Establishment of "Collateral Guidelines on Eligible Beneficial Interest of a Trust in Housing Loans"

At the Monetary Policy Meeting held on March 14 and 15, 2016, the Policy Board of the Bank of Japan made the following decisions in light of facilitating monetary operations.

The decisions were made in accordance with the decision at the Monetary Policy Meeting held on December 17 and 18, 2015.

1. The Bank shall establish the "Collateral Guidelines on Eligible Beneficial Interest of a Trust in Housing Loans" (see Attachment 1).

2. The Bank shall amend the "Principal Terms and Conditions for the Fund-Provisioning Measure to Stimulate Bank Lending Conducted through the Loan Support Program" (see Attachment 2).

3. The Bank shall seek, from the Minister of Finance and the Commissioner of the Financial Services Agency, authorization regarding the implementation of 1., in accordance with Article 43, Paragraph 1 and Article 61-2 of the Bank of Japan Act.
Collateral Guidelines on Eligible Beneficial Interest of a Trust in Housing Loans

1. Purpose
In light of facilitating monetary operations, these guidelines prescribe the principles for accepting eligible beneficial interest of a trust in housing loans as collateral, for the time being, as an exception stipulated in 6. of the "Guidelines on Eligible Collateral" (Policy Board Decision on October 13, 2000).

2. Collateral Price
Notwithstanding 3. of the "Guidelines on Eligible Collateral," the collateral price for eligible beneficial interest of a trust in housing loans shall be 60% of the sum of the total amount of outstanding principal and repaid principal of housing loans in the trust property.

3. Eligibility Standards
Notwithstanding 4. (1) and (2) of the "Guidelines on Eligible Collateral," eligibility standards for a beneficial interest of a trust in housing loans as collateral shall be as follows.
(1) The trust should be established for the purpose of submitting its beneficial interest to the Bank as collateral. The trust property of the trust should consist of housing loans. Repayment of principal and interest of the beneficial interest of a trust should be judged as certain by the Bank in light of creditworthiness of the obligors of the housing loans in the trust property and composition of the entire trust property. Realization of the beneficial interest of a trust should be conducted without difficulty.
(2) The beneficial interest of a trust in housing loans should satisfy the
eligibility standards stipulated in 4. (1) (c) of the "Guidelines on Eligible Collateral."

4. Procedures for Eligibility Assessment
   (1) The Bank shall assess the eligibility of a beneficial interest of a trust in housing loans upon request of a counterpart financial institution. In an eligibility assessment, notwithstanding 4. (3) of the "Guidelines on Eligible Collateral," the Bank shall comprehensively evaluate internal examination procedures, management system, and administrative procedures of the counterpart financial institution regarding housing loans in the trust property, and also evaluate management system for the entire trust property, by utilizing other relevant information including those obtained through the Bank’s on-site examinations.
   (2) In an eligibility assessment of a beneficial interest of a trust in housing loans, the Bank shall not apply 5. of the "Guidelines on Eligible Collateral."

5. Exception
   When the Bank specifically deems it necessary for its business operations, it may make exceptions to the guidelines set forth in paragraphs 2., 3., and 4.

(Supplementary Provision)
   These guidelines shall become effective on the date determined by the Governor after the date the Bank obtains authorization from the Minister of Finance and the Commissioner of the Financial Services Agency in accordance with Article 43, Paragraph 1 and Article 61-2 of the Bank of Japan Act, Act No.89, 1997, provided that the Bank obtains such authorization.
Amendment to "Principal Terms and Conditions for the Fund-Provisioning Measure to Stimulate Bank Lending Conducted through the Loan Support Program"

- Paragraph 5. shall be amended as follows.

5. Rollover of Loans Initially Disbursed on or before March 31, 2014

(1)

(2) (No change)

(4)

(5) Maximum Amount of Loans

The maximum amount of loans to each counterparty at each loan disbursement shall be the smaller of the following two: (i) the amount calculated by subtracting the amount in (b) from the amount in (a), or (ii) the amount of the existing loans to be rolled over. Housing loans in the trust property of eligible beneficial interest of a trust in housing loans submitted to the Bank as collateral pursuant to the "Collateral Guidelines on Eligible Beneficial Interest of a Trust in Housing Loans" (Policy Board Decision on March 15, 2016) shall be regarded as the counterparty’s lending.

(a) (No change)

(b)
• Paragraph 6. shall be amended as follows.

6. Loans Initially Disbursed on or after April 1, 2014

(1)  

(4)  

(5) Maximum Amount of Loans

The maximum amount of loans to each counterparty at each loan disbursement shall be twice as much as the amount calculated by subtracting the amount in (b) from the amount in (a). Housing loans in the trust property of eligible beneficial interest of a trust in housing loans submitted to the Bank as collateral pursuant to the "Collateral Guidelines on Eligible Beneficial Interest of a Trust in Housing Loans" shall be regarded as the counterparty’s lending.

(a)  
(b)  

(6) (No change)

(Supplementary Provision)

These amendments shall become effective on the date of the implementation of the "Collateral Guidelines on Eligible Beneficial Interest of a Trust in Housing Loans."