(b) Municipal Governments in Disaster Areas (including prefectures or cities with all or some of the cities, wards, towns, or villages that are designated as disaster areas, hereinafter the same)

Electronically recorded monetary claims and loans on deeds

(c) Entities Owned by Municipal Governments in Disaster Areas (entities that are wholly-owned by municipal governments in disaster areas and have business offices in disaster areas, hereinafter the same)

Electronically recorded monetary claims and loans on deeds

3. Eligibility Standards

For collateral stipulated in 2. (2), the Bank shall, except when the collateral satisfies the standards stipulated in table 2 of the "Guidelines on Eligible Collateral," apply the following eligibility standards. However, the Bank may make exceptions where it considers it inappropriate to accept items as collateral.

(1) Debt of Companies with Business Offices in Disaster Areas

Corporate bonds

Publicly-offered straight bonds rated BBB or higher by an eligible rating agency (including those issued by a company rated BBB or higher, those fully guaranteed by a company rated BBB or higher, and those guaranteed by a company whose non-guaranteed bonds issued are rated BBB or higher) and are deemed eligible in light of creditworthiness and other relevant factors.

Bills

Bills satisfying the following requirements:

- (a) Bills drawn by debtors that are classified as "normal" borrowers in the latest self-assessment by the financial institution submitting the collateral.
- (b) Bills with an original maturity of up to 1 year.

Electronically Recorded Monetary Claims

Electronically recorded monetary claims satisfying the following

requirements:

- (a) Electronically recorded monetary claims for which electronic records are made by eligible recording institutions.
- (b) Electronically recorded monetary claims on debtors satisfying either of the following requirements:
 - i) Debtors that are classified as "normal" borrowers in the latest self-assessment by the financial institution submitting the collateral (electronically recorded monetary claims on debtors satisfying (a), this proviso, and (c), together with those stipulated in (3) shall hereinafter be referred to as "electronically recorded monetary claims on normal-class borrowers").
 - ii) Debtors that are rated BBB or higher by an eligible rating agency (including cases where non-guaranteed bonds issued by the debtor are rated BBB or higher) and are deemed eligible in light of creditworthiness and other relevant factors.
- (c) Electronically recorded monetary claims with a residual maturity of up to 10 years (including those with a maturity date falling in the same month of the tenth year).

Loans on deeds

Loans on deeds satisfying the following requirements:

- (a) Loans on deeds to debtors satisfying either of the following requirements:
 - i) Debtors that are classified as "normal" borrowers in the latest

self-assessment by the financial institution submitting the collateral (loans on deeds to debtors satisfying this proviso and (b), together with those stipulated in (3) shall hereinafter be referred to as "loans on deeds to normal-class borrowers").

ii) Debtors that are rated BBB or higher by an eligible rating agency (including cases where non-guaranteed bonds issued by the debtor are rated BBB or higher) and are deemed eligible in light of creditworthiness and other relevant factors.

(b) Loans on deeds with a residual maturity of up to 10 years (including those with a maturity date falling in the same month of the tenth year).

(2) Debt of Municipal Governments in Disaster Areas

Electronically Recorded Monetary Claims

Electronically recorded monetary claims satisfying the following requirements:

(a) Electronically recorded monetary claims for which electronic records are made by eligible recording institutions.

(b) Electronically recorded monetary claims with a residual maturity of up to 10 years (including those with a maturity date falling in the same month of the tenth year).

Loans on Deeds

Loans on deeds with a residual maturity of up to 10 years (including those with a maturity date falling in the same month of the tenth year).

(3) Debt of Entities Owned by Municipal Governments in Disaster Areas

Electronically Recorded Monetary Claims

Electronically recorded monetary claims satisfying the following requirements:

- (a) Electronically recorded monetary claims for which electronic records are made by eligible recording institutions.
- (b) Electronically recorded monetary claims on debtors that are classified as "normal" borrowers in the latest self-assessment by the financial institution submitting the collateral.
- (c) Electronically recorded monetary claims with a residual maturity of up to 10 years (including those with a maturity date falling in the same month of the tenth year).

Loans on Deeds

Loans on deeds satisfying the following requirements:

- (a) Loans on deeds to debtors that are classified as "normal" borrowers in the latest self-assessment by the financial institution submitting the collateral.
- (b) Loans on deeds with a residual maturity of up to 10 years (including those with a maturity date falling in the same month of the tenth year).

4. Collateral Prices

For collateral stipulated in 2. (2), the Bank shall, except when the collateral satisfies the standards stipulated in table 2 of the "Guidelines on Eligible Collateral," apply the following collateral prices.

(1) Debt of Companies with Business Offices in Disaster Areas

Corporate Bonds

(a) up to 1 year	97% of market price
(b) more than 1 year and up to 5 years	97% of market price
(c) more than 5 years and up to 10 years	96% of market price
(d) more than 10 years and up to 20 years	95% of market price
(e) more than 20 years and up to 30 years	94% of market price
(f) more than 30 years	91% of market price

Bills

82% of face value

Electronically Recorded Monetary Claims

(a) Electronically Recorded Monetary Claims on Normal-Class Borrowers	
i) up to 1 year	82% of outstanding principal balance
ii) more than 1 year and up to 3 years	67% of outstanding principal balance
iii) more than 3 years and up to 5 years	55% of outstanding principal balance

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|---|--------------------------------------|
| iv) more than 5 years and up to 7 years | 45% of outstanding principal balance |
| v) more than 7 years and up to 10 years
(including those with a maturity date falling in the same month of the tenth year) | 30% of outstanding principal balance |

(b) Electronically Recorded Monetary Claims other than (a)

- | | |
|---|--------------------------------------|
| i) up to 1 year | 94% of outstanding principal balance |
| ii) more than 1 year and up to 3 years | 85% of outstanding principal balance |
| iii) more than 3 years and up to 5 years | 75% of outstanding principal balance |
| iv) more than 5 years and up to 7 years | 65% of outstanding principal balance |
| v) more than 7 years and up to 10 years
(including those with a maturity date falling in the same month of the tenth year) | 55% of outstanding principal balance |

Loans on Deeds

(a) Loans on Deeds to Normal-Class Borrowers

- | | |
|--|--------------------------------------|
| i) up to 1 year | 82% of outstanding principal balance |
| ii) more than 1 year and up to 3 years | 67% of outstanding principal balance |
| iii) more than 3 years and up to 5 years | 55% of outstanding principal balance |

- | | |
|---|--------------------------------------|
| iv) more than 5 years and up to 7 years | 45% of outstanding principal balance |
| v) more than 7 years and up to 10 years
(including those with a maturity date falling in the same month of the tenth year) | 30% of outstanding principal balance |

(b) Loans on Deeds other than (a)

- | | |
|---|--------------------------------------|
| i) up to 1 year | 94% of outstanding principal balance |
| ii) more than 1 year and up to 3 years | 85% of outstanding principal balance |
| iii) more than 3 years and up to 5 years | 75% of outstanding principal balance |
| iv) more than 5 years and up to 7 years | 65% of outstanding principal balance |
| v) more than 7 years and up to 10 years
(including those with a maturity date falling in the same month of the tenth year) | 55% of outstanding principal balance |

(2) Debt of Municipal Governments in Disaster Areas

Electronically Recorded Monetary Claims

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|--|--------------------------------------|
| (a) up to 1 year | 87% of outstanding principal balance |
| (b) more than 1 year and up to 3 years | 84% of outstanding principal balance |

(c) more than 3 years and up to 5 years	80% of outstanding principal balance
(d) more than 5 years and up to 7 years	75% of outstanding principal balance
(e) more than 7 years and up to 10 years (including those with a maturity date falling in the same month of the tenth year)	65% of outstanding principal balance

Loans on Deeds

(a) up to 1 year	87% of outstanding principal balance
(b) more than 1 year and up to 3 years	84% of outstanding principal balance
(c) more than 3 years and up to 5 years	80% of outstanding principal balance
(d) more than 5 years and up to 7 years	75% of outstanding principal balance
(e) more than 7 years and up to 10 years (including those with a maturity date falling in the same month of the tenth year)	65% of outstanding principal balance

(3) Debt of Entities Owned by Municipal Governments in Disaster Areas

Electronically Recorded Monetary Claims

(a) up to 1 year	82% of outstanding principal balance
(b) more than 1 year and up to 3 years	67% of outstanding principal balance

(c) more than 3 years and up to 5 years	55% of outstanding principal balance
(d) more than 5 years and up to 7 years	45% of outstanding principal balance
(e) more than 7 years and up to 10 years (including those with a maturity date falling in the same month of the tenth year)	30% of outstanding principal balance

Loans on Deeds

(a) up to 1 year	82% of outstanding principal balance
(b) more than 1 year and up to 3 years	67% of outstanding principal balance
(c) more than 3 years and up to 5 years	55% of outstanding principal balance
(d) more than 5 years and up to 7 years	45% of outstanding principal balance
(e) more than 7 years and up to 10 years (including those with a maturity date falling in the same month of the tenth year)	30% of outstanding principal balance

5. Special Provisions regarding Bills, Electronically Recorded Monetary Claims on Normal-Class Borrowers, and Loans on Deeds to Normal-Class Borrowers

(1) Maximum Amount of Collateral

For each counterparty, the total amount of bills, electronically recorded monetary claims on normal-class borrowers, and loans on deeds to

normal-class borrowers submitted to the Bank pursuant to the eligibility standards stipulated in 3. (1) and (3) shall not exceed the amount calculated by multiplying the total amount of collateral submitted to the Bank, and the percentage set pursuant to the relevant rules of the Bank, which shall not exceed 50 percent.

(2) Evaluation of Creditworthiness

The Bank shall not apply 4. (3) of the "Guidelines on Eligible Collateral" in evaluating the creditworthiness of debtors of bills, electronically recorded monetary claims on normal-class borrowers, and loans on deeds to normal-class borrowers pursuant to the eligibility standards stipulated in 3. (1) and (3).

(Supplementary Provision)

1. The temporary rules shall become effective as soon as the preparatory work to accept eligible debt of companies in disaster areas as collateral is completed, and a specific effective date shall be determined by the Governor.
2. The temporary rules shall be valid through April 30, 2018.

Amendment to "Temporary Rules regarding the Eligibility Standards for Loans on Deeds to Companies Denominated in the U.S. Dollar"

- Paragraph 3. shall be amended as follows.
 3. The "Temporary Rules regarding the Eligibility Standards for Debt of Companies in Disaster Areas" (Policy Board Decision on April 28, 2011) and the "Temporary Rules regarding the Eligibility Standards for Debt of Companies in Disaster Areas of the 2016 Kumamoto Earthquake" (Policy Board Decision on April 28, 2016) shall not be applied in loans on deeds to companies denominated in the USD.

(Supplementary Provision)

These amendments shall become effective on the date of the implementation of the "Temporary Rules regarding the Eligibility Standards for Debt of Companies in Disaster Areas of the 2016 Kumamoto Earthquake."