

June 14, 2011

Bank of Japan

Establishment of "Special Rules for Equity Investments and Asset-Based Lending to Enhance 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 the "Special Rules for Equity Investments and Asset-Based Lending to Enhance the Fund-Provisioning Measure to Support Strengthening the Foundations for Economic Growth" (see Attachment). The special rules were established with the aim of further enhancing financial institutions' efforts to strengthen the foundations for economic growth through the use of a wider range of financial techniques while ensuring smooth money market operations.

(Attachment)

Special Rules for Equity Investments and Asset-Based Lending to Enhance the Fund-Provisioning Measure to Support Strengthening the Foundations for Economic Growth

1. Purpose

With the aim of further enhancing financial institutions' efforts to strengthen the foundations for economic growth through the use of a wider range of financial techniques, the Bank established special rules that supplement the "Principal Terms and Conditions for the Fund-Provisioning Measure to Support Strengthening the Foundations for Economic Growth" (Policy Board Decision on June 15, 2010, hereinafter referred to as the "Principal Terms and Conditions"). The special rules shall be applied when financial institutions make investments and loans with equity-like features (hereinafter referred to as "equity investments") as well as loans without real estate collateral or guarantees that are deemed appropriate by the Bank (hereinafter referred to as "asset-based lending").

2. Duration of Loans

Notwithstanding 5. of the Principal Terms and Conditions, because the measure is judged to be particularly necessary, the duration of loans to counterparties shall be set as within two years.

3. Rollover of Loans

Notwithstanding 7.(2) of the Principal Terms and Conditions, the Bank shall allow loans to be rolled over on the maturity date only once within the maximum amount of loans prescribed in 5.

4. Amount of Each Loan

The amount extended to each counterparty for each loan is the amount the counterparty wishes to borrow. Notwithstanding 8. of the Principal Terms and Conditions, such amount shall not exceed the maximum amount of loans prescribed in 5. and the unused value of the total standing pool of eligible collateral pledged to the Bank.

5. Maximum Amount of Loans, etc.

- (1) Apart from the total amount of loans stipulated in 9.(1) of the Principal Terms and Conditions, the total amount of loans pursuant to the special rules shall not exceed 500 billion yen.
- (2) Apart from the total amount of loans to each counterparty stipulated in 9.(2) of the Principal Terms and Conditions, the total amount of loans to each counterparty pursuant to the special rules shall not exceed 50 billion yen.
- (3) The amount of loans disbursed pursuant to the special rules shall not be included in the calculation of the total amount of loans at each disbursement pursuant to 9.(3) of the Principal Terms and Conditions.
- (4) Notwithstanding 9.(4) of the Principal Terms and Conditions, the maximum amount to be lent to each counterparty at each loan disbursement pursuant to the special rules shall be the amount calculated by subtracting the amount in (b) and (c) below from the amount in (a), on a date specified by the Bank. However, if the counterparty wishes to rollover a loan, the amount of loan rolled over shall be limited to either such amount or the amount of the existing loan, whichever is smaller.
 - (a) The amount outstanding of equity investments and asset-based lending made by the counterparty on and after April 1, 2010, pursuant to the plan to support strengthening the foundations for economic growth stipulated in 11. of the Principal Terms and Conditions.

- (b) The amount outstanding in (a) that is used as the basis for calculating the maximum amount to be lent to each counterparty at each loan disbursement in 9.(4) of the Principal Terms and Conditions.
- (c) The amount outstanding of loans to each counterparty disbursed pursuant to the special rules.

6. Deadline for Applications for New Loans

The date stipulated in 5.(4) shall be, except for the rollover of loans stipulated in 3., not later than March 31, 2012.

7. The Plan to Support Strengthening the Foundations for Economic Growth

When applying the special rules, the term "funds received, either borrowed or invested from financial institutions, for a period of no less than one year" in 1 of the Annex to the Principal Terms and Conditions shall be deemed to be replaced with "equity investments or asset-based lending."

(Supplementary Provision)

The special rules shall become effective today and shall be valid through June 30, 2016.