

June 15, 2010

Bank of Japan

Establishment of "Principal Terms and Conditions for the Fund-Provisioning Measure to Support Strengthening the Foundations for Economic Growth"

At the Monetary Policy Meeting held today, the Policy Board of the Bank of Japan decided, with a view to achieving price stability and thereby contributing to the sound development of the national economy, to establish "Principal Terms and Conditions for the Fund-Provisioning Measure to Support Strengthening the Foundations for Economic Growth," to support private financial institutions' efforts in strengthening the foundations for economic growth while ensuring smooth money market operations.

Principal Terms and Conditions for the Fund-Provisioning Measure to Support Strengthening the Foundations for Economic Growth

1. Purpose

The terms and conditions prescribe the principles for the Bank of Japan's fund-provisioning measure -- introduced with a view to achieving price stability and thereby contributing to the sound development of the national economy -- to support private financial institutions' efforts in strengthening the foundations for economic growth while ensuring smooth money market operations.

2. Location of Operation

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

3. Eligible Counterparties

Eligible counterparties shall, pursuant to the Bank's relevant rules, be selected from 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 and bridge banks [as defined in Article 2, Paragraph 13 of the Deposit Insurance Act, Act No.34, 1971]), financial instruments firms (Article 10, Paragraph 1, Clause 2 of the Bank of Japan Act Enforcement Order [Order No. 385 of 1997]) that conduct the first financial instruments business (Article 28, Paragraph 1 of the Financial Instruments and Exchange Act, Act No. 25, 1948), securities finance companies (Article 10, Paragraph 1, Clause 3 of the Order), *tanshi* companies (Article 10, Paragraph 1, Clause 4 of the Order), and the Development Bank of Japan Inc.

4. Form of Loans

Loans shall be provided in the form of electronic lending.

5. Duration of Loans

Because the measure is judged to be particularly necessary, the duration of

loans to financial institutions shall be set as within one year, pursuant to the stipulations in the statement of operation procedures.

6. Loan Rates and Collection of Interest

(1) The interest rate on the loans shall be the Bank's target for the uncollateralized overnight call rate stipulated in the guideline for money market operations on the day of disbursement of the loan.

(2) The interest on a loan shall be calculated based on the rate determined by the method described 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. Date of Each Loan Disbursement and Rollover of Loans

(1) The date of each loan disbursement shall be specified by the Bank. No loan shall be disbursed on or after June 30, 2012 except for the rollover of loans as described in (2).

(2) If the counterparty requests, the Bank shall allow loans to be rolled over on the maturity date within the maximum amount of loan prescribed in 9. However, the maximum number of times for which the counterparty can rollover is three.

8. Amount of Each 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 9. and the unused value of the total standing pool of eligible collateral pledged to the Bank.

9. Maximum Amount of Loan, etc.

(1) The total amount of loans shall not exceed 3 trillion yen.

(2) The total amount of loans to each counterparty shall not exceed 150 billion yen.

(3) The total amount of loan at each disbursement, excluding any rollover of loans, shall not exceed 1 trillion yen.

(4) The maximum amount of loan to each counterparty at each loan disbursement shall be the amount of new lending or investment with a maturity of one year or more, carried out within a certain period specified

by the Bank, under the plan to support strengthening the foundation for economic growth described in 11. submitted to the Bank. However, if the counterparty wishes to rollover a loan, the amount of loan rolled over shall be within the smaller of the outstanding amount of lending or investment with a residual maturity of one year or more out of the outstanding amount of lending or investment at the first disbursement, which was the basis for calculating the maximum amount of loan, or the amount of the first loan.

10. Deadline for New Applications for Loans

The period for calculating the amount of loans prescribed in 9.(4) shall end on or before March 31, 2012.

11. The Plan to Support Strengthening the Foundation for Economic Growth

The plan shall be formulated by each counterparty for lending or investment, and satisfy the conditions set forth in the Annex.

12. 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)

These terms and conditions shall become effective today and shall be valid through June 30, 2016.

Conditions that Plans to Support Strengthening
the Foundations for Economic Growth Shall Meet

1. The plan should use funds received, either borrowed or invested from financial institutions, for a period of no less than one year to support strengthening the foundation for economic growth in, for example, one of the following areas.
 - (1) Research and development
 - (2) Setting up a new business
 - (3) Business reorganization
 - (4) Investment and business deployment in Asian and other countries
 - (5) Science and technology research at universities and research institutions
 - (6) Development and upgrading of social infrastructure
 - (7) Environment and energy business
 - (8) Business for securing and developing natural resources
 - (9) Medical, nursing care, and other health-related business
 - (10) Business serving the needs of senior citizens
 - (11) Business in the content creation industry
 - (12) Tourism business
 - (13) Regional and urban revitalization business
 - (14) Agriculture, forestry, and fisheries business; Business linking agriculture, commerce, and industry
 - (15) Business which supports the creation of housing stock
 - (16) Disaster prevention business
 - (17) Employment support and human resources development business
 - (18) Childcare services business

2. Borrowers or entities in which financial institutions invest shall be either domestic residents (excluding the government, municipal governments, institutions holding a current account at the Bank, and financial institutions [as defined in Article 37, Paragraph 1 of the Bank of Japan Act] without a current account at the Bank) or foreign corporations with a business establishment in

Japan and carrying out business in the areas identified as contributing to strengthening the foundations for economic growth such as those listed in 1.

3. The Bank shall be under no obligation to provide funds where, for whatever reasons, it considers this to be inappropriate.