

May 22, 2020

Bank of Japan

**Introduction of a New Fund-Provisioning Measure  
to Support Financing Mainly of Small and Medium-Sized Firms**

1. At the Monetary Policy Meeting (MPM) held in April, the Policy Board of the Bank of Japan instructed to swiftly consider a new fund-provisioning measure to further support financing mainly of small and medium-sized firms, with a view to addressing the spread of the novel coronavirus (COVID-19). At the unscheduled MPM held today, it decided upon the details by a unanimous vote (see Attachment).
2. The Bank already has implemented the following two measures to support financing mainly of firms: (1) purchases of CP and corporate bonds (maximum amount outstanding: about 20 trillion yen) and (2) the Special Funds-Supplying Operations to Facilitate Financing in Response to the Novel Coronavirus (COVID-19) (fund-provisioning against private debt pledged as collateral: about 25 trillion yen <as of end-April>). Today, as a third measure, a new fund-provisioning measure was introduced (fund-provisioning against eligible loans such as interest-free and unsecured loans made by eligible counterparties based on the government's emergency economic measures: about 30 trillion yen). The Bank will refer to these three measures as the Special Program to Support Financing in Response to the Novel Coronavirus (COVID-19) (the Special Program: total size of about 75 trillion yen). The Policy Board decided, by a unanimous vote, to extend the duration of these measures by 6 months and continue to conduct them until the end of March 2021.
3. In addition, with a view to maintaining stability in financial markets, the Bank has been providing ample yen and foreign currency funds without setting upper limits mainly through purchases of Japanese government bonds (JGBs) and the conduct of the U.S. dollar funds-supplying operations, and has been actively purchasing exchange-traded funds (ETFs) and Japan real estate investment trusts (J-REITs).
4. By conducting these measures, the Bank will continue to support financing mainly of firms and to maintain stability in financial markets. On this basis, it will closely monitor the impact of COVID-19 for the time being and will not hesitate to take additional easing measures if necessary.

## **New Fund-Provisioning Measure**

### 1. Overview

The Bank will provide funds to eligible counterparties against pooled collateral for up to 1 year at the loan rate of 0 percent with the maximum amounts outstanding of eligible loans reported by those counterparties.

### 2. Eligible Loans

#### (1) Loans based on the government's programs

Interest-free and unsecured loans based on the government's emergency economic measures and loans guaranteed by the credit guarantee corporations in response to COVID-19

#### (2) Loans equivalent to 2. (1)

Loans to small and medium-sized firms affected by COVID-19 which are equivalent to 2. (1) in terms of loan conditions (the maximum amount for each eligible counterparty: 100 billion yen)

### 3. Addition to the Macro Add-on Balances

Twice as much as the amounts outstanding of the loans will be included in the Macro Add-on Balances in current accounts held by financial institutions at the Bank.

### 4. Application of a Positive Interest Rate to Current Account Balances

A positive interest rate of 0.1 percent will be applied to the outstanding balances of current accounts held by financial institutions at the Bank corresponding to the amounts outstanding of loans provided through this measure.

### 5. Eligible Counterparties

Member financial institutions of central organizations of financial cooperatives will also be included.

6. Timing of Implementation

The Bank's fund-provisioning through this measure will start in June, taking into account loans made by financial institutions as of end-May.

7. Others

This measure and the Special Funds-Supplying Operations to Facilitate Financing in Response to the Novel Coronavirus (COVID-19) will be conducted in an integrated manner.