

April 28, 2011
Bank of Japan

Outline for the Relaxation of the Collateral Eligibility Standards for Debt of Companies in Disaster Areas

1. Eligible Counterparties

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

2. Eligible Collateral

Categories of eligible collateral for the following debtors:

(1) Companies with business offices in disaster areas

Corporate bonds, bills, and loans on deeds

(2) Municipal governments in disaster areas

Loans on deeds

(3) Entities in disaster areas owned by municipal governments in disaster areas

Loans on deeds

3. Substance of the Relaxation

(1) Companies with Business Offices in Disaster Areas

(a) Bills and loans on deeds of which debtor companies are classified as "normal" borrowers in the latest self-assessment by financial institutions in disaster areas shall be deemed as having no problems with their creditworthiness.

(b) For corporate bonds and loans on deeds of which debtor companies are assigned with external credit ratings, the eligibility standards shall be relaxed from "rated A or higher" to "rated BBB or higher."

(2) Municipal Governments in Disaster Areas

The Bank shall accept as eligible collateral loans on deeds to municipal governments that do not issue publicly-offered municipal bonds, and loans on deeds of which interest rates are not determined through a competitive auction process.

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

The Bank shall accept as eligible collateral loans on deeds to entities that are classified as "normal" borrowers in the latest self-assessment by financial institutions in disaster areas.

4. Collateral Prices, etc.

- The Bank shall set forth adequate collateral prices taking into account the creditworthiness and the marketability of the collateral.
- The total amount of bills and loans on deeds submitted as collateral pursuant to the "normal-class" standard (those in 3. (1) (a) and (3)) shall not exceed the amount set pursuant to the relevant rules of the Bank, which shall not exceed 50 percent of the total amount of collateral submitted to the Bank.

5. Application Period

The relaxed collateral eligibility standards shall be applied until October 31, 2012.