

December 17, 2021

Bank of Japan

Amendment to "Principal Terms and Conditions of the Special Funds-Supplying Operations to Facilitate Financing in Response to the Novel Coronavirus (COVID-19)"

At the Monetary Policy Meeting held on December 16 and 17, 2021, the Policy Board of the Bank of Japan made the following decisions with a view to continuing to support financing, mainly of small and medium-sized firms, in response to the novel coronavirus (COVID-19).

1. The Bank shall amend the "Principal Terms and Conditions of the Special Funds-Supplying Operations to Facilitate Financing in Response to the Novel Coronavirus (COVID-19)" (see Attachment 1).
2. The Bank shall amend the "Special Rules for Member Financial Institutions of Central Organizations of Financial Cooperatives to Use the Special Funds-Supplying Operations to Facilitate Financing in Response to the Novel Coronavirus (COVID-19)" (see Attachment 2).
3. The Bank shall amend the "Principal Terms and Conditions of Complementary Deposit Facility" (see Attachment 3).
4. The Bank shall amend the "Principal Terms and Conditions of the Interest Scheme to Promote Lending" (see Attachment 4).

Amendment to "Principal Terms and Conditions of the Special Funds-Supplying Operations to Facilitate Financing in Response to the Novel Coronavirus (COVID-19)"

- Paragraph 1. shall be amended as follows.

1. Purpose

Given the impact of the novel coronavirus (COVID-19) on economic activity, these terms and conditions prescribe the principles for the Bank of Japan's special funds-supplying operations to facilitate financing (i.e., an open market operation through which the Bank provides loans that are made against eligible collateral within ~~the sum of the value of private debt pledged as the standing pool of eligible collateral and~~ the amounts outstanding of loans made by eligible counterparties to small and medium-sized firms in response to COVID-19) as a temporary measure, with a view to doing its utmost to ensure smooth financing of the private sector and maintaining stability in financial market through appropriate market operations.

- Paragraph 8. shall be amended as follows (full amendment).

8. Maximum Amount of Newly-Disbursed Loans for Each Counterparty

The maximum amount of newly-disbursed loans for each counterparty at each loan disbursement shall be as prescribed in (1) and (2) below. However, it shall not exceed the unused value of total standing pool of eligible collateral pledged to the Bank at the time of loan disbursement.

(1) For Counterparties against Their Non-Government-Supported Loans

The amount shall be calculated by subtracting the amount prescribed in (b) from the amount prescribed in (a) (zero in the case where the subtracted amount is negative).

(a) Of the total amount outstanding of loans made by each counterparty to small and medium-sized firms in response to COVID-19 at the time determined pursuant to the relevant rules of the Bank, the amount outstanding of loans that are equivalent to "government-supported loans" (loans which each counterparty makes through the guarantee by the credit guarantee corporations or the program to reduce or exempt interest rates, both of which are based on the government's budgetary measures) in terms of loan conditions (hereinafter referred to as "non-government-supported loans")

(b) The sum of the amounts outstanding prescribed in i) and ii) below

i) The amount outstanding of loans disbursed to each counterparty based on (1) (excluding the existing loans that reach maturity on the date when the said new loans are disbursed) at the time of the offering

ii) The amount outstanding of loans disbursed to each counterparty on or before March 31, 2022 under these terms and conditions (excluding the existing loans that reach maturity on the date when the said new loans are disbursed) at the time of the offering

(2) For Counterparties against Their Government-Supported Loans

The amount shall be calculated by subtracting the amount prescribed in (b) from the amount prescribed in (a) (zero in the case where the subtracted amount is negative). However, it shall not exceed the amount prescribed in (c).

(a) The amount outstanding of government-supported loans made by each counterparty at the time determined pursuant to the relevant rules of the Bank

- (b) The amount outstanding of loans disbursed to each counterparty based on (2) (excluding the existing loans that reach maturity on the date when the said new loans are disbursed) at the time of the offering
- (c) The amount calculated by subtracting the amount prescribed in ii) from the amount prescribed in i) below (zero in the case where the subtracted amount is negative)
 - i) The sum of the amounts outstanding of non-government-supported loans and government-supported loans made by each counterparty at the time determined pursuant to the relevant rules of the Bank
 - ii) The amount outstanding of loans disbursed to each counterparty under these terms and conditions (excluding the existing loans that reach maturity on the date when the said new loans are disbursed) at the time of the offering

- Paragraph 9. shall be amended as follows.

9. Deadline for New Application for Loans

The period for new application for loans shall end on ~~March~~September ~~31~~30, 2022.

- Supplementary Provision shall be amended as follows.

(Supplementary Provision)

These terms and conditions shall become effective today and shall be valid through ~~March~~September ~~31~~30, 2022. To the loans that are disbursed on or before ~~March~~September ~~31~~30, 2022, these terms and conditions shall be applied until their maturities.

(Supplementary Provision)

The amendment shall become effective on April 1, 2022.

Amendment to "Special Rules for Member Financial Institutions of Central Organizations of Financial Cooperatives to Use the Special Funds-Supplying Operations to Facilitate Financing in Response to the Novel Coronavirus (COVID-19)"

- Paragraph 1. shall be amended as follows.
 1. Central organizations of financial cooperatives shall request ~~the following (1) and (2), in advance, to that~~ the member financial institutions ~~that~~ wishing to receive loans from these organizations under the special rules report the following (1) and (2) in advance.
 - (1) ~~To pledge private debt that each central organization of financial cooperatives deemed eligible, such as that listed~~The amount outstanding of non-government-supported loans prescribed in paragraph 8. (1) of the Principal Terms and Conditions ~~(hereinafter referred to as "eligible private debt"), as collateral~~
 - (2) ~~To report the~~The amounts outstanding of government-supported loans prescribed in paragraph 8. ~~(2)~~(1) of the Principal Terms and Conditions
- Paragraph 2. shall be amended as follows (full amendment).
 2. Notwithstanding paragraph 8. of the Principal Terms and Conditions, the maximum amount of newly-disbursed loans for each central organization of financial cooperatives at each loan disbursement shall be as prescribed in (1) and (2) below, in the case that the organization receives funds provided under the special rules. However, the amount shall not exceed the unused value of total standing pool of eligible collateral pledged to the Bank by the central organization at the time of loan disbursement.

(1) For Central Organizations of Financial Cooperatives against Non-Government-Supported Loans Made by Themselves and Their Member Financial Institutions

The amount shall be calculated by adding the maximum amount prescribed in paragraph 8. (1) of the Principal Terms and Conditions and the sum of the amounts obtained for each member financial institution by subtracting the amount prescribed in (b) from the amount prescribed in (a) below (zero in the case where the subtracted amount is negative).

(a) The amount outstanding of non-government-supported loans reported by the member financial institutions to their central organizations as prescribed in 1.

(b) The sum of the amounts outstanding prescribed in i) and ii) below

i) The amount outstanding of loans disbursed by the central organizations to their member financial institutions concerning 3. (1) (excluding the existing loans that reach maturity on the date when the loans are disbursed by using the funds the Bank newly provides) at the time determined pursuant to the relevant rules of the Bank

ii) The amount outstanding of loans disbursed on or before March 31, 2022 by the central organizations to their member financial institutions under the special rules (excluding the existing loans that reach maturity on the date when the loans are disbursed by using the funds the Bank newly provides) at the time determined pursuant to the relevant rules of the Bank

(2) For Central Organizations of Financial Cooperatives against Government-Supported Loans Made by Themselves and Their Member Financial Institutions

The amount shall be calculated by adding the maximum amount prescribed in paragraph 8. (2) of the Principal Terms and Conditions and the sum of the amounts obtained for each member financial institution by subtracting the amount prescribed in (b) from the amount prescribed in (a) below (the subtracted amount shall be zero in the case where such amount is negative and shall not exceed the amount prescribed in (c)).

- (a) The amount outstanding of government-supported loans reported by the member financial institutions to their central organizations as prescribed in 1.
- (b) The amount outstanding of loans disbursed by the central organizations to their member financial institutions concerning 3. (2) (excluding the existing loans that reach maturity on the date when the loans are disbursed by using the funds the Bank newly provides) at the time determined pursuant to the relevant rules of the Bank
- (c) The amount calculated by subtracting the amount prescribed in ii) from the amount prescribed in i) below (zero in the case where the subtracted amount is negative)
 - i) The sum of the amounts outstanding of non-government-supported loans and government-supported loans reported by the member financial institutions to their central organizations as prescribed in 1.
 - ii) The amount outstanding of loans disbursed by the central organizations to their member financial institutions under the special rules (excluding the existing loans that reach maturity on the date when the loans are disbursed by using the funds the Bank newly provides) at the time determined pursuant to the relevant rules of the Bank

- Paragraph 3. shall be amended as follows.

3. Each central organization of financial cooperatives shall disburse new loans with~~by using~~ funds the Bank ~~provided~~provides by the Bank under the special rules to the member financial institutions that have ~~carried out either~~made a report concerning 1.~~(1) or (2)~~. The amount of newly-disbursed loans shall be in accordance with the requests of these institutions within ~~the sum of 2.~~the amount prescribed in either (1) and/or (2) of each institutionbelow. The duration, the interest rates, and other conditions of the loans disbursed to member financial institutions shall be equivalent to those of the loans provided by the Bank to central organizations of financial cooperatives.

(1) The amount calculated for each member financial institution pursuant to 2. (1)

(2) The amount calculated for each member financial institution pursuant to 2. (2)

- Supplementary Provision shall be amended as follows.

(Supplementary Provision)

The special rules shall become effective on the date determined by the Governor and shall be valid through ~~March~~September 31~~30~~, 2022.

(Supplementary Provision)

The amendment shall become effective on April 1, 2022.

Amendment to "Principal Terms and Conditions of Complementary Deposit Facility"

- Paragraph 4. shall be amended as follows.

4. Interest Rate

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

(3) The interest rate applied to the average amount of CAB during the DRMP, subtracted by the amount of required reserve per day during the DRMP and the amount stipulated in (2) above (excluding the case where such amount is negative), shall be 0% per annum up to the amount of the sum of (a), (b), and (c) subtracted by (d) below.

(a) }
(b) } (No change)

(c) ~~The amount calculated by multiplying the part of~~Of the amount obtained by subtracting the average amount outstanding of loans under paragraph 8. (2) of the "Principal Terms and Conditions of the Special Funds-Supplying Operations to Facilitate Financing in Response to the Novel Coronavirus (COVID-19)" during the DRMP from the amount stipulated in (b) above~~which, the amount calculated by multiplying the amount that exceeds the amount of the sum of yen-denominated loans as of the end of March 2016 under the "Principal Terms and Conditions for the Loan Support~~

Program" and the "Principal Terms and Conditions for the Funds-Supplying Operation to Support Financial Institutions in Disaster Areas" (Policy Board Decision on April 28, 2011) ~~to be abolished prior to the abolishment at the end of March 2016,~~ by a certain ratio specified by the Bank (hereinafter referred to as the "Add-on Ratio"; the Add-on Ratio shall be one when the Benchmark Ratio is above zero and be between zero or more and up to one when the Benchmark Ratio is zero).

(d) (No change)

(4) (No change)

(Supplementary Provision)

The amendment shall become effective on April 1, 2022.

Amendment to "Principal Terms and Conditions of the Interest Scheme to Promote Lending"

- Paragraph 3. shall be amended as follows (full amendment).

3. Applied Interest Rate and Amount to Which Interest is Applied

The amount of CABs corresponding to the loans provided through the operations listed from Paragraph 2. (1) to (5) above falls under one of the three categories: Category I, II, or III, for which the applied interest rate is 0.2 percent, 0.1 percent, and 0 percent per annum, respectively. The amounts to which interest is applied are listed from (1) to (3) below.

(1) Amount for Category I

The average amount of CAB during the reserve maintenance period (as defined in Article 7, paragraph 3 of the Law Concerning Reserve Deposit Requirement System [Law No.135, 1957, hereinafter referred to as the "Law"]) for which interest is calculated (hereinafter referred to as the "Designated Reserve Maintenance Period" or "DRMP") subtracted by the amount of required reserve per day (as prescribed in Article 2, paragraph 2 of the Law) (excluding the case where the subtracted amount is negative), up to the average amount of the smaller of the following (a) or (b) each day during the DRMP

- (a) The amount prescribed in paragraph 8. (1) (a) of the "Principal Terms and Conditions of the Special Funds-Supplying Operations to Facilitate Financing in Response to the Novel Coronavirus (COVID-19)" at the time determined pursuant to the relevant rules of the Bank. If the counterparties are central organizations of

financial cooperatives (the Shinkin Central Bank, the Shinkumi Federation Bank, the Rokinren Bank, and the Norinchukin Bank), they shall add the amount reported by their member financial institutions as prescribed in paragraph 1. (1) of the "Special Rules for Member Financial Institutions of Central Organizations of Financial Cooperatives to Use the Special Funds-Supplying Operations to Facilitate Financing in Response to the Novel Coronavirus (COVID-19)" (Policy Board Decision on April 27, 2020).

- (b) The amount outstanding of borrowings under the "Special Funds-Supplying Operations to Facilitate Financing in Response to the Novel Coronavirus (COVID-19)" subtracted by that under paragraph 8. (2) of the "Principal Terms and Conditions of the Special Funds-Supplying Operations to Facilitate Financing in Response to the Novel Coronavirus (COVID-19)"

(2) Amount for Category II

The respective amount for the periods listed in (a) and (b) below

- (a) Up to the DRMP that includes the final maturity date of loans disbursed on or before March 31, 2022 under the "Special Funds-Supplying Operations to Facilitate Financing in Response to the Novel Coronavirus (COVID-19)"

The average amount of CAB during the DRMP subtracted by the amount of required reserve per day and the amount for Category I (excluding the case where the subtracted amount is negative), up to the average amount each day during the DRMP calculated by subtracting the amount prescribed in (1) (a) from the amount prescribed in (1) (b) (zero in the case where the subtracted amount is negative)

- (b) After the DRMP that includes the final maturity date of loans disbursed on or before March 31, 2022 under the "Special Funds-Supplying Operations to Facilitate Financing in Response to the Novel Coronavirus (COVID-19)"

Zero

(3) Amount for Category III

The average amount of CAB during the DRMP subtracted by the amount of required reserve per day, the amount for Category I, and the amount for Category II (excluding the case where the subtracted amount is negative), up to the sum of the average amounts each day during the DRMP listed from (a) to (e) below

- (a) The amount outstanding of borrowings under the "Fund-Provisioning Measure to Support Strengthening the Foundations for Economic Growth"
- (b) The amount outstanding of borrowings under the "Fund-Provisioning Measure to Stimulate Bank Lending"
- (c) The respective amount for the periods listed in i) and ii) below
 - i) Up to the DRMP that includes the final maturity date of loans disbursed on or before March 31, 2022 under the "Special Funds-Supplying Operations to Facilitate Financing in Response to the Novel Coronavirus (COVID-19)"

The amount outstanding of borrowings under paragraph 8. (2) of the "Principal Terms and Conditions of the Special Funds-

Supplying Operations to Facilitate Financing in Response to the Novel Coronavirus (COVID-19)"

- ii) After the DRMP that includes the final maturity date of loans disbursed on or before March 31, 2022 under the "Special Funds-Supplying Operations to Facilitate Financing in Response to the Novel Coronavirus (COVID-19)"

The sum of the amount obtained by subtracting the amount prescribed in (1) (a) from the amount prescribed in (1) (b) (zero in the case where the subtracted amount is negative) and the amount outstanding of borrowings under paragraph 8. (2) of the "Principal Terms and Conditions of the Special Funds-Supplying Operations to Facilitate Financing in Response to the Novel Coronavirus (COVID-19)"

- (d) The amount outstanding of borrowings under the "Funds-Supplying Operation to Support Financial Institutions in Disaster Areas"

- (e) The amount outstanding of borrowings under the "Climate Response Financing Operations"

(Supplementary Provision)

1. The amendment shall become effective on April 1, 2022.
2. When calculating interest for the reserve maintenance period starting on March 16, 2022, the following phrase "paragraph 8. (1) (a) of the 'Principal Terms and Conditions of the Special Funds-Supplying Operations to Facilitate Financing in Response to the Novel Coronavirus (COVID-19)'" prescribed in 3. (1) (a) above shall be replaced with "paragraph 8. (2) (b) in the 'Principal Terms and Conditions of the Special Funds-Supplying Operations to Facilitate Financing in Response to the Novel Coronavirus

(COVID-19)' prior to the amendment," and the following phrase "the amount reported by their member financial institutions as prescribed in paragraph 1. (1) of the 'Special Rules for Member Financial Institutions of Central Organizations of Financial Cooperatives to Use the Special Funds-Supplying Operations to Facilitate Financing in Response to the Novel Coronavirus (COVID-19)' (Policy Board Decision on April 27, 2020)" prescribed in 3. (1) (a) above shall be replaced with "the amount reported by their member financial institutions based on paragraph 1. (2) in 'Special Rules for Member Financial Institutions of Central Organizations of Financial Cooperatives to Use the Special Funds-Supplying Operations to Facilitate Financing in Response to the Novel Coronavirus (COVID-19)' (Policy Board Decision on April 27, 2020) prior to the amendment."