

December 20, 2012

Bank of Japan

## **Establishment of "Principal Terms and Conditions for the Loan Support Program"**

At the Monetary Policy Meeting held today, the Policy Board of the Bank of Japan made the following decisions, with a view to promoting financial institutions' aggressive action and helping increase proactive credit demand of firms and households.

1. To establish the "Principal Terms and Conditions for the Loan Support Program" (see Attachment 1).
2. To establish the "Principal Terms and Conditions for the Fund-Provisioning Measure to Stimulate Bank Lending Conducted through the Loan Support Program" (see Attachment 2).
3. To amend the "Principal Terms and Conditions for the Fund-Provisioning Measure to Support Strengthening the Foundations for Economic Growth" (see Attachment 3).
4. To amend 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 4).
5. To amend the "Special Rules for Small-Lot Investments and Loans to Enhance the Fund-Provisioning Measure to Support Strengthening the Foundations for Economic Growth" (see Attachment 5).

6. To amend the "Special Rules for the U.S. Dollar Lending Arrangement to Enhance the Fund-Provisioning Measure to Support Strengthening the Foundations for Economic Growth" (see Attachment 6).
  
7. To amend the "Temporary Rules regarding Funds-Supplying Operation against Pooled Collateral" (see Attachment 7).

## **Principal Terms and Conditions for the Loan Support Program**

### 1. Purpose

The terms and conditions prescribe the principles for the Bank of Japan's Loan Support Program (a program established on the Bank's balance sheet to provide loans made against pooled collateral with the aim of supporting private financial institutions' efforts in strengthening the foundations for economic growth and stimulating bank lending, hereinafter the same), introduced as a temporary measure to make the effect of monetary easing permeate the entire economy, with a view to achieving price stability and thereby contributing to the sound development of the national economy.

### 2. Method for Operating the Loan Support Program

- (1) The Bank shall provide loans under the Fund-Provisioning Measure to Support Strengthening the Foundations for Economic Growth (hereinafter referred to as the "Growth-Supporting Funding Facility") and the Fund-Provisioning Measure to Stimulate Bank Lending (hereinafter referred to as the "Stimulating Bank Lending Facility") through the Loan Support Program.
- (2) Fund-provisioning under the Growth-Supporting Funding Facility covers investments or loans that contribute to strengthening the foundations for economic growth. As for the following investments and loans, the Bank shall establish special rules. Loans for the investments and loans stipulated in (c) shall be conducted in the U.S. dollar.
  - (a) Equity investments (investments and loans with equity-like features) as well as asset-based lending (loans without real estate collateral or guarantees that are deemed appropriate by the Bank)
  - (b) Small-lot investments and loans each of which amounts to 1 million

yen but less than 10 million yen

- (c) Foreign currency-denominated investments and loans

### 3. Maximum Outstanding Amount of Loans

- (1) The maximum outstanding amount of loans under the Growth-Supporting Funding Facility shall be as follows.

- (a) Loans not pursuant to the special rules stipulated in 2.(2) 3.5 trillion yen
- (b) Loans pursuant to the special rules for the investments and loans stipulated in 2.(2)(a) 0.5 trillion yen
- (c) Loans pursuant to the special rules for the investments and loans stipulated in 2.(2)(b) 0.5 trillion yen
- (d) Loans pursuant to the special rules for the investments and loans stipulated in 2.(2)(c) 12 billion U.S. dollars

- (2) The maximum outstanding amount of loans under the Stimulating Bank Lending Facility is unlimited.

### 4. Specifications Necessary for Loans

For each loan, the specifications necessary for providing loans under the Growth-Supporting Funding Facility and the Stimulating Bank Lending Facility, such as the location of operations and eligible counterparties, shall be determined pursuant to the relevant rules of the Bank, in addition to 2. and 3.

(Supplementary Provision)

These terms and conditions shall become effective today and shall be valid through June 30, 2018.

## **Principal Terms and Conditions for the Fund-Provisioning Measure to Stimulate Bank Lending Conducted through the Loan Support Program**

### 1. Purpose

The terms and conditions prescribe the principles for the Bank of Japan's fund-provisioning measure to stimulate bank lending conducted through the Loan Support Program set forth in the "Principal Terms and Conditions for the Loan Support Program" (Policy Board Decision on December 20, 2012), with a view to promoting private financial institutions' aggressive action and helping increase proactive credit demand of firms and households.

### 2. Location of Operations

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]) 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 three years. The duration of

loans to each counterparty shall be 1 year, 2 years, or 3 years, and it can be chosen by the counterparty.

#### 6. Loan Rates and Collection of Interest

- (1) The interest rate on loans shall be the Bank's target for the uncollateralized overnight call rate stipulated in the guideline for money market operations on the offer date of the loans.
- (2) The interest on loans shall be calculated based on the rate determined by the method described in (1) for the number of days (i.e., interval) specified by the Bank during the duration of the loans, and the interest shall be collected on the last day of each interval.

#### 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, 2014 except for the rollover of loans as described in (2) and (3).
- (2) If the counterparty requests, the Bank shall allow loans to be rolled over on the maturity date within the maximum amount of loans prescribed in 9.
- (3) The duration of loans rolled over by each counterparty shall be 1 year, 2 years, or 3 years at the request of each counterparty. However, the overall duration of loans -- adding the duration at the first disbursement and the ones at subsequent rollovers -- shall not exceed 4 years.

#### 8. Amount of Each Loan

The amount of each loan extended to each counterparty is the amount the counterparty wishes to borrow, provided that it shall not exceed the maximum amount of loans prescribed in 9. and the unused value of the total standing pool of eligible collateral pledged to the Bank.

## 9. Maximum Amount of Loans

The maximum amount of loans to each counterparty at each loan disbursement shall be the amount calculated by subtracting the amount in (2) below from the amount in (1). However, if the counterparty wishes to roll over loans, the amount of loans rolled over shall be limited to the smaller of the following two: (a) the amount calculated by subtracting the amount in (2) from the amount in (1), or (b) the amount of the existing loans to be rolled over.

- (1) The increase in each counterparty's average amount outstanding of loans, which is calculated by (a) taking the average of the month-end amounts outstanding of loans (excluding lending for the government, municipal governments, financial institutions and the Deposit Insurance Corporation of Japan or any other public institutions specified by the Bank, hereinafter the same) from October to December 2012, (b) taking the average of the month-end amounts outstanding of loans during a quarter specified by the Bank, and (c) subtracting the amount specified in (a) from the amount in (b).
- (2) The amount outstanding of loans to each counterparty disbursed pursuant to the principal terms and conditions.

## 10. 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, 2018.



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

- The title shall be amended as "Principal Terms and Conditions for the Fund-Provisioning Measure to Support Strengthening the Foundations for Economic Growth Conducted through the Loan Support Program."

- Paragraph 1 shall be amended as follows.

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. conducted through the Loan Support Program set forth in the "Principal Terms and Conditions for the Loan Support Program" (Policy Board Decision on December 20, 2012).

- Paragraph 9 shall be amended as follows.

9. Maximum Amount of Loan, etc.

~~(1) The total amount of loans shall not exceed 3.5 trillion yen.~~

(~~2~~1) }  
(~~3~~2) } (No Change)  
(~~4~~3) }

- Paragraph 10 shall be amended as follows.

10. Deadline for New Applications for Loans

The period for calculating the amount of loans prescribed in 9.(~~4~~3) shall end on or before March 31, 2014.

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

- The title shall be amended as "Special Rules for Equity Investments and Asset-Based Lending to Enhance the Fund-Provisioning Measure to Support Strengthening the Foundations for Economic Growth Conducted through the Loan Support Program."
- Paragraph 1 shall be amended as follows.

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 Conducted through the Loan Support Program" (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").

- Paragraph 5 shall be amended as follows.

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.~~

- (21) Apart from the total amount of loans to each counterparty stipulated in 9.(21) 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.
- (32) 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.(32) of the Principal Terms and Conditions.
- (-4-3) Notwithstanding 9.(-4-3) 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) (No Change)
- (b) (No Change)
- i) the amount outstanding that is used as the basis for calculating the maximum amount to be lent to each counterparty at each loan disbursement in 9.(-4-3) of the Principal Terms and Conditions.
- ii) the amount outstanding that is used as the basis for calculating the maximum amount to be lent to each counterparty at each loan disbursement in 3.(-4-3) of the "Special Rules for Small-Lot Investments and Loans to Enhance the Fund-Provisioning Measure to Support Strengthening the Foundations for Economic Growth Conducted through the Loan Support Program" (Policy Board Decision on March 13, 2012).
- iii) the amount outstanding that is used as the basis for calculating the maximum amount to be lent to each counterparty at each loan disbursement in 6.(-4-3) of the "Special Rules for the U.S. Dollar Lending Arrangement to Enhance the Fund-Provisioning Measure to Support Strengthening the Foundations for Economic Growth

Conducted through the Loan Support Program" (Policy Board Decision on April 10, 2012).

(c) (No Change)

- Paragraph 6 shall be amended as follows.

6. Deadline for Applications for New Loans

The date stipulated in 5.~~(4-3)~~ shall be, except for the rollover of loans stipulated in 3., not later than March 31, 2014.

**Amendment to "Special Rules for Small-Lot Investments and Loans to Enhance the Fund-Provisioning Measure to Support Strengthening the Foundations for Economic Growth"**

- The title shall be amended as "Special Rules for Small-Lot Investments and Loans to Enhance the Fund-Provisioning Measure to Support Strengthening the Foundations for Economic Growth Conducted through the Loan Support Program."
- Paragraph 1 shall be amended as follows.

1. Purpose

With the aim of further enhancing private financial institutions' efforts to strengthen the foundations for economic growth in wide-ranging areas, 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 Conducted through the Loan Support Program" (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 each of which amounts to 1 million yen or more but less than 10 million yen (hereinafter referred to as "small-lot investments and loans").

- Paragraph 3 shall be amended as follows.

3. 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.~~

(21) The amount of loans pursuant to the special rules shall be included in the

calculation of the total amount of loans to each counterparty pursuant to 9.(21) of the Principal Terms and Conditions.

(32) 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.(32) of the Principal Terms and Conditions.

(-4-3) Notwithstanding 9.(-4-3) 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) (No Change)

(b) (No Change)

i) the amount outstanding that is used as the basis for calculating the maximum amount to be lent to each counterparty at each loan disbursement in 5.(-4-3) of the "Special Rules for Equity Investments and Asset-Based Lending to Enhance the Fund-Provisioning Measure to Support Strengthening the Foundations for Economic Growth Conducted through the Loan Support Program" (Policy Board Decision on June 14, 2011).

ii) the amount outstanding that is used as the basis for calculating the maximum amount to be lent to each counterparty at each loan disbursement in 6.(-4-3) of the "Special Rules for the U.S. Dollar Lending Arrangement to Enhance the Fund-Provisioning Measure to Support Strengthening the Foundations for Economic Growth Conducted through the Loan Support Program" (Policy Board Decision on April 10, 2012).

(c) (No Change)

- Paragraph 4 shall be amended as follows.

#### 4. Deadline for Applications for New Loans

The date stipulated in 3.(~~4~~3) shall be, except for the rollover of loans, not later than March 31, 2014.

**Amendment to "Special Rules for the U.S. Dollar Lending Arrangement to Enhance the Fund-Provisioning Measure to Support Strengthening the Foundations for Economic Growth"**

- The title shall be amended as "Special Rules for the U.S. Dollar Lending Arrangement to Enhance the Fund-Provisioning Measure to Support Strengthening the Foundations for Economic Growth Conducted through the Loan Support Program."
- Paragraph 1 shall be amended as follows.

1. Purpose

With the aim of promoting private financial institutions' efforts to strengthen the foundations for economic growth across a wide range of areas, the Bank established special rules for the U.S. dollar (USD) lending arrangement using the USD reserves held by the Bank that supplement the "Principal Terms and Conditions for the Fund-Provisioning Measure to Support Strengthening the Foundations for Economic Growth Conducted through the Loan Support Program" (Policy Board Decision on June 15, 2010, hereinafter referred to as the "Principal Terms and Conditions"). The special rules shall be applied to the Bank's USD lending to financial institutions which make foreign currency-denominated investments and loans.

- Paragraph 6 shall be amended as follows.

6. Maximum Amount of Loans

- (1) ~~Notwithstanding 9.(1) of the Principal Terms and Conditions, the total amount of loans pursuant to the special rules shall not exceed 12 billion U.S. dollars.~~



(21) Notwithstanding 9.(21) of the Principal Terms and Conditions, the total amount of loans to each counterparty pursuant to the special rules shall not exceed 1 billion U.S. dollars.

(32) 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 stipulated in 9.(32) of the Principal Terms and Conditions.

~~(4-3)~~ Notwithstanding 9.~~(4-3)~~ 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) (No Change)

(b) (No Change)

i) the amount outstanding that is used as the basis for calculating the maximum amount to be lent to each counterparty at each loan disbursement in 9.~~(4-3)~~ of the Principal Terms and Conditions.

ii) the amount outstanding that is used as the basis for calculating the maximum amount to be lent to each counterparty at each loan disbursement in 5.~~(4-3)~~ of the "Special Rules for Equity Investments and Asset-Based Lending to Enhance the Fund-Provisioning Measure to Support Strengthening the Foundations for Economic Growth Conducted through the Loan Support Program" (Policy Board Decision on June 14, 2011).

iii) the amount outstanding that is used as the basis for calculating the maximum amount to be lent to each counterparty at each loan disbursement in 3.~~(4-3)~~ of the "Special Rules for Small-Lot Investments and Loans to Enhance the Fund-Provisioning Measure to Support Strengthening the Foundations for Economic Growth Conducted through the Loan Support Program" (Policy Board Decision on March 13, 2012).

(c) (No Change)

- Paragraph 7 shall be amended as follows.

7. Deadline for Applications for New Loans

The date stipulated in 6.~~(4)~~3) shall be, except for the rollover of loans, not later than March 31, 2014.

**Amendment to "Temporary Rules regarding Funds-Supplying Operation against Pooled Collateral"**

- Sub-paragraph shall be amended as follows.
  1. (No Change)
  2. The interest rate in Paragraph 6. (1) of the "Principal Terms and Conditions for the Fund-Provisioning Measure to Support Strengthening the Foundations for Economic Growth Conducted through the Loan Support Program."
  3. The interest rate in Paragraph 6. (1) of the "Principal Terms and Conditions for the Fund-Provisioning Measure to Stimulate Bank Lending Conducted through the Loan Support Program."
  - ~~3.4.~~ (No Change)