

## Statement on Monetary Policy

1. At the Monetary Policy Meeting (MPM) held today, the Policy Board of the Bank of Japan decided upon the following.

- (1) Yield curve control

The Bank decided, by an 8-1 majority vote, to set the following guideline for market operations for the intermeeting period. <sup>[Note 1]</sup>

The short-term policy interest rate:

The Bank will apply a negative interest rate of minus 0.1 percent to the Policy-Rate Balances in current accounts held by financial institutions at the Bank.

The long-term interest rate:

The Bank will purchase a necessary amount of Japanese government bonds (JGBs) without setting an upper limit so that 10-year JGB yields will remain at around zero percent.

- (2) Guidelines for asset purchases

With regard to asset purchases other than JGB purchases, the Bank decided, by a unanimous vote, to set the following guidelines.

- a) The Bank will purchase exchange-traded funds (ETFs) and Japan real estate investment trusts (J-REITs) as necessary with upper limits of about 12 trillion yen and about 180 billion yen, respectively, on annual paces of increase in their amounts outstanding.
- b) The Bank will purchase CP and corporate bonds with an upper limit on the amount outstanding of about 20 trillion yen in total until the end of March 2022.

2. At the previous MPM, the Bank announced that it would introduce a new fund-provisioning measure to support private financial institutions' various efforts in fields related to climate change. It decided, by a unanimous vote, on the preliminary outline of the measure at this MPM (see Attachment).
3. The Bank will continue with Quantitative and Qualitative Monetary Easing (QQE) with Yield Curve Control, aiming to achieve the price stability target of 2 percent, as long as it is necessary

for maintaining that target in a stable manner. It will continue expanding the monetary base until the year-on-year rate of increase in the observed consumer price index (CPI, all items less fresh food) exceeds 2 percent and stays above the target in a stable manner.

The Bank will continue to support financing mainly of firms and maintain stability in financial markets through (1) the Special Program to Support Financing in Response to the Novel Coronavirus (COVID-19), (2) an ample provision of yen and foreign currency funds without setting upper limits mainly by purchasing JGBs and conducting the U.S. dollar funds-supplying operations, and (3) purchases of ETFs and J-REITs with upper limits of about 12 trillion yen and about 180 billion yen, respectively, on annual paces of increase in their amounts outstanding.

For the time being, the Bank will closely monitor the impact of the novel coronavirus (COVID-19) and will not hesitate to take additional easing measures if necessary, and also it expects short- and long-term policy interest rates to remain at their present or lower levels. <sup>[Note 2]</sup>

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<sup>[Note 1]</sup> Voting for the action: Mr. KURODA Haruhiko, Mr. AMAMIYA Masayoshi, Mr. WAKATABE Masazumi, Mr. SUZUKI Hitoshi, Mr. ADACHI Seiji, Mr. NAKAMURA Toyoaki, Mr. NOGUCHI Asahi, and Ms. NAKAGAWA Junko. Voting against the action: Mr. KATAOKA Goushi. Mr. Kataoka dissented, considering that it was desirable to further strengthen monetary easing by lowering short- and long-term interest rates, with a view to encouraging firms to make active business fixed investment for the post-COVID-19 era.

<sup>[Note 2]</sup> Mr. Kataoka dissented, considering that further coordination of fiscal and monetary policy was necessary and it was appropriate for the Bank to revise the forward guidance for the policy rates to relate it to the price stability target.

**Preliminary Outline of the Fund-Provisioning Measure  
to Support Efforts on Climate Change**

1. Eligible Counterparties

Eligible counterparties will be financial institutions that disclose a certain level of information on their efforts to address climate change and wish to be counterparties for the measure among the counterparties for the Funds-Supplying Operations against Pooled Collateral (at All Offices).

2. Eligible Investment or Loans

Of the investment or loans made by counterparties as part of their aforementioned efforts, funds will be provided against those that contribute to Japan's actions to address climate change.

- These may include (1) green loans/bonds, (2) sustainability-linked loans/bonds with performance targets related to efforts on climate change, and (3) transition finance.

3. Method of Fund-Provisioning

Yen-denominated funds will be provided against pooled collateral.

4. Interest Rate, Categorization in the Interest Scheme to Promote Lending, etc.

The interest rate will be 0 percent.

Twice as much as the amount outstanding of funds counterparties receive will be added to the Macro Add-on Balances in their current accounts at the Bank.

In the Interest Scheme to Promote Lending, this measure will fall under Category III for which the applied interest rate (payable from the Bank to counterparties) is 0 percent.

5. Duration of Fund-Provisioning

Funds will be provided for one year in principle.

Until the end of the implementation period of the measure, rollovers can be made within the amounts outstanding of eligible investment or loans for an unlimited number of times.

- Effectively, counterparties can receive long-term financing from the Bank for their eligible investment or loans.

#### 6. Launch Timing and Implementation Period

The Bank will launch the measure likely within 2021.

The measure will be implemented until the end of March 2031 in principle (unless the smooth conduct of market operations is interfered).

## Reference

### Meeting hours:

Thursday, July 15: 14:00-15:58

Friday, July 16: 9:00-11:49

### Policy Board members present:

Mr. KURODA Haruhiko, Chairman (Governor)

Mr. AMAMIYA Masayoshi (Deputy Governor)

Mr. WAKATABE Masazumi (Deputy Governor)

Mr. SUZUKI Hitoshi

Mr. KATAOKA Goushi

Mr. ADACHI Seiji

Mr. NAKAMURA Toyoaki

Mr. NOGUCHI Asahi

Ms. NAKAGAWA Junko

[Others present]

### July 15

#### From the Ministry of Finance:

Mr. ONO Heihachiro, Deputy Vice-Minister for Policy Planning and Coordination  
(14:00-15:58)

#### From the Cabinet Office:

Mr. TAWA Hiroshi, Vice-Minister for Policy Coordination (14:00-15:58)

### July 16

#### From the Ministry of Finance:

Mr. NAKANISHI Kenji, State Minister of Finance (9:00-11:29, 11:38-11:49)

#### From the Cabinet Office:

Mr. AKAZAWA Ryosei, State Minister of Cabinet Office (9:00-11:29, 11:38-11:49)

### Release dates and times:

Statement on Monetary Policy -- Friday, July 16 at 11:56

Outlook for Economic Activity and Prices (Outlook Report)

The Bank's View -- Friday, July 16 at 11:56

Full text -- Monday, July 19 at 14:00

Summary of Opinions -- Wednesday, July 28 at 8:50

Minutes of the Monetary Policy Meeting -- Tuesday, September 28 at 8:50