

June 20, 2019

Bank of Japan

Establishment of "Temporary Rules regarding the Eligibility Standards for Debt of Companies and Municipal Governments"

At the Monetary Policy Meeting held on June 19 and 20, 2019, the Policy Board of the Bank of Japan made the following decisions with a view to contributing to the continuation of powerful monetary easing.

The decisions were made in accordance with (1) expanding eligible collateral for the Bank's provision of credit and (2) improving and promoting the use of the Fund-Provisioning Measure to Support Strengthening the Foundations for Economic Growth, which are part of measures contributing to the continuation of powerful monetary easing decided at the Monetary Policy Meeting held on April 24 and 25, 2019.

1. The Bank shall establish the "Temporary Rules regarding the Eligibility Standards for Debt of Companies and Municipal Governments" (see Attachment 1).
2. The Bank shall amend the following decisions.
 - (1) "Temporary Rules regarding the Eligibility Standards for Loans on Deeds to Companies Denominated in the U.S. Dollar" (see Attachment 2)
 - (2) "Principal Terms and Conditions for the Loan Support Program" (see Attachment 3)
 - (3) "Principal Terms and Conditions for the Fund-Provisioning Measure to Support Strengthening the Foundations for Economic Growth Conducted through the Loan Support Program" (see Attachment 4)

- (4) "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" (see Attachment 5)
 - (5) "Principal Terms and Conditions for the Fund-Provisioning Measure to Stimulate Bank Lending Conducted through the Loan Support Program" (see Attachment 6)
 - (6) "Special Rules for Member Financial Institutions of Central Organizations of Financial Cooperatives to Use the Fund-Provisioning Measure to Support Strengthening the Foundations for Economic Growth and the Fund-Provisioning Measure to Stimulate Bank Lending" (see Attachment 7)
3. The Bank shall abolish the following rules on the effective date of the establishment in 1. However, the collateral deemed eligible before the date pursuant to the rules below shall be deemed eligible pursuant to the "Temporary Rules regarding the Eligibility Standards for Debt of Companies and Municipal Government."
 - (1) "Temporary Rules regarding the Eligibility Standards for Debt of Companies in Disaster Areas"
 - (2) "Temporary Rules regarding the Eligibility Standards for Debt of Companies in Disaster Areas of the 2016 Kumamoto Earthquake"
4. The Bank shall abolish the following rules on the effective date of the amendment to 2.(3). However, loans disbursed before the date shall be dealt with as before, except that the amended principal terms and conditions stipulated in 2.(3) shall be applied to prepayment.

- (1) "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"
- (2) "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"

Temporary Rules regarding the Eligibility Standards for Debt of Companies and Municipal Governments

1. Purpose

With a view to facilitating monetary operations, the Bank shall apply, for the time being, the temporary rules to the eligibility standards for and collateral prices of debt of companies and municipal governments, in addition to the "Guidelines on Eligible Collateral" (Policy Board Decision on October 13, 2000) and the "Guidelines on Credit Ratings of Companies" (Policy Board Decision on October 13, 2000).

2. Categories of Eligible Collateral

The categories of eligible collateral shall be as set forth in the Table.

3. Eligibility Standards for Each Category of Collateral

Eligibility standards concerning creditworthiness and marketability of each category of collateral stipulated in 2. shall be as set forth in the Table, except when the collateral satisfies the standards stipulated in the Table of the "Guidelines on Eligible Collateral." However, the Bank may make exceptions where it considers it inappropriate to accept items as collateral.

4. Collateral Prices

Collateral prices for the categories of collateral stipulated in 2. shall be calculated according to 3.(2) and (3) of the "Guidelines on Eligible Collateral," except when the collateral satisfies the standards stipulated in the Table of the "Guidelines on Eligible Collateral."

5. Special Provisions regarding Bills Drawn by Companies, Self-Assessed Electronically Recorded Monetary Claims, and Self-Assessed Loans on Deeds

(1) Maximum Amount of Collateral

For each counterparty, the total amount of bills drawn by companies, self-assessed electronically recorded monetary claims (eligible electronically recorded monetary claims on companies satisfying (1), (2)(a) and (3) of the corresponding column in the Table and eligible electronically recorded monetary claims on entities owned by municipal governments (entities that are wholly-owned by municipal governments, hereinafter the same), hereinafter the same), and self-assessed loans on deeds (eligible loans on deeds to companies satisfying (1)(a) and (2) of the corresponding column in the Table and eligible loans on deeds to entities owned by municipal governments, hereinafter the same) submitted to the Bank pursuant to the eligibility standards stipulated in 3. shall not exceed the amount calculated by multiplying the total amount of collateral submitted to the Bank, and the percentage set pursuant to the relevant rules of the Bank.

(2) Evaluation of Creditworthiness

The Bank shall not apply 4.(3) of the "Guidelines on Eligible Collateral" in evaluating the creditworthiness of debtors of bills drawn by companies, self-assessed electronically recorded monetary claims, and self-assessed loans on deeds pursuant to the eligibility standards stipulated in 3.

(Supplementary Provision)

These temporary rules shall become effective on the date determined by the Governor.

Eligibility Standards for Each Category of Collateral

Collateral Category	Eligibility Standard
Corporate Bonds	Publicly-offered straight bonds rated BBB or higher by an eligible rating agency (including those issued by a company rated BBB or higher, those fully guaranteed by a company rated BBB or higher, and those guaranteed by a company whose non-guaranteed bonds issued are rated BBB or higher) which are deemed eligible in light of creditworthiness and other relevant factors.
Bills Drawn by Companies	<p>Bills satisfying the following requirements:</p> <p>(1) Bills drawn by debtors that are assessed as having strong results and no particular problems with its financial position in the latest self-assessment by the financial institution submitting the collateral.</p> <p>(2) Bills with an original maturity of up to 1 year.</p>
Electronically Recorded Monetary Claims on Companies	<p>Electronically recorded monetary claims satisfying the following requirements:</p> <p>(1) Electronically recorded monetary claims for which electronic records are made by eligible recording institutions.</p> <p>(2) Electronically recorded monetary claims on debtors satisfying either of the following requirements:</p> <p>(a) Debtors that are assessed as having strong results and no particular problems with its financial position in the latest self-assessment by the financial institution submitting the collateral.</p> <p>(b) Debtors that are rated BBB or higher by an eligible rating agency (including cases where</p>

	<p>non-guaranteed bonds issued by the debtor are rated BBB or higher) and are deemed eligible in light of creditworthiness and other relevant factors.</p> <p>(3) Electronically recorded monetary claims with a residual maturity of up to 10 years (including those with a maturity date falling in the same month of the tenth year).</p>
Loans on Deeds to Companies	<p>Loans on deeds satisfying the following requirements:</p> <p>(1) Loans on deeds to debtors satisfying either of the following requirements:</p> <p>(a) Debtors that are assessed as having strong results and no particular problems with its financial position in the latest self-assessment by the financial institution submitting the collateral.</p> <p>(b) Debtors that are rated BBB or higher by an eligible rating agency (including cases where non-guaranteed bonds issued by the debtor are rated BBB or higher) and are deemed eligible in light of creditworthiness and other relevant factors.</p> <p>(2) Loans on deeds with a residual maturity of up to 10 years (including those with a maturity date falling in the same month of the tenth year).</p>
Municipal Bonds	All municipal bonds are eligible.
Electronically Recorded Monetary Claims on Municipal Governments	<p>Electronically recorded monetary claims satisfying the following requirements:</p> <p>(1) Electronically recorded monetary claims for which electronic records are made by eligible recording institutions.</p> <p>(2) Electronically recorded monetary claims with a</p>

	<p>residual maturity of up to 10 years (including those with a maturity date falling in the same month of the tenth year).</p>
<p>Loans on Deeds to Municipal Governments</p>	<p>Loans on deeds with a residual maturity of up to 10 years (including those with a maturity date falling in the same month of the tenth year).</p>
<p>Electronically Recorded Monetary Claims on Entities Owned by Municipal Governments</p>	<p>Electronically recorded monetary claims satisfying the following requirements:</p> <ol style="list-style-type: none"> (1) Electronically recorded monetary claims for which electronic records are made by eligible recording institutions. (2) Electronically recorded monetary claims on debtors that are assessed as having strong results and no particular problems with its financial position in the latest self-assessment by the financial institution submitting the collateral. (3) Electronically recorded monetary claims with a residual maturity of up to 10 years (including those with a maturity date falling in the same month of the tenth year).
<p>Loans on Deeds to Entities Owned by Municipal Governments</p>	<p>Loans on deeds satisfying the following requirements:</p> <ol style="list-style-type: none"> (1) Loans on deeds to debtors that are assessed as having strong results and no particular problems with its financial position in the latest self-assessment by the financial institution submitting the collateral. (2) Loans on deeds with a residual maturity of up to 10 years (including those with a maturity date falling in the same month of the tenth year).

Amendment to "Temporary Rules regarding the Eligibility Standards for Loans on Deeds to Companies Denominated in the U.S. Dollar"

- Paragraph 3. shall be amended as follows.

3. ~~The "Temporary Rules regarding the Eligibility Standards for Debt of Companies in Disaster Areas" (Policy Board Decision on April 28, 2011) and the "Temporary Rules regarding the Eligibility Standards for Debt of Companies in Disaster Areas of the 2016 Kumamoto Earthquake" (Policy Board Decision on April 28, 2016)~~ The "Temporary Rules regarding the Eligibility Standards for Debt of Companies and Municipal Governments" (Policy Board Decision on June 20, 2019) shall not be applied in loans on deeds to companies denominated in the USD.

(Supplementary Provision)

This amendment shall become effective on the effective date of the "Temporary Rules regarding the Eligibility Standards for Debt of Companies and Municipal Governments."

Amendment to "Principal Terms and Conditions for the Loan Support Program"

- Paragraph 2. shall be amended as follows.

2. Method for Operating the Loan Support Program

(1) (No change)

(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 foreign currency-denominated investments and loans, the Bank shall establish special rules. The Bank shall conduct ~~Loans for the investments and loans stipulated in (c)~~ pursuant to the special rules 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~~

- Paragraph 3. shall be amended as follows.

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)	10 trillion yen <u>unlimited</u>
(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)	24 billion U.S. dollars

(2) (No change)

- Supplementary Provision shall be amended as follows.

(Supplementary Provision)

These terms and conditions shall become effective today and shall be valid through June 30, ~~2024~~2025.

(Supplementary Provision)

These amendments shall become effective on the date determined by the Governor.

Amendment to "Principal Terms and Conditions for the Fund-Provisioning Measure to Support Strengthening the Foundations for Economic Growth Conducted through the Loan Support Program"

- Paragraph 7. shall be amended as follows.

7. Date of Each Loan Disbursement

The date of each loan disbursement shall be specified by the Bank. No loan shall be disbursed after June 30, ~~2020~~2021.

- Paragraph 9. shall be amended as follows (full amendment).

9. Maximum Amount of Loans

The maximum amount of loans provided to each counterparty during the period not exceeding a year specified by the Bank shall be equivalent to either the amount in (1) or (2), depending on each counterparty's choice.

- (1) The total amount of loans provided to each counterparty pursuant to these principal terms and conditions, as well as the abolished "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) and the abolished "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) for a certain year (from April 1 to March 31 of the following year, the same applies to (2)) when the total amount of loans disbursed to the counterparty was the largest, during the three years from April 1, 2016 to March 31, 2019.

(2) The amount of new lending or investment listed from (a) to (c) in the following carried out within a certain year specified by the Bank based on the plan to support strengthening the foundation for economic growth described in 11. submitted to the Bank.

(a) Lending or investment with a maturity of one year or more (excluding the following (b) and (c))

(b) Equity investments (investments and loans with equity-like features)

(c) Asset-based lending (loans without real estate collateral or guarantees that are deemed appropriate by the Bank)

- Paragraph 10. shall be amended as follows.

10. Prepayment

(1) The counterparty may prepay all or a part of the outstanding amount of loans on an annual basis, on a day specified by the Bank.

~~(2) In case the amount in (a) falls short of the amount in (b) on a day specified by the Bank, the counterparty shall repay the amount equivalent to the shortfall, pursuant to the Bank's relevant rules.~~

~~(a) 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.~~

~~(b) the outstanding amount of loan.~~

- Paragraph 11. shall be deleted, paragraph 12. shall be renamed to paragraph 11., and paragraph 13. shall be renamed to paragraph 12.
- Supplementary Provision shall be amended as follows.

(Supplementary Provision)

These terms and conditions shall become effective today and shall be valid through June 30, ~~2024~~2025.

- Paragraph 1. of Annex 1 shall be amended as follows.
 1. ~~The plan should use funds received, either borrowed or invested from financial institutions, for a period of no less than one year~~ shall be formulated to support strengthening the foundation for economic growth, ~~for example, through lending or investment listed from (a) to (c) in 9.(2) of these principal terms and conditions. For example, the funds received~~ shall be used in one of the areas listed from (1) to (18) in the following, or ~~to borrowers or entities in which financial institutions invest~~ shall be those listed in (19).

(1) }
 } (No change)
(19) }

(Supplementary Provision)

These amendments shall become effective on the date determined by the Governor.

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 Conducted through the Loan Support Program"

- Paragraph 7. shall be amended as follows.

7. Rollover of Loans

If the counterparty requests, the Bank shall allow either all or a part of loans to be rolled over on the maturity date ~~within the maximum amount of loan prescribed in 8.~~ However, the overall duration of loans -- adding the duration at the first disbursement and the ones at subsequent rollovers -- shall not exceed 4 years.

- Paragraph 8. shall be amended as follows.

8. Maximum Amount of Loans

(1) ~~Notwithstanding 9.(1) of the Principal Terms and Conditions,~~ The total amount of loans to each counterparty pursuant to the special rules shall not exceed 2 billion U.S. dollars.

(2) ~~Notwithstanding 9.(2) of the Principal Terms and Conditions,~~ except for rollover loans, 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 maximum~~

~~amount of rollover loan shall be the smaller of the following two: (i) the amount specified above, or (ii) the amount of the existing loan to be rolled over.~~

(a) The amount outstanding of foreign currency-denominated investments and loans with a maturity of one year or more made by the counterparty on and after April 1, 2012, based on a plan to support strengthening the foundations for Japan's economic growth stipulated in 44.10.

~~(b) Of the amount outstanding of foreign currency-denominated investments and loans that is specified in (a),~~

~~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.(2) 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.(2) 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.(2) 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).~~

(~~eb~~) The amount outstanding of loans before maturity to each counterparty at each loan disbursement out of the total amount disbursed pursuant to the special rules for the USD lending arrangement.

(~~c~~) The amount of loans to be rolled over by each counterparty out of the total amount matured at each loan disbursement.

- Paragraph 9. shall be deleted.
- Paragraph 10. shall be amended as follows.

~~10.9.~~ Deadline for Applications for New Loans

The date stipulated in 8.(2) shall be, ~~except for the rollover of loans,~~ not later than March 31, ~~2020~~2021.

- Paragraph 11. shall be amended as follows.

~~11.10.~~ A Plan to Support Strengthening the Foundations for Japan's Economic Growth

Notwithstanding ~~12.11.~~ of the Principal Terms and Conditions, each counterparty shall formulate a plan for foreign currency-denominated investments and loans to support strengthening the foundations for Japan's economic growth which satisfies the requirements set forth in the Annex.

- Paragraph 12. shall be renamed to paragraph 11.
- Supplementary Provision shall be amended as follows.

(Supplementary Provision)

The special rules shall become effective today and shall be valid through June 30, ~~2024~~2025.

(Supplementary Provision)

These amendments shall become effective on the effective date of Attachment 4 of the "Establishment of 'Temporary Rules regarding the Eligibility Standards for Debt of Companies and Municipal Governments.'"

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

- Paragraph 7. shall be amended as follows.

7. Date of Each Loan Disbursement

The date of each loan disbursement shall be specified by the Bank. No loan shall be disbursed after June 30, ~~2020~~2021.

- Paragraph 9. shall be amended as follows.

9. 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 (2) from the amount in (1). 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.

(1) }
(2) } (No change)

- Supplementary Provision shall be amended as follows.

(Supplementary Provision)

These terms and conditions shall become effective today and shall be valid through June 30, ~~2024~~2025.

(Supplementary Provision)

These amendments shall become effective on the effective date of Attachment 3 of the "Establishment of 'Temporary Rules regarding the Eligibility Standards for Debt of Companies and Municipal Governments.'"

Amendment to "Special Rules for Member Financial Institutions of Central Organizations of Financial Cooperatives to Use the Fund-Provisioning Measure to Support Strengthening the Foundations for Economic Growth and the Fund-Provisioning Measure to Stimulate Bank Lending"

- Paragraph 1. shall be amended as follows (full amendment).
 1. The Bank shall provide loans to central organizations of financial cooperatives of which each member financial institution uses the programs.

- Paragraph 2. shall be amended as follows (full amendment).
 2. The maximum amount of loans and the maximum outstanding amount of loans (hereinafter referred to as the "maximum amount of loans, etc.") to each central organization of financial cooperatives shall be set as the sum of the maximum amount of loans, etc. for its own use and the maximum amount of loans, etc. of each member financial institution that uses the programs calculated following the principal terms and conditions, etc.

- Paragraph 5. shall be renamed to paragraph 6., paragraph 4. shall be renamed to paragraph 5., paragraph 3. shall be renamed to paragraph 4. and the following paragraph 3. shall be added after paragraph 2.

3. Member financial institutions shall formulate plans for lending or investment with an aim to support strengthening the foundation for economic growth, in line with the management policy (a policy on plans for each financial cooperative group to lend or invest with an aim to support strengthening the foundation for economic growth and a policy on managing the programs for themselves and member financial institutions) formulated by central organizations of financial cooperatives and admitted by the Bank.

- Paragraph 4. shall be amended as follows.

4. Central organizations of financial cooperatives shall distribute all funds provided by the Bank under the programs to member financial institutions based on ~~their lending or investment~~ the amount to be used. Duration, interest rate, and other conditions of the loans to member financial institutions shall be equivalent to those of the loans disbursed by the Bank to central organizations of financial cooperatives.

- Supplementary Provision shall be amended as follows.

(Supplementary Provision)

The special rules shall become effective today and shall be valid through June 30, ~~2024~~2025.

(Supplementary Provision)

These amendments shall become effective on the effective date of

Attachment 3 of the "Establishment of 'Temporary Rules regarding the Eligibility Standards for Debt of Companies and Municipal Governments.'"