

The Bank's Review of Fiscal 2019

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I. INTRODUCTION

In March 2019, the Bank of Japan formulated and released the *Medium-Term Strategic Plan (Fiscal 2019–2023)* (Plan).¹ The Plan's content will remain, in principle, fixed during the five-year period, with a view to clarifying the Bank's objectives over the medium term and to ensuring proper assessment of its performance. The Bank conducts and makes public performance reviews of measures taken under the Plan every fiscal year.

In fiscal 2019, the Bank's business operations were strongly affected by the novel coronavirus (COVID-19) toward the fiscal year-end. This section provides (1) a brief review of economic and financial developments as well as decisions made at Monetary Policy Meetings (MPMs) in fiscal 2019, (2) an overview of the Bank's response to COVID-19, and (3) performance reviews

of measures taken under the Plan. Each performance review is divided into two parts: a description of progress in implementing specific measures during fiscal 2019 for each of the strategic objectives for its business operations laid out in the Plan, and the Bank's evaluation of that progress. The Bank's performance with regard to the strategic objectives for its organizational management is described in "The Bank's Organizational Management in Fiscal 2019" (see pages 57–60).

The Bank will conduct an interim review of the Plan in or around fiscal 2021, in order to enable the Bank to address any changes in the environment. It will flexibly revise the Plan as appropriate in response to any significant changes. A comprehensive review of its performance over the entire period of the Plan will be conducted separately.

II. REVIEW OF ECONOMIC AND FINANCIAL DEVELOPMENTS AND MONETARY POLICY MEETINGS²

A. First Half of Fiscal 2019 (April–September 2019)

1. Economic developments

a. Looking back at the first half of fiscal 2019, Japan's economy had been on a moderate expanding trend, with a virtuous cycle from income to spending operating, although exports, production, and business sentiment had been affected by the slowdown in overseas economies.

Exports continued to show some weakness, reflecting the effects of the slowdown in overseas economies. On the other hand, with corporate

profits staying at high levels on the whole, business fixed investment continued on an increasing trend. Private consumption had been increasing moderately, albeit with fluctuations, against the background of steady improvement in the employment and income situation. Meanwhile, housing investment and public investment had been more or less flat. Reflecting these developments in demand both at home and abroad, industrial production also had been more or less flat.

b. On the price front, the year-on-year rate of change

1. For the text of the "Medium-Term Strategic Plan (Fiscal 2019–2023)," see Appendix 2 on pages 92–97.

2. The review provided here comprises excerpts from the summaries of the latest two issues of the *Semiannual Report on Currency and Monetary Control* submitted to the Diet in December 2019 and June 2020. The full texts of both issues in Japanese and summaries in English are available on the Bank's website.

in the consumer price index (CPI, all items less fresh food) had narrowed gradually within positive territory from the range of 0.5–1.0 percent, being at around 0.0–0.5 percent in the second half of April–September 2019. Inflation expectations had been more or less unchanged.

2. Financial developments

a. Money market rates had been at low levels on the whole.

Turning to developments in the bond market, the long-term interest rate had been at the target level of around zero percent under Quantitative and Qualitative Monetary Easing (QQE) with Yield Curve Control.

The Nikkei 225 Stock Average had fallen temporarily, mainly reflecting heightening uncertainties over U.S.-China trade negotiations, but started to rise from early September, mainly on the back of expectations for progress in U.S.-China trade negotiations and a resultant rebound in U.S. and European stock prices, and was in the range of 21,500–22,000 yen at end-September.

In the foreign exchange market, the yen had appreciated against the U.S. dollar temporarily, mainly reflecting heightening uncertainties over U.S.-China trade negotiations, but depreciated somewhat from early September and was in the range of 107–108 yen at the end of that month. The yen also had appreciated against the euro temporarily, but depreciated somewhat from early September.

b. As for corporate finance, in terms of credit supply, financial institutions' lending attitudes as perceived by firms remained highly accommodative.

Firms' credit demand had increased, mainly

for funds for business fixed investment, as well as those related to mergers and acquisitions of firms. With regard to firms' funding, the year-on-year rate of increase in the amount outstanding of lending by domestic commercial banks had been in the range of 2–3 percent. The year-on-year rates of increase in the amounts outstanding of CP and corporate bonds had been at relatively high levels.

c. The monetary base (currency in circulation plus current account balances at the Bank) continued to increase at a year-on-year growth rate of around 3–4 percent. The year-on-year rate of increase in the money stock (M2) had been at around 2.0–2.5 percent.

3. MPMs³

a. Four MPMs were held in the first half of fiscal 2019.

The Policy Board judged at the MPMs held in April and June that Japan's economy had been on a moderate expanding trend, with a virtuous cycle from income to spending operating, although exports and production had been affected by the slowdown in overseas economies. At the July and September MPMs, it judged that the economy had been on a moderate expanding trend, with a virtuous cycle from income to spending operating, although exports, production, and business sentiment had been affected by the slowdown in overseas economies.

b. In the conduct of monetary policy, at all the MPMs held in the first half of fiscal 2019, the Policy Board decided to continue with the following guidelines for market operations and asset purchases under QQE with Yield Curve Control.

3. Information related to MPMs is available on the Bank's website (https://www.boj.or.jp/en/mopo/mpmsche_minu/index.htm).

(1) Yield curve control

The Bank decided to set the following guideline for market operations for the intermeeting period.

The short-term policy interest rate:

The Bank will apply a negative interest rate of minus 0.1 percent to the Policy-Rate Balances in current accounts held by financial institutions at the Bank.

The long-term interest rate:

The Bank will purchase Japanese government bonds (JGBs) so that 10-year JGB yields will remain at around zero percent. While doing so, the yields may move upward and downward to some extent mainly depending on developments in economic activity and prices. With regard to the amount of JGBs to be purchased, the Bank will conduct purchases in a flexible manner so that their amount outstanding will increase at an annual pace of about 80 trillion yen.

(2) Guidelines for asset purchases

With regard to asset purchases other than JGB purchases, the Bank decided to set the following guidelines.

(a) The Bank will purchase exchange-traded funds (ETFs) and Japan real estate investment trusts (J-REITs) so that their amounts outstanding will increase at annual paces of about 6 trillion yen and about 90 billion yen, respectively. With a view to lowering risk premia of asset prices in an appropriate manner, the Bank may increase or decrease the amount of purchases depending on market conditions.

(b) As for CP and corporate bonds, the Bank will maintain their amounts outstanding at about 2.2 trillion yen and about 3.2 trillion yen, respectively.

At the April MPM, with a view to making clearer its policy stance to persistently continue with powerful monetary easing, the Policy Board decided upon the following.

(1) Clarification of forward guidance for policy rates

The Bank intends to maintain the current extremely low levels of short- and long-term interest rates for an extended period of time, at least through around spring 2020, taking into account uncertainties regarding economic activity and prices including developments in overseas economies and the effects of the scheduled consumption tax hike.

(2) Implementation of measures contributing to the continuation of powerful monetary easing

The Bank will implement measures contributing to the continuation of powerful monetary easing as follows.

(a) Expanding eligible collateral for the Bank's provision of credit

(i) The Bank will relax the eligibility standards concerning creditworthiness regarding debt of companies based on the following principal policy.

- With regard to debt of companies that have obtained an external credit rating, the companies should be rated BBB or higher by an eligible rating agency.
- With regard to debt of companies that have not obtained an external credit rating, the companies should be classified as "normal" borrowers in the self-assessment by financial institutions.

(ii) With respect to loans on deeds to municipal governments, the Bank will not require

any procedures such as auction as the method of determining lending conditions. Regarding privately-placed municipal bonds, the Bank will not impose spread requirements on the coupon rates and issue prices in terms of differences from those of publicly-offered municipal bonds.

- (iii) The Bank will accept collateral such as loans on deeds to the government that financial institutions have acquired in the secondary market as eligible collateral.
- (b) Improving and promoting the use of the Fund-Provisioning Measure to Support Strengthening the Foundations for Economic Growth
 - (i) Regarding the Fund-Provisioning Measure to Support Strengthening the Foundations for Economic Growth, financial institutions will be able to receive the yen fund-provisioning within the limit set for each financial institution based on the amount of fund-provisioning in the past.
 - (ii) Regarding the Fund-Provisioning Measure to Support Strengthening the Foundations for Economic Growth and the Fund-Provisioning Measure to Stimulate Bank Lending, the deadline for new loan disbursements will be extended to June 30, 2021.
- (c) Relaxation of the terms and conditions for the Securities Lending Facility (SLF)

The Bank will relax the terms and conditions for the SLF, including the reduction of the minimum fee rate and abolition of the upper limit on the amount of sales per issue.
- (d) Introduction of ETF Lending Facility

The Bank will consider the introduction of

ETF Lending Facility, which will make it possible to temporarily lend ETFs that the Bank holds to market participants.

With regard to the future conduct of monetary policy, the Policy Board confirmed the following at all the MPMs: "the Bank will continue with QQE with Yield Curve Control, aiming to achieve the price stability target of 2 percent, as long as it is necessary for maintaining that target in a stable manner. It will continue expanding the monetary base until the year-on-year rate of increase in the observed CPI (all items less fresh food) exceeds 2 percent and stays above the target in a stable manner. As for policy rates, the Bank intends to maintain the current extremely low levels of short- and long-term interest rates for an extended period of time, at least through around spring 2020, taking into account uncertainties regarding economic activity and prices including developments in overseas economies and the effects of the scheduled consumption tax hike. It will examine the risks considered most relevant to the conduct of monetary policy and make policy adjustments as appropriate, taking account of developments in economic activity and prices as well as financial conditions, with a view to maintaining the momentum toward achieving the price stability target." In addition, the Policy Board confirmed the following at the July and September MPMs: "in particular, in a situation where downside risks to economic activity and prices, mainly regarding developments in overseas economies, are significant, the Bank will not hesitate to take additional easing measures if there is a greater possibility that the momentum toward achieving the price stability target will be lost."

B. Second Half of Fiscal 2019 (October 2019–March 2020)

1. Economic developments

a. After the turn of the second half of fiscal 2019, Japan's economy maintained its moderate expanding trend, despite being affected mainly by the slowdown in overseas economies and natural disasters. However, it had been in an increasingly severe situation toward the end of the fiscal year due to the impact of the spread of COVID-19 at home and abroad.

Exports and industrial production had been somewhat weak, mainly affected by the slowdown in overseas economies and natural disasters. Toward the end of the fiscal year, however, with COVID-19 spreading, they had declined due to the decrease in external demand mainly from China and the effects on the global supply chain of weak production activity, also mainly in China. Supported by generally high corporate profits, business fixed investment continued on an increasing trend, albeit with fluctuations. However, the deceleration in its pace of increase had become evident toward the end of the fiscal year. Despite being affected mainly by the consumption tax hike, private consumption maintained its moderate increasing trend on the back of the improvement in the employment and income situation. With the growing impact of the spread of COVID-19, however, it had decreased significantly, mainly in services such as eating and drinking as well as accommodations. Meanwhile, housing investment had been more or less flat and public investment had increased moderately.

b. On the price front, the year-on-year rate of change in the CPI (all items less fresh food) had been at

around 0.5–1.0 percent. Inflation expectations had been more or less unchanged from a somewhat longer-term perspective, but somewhat weak indicators had been observed toward the end of the fiscal year.

2. Developments in financial markets and conditions

a. In global financial markets, prices of risky assets generally had followed an uptrend through around mid-February, mainly reflecting a subsiding of uncertainties over political developments such as the progress in U.S.-China trade negotiations. Subsequently, these prices had declined significantly due to a rise in investors' risk aversion that was attributable mainly to the spread of COVID-19. In addition, amid a situation where demand for U.S. dollar cash had increased considerably worldwide due to investors' preference for safe assets, U.S. dollar funding premia had spiked and tension in U.S. money markets had intensified. In response to these market developments, central banks of major economies had implemented measures such as interest rate cuts, ample supply of liquidity, and asset purchases. A global cooperative action to enhance the provision of U.S. dollar liquidity also had been taken by major central banks including the Bank of Japan. Tension in financial markets, therefore, had eased somewhat toward the end of the fiscal year.

b. Turning to domestic financial markets, money market rates had been at low levels on the whole.

With regard to developments in the bond market, the long-term interest rate had been at the target level of around zero percent under QQE with Yield Curve Control. Looking at developments in more detail, the rate had increased somewhat

temporarily in mid-March with global financial markets being unstable, due mainly to the spread of COVID-19, but declined toward end-March partly because the Bank had increased the amount and frequency of its JGB purchases. Meanwhile, issuance rates for CP had been at low levels on the whole. Those for corporate bonds had been at extremely low levels.

The Nikkei 225 Stock Average had increased temporarily, mainly reflecting the progress in U.S.-China trade negotiations, but started to decline since late February, mainly against the background of heightening uncertainties over the outlook for the global economy due to the spread of COVID-19, thereby being in the range of 18,500–19,000 yen at end-March.

In the foreign exchange market, the yen generally had been more or less flat against the U.S. dollar from October 2019 through February 2020. Subsequently, it had appreciated temporarily in early March, mainly reflecting heightening uncertainties over the global economy and a decline in U.S. interest rates, but started to depreciate since mid-March, due mainly to an increase in demand for U.S. dollar funds, thereby being in the range of 108–109 yen at the end of the month. The yen generally had been more or less flat against the euro throughout the second half of fiscal 2019.

c. As for corporate financing, growth in demand for funds had been supported thus far by, for example, rises in demand for funds for business fixed investment, as well as that related to mergers and acquisitions of firms. Toward the end of the fiscal year, however, there had been an increase in

demand for funds that was mainly brought about by a decline in sales and the need to secure funds, both of which were due to the impact of the spread of COVID-19. In this situation, firms' financial positions had deteriorated, mainly reflecting the decline in sales brought about by the impact of the spread of COVID-19. Meanwhile, in terms of credit supply, financial institutions' lending attitudes as perceived by firms remained accommodative.

d. The monetary base continued to increase at a year-on-year growth rate of around 3–4 percent. The year-on-year rate of increase in the M2 had been at around 2–3 percent.

3. MPMs⁴

a. Four MPMs were held in the second half of fiscal 2019.

The Policy Board judged at the MPM held in October that Japan's economy had been on a moderate expanding trend, with a virtuous cycle from income to spending operating, although exports, production, and business sentiment continued to be affected by the slowdown in overseas economies. At the December and January MPMs, it deemed that the economy had been on a moderate expanding trend, with a virtuous cycle from income to spending operating, although exports, production, and business sentiment had shown some weakness, mainly affected by the slowdown in overseas economies and natural disasters. The Policy Board judged at the March MPM that Japan's economic activity had been weak recently due mainly to the impact of the outbreak of COVID-19.

b. In the conduct of monetary policy, at all the MPMs held in the second half of fiscal 2019, the Policy

4. Information related to MPMs is available on the Bank's website (https://www.boj.or.jp/en/mopo/mpmsche_minu/index.htm).

Board decided to continue with the following guideline for market operations under QQE with Yield Curve Control.

(1) Yield curve control

The Bank decided to set the following guideline for market operations for the intermeeting period.

The short-term policy interest rate:

The Bank will apply a negative interest rate of minus 0.1 percent to the Policy-Rate Balances in current accounts held by financial institutions at the Bank.

The long-term interest rate:

The Bank will purchase JGBs so that 10-year JGB yields will remain at around zero percent. While doing so, the yields may move upward and downward to some extent mainly depending on developments in economic activity and prices. With regard to the amount of JGBs to be purchased, the Bank will conduct purchases in a flexible manner so that their amount outstanding will increase at an annual pace of about 80 trillion yen.

The Policy Board decided to continue with the following guidelines for asset purchases at the MPMs held in October through January.

(1) Guidelines for asset purchases

With regard to asset purchases other than JGB purchases, the Bank decided to set the following guidelines.

- (a) The Bank will purchase ETFs and J-REITs so that their amounts outstanding will increase at annual paces of about 6 trillion yen and about 90 billion yen, respectively. With a view to lowering risk premia of asset prices in an appropriate manner, the Bank may increase or decrease the amount of purchases depending on market conditions.

- (b) As for CP and corporate bonds, the Bank will maintain their amounts outstanding at about 2.2 trillion yen and about 3.2 trillion yen, respectively.

At the March MPM, in light of the impact of the outbreak of COVID-19, the Policy Board decided upon active purchases of ETFs and J-REITs and an increase in purchases of CP and corporate bonds under the following guidelines for asset purchases.

(1) Guidelines for asset purchases

With regard to asset purchases other than JGB purchases, the Bank decided to set the following guidelines.

- (a) In principle, the Bank will purchase ETFs and J-REITs so that their amounts outstanding will increase at annual paces of about 6 trillion yen and about 90 billion yen, respectively. With a view to lowering risk premia of asset prices in an appropriate manner, it may increase or decrease the amount of purchases depending on market conditions. For the time being, the Bank will actively purchase these assets so that their amounts outstanding will increase at annual paces with the upper limit of about 12 trillion yen and about 180 billion yen, respectively.
- (b) As for CP and corporate bonds, the Bank will maintain their amounts outstanding at about 2.2 trillion yen and about 3.2 trillion yen, respectively. In addition, it will conduct additional purchases with the upper limit of 1 trillion yen for each until the end of September 2020.

At the October MPM, the Policy Board reexamined economic and price developments as presented in the policy statement of the

September MPM and assessed the momentum toward achieving the price stability target. On this basis, it judged that, although there had been no further increase in the possibility that the momentum toward achieving the price stability target would be lost, it was necessary to continue to pay close attention to the possibility. With a view to clarifying this recognition, the Policy Board decided upon a new forward guidance for the policy rates as follows.

- (a) As for the policy rates, the Bank expects short- and long-term interest rates to remain at their present or lower levels as long as it is necessary to pay close attention to the possibility that the momentum toward achieving the price stability target will be lost.

At the March MPM, in light of the impact of the outbreak of COVID-19, the Policy Board judged it appropriate to enhance monetary easing with a view to doing its utmost to ensure smooth corporate financing and maintaining stability in financial markets, thereby preventing firms' and households' sentiment from deteriorating, and thus decided upon the following.

(1) Further ample supply of funds

The Bank will provide more ample yen funds for the time being by making use of active purchases of JGBs and other operations as well as the measures to facilitate corporate financing and active purchases of ETFs and J-REITs.

As for U.S. dollar liquidity, coordinated with the Bank of Canada (BOC), the Bank of England (BOE), the European Central Bank (ECB), the Federal Reserve, and the Swiss National Bank (SNB), regarding the U.S. dollar funds-supplying

operations, the Bank made public today to lower the loan rate by 0.25 percent and offer U.S. dollars weekly with an 84-day maturity, in addition to the 1-week maturity operations currently offered. Thereby, the Bank will do its utmost to provide U.S. dollar liquidity.

(2) Measures to facilitate corporate financing

- (a) Introduction of the Special Funds-Supplying Operations to Facilitate Corporate Financing regarding the Novel Coronavirus (COVID-19)

The Bank will introduce a new operation to provide loans against corporate debt (of about 8 trillion yen as of end-February 2020) as collateral at the interest rate of 0 percent with maturity up to one year. Twice as much as the amount outstanding of the loans will be included in the Macro Add-on Balances in current accounts held by financial institutions at the Bank. This operation will be conducted until the end of September 2020.

- (b) Increase in purchases of CP and corporate bonds

The Bank will increase the upper limit to purchase CP and corporate bonds by 2 trillion yen in total and conduct purchases with the upper limit of their amounts outstanding of about 3.2 trillion yen and about 4.2 trillion yen, respectively. The additional purchases will continue until the end of September 2020.

(3) Active purchases of ETFs and J-REITs

The Bank will actively purchase ETFs and J-REITs for the time being so that their amounts outstanding will increase at annual paces with the upper limit of about 12 trillion yen and about 180 billion yen, respectively.

With regard to the future conduct of monetary policy, including the aforementioned forward guidance for the policy rates, the Policy Board confirmed the following at the MPMs held in October through January: "the Bank will continue with QQE with Yield Curve Control, aiming to achieve the price stability target of 2 percent, as long as it is necessary for maintaining that target in a stable manner. It will continue expanding the monetary base until the year-on-year rate of increase in the observed CPI (all items less fresh food) exceeds 2 percent and stays above the target in a stable manner. As for the policy rates, the Bank expects short- and long-term interest rates to remain at their present or lower levels as long as it is necessary to pay close attention to the possibility that the momentum toward achieving the price stability target will be lost. It will examine the risks considered most relevant to the conduct of monetary policy and make policy adjustments as appropriate, taking account of developments in economic activity and prices as well as financial conditions, with a view to maintaining the momentum toward achieving the price stability target. In particular, in a situation where downside

risks to economic activity and prices, mainly regarding developments in overseas economies, are significant, the Bank will not hesitate to take additional easing measures if there is a greater possibility that the momentum toward achieving the price stability target will be lost."

At the March MPM, the Policy Board confirmed the following: "the Bank will continue with QQE with Yield Curve Control, aiming to achieve the price stability target of 2 percent, as long as it is necessary for maintaining that target in a stable manner. It will continue expanding the monetary base until the year-on-year rate of increase in the observed CPI (all items less fresh food) exceeds 2 percent and stays above the target in a stable manner. As for the policy rates, the Bank expects short- and long-term interest rates to remain at their present or lower levels as long as it is necessary to pay close attention to the possibility that the momentum toward achieving the price stability target will be lost. The Bank will closely monitor the impact of COVID-19 for the time being and will not hesitate to take additional easing measures if necessary."

III. THE BANK'S RESPONSE TO THE NOVEL CORONAVIRUS (COVID-19)

The Bank had taken the following actions since COVID-19 started to spread in Japan.

First, the Bank carried out measures to prevent the spread of COVID-19 in conducting its business operations. Namely, in light of, for example, the government's Basic Policies for Novel Coronavirus Disease Control decided by the Novel Coronavirus Response Headquarters on February 25, 2020, it promoted such infection control measures as handwashing, cough etiquette, staggered commuting hours, and teleworking. As for hosting meetings and events, the Bank carefully considered their necessity and responded accordingly, taking into account the request by the government. Specifically, it postponed a meeting with business leaders and local seminars organized by its Center for Advanced Financial Technology (CAFT) that had been scheduled for March, and canceled special in-house tours for families visiting with primary and junior high school children during school holidays in spring 2020. It also temporarily closed the Currency Museum and the Bank of Japan Otaru Museum.

Second, the Bank swiftly implemented necessary measures to maintain stability in financial markets and ensure smooth corporate financing. With global financial and capital markets experiencing instability as COVID-19 spread in the United States and Europe, the Bank released a statement by the Governor on March 2, 2020, indicating that it would strive to provide ample liquidity and ensure stability in financial markets. The Bank then announced on March 13 its market operations toward the end of March—including provision of ample liquidity using market operations with long maturities, additional outright purchases of JGBs, and measures to maintain the stability of the repo market—and on March 15 and 20 coordinated

central bank actions to enhance the provision of global U.S. dollar liquidity. At the MPM held on March 16, the Bank decided to enhance monetary easing through the further ample supply of funds by conducting various operations including purchases of JGBs, measures to facilitate corporate financing including the introduction of a new funds-supplying operation, and active purchases of ETFs and J-REITs. Moreover, at the MPM held on April 27, it decided to further enhance monetary easing through an increase in purchases of CP and corporate bonds, strengthening of the Special Funds-Supplying Operations to Facilitate Financing in Response to the Novel Coronavirus (COVID-19), and further active purchases of JGBs and treasury discount bills (T-Bills).

Third, the Bank continued to provide central banking services, such as maintaining financial functioning and ensuring smooth settlement of funds. Specifically, in February 2020, when COVID-19 started to spread in Japan, it made necessary arrangements such as implementing split shifts—for those engaged in, for example, market operations, settlement of funds and Japanese government securities (JGSs), services relating to treasury funds, banknote issuance, management of the Bank's computer systems, and administrative operations relating to the Bank's facilities—to address the risk of possible infections among its staff. These arrangements enabled the Bank to conduct its business operations in a stable manner even after the spread of COVID-19 in Japan. On the organizational management side, in line with the March 14 enactment of the amendment to the Act on Special Measures for Pandemic Influenza and New Infectious Diseases Preparedness and Response, the Bank, on

the same day, organized a COVID-19 response team headed by the Governor and strengthened its business continuity arrangements. Thereafter, in response to the government's declaration of a state of emergency based on the aforementioned act and to the Basic Policies for Novel Coronavirus Disease Control, the Bank, from

April 8, reduced some operations and the number of office staff commuting into its Head Office, branches, and local offices in the areas subject to the declaration. While taking these preventive measures, the Bank did its utmost to continue providing essential central banking services as a designated public institution.

THE BANK'S MAJOR RESPONSES TO COVID-19

Since mid-February

- Promoted such infection control measures as handwashing, cough etiquette, staggered commuting hours, and teleworking in light of, for example, the Basic Policies for Novel Coronavirus Disease Control decided on February 25

Wednesday, February 26

- Canceled special in-house tours for families visiting with primary and junior high school children during school holidays in spring 2020
- Announced a temporary suspension of Head Office tours from March 2

Thursday, February 27

- Postponed local seminars organized by the Bank's CAFT scheduled for March in Fukuoka and Sendai

Friday, February 28

- Postponed a meeting, scheduled for March, with business leaders in Fukushima
- Announced a temporary closing of the Currency Museum and the Bank of Japan Otaru Museum

Monday, March 2

- "Statement by the Governor"
Announced that the Bank would strive to provide ample liquidity and ensure stability in financial markets

Friday, March 13

- "Market Operations toward the End of March"
Announced the decision to provide ample liquidity (market operations with long maturities and additional outright purchases of JGBs) as well as to implement measures to maintain the stability of the repo market
- Announced that the April 2020 meeting of general managers of the Bank's branches would be held via videoconferencing

Saturday, March 14

- Organized a COVID-19 response team headed by the Governor

Sunday, March 15⁷

- Released "Coordinated Central Bank Action to Enhance the Provision of Global U.S. Dollar Liquidity"

Monday, March 16

- "Enhancement of Monetary Easing in Light of the Impact of the Outbreak of the Novel Coronavirus (COVID-19)"

At the March 16 MPM, decided on (1) the further ample supply of funds by conducting various operations including purchases of JGBs and the U.S. dollar funds-supplying operations, (2) the introduction of a new funds-supplying operation, as well as an increase in purchases of CP and corporate bonds, with a view to facilitating corporate financing, and (3) active purchases of ETFs and J-REITs

Friday, March 20

- Released "Coordinated Central Bank Action to Further Enhance the Provision of U.S. Dollar Liquidity"

Friday, March 27

- Canceled a welcome ceremony for new graduates joining the Bank on April 1

Monday, March 30

- Released "Confirmation of Eligible Standards for Criteria for Current Account Transactions in View of the Growing Impact of COVID-19"
- Announced not to hold an international conference that had been scheduled to be hosted by the Institute for Monetary and Economic Studies (IMES) in 2020

Wednesday, April 8

- Released "Business continuity at the Bank of Japan at declaration of emergency state by the Government of Japan"

Announced that the Bank would continue providing essential central banking services as a designated public institution, while reducing some operations and the number of office staff commuting into the Head Office as well as branches in Yokohama, Osaka, Kobe, Kitakyushu, and Fukuoka, all of which were located in the areas subject to the declaration

Thursday, April 16

- Together with the Financial Services Agency (FSA), released "Notice regarding the handling of bills and checks, etc. in consideration of the impact of the COVID-19 (novel coronavirus) infection"

7. Eastern Standard Time (March 16 in Japan Standard Time).

Friday, April 17

- Adopted the business continuity arrangements decided on April 8 at all other branches as well as local offices in response to the government's decision to extend the state of emergency to all prefectures

Monday, April 27

- "Enhancement of Monetary Easing"

At the April 27 MPM, decided on (1) increases in purchases of CP and corporate bonds as well as in the maximum amounts outstanding of a single issuer's CP and corporate bonds to be purchased, (2) strengthening of the Special Funds-Supplying Operations to Facilitate Financing in Response to the Novel Coronavirus (COVID-19), and (3) further active purchases of JGBs and T-Bills

IV. PERFORMANCE REVIEWS OF MEASURES TAKEN UNDER THE *MEDIUM-TERM STRATEGIC PLAN*

A. Plan and Formulate Monetary Policy Measures That Facilitate Policy Conduct

1. Progress in implementing specific measures

- (1) With a view to contributing to monetary policy conduct, the Bank conducted research and analysis from multiple perspectives regarding economic and financial conditions at home and abroad, including the following: the impact of the slowdown in overseas economies accompanying the prolonged U.S.-China trade friction; developments in household spending before and after the consumption tax hike in October 2019; and the impact of the spread of COVID-19. The results of these analyses were released, for example, in the quarterly *Outlook for Economic Activity and Prices* (hereafter the Outlook Report) and in the "Assessment of the Momentum toward Achieving the Price Stability Target" (October 2019).
- (2) The Bank conducted multi-perspective analysis on the efficacy and impacts of monetary policy, focusing on the policy effects of QQE with Yield Curve Control, as well as the mechanism of inflation expectations formation. In light of its analysis, the Bank planned and formulated the following monetary policy measures flexibly. It also swiftly formulated measures in response to the impact of the spread of COVID-19.
 - (a) Clarifying forward guidance for policy rates in April 2019.
 - (b) Implementing measures contributing to the continuation of powerful monetary easing in April 2019, which included (1) the expansion of eligible collateral for the Bank's provision of credit, (2) the improvement and promotion of the use of the Fund-Provisioning Measure to Support Strengthening the Foundations for Economic Growth, (3) the relaxation of the terms and conditions for the SLF, and (4) the introduction of the ETF Lending Facility.
 - (c) Deciding on a new forward guidance for policy rates in October 2019, taking account of the "Assessment of the Momentum toward Achieving the Price Stability Target."
 - (d) Enhancing monetary easing in light of the impact of the outbreak of COVID-19 in March 2020 via:
 - (1) the further ample supply of funds through measures such as active purchases of JGBs and the strengthening of the U.S. dollar funds-supplying operations coordinated with other central banks;
 - (2) the introduction of a new funds-supplying operation, as well as an increase in purchases of CP and corporate bonds, with a view to facilitating corporate financing; and
 - (3) active purchases of ETFs and J-REITs.
- (3) The Bank enhanced dialogue with market participants by, for example, actively exchanging opinions on such occasions as the "Meeting on Market Operations" and the "Bond Market Group Meeting," each held twice in fiscal 2019, as well as the "Meeting with Relevant Parties in the ETF Market" held once in fiscal 2019.
- (4) Progress was made in fundamental research on the following: monetary policy; the macroeconomy; financial markets; legal and accounting systems, as well as information security, in finance-related fields; and monetary history. The Bank communicated its research findings to the public through the release of research papers and presentations at academic conferences at home and abroad.

2. Evaluation of progress

With a view to contributing to monetary policy conduct, the Bank conducted research and analysis from multiple perspectives regarding economic and financial conditions at home and abroad; it also carried out multi-perspective analysis on the efficacy and impacts of monetary policy. In light of its analysis, the Bank planned and formulated monetary policy measures flexibly. In addition, the Bank enhanced dialogue with market participants through, for example, the "Meeting on Market Operations," the "Bond Market Group Meeting," and the "Meeting with Relevant Parties in the ETF Market," and made steady adjustments to its operational arrangements so as to ensure that monetary policy continued to be conducted appropriately.

Based on the above, the Bank considers that, in fiscal 2019, it achieved its intended objectives in implementing measures and provided a firm underpinning for monetary policy conduct. In fiscal 2020, the Bank will continue to work to have the necessary arrangements in place to conduct research and analysis that appropriately reflect various changes in economic and financial conditions, including the impact of COVID-19 as well as the effects of advances in IT, to plan policy measures flexibly, and to conduct market operations properly.

B. Ensure the Stability and Improve the Functioning of the Financial System

1. Progress in implementing specific measures

(1) In line with the "On-Site Examination Policy for Fiscal 2019," the Bank conducted on-site examinations of financial institutions flexibly and efficiently in light of the extent of their influence on the financial system and their risk profiles; it also conducted "targeted on-site examinations" focusing on the profitability of regional financial institutions. Under

this policy, the Bank carried out examinations of 85 financial institutions. It conducted thorough assessments, particularly of financial institutions' business operations and asset quality as well as their profitability and resilience against risks, including business conditions in their financial group as a whole and the risk management of their overseas branches and subsidiaries.

(2) With regard to off-site monitoring of financial institutions, the Bank conducted in-depth research and analysis, particularly on their business operations, risk management, and profitability; the efficacy and impacts of QQE with Yield Curve Control; and their digitalization efforts. In addition, it worked to maintain a firm grasp of business conditions at systemically important financial institutions by conducting off-site monitoring given developments such as increased integration of group firms' operations as well as changes in the business models and risk profiles accompanying the expansion of these institutions' overseas business. The Bank further enhanced its assessment and analysis of the increasingly severe business conditions at regional financial institutions.

(3) In the two issues of the 2019 *Financial System Report*, released in April and October, the Bank enhanced its analysis of the medium- to long-term stability and vulnerability of the financial system amid the ongoing population decline, falling numbers of firms, and persistently low interest rates. In addition, it released four issues of the *Financial System Report Annex Series* in fiscal 2019, providing more detailed analysis of and insight into selected topics, such as financial institutions' adaptation to digitalization and efforts toward ensuring cybersecurity. The Bank also actively communicated with financial institutions,

analysts, the media, academics, and other relevant parties, mainly through holding seminars and giving presentations at various international meetings (there were 72 such occasions in total in fiscal 2019).

- (4) The Bank further strengthened cooperation on the macroprudential front with the FSA. The two entities increasingly shared awareness of challenges and risks at all levels, for example, by holding a meeting of the Council for Cooperation on Financial Stability. They also conducted (1) surveys on overseas credit investment/lending and on the use of LIBOR, both targeting a wide range of financial institutions, and (2) supervisory simultaneous stress testing based on common scenarios targeting major financial institutions.
- (5) The Bank continued its stable execution of business operations for the Loan Support Program, while improving and promoting the use of the Fund-Provisioning Measure to Support Strengthening the Foundations for Economic Growth in April 2019 as well as amending the Fund-Provisioning Measure to Stimulate Bank Lending in December 2019.
- (6) The Bank hosted workshops on finance for achieving sustainable development goals (SDGs) and finance integrating environmental, social, and governance (ESG) criteria as well as on corporate governance reforms. It also held a series of workshops on the use of artificial intelligence (AI) to advance financial technology and released a related report in September 2019 (available only in Japanese).
- (7) The Bank collected information on how financial institutions had responded to the spread of COVID-19. In addition, in March 2020, it released "Confirmation of Eligible Standards for Criteria for Current Account Transactions in View of the Growing Impact of COVID-19."

2. Evaluation of progress

The Bank conducted thorough assessments, particularly of business operations and risk management at financial institutions, and facilitated necessary improvements through the following: it presented in the *Financial System Report* its assessment of challenges and risks faced in maintaining and improving the stability and functioning of the financial system, and conducted on-site examinations and improved off-site monitoring based on this assessment. In addition, the Bank further deepened dialogue with regional financial institutions on the key management issues and challenges facing them, such as strengthening their core profitability in an environment of low interest rates and population decline. Moreover, it gained a better grasp of business conditions at systemically important financial institutions, taking into account the extent of their systemic implications, and facilitated necessary improvements.

The Bank carried out, in an efficient and appropriate manner, the selection of financial institutions with which to conduct transactions as well as business operations relating to the provision of loans. It also further strengthened cooperation on the macroprudential front with the FSA.

During fiscal 2019, there were no circumstances that required the Bank to provide loans pursuant to Articles 37 and 38 of the Bank of Japan Act.

Based on the above, the Bank considers that it steadily tackled challenges faced in maintaining and improving the stability and functioning of the financial system in light of changes in financial institutions' risk profiles and structural changes in the financial system, and that its intended effects were thereby achieved. In fiscal 2020, the Bank will closely monitor the impact of the spread of COVID-19 on financial institutions' business conditions and on the financial system.

Moreover, taking into consideration such factors as shifting demographics, advances in digitalization, and risks arising from climate change, the Bank will continue to (1) maintain a firm grasp of business conditions at financial institutions and provide support as they make necessary improvements, and (2) facilitate and enhance its efforts on the macroprudential front.

C. Enhance Payment and Settlement Services and Reinforce Market Infrastructures

1. Progress in implementing specific measures

- (1) The Bank continued its deliberations and coordination of efforts with other central banks and relevant parties toward realizing payment and settlement for cross-border transactions in yen or JGBs by, for example, promoting preparation with the Hong Kong Monetary Authority toward implementation of a cross-border delivery-versus-payment (DVP) link between the Bank of Japan Financial Network System (BOJ-NET) JGB Services and the Hong Kong Dollar Clearing House Automated Transfer System (HKD CHATS).
- (2) The Bank supported initiatives taken by relevant parties for the safety and efficiency of payment and settlement systems, such as a shift to a T+2 settlement cycle for equities in July 2019 and the start of operation of the 7th Generation Zengin Data Telecommunication System (Zengin System) in November 2019.
- (3) With such topics as central bank digital currency (CBDC) attracting increasing attention around the world, the Bank actively participated in discussions at home and abroad regarding new possibilities and challenges that IT advances present for payment and settlement services and reinforced the arrangements for carrying out related research, through initiatives such as the following.
 - (a) The Study Group on Legal Issues regarding Central Bank Digital Currency, which was set up by the IMES, released in September 2019 a report that examined and discussed crucial issues that might arise within the Japanese legal framework.
 - (b) The Bank contributed to compiling the final report of the Group of Seven (G7) Working Group on Stablecoins, released in October 2019.
 - (c) The Bank, together with other major central banks, created a group to assess potential cases for CBDC in January 2020.
 - (d) The Bank and the ECB continued to conduct joint research on the possible usage of distributed ledger technology in the field of payments and financial market infrastructures and released their findings in June 2019 and February 2020.
 - (e) The Bank actively collected and communicated information on such topics as IT advances in payment and settlement systems through, for example, the FinTech Forum held in June 2019.
 - (f) The Bank actively participated in discussions on the future of payment and settlement infrastructures with a wide range of relevant parties through such occasions as the Future of Payments Forum held in February 2020.
 - (g) The Bank made necessary arrangements for carrying out research, including the establishment in February 2020 of a research team on CBDC.
- (4) In January 2020, the Bank started to release *Statistics on Securities Financing Transactions in Japan*, which includes aggregated data, for example, on repo transactions.
- (5) In light of the development of the FX Global Code, the Bank continued to encourage market participants in Japan to declare their commitment to adhere to the code.

(6) In its role as the secretariat of the Cross-Industry Committee on Japanese Yen Interest Rate Benchmarks, the Bank supported market participants' initiatives on the reform of Japanese yen interest rate benchmarks by, for example, releasing the "Final Report on the Results of the Public Consultation on the Appropriate Choice and Usage of Japanese Yen Interest Rate Benchmarks" in November 2019 and the "Determination of the Calculating and Publishing Entity of Prototype Rates for Term Reference Rates" in February 2020.

2. Evaluation of progress

The Bank made steady progress in deliberating and coordinating efforts with other central banks and relevant parties toward the realization of payment and settlement for cross-border transactions in yen or JGBs, as well as in working toward the enhancement of Japan's payment and settlement services. In addition, it actively contributed to discussions at home and abroad regarding the new possibilities and challenges that IT advances present for payment and settlement services, such as CBDC.

As for the reinforcement of the infrastructures of financial and capital markets, the Bank encouraged market participants in Japan to declare their commitment to adhere to the FX Global Code and started to release aggregated data, for example, on repo transactions. It also supported market participants' initiatives on the reform of Japanese yen interest rate benchmarks.

Based on the above, the Bank considers that it made progress in fiscal 2019 in terms of measures taken to contribute to enhancing payment and settlement services and reinforcing the infrastructures of financial and capital markets in Japan. In fiscal 2020, with respect to payment and settlement services, the Bank will continue to work toward the enhancement of retail payments in Japan; regarding CBDC, it will

reinforce research through the efforts of the new research team and contribute to discussions at the global level. Furthermore, as for the reinforcement of the infrastructures of financial and capital markets in Japan, the Bank will continue with, for example, its support for market participants' initiatives on the reform of Japanese yen interest rate benchmarks.

D. Conduct Stable and Efficient Central Banking Operations

1. Progress in implementing specific measures

- (1) The Bank continued, on a daily basis, to settle financial transactions involving current account deposits that financial institutions hold at the Bank in an accurate and stable manner.
- (2) The Bank conducted market operations appropriately in accordance with the guidelines decided at MPMs for market operations and asset purchases. When financial markets experienced a period of instability due to the impact of COVID-19, the Bank duly responded to changes in the market environment by, for example, revising the tools for market operations as well as their frequency and size in a timely manner.
- (3) In coordination with the Ministry of Finance and other relevant parties, the Bank proceeded with preparations for the introduction of a new series of Bank of Japan notes and a new 500 yen coin, for example, by holding seminars for banknote equipment manufacturers.
- (4) The Bank ensured the smooth supply of clean banknotes from its Head Office and branches and maintained the cleanliness of banknotes in circulation by examining the banknotes it received. As part of the process, it monitored and improved the level of the cleanliness of banknotes in circulation.

- (5) The Bank continued to maintain, by gathering information from relevant parties, a firm grasp of changes in cash delivery routes and conducted cash transportation and other operational procedures efficiently.
- (6) The Bank carried out a wide range of treasury funds and JGS services with precision. It also worked to streamline and digitize business operations by, for example, reducing the number of agents and promoting further use of online payments of treasury funds through the provision of support to relevant parties. In addition, the Bank responded positively to the need for financial institutions to improve the efficiency of their business operations, including by approving the establishment of revenue sub-agents specializing in handling online treasury fund receipts.
- (7) The Bank undertook detailed research into the changes in the environment surrounding the business operations of its agents and revised the fees and commissions paid to those agents for the administration of treasury business.
- (8) With COVID-19 spreading, the Bank made necessary arrangements to ensure the stable execution of its central banking operations overall, such as implementing split shifts to address the risk of possible infections among its staff.

2. Evaluation of progress

With regard to banking operations, the Bank continued to settle financial transactions involving current account deposits that financial institutions hold at the Bank in an accurate and stable manner, and conducted market operations appropriately in accordance with the guidelines decided at MPMs.

As for business operations relating to banknotes, the Bank—in coordination with the Ministry of Finance and other relevant parties—proceeded steadily with

preparations for the introduction of a new series of Bank of Japan notes and a new 500 yen coin. In addition, it made progress in securing confidence in banknotes, for example, proceeding smoothly with replacing automatic banknote examination machines with the new model. The Bank also made progress in firmly grasping the current situation of cash circulation by gathering information from relevant parties.

The Bank carried out a wide range of treasury funds and JGS services with precision; it also worked to streamline and digitize business operations.

Based on the above, the Bank considers that, in fiscal 2019, it conducted stable and efficient central banking operations, while reviewing its business processes in response to changes in its operational environment, and thus that it achieved its intended objectives. In fiscal 2020, with the impact of COVID-19 likely to persist, the Bank will conduct its business operations at its Head Office and branches in a stable manner, while continuing constantly to pursue excellence in central banking services in light of trending changes, both qualitative and quantitative, in its operations.

E. Contribute to International Finance amid Globalization

1. Progress in implementing specific measures

- (1) As the central bank of the chair country, the Bank, together with the Ministry of Finance, took appropriate actions in proceeding with preparations for and successfully organizing the Group of Twenty (G20) Finance Ministers and Central Bank Governors Meetings held in April, June, and October 2019. The Bank also engaged in a wide range of activities such as releasing "G20 Press Release on Global Stablecoins" in October 2019 as well as participating in events including the Think 20 (T20)

Summit—the research and policy advice network of think tank scholars and experts from G20 member countries.

(2) The Bank, as the central bank of Japan, actively participated in meetings such as those organized by the Association of Southeast Asian Nations Plus Three (ASEAN Plus Three), the Bank for International Settlements (BIS), the Executives' Meeting of East Asia-Pacific Central Banks (EMEAP), the Financial Stability Board (FSB), the G7, the International Monetary Fund (IMF), and the Organisation for Economic Co-operation and Development (OECD), thereby achieving the following.

(a) The Bank contributed to discussions at global forums on fostering economic growth as well as on strengthening the robustness of the financial system based on its analysis of current overseas economic and financial developments, while also promoting understanding of its conduct of monetary policy.

(b) With regard to financial regulation and supervision, the Bank, in cooperation with the FSA, actively participated in discussions on the implementation and impact assessment of, for example, international financial regulations as well as on the enhancement of supervision; it also contributed appropriately to policy making processes for ensuring the stability of the international financial system.

(c) The Bank continued to participate in and contribute to, for example, discussions in the fields of global financial markets, financial market infrastructures, interest rate benchmarks, the FX Global Code, and statistics.

(d) At EMEAP-related meetings, the Bank played a key role in research and analysis on economic and financial conditions as well as on payment and

settlement systems in the Asian region.

(e) At some BIS- and EMEAP-related committees, the Bank played a leadership role, for example, by moderating discussions as the chair.

(f) The Bank participated in the Irving Fisher Committee on Central Bank Statistics (IFC), with an official serving as a member of the IFC Executive, and played a part in discussions at the global level, for example, through the presentation of papers at related conferences.

(3) The Bank actively exchanged information with overseas authorities on business conditions at systemically important financial institutions, mainly through supervisory colleges.

(4) The Bank obtained prompt access to a wide range of information, for example, on economic and financial conditions, the financial system, and central banking operations, through individual exchanges of opinions with major central banks and other relevant parties as well as active strengthening of relations with monetary authorities in Asia.

(5) With a view to enhancing its understanding of as well as participating in international discussion on climate-related risks, the Bank announced in November 2019 that it had joined the Network for Greening the Financial System (NGFS), a group of central banks and supervisors committed to helping improve environmental and climate risk management in the financial sector.

(6) With regard to international monetary cooperation, the Bank deliberated on and coordinated bilateral local currency swap arrangements to provide liquidity backstops that meet the local currency funding needs of Japanese financial institutions operating overseas. In March 2020, the Bank signed an agreement with the Bank of Thailand, allowing for the exchange of Thai

baht and yen between the two central banks. Moreover, in November 2019, it extended the agreement with the Monetary Authority of Singapore, allowing for the exchange of Singapore dollars and yen between the two central banks.

- (7) Under the framework of ASEAN Plus Three, the Bank, together with the Ministry of Finance, played a key role, for example, by taking the lead in discussions regarding currency swap exercises based on the Chiang Mai Initiative Multilateralization (CMIM).
- (8) The Bank contributed to the stability and development of financial and capital markets in Asia and established and strengthened medium- to long-term relationships with overseas authorities by providing technical assistance, holding seminars, and exchanging personnel, mainly with other central banks in Asia. Of these interactions, 43 involved staff being sent from other central banks (335 people), while 9 involved sending the Bank's staff to overseas counterparts.
- (9) The Bank contributed to discussions at meetings of the G7, the G20, the Basel Committee on Banking Supervision, and the FSB regarding the international financial response to the spread of COVID-19.

2. Evaluation of progress

The Bank, as the central bank of Japan, together with the Ministry of Finance, successfully organized and co-hosted G20 meetings. It also actively participated in meetings such as those organized by the BIS and the EMEAP on topics including financial regulation, financial markets, and financial market infrastructures. Through these initiatives, the Bank contributed to and played a leadership role in discussions toward ensuring the stability of the international currency and financial system. It boosted bilateral monetary cooperation in the Asian region and provided technical assistance, most of which was provided within the region. The

Bank maintained and strengthened cooperation with overseas authorities, especially central banks, and obtained prompt access to a wide range of information, for example, on economic and financial conditions, the financial system, and central banking operations.

Based on the above, the Bank considers that it made steady progress in fiscal 2019 in terms of measures taken to contribute, as the central bank of Japan, toward ensuring the stability of the international currency and financial system as well as securing the stability and development of financial and capital markets in Asia. In fiscal 2020, the Bank will continue to work in cooperation with relevant parties to deepen and extend the initiatives taken to date, particularly in Asia. In doing so, it will participate in discussions at the global level on responses to COVID-19.

F. Contribute to Regional Economic and Financial Environments

1. Progress in implementing specific measures

- (1) The Bank, at its Head Office and branches, conducted central banking operations, including business operations relating to banknote issuance as well as services relating to treasury funds and JGSs, in a stable manner, holding working-level meetings as needed with financial institutions that hold current accounts at the Bank as well as ministries and government agencies.
- (2) At its Head Office as well as Sendai, Fukushima, Maebashi, Yokohama, Niigata, Kofu, Matsumoto, Shizuoka, and Fukuoka branches, the Bank, in cooperation with the respective local finance bureaus, requested that financial institutions take special measures in response to disasters.
- (3) The Bank maintained a detailed grasp of regional economic and financial conditions via its Head

Office, branches, and local offices by, for example, conducting interviews with local businesses and financial institutions, as well as holding meetings to exchange opinions with local chambers of commerce and industry. The Bank utilized its findings in conducting monetary policy as well as in ensuring the stability and improving the functioning of the financial system.

- (a) With regard to demand for rebuilding and reconstruction following the Great East Japan Earthquake and the Kumamoto Earthquake, as well as large-scale storm and flood damage that occurred in Japan during fiscal 2019, the Bank maintained a thorough grasp of the situation by making use of its networks of branches and offices in the disaster-stricken areas.
- (4) The Bank disseminated the results of its research and analysis on regional economic developments as well as the thinking behind its policies and business operations to each region by, for example, organizing speeches and undertaking other public relations activities. The Bank's findings from research and analysis on regional economic developments were also compiled and released each quarter in the *Regional Economic Report*. Moreover, the Bank released two issues of the annex series to the report in fiscal 2019, providing more detailed analysis of and insight into selected topics; the issues (available only in Japanese) addressed, respectively, the current state of inbound tourism and initiatives by firms and others to attract, retain, and develop workforces in regional areas.
- (5) In fiscal 2019, the Bank's CAFT hosted 10 seminars, targeted mainly at regional financial institutions, on topics such as corporate governance reform and management reform.

2. Evaluation of progress

The Bank, at its Head Office and branches, conducted central banking operations in a stable manner. It also maintained a detailed grasp of economic and financial conditions specific to each region through vigorous research efforts; it disseminated its findings to each region and utilized them in conducting monetary policy as well as in ensuring the stability and improving the functioning of the financial system.

Based on the above, the Bank considers that it made steady progress in fiscal 2019 in terms of initiatives taken to contribute to regional economic and financial environments, making due use of the functions performed as the country's central bank by its Head Office, branches, and local offices. In fiscal 2020, the Bank will continue to provide appropriate central banking services in each region of the country. It will also work particularly to maintain an accurate grasp of regional economic and financial conditions and of region-specific challenges as well as to disseminate its findings, with a view to supporting sustainable development. With regard to organizing speeches and undertaking other public relations activities, the Bank will make the appropriate decision in each case in light of the COVID-19 situation in each region.

G. Strengthen External Communication

1. Progress in implementing specific measures

- (1) In accordance with the Bank of Japan Act, the Bank kept the public fully informed regarding its conduct of monetary policy and business operations via the following.
 - (a) Releasing the minutes and transcripts of MPMs.
 - (b) Submitting the *Semiannual Report on Currency and Monetary Control* to the Diet in June and December 2019, and releasing the full texts of the

two issues in Japanese as well as the summaries in English on the Bank's website.⁵

- (c) Publishing the *Gyomu Gaikyo Sho* (Outline of Business Operations) for fiscal 2018 in May 2019.
- (2) The Bank made use of a variety of channels to communicate its conduct of monetary policy and business operations to the public, working to promote deeper understanding of its policy intentions. These communication channels included the following.
- (a) Public statements on the Bank's monetary policy decisions, such as the "Statement on Monetary Policy"; the Outlook Report released in April, July, and October 2019 as well as in January 2020; a document that contains a summary of the opinions presented at each MPM (Summary of Opinions); and press conferences, speeches, and articles by the Governor, Deputy Governors, and Members of the Policy Board.
- (3) The Bank was also involved in the following public relations activities in fiscal 2019, which it sought to make clear, intelligible, and accessible to a wide range of target audiences, thereby promoting better understanding among the public of its conduct of monetary policy and business operations.
- (a) In addition to making the Bank's releases available on its websites, the Bank made use of social networking sites, thereby disseminating information to a wider audience in an apposite and timely manner. The number of page views on the Bank's website was around 217 million, of which around 107 million were made to its English-language pages. The number of page views on its branches' websites was around 4.5 million in total. Followers of the Bank's Twitter and Facebook accounts totaled around 130,000 and around 3,500, respectively.
- (b) The Bank enhanced the content of *Nichigin*, its public relations magazine (available only in Japanese), for example, by starting a series of short history articles on past governors of the Bank as well as by including articles that provided accessible descriptions of its policies and business operations.
- (c) The Bank introduced an online reservation system for in-house tours of its Head Office in June 2019. In August, in-house tours of the Main Building were also partially resumed, following the completion of seismic reinforcement work on the building. The total number of tour visitors to the Head Office—including those who attended short tours on the day—was around 19,000. The Bank's branches also enhanced the content of in-house tours by, for example, adding exhibits, and received around 23,000 tour visitors.
- (d) The Bank hosted various public relations events, providing opportunities for the public to deepen their understanding of the Bank's policies and business operations. These events included special in-house tours for families visiting with primary and junior high school children during school holidays in summer. The Bank also hosted at its Head Office the "BOJ Grand-Prix," an essay and presentation contest primarily for college students, for which there were 104 entries.
- (e) The Bank gave lectures to young people on its functions and operations. Its Head Office gave a total of 15 on-campus lectures to college students.
- (4) The Bank actively disseminated information on its

5. Excerpts from the summaries of the two issues of the report dealing with developments in fiscal 2019, namely, the issues released in December 2019 and June 2020, can be found on pages 30–38.

conduct of monetary policy and business operations in English.

- (5) The Bank worked to gain a better grasp of public opinion as well as public needs regarding its policies and business operations from people across a wide range of fields via the following.
 - (a) Holding more meetings and dialogues with financial institutions, firms, economic organizations, academics, and other parties concerned in the Bank's business operations.
 - (b) Provision of pertinent responses to around 4,400 inquiries and comments received at the Head Office via phone calls or e-mails (excluding those for sales purposes or those that were incorrectly addressed).
- (6) The Bank operated the Currency Museum and the Bank of Japan Otaru Museum appropriately, including feature exhibitions commemorating the centennial of the death of architect Tatsuno Kingo, who designed the Bank's Old Building; the number of visitors to each museum during fiscal 2019 was around 108,000 and 95,000, respectively.
- (7) The Bank responsibly managed the activities of its Archives, which have the status of "the National Archives of Japan, etc." as stipulated in the Public Records and Archives Management Act as well as the order for enforcement of this Act. A total of 2,502 historical official documents were added to the Archives, and there were a total of 98 requests for access.
- (8) The Bank made public the findings of its research and analysis on economic and financial developments, releasing 8 papers in the *Bank of Japan Review Series*, 14 in the *Bank of Japan Working Paper Series*, 31 in the *IMES Discussion Paper Series*, 3 in the *Bank of Japan Research Laboratory Series*, and 4

research papers.

- (9) The Bank held the following conferences and workshop at its Head Office.
 - (a) In April 2019, the Bank and the University of Tokyo co-hosted a conference on issues surrounding inflation dynamics in recent years focusing on Japan's experience.
 - (b) In May 2019, the IMES hosted an international conference entitled "Central Bank Design under a Continued Low Inflation and Interest Rate Environment."
 - (c) In September 2019, the Bank held a joint workshop with the BOC and the Federal Reserve Bank of Philadelphia.
- (10) The Bank revised, rebased, and made appropriate enhancements to its statistics so as to accommodate changes in the economic and regulatory environment.
 - (a) In September 2019, the Bank released the results for Japan from the *Central Bank Survey of Foreign Exchange and Derivatives Market Activity*.
 - (b) In January 2020, the Bank started to release *Statistics on Securities Financing Transactions in Japan*.
 - (c) As for the *Tankan* (Short-Term Economic Survey of Enterprises in Japan), the Bank enhanced the exchange rates survey and abolished some survey items from the March 2020 survey.
 - (d) In June 2019, the Bank updated the base year of the services producer price index (SPPI) to 2015.
- (11) Through the following measures, the Bank promoted an in-depth understanding of its statistics.
 - (a) In June 2019, the Bank released a research paper on the results of the rebasing of the SPPI to the base year 2015.
 - (b) In August 2019, a month prior to the release

of the retroactively revised *Flow of Funds Accounts Statistics* (FFA), the Bank made public a document explaining the highlights of the revision and how the outstanding FFA figures would be affected.

(c) In January 2020, the Bank released a paper in the *Bank of Japan Review Series*, which provided an overview of *Statistics on Securities Financing Transactions in Japan* and explained some key features of Japanese securities financing markets that emerged from the statistics (English version released in February 2020).

(12) The Bank contributed to discussions held by the government toward the refinement of economic statistics, such as enhancing the accuracy of GDP statistics, by taking part in the Statistics Commission and deliberations on Japan's balance of payments statistics.

(13) As the secretariat of the Central Council for Financial Services Information (CCFSI), and in light of changes in the environment surrounding the provision of financial information to the public, the Bank supported the CCFSI's efforts to develop a range of financial information-related activities in cooperation with relevant parties such as ministries, local public bodies, and financial and economic organizations. For example, the CCFSI conducted the *Financial Literacy Survey* and released its findings in July 2019 (English version released in December 2019). It also continued to provide lectures to college students on financial literacy and to work toward publishing user-friendly website pages including those designed for mobile devices (available only in Japanese) on the CCFSI's official website *Shiruporuto* (Gateway to Knowledge).

(14) Toward the end of fiscal 2019, the Bank, in light of the

spread of COVID-19 in each region, addressed the situation appropriately by, for example, postponing or canceling meetings and events hosted by the Bank as well as temporarily closing the Currency Museum and the Bank of Japan Otaru Museum. Meanwhile, the Bank, as the country's central bank, worked to communicate requisite information to the public, for example, by continuing to hold press conferences and release various statistics.

2. Evaluation of progress

The Bank employed a variety of channels to communicate its conduct of monetary policy and business operations to various audiences at home and abroad, including the general public, and made efforts to promote deeper understanding of its policy intentions.

The Bank worked to gain a better grasp of public opinion and public needs by increasing dialogues with financial institutions and firms, as well as by providing pertinent responses to inquiries and comments received at the Bank.

The Bank proceeded with efforts to revise and rebase its statistics so as to accommodate changes in the economic and regulatory environment, as well as implementing measures to improve their user-friendliness. It also continued to contribute to discussions held by the government toward the refinement of economic statistics.

As the secretariat of the CCFSI, and in light of changes in the environment surrounding the provision of financial information to the public, the Bank supported the CCFSI's efforts to develop a range of financial information-related activities, thereby contributing to the promotion of financial literacy among the public.

Based on the above, the Bank considers that, in fiscal 2019, it steadily implemented the measures scheduled under its strategic objective of strengthening external communication. In fiscal 2020, the Bank will

continue (1) to work to achieve multilateral and effective communication at home and abroad regarding its conduct of monetary policy and business operations by making use of various communication platforms, and also (2) to better grasp public opinion and public needs by maintaining and strengthening relationships with people, firms, and economic organizations across a wide range of fields. Meanwhile, the Bank will take appropriate measures regarding implementation of certain of its public relations activities, in light of the spread of COVID-19.