

May 1, 2020  
Bank of Japan

**Establishment of "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)"**

At the Monetary Policy Meeting held on April 27, the Policy Board of the Bank of Japan made the following decisions, given the impact of the spread of the novel coronavirus (COVID-19) on economic activity. These decisions were made with a view to supporting financial institutions to further fulfill the functioning of financial intermediation for a wide range of private sectors through appropriate market operations.

Regarding these decisions, please also refer to "(Reference) Strengthening of the Special Funds-Supplying Operations to Facilitate Financing in Response to the Novel Coronavirus (COVID-19)."

1. The Bank shall establish 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 1).
2. The Bank shall amend the "Principal Terms and Conditions of the Special Funds-Supplying Operations to Facilitate Corporate Financing regarding the Novel Coronavirus (COVID-19)" (see Attachment 2).
3. The Bank shall amend the "Principal Terms and Conditions of Complementary Deposit Facility" (see Attachment 3).

**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)**

The Bank established special rules that supplement the Principal Terms and Conditions of the Special Funds-Supplying Operations to Facilitate Financing in Response to the Novel Coronavirus (COVID-19) (Policy Board Decision on March 16, 2020, hereinafter referred to as the "Principal Terms and Conditions"). The special rules shall be applied when central organizations of financial cooperatives (the Shinkin Central Bank, the Shinkumi Federation Bank, the Rokinren Bank, and the Norinchukin Bank, hereinafter the same) receive loans under the Principal Terms and Conditions in order to disburse their loans to member financial institutions of central organizations of financial cooperatives without a current account at the Bank (hereinafter referred to as "member financial institutions").

1. Central organizations of financial cooperatives shall accept, 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 the member financial institutions that wish to receive loans from these organizations under the special rules.
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 1. 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.

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 1. 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 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.
4. Central organizations of financial cooperatives shall ensure adequate credit risk management to the member financial institutions that wish to receive loans under the special rules, and implement necessary measures to conduct lending under these special rules in an appropriate manner.
5. The Bank can implement necessary measures, such as suspension of loan disbursements under the special rules, to central organizations of financial cooperatives and member financial institutions in case they are inconsistent with the special rules.

(Supplementary Provision)

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

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

- The name shall be amended 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 ~~corporate~~ financing (i.e., an open market operation through which the Bank provides loans that are made against eligible collateral within the value of ~~corporate~~ private debt pledged as the standing pool of eligible collateral) as a temporary measure, with a view to doing its utmost to ensure smooth ~~corporate~~ financing of the private sector and maintaining stability in financial market through appropriate market operations.

- Paragraph 3. shall be amended as follows.

3. Eligible Counterparties

- (1) Eligible counterparties shall, pursuant to the Bank's relevant rules, be selected from financial institutions, etc. (prescribed in Article 37,

paragraph 1 of the Bank of Japan Act [Act No. 89, 1997]) and the Development Bank of Japan Inc. that satisfy the following requirements.

- (a) } (No Change)
- (b) }

(2) (No Change)

- Paragraph 8. shall be amended as follows.

#### 8. Maximum Amount of Loans for Each Counterparty

The maximum amount of loans for each counterparty is the total collateral value of ~~corporate~~ 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 [~~excluding asset-backed commercial paper and commercial paper issued by real estate investment corporations~~], electronically recorded monetary claims on companies, and 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.

- The following paragraph 12. shall be added after paragraph 11.

## 12. Exceptions of Interest Rates on Current Account Balances of Counterparties

(1) In addition to the interest rate based on the "Principal Terms and Conditions of Complementary Deposit Facility" (Policy Board Decision on January 29, 2016), a positive interest rate of 0.1 percent per annum shall be applied to the average amount of current account balances of counterparties during a reserve maintenance period (as prescribed in paragraph 4. (1) in the "Principal Terms and Conditions of Complementary Deposit Facility") subtracted by the amount of required reserve per day (as prescribed in Article 2, paragraph 2 of the Law Concerning Reserve Deposit Requirement System [Law No.135, 1957]) (excluding the case where such amount is negative), up to the average amounts outstanding of loans under these principal terms and conditions.

(2) Paragraph 5. (1) in the "Principal Terms and Conditions of Complementary Deposit Facility" shall be applied to the calculation of the interest rate prescribed in (1).

(Supplementary Provision)

These amendments shall become effective today.

**Amendment to "Principal Terms and Conditions of Complementary Deposit Facility"**

- Paragraph 4. shall be amended as follows.

4. Interest Rate

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

(3) The interest rate applied to the average amount of CAB during the DRMP, subtracted by the amount of required reserve per day during the DRMP and the amount stipulated in (2) above (excluding the case where such amount is negative), shall be 0% per annum up to the amount of the sum of (a), (b) and (c) below.

(a) (No change)

(b) The average amount of yen-denominated loans under the "Principal Terms and Conditions for the Loan Support Program" (Policy Board Decision on December 20, 2012), the "Principal Terms and Conditions of the Special Funds-Supplying Operations to Facilitate Corporate Financing regarding in Response to the Novel Coronavirus (COVID-19)" (Policy Board Decision on March 16, 2020), the "Principal Terms and Conditions for the Funds-Supplying Operation to Support Financial Institutions in Disaster Areas" (Policy Board Decision on April 28, 2011), and the "Principal Terms and Conditions for the Funds-Supplying Operation to Support Financial Institutions in Disaster Areas of the 2016

Kumamoto Earthquake" (Policy Board Decision on April 28, 2016)  
during the DRMP.

(c) (No change)

(4) (No change)

(Supplementary Provision)

These amendments shall become effective today.