

April 10, 2012

Bank of Japan

**Establishment of "Special Rules for the U.S. Dollar Lending Arrangement 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 made the following decisions, with the aim of promoting private financial institutions' efforts to strengthen the foundations for economic growth across a wide range of areas:

1. To establish 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 1).
2. 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 2) and 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 3).

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

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" (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.

2. Location of Operations

Notwithstanding 2. of the Principal Terms and Conditions, the Bank's Head Office (International Department) or its branches conduct operations.

3. Eligible Counterparties

Of the eligible counterparties selected pursuant to 3. of the Principal Terms and Conditions, Eligible counterparties shall be those having accounts at the Federal Reserve Bank of New York (FRBNY) to conduct payment and receipt of U.S. dollars between the Bank (including those entrusting the settlement of U.S. dollars to financial institutions that have accounts at the FRBNY).

#### 4. Loan Rates

Notwithstanding 6.(1) of the Principal Terms and Conditions, interest rates on the loans shall be 6-month USD London InterBank Offered Rate (6M USD LIBOR). For the first 6 months of the loan period, the 6M USD LIBOR as of an offer date shall be applied. For the following period until the maturity date, the 6M USD LIBOR available on the date 6 months after disbursement shall be applied.

#### 5. 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, however, such amount shall not exceed the maximum amount of loans prescribed in 6. and the unused value of the total standing pool of eligible collateral pledged to the Bank.

#### 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.
- (2) Notwithstanding 9.(2) 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.
- (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 stipulated in 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 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 8.
- (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.(4) 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) 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" (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) of the "Special Rules for Small-Lot Investments and Loans to Enhance the Fund-Provisioning Measure to Support Strengthening the Foundations for Economic Growth" (Policy Board Decision on March 13, 2012).
- (c) The amount outstanding of loans to each counterparty disbursed pursuant to the special rules for the USD lending arrangement.

## 7. Deadline for Applications for New Loans

The date stipulated in 6.(4) shall be, except for the rollover of loans, not later

than March 31, 2014.

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

Notwithstanding 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.

9. Miscellaneous

- (1) The benchmark yen value of the collateral to be pledged by the counterparty shall be obtained by multiplying the yen value of the USD lending based on the USD/Yen spot exchange rate prevailing in the market by 1.35.
- (2) The payment and receipt of U.S. dollars between the Bank and the counterparties shall be made through the accounts at the FRBNY which each party shall specify in advance.

(Supplementary Provision)

The special rules shall become effective today and shall be valid through June 30, 2018.

Requirements for a Plan to Support Strengthening  
the Foundations for Japan's Economic Growth

1. A plan for foreign currency-denominated investments and loans, which are used abroad, shall be expected to support strengthening the foundations for Japan's economic growth through the following effects.
  - (1) An increase in the production of goods and services, business fixed investment, or employment in Japan
  - (2) The promotion of an international division of labor to enhance domestic economic activities; for example, by shifting more resources to the areas of business planning and research and development, the launch of new businesses, and boosting capacity for business continuity
  - (3) Stable procurement of raw materials consumed in Japan
2. A plan for foreign currency-denominated investments and loans, which are used in Japan, shall support strengthening the foundations for Japan's economic growth, for example, in those areas listed in 1.(1) to 1.(18) of the Annex to the Principal Terms and Conditions.
3. Borrowers or entities in which financial institutions invest shall be one of the followings.
  - (1) Domestic residents (excluding the government, municipal governments, institutions holding a current account at the Bank, and financial institutions [as defined in Article 37, Paragraph 1 of the Bank of Japan Act] without a current account at the Bank, hereinafter the same)
  - (2) Foreign corporations with a business establishment in Japan and carrying out business in the areas identified as contributing to strengthening the foundations for economic growth such as those stipulated in 2.

- (3) Foreign corporations considered to have a close relationship with Domestic residents in light of effective control and influence, including consolidated companies of Domestic residents
- 4. The Bank shall be under no obligation to provide funds where, for whatever reasons, it considers this to be inappropriate.

**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"**

- Paragraph 5 shall be amended as follows.

5. Maximum Amount of Loans, etc.

(1) }  
2 } (No change)  
(3) }

(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) (No change)

(b) ~~The~~Of the amount outstanding of equity investments and asset-based lending that is specified in (a), ~~and is also 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 or the basis for calculating the maximum amount to be lent to each counterparty at each loan disbursement in~~



~~3.(4) of the "Special Rules for Small-Lot Investments and Loans to Enhance the Fund Provisioning Measure to Support Strengthening the Foundations for Economic Growth" (Policy Board Decision on March 13, 2012).~~

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) 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) of the "Special Rules for Small-Lot Investments and Loans to Enhance the Fund-Provisioning Measure to Support Strengthening the Foundations for Economic Growth" (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) 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" (Policy Board Decision on April 10, 2012).

(c) (No change)

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

- Paragraph 3 shall be amended as follows.

3. Maximum Amount of Loans, etc.

- (1) }  
2 } (No change)  
(3) }

(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) (No change)

(b) ~~The~~Of the amount outstanding of small-lot investments and loans that is specified in (a), ~~and is also used as the basis for calculating the maximum amount to be lent to each counterparty at each loan disbursement in 5.(4) 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" (Policy Board Decision on June 14, 2011).~~

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) 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 " (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) 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" (Policy Board Decision on April 10, 2012).

(c) (No change)