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June 19, 2020

Bank of Japan

Minutes of the Monetary Policy Meeting

on April 27, 2020

(English translation prepared by the Bank's staff based on the Japanese original)

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A Monetary Policy Meeting of the Bank of Japan Policy Board was held in the Head Office of the Bank of Japan in Tokyo on Monday, April 27, 2020, from 9:00 a.m. to 12:01 p.m.¹

Policy Board Members Present

Mr. KURODA Haruhiko, Chairman, Governor of the Bank of Japan

Mr. AMAMIYA Masayoshi, Deputy Governor of the Bank of Japan

Mr. WAKATABE Masazumi, Deputy Governor of the Bank of Japan

Mr. FUNO Yukitoshi

Mr. SAKURAI Makoto

Ms. MASAI Takako

Mr. SUZUKI Hitoshi

Mr. KATAOKA Goushi

Mr. ADACHI Seiji

Government Representatives Present

Mr. TOYAMA Kiyohiko, State Minister of Finance, Ministry of Finance

Mr. NISHIMURA Yasutoshi, Minister of State for Economic and Fiscal Policy, Cabinet Office

Reporting Staff

Mr. MAEDA Eiji, Executive Director

Mr. UCHIDA Shinichi, Executive Director (Assistant Governor)

Mr. KATO Takeshi, Director-General, Monetary Affairs Department

Mr. SHIMIZU Seiichi, Director-General, Financial Markets Department

Mr. KAMIYAMA Kazushige, Director-General, Research and Statistics Department

Mr. FUKUMOTO Tomoyuki, Director-General, International Department

¹ The minutes of this meeting were approved by the Policy Board at the Monetary Policy Meeting held on June 15 and 16, 2020, as "a document describing an outline of the discussion at the meeting" stipulated in Article 20, paragraph 1 of the Bank of Japan Act of 1997. Those present are referred to by their titles at the time of the meeting.

Secretariat of the Monetary Policy Meeting

Mr. MATSUSHITA Ken, Director-General, Secretariat of the Policy Board

Mr. YAMASHIRO Yoshimichi, Director, Deputy Head of Planning and Coordination Division, Secretariat of the Policy Board

Mr. HONDA Hisashi, Director, Deputy Head of Planning and Coordination Division, Secretariat of the Policy Board

Mr. IIJIMA Kota, Head of Policy Planning Division, Monetary Affairs Department

Mr. YANO Masayasu, Head of Policy Infrastructure Division, Monetary Affairs Department

Mr. HIGASHI Masato, Senior Economist, Monetary Affairs Department

Mr. HOGEN Yoshihiko, Senior Economist, Monetary Affairs Department

Mr. KAWAMOTO Takuji, Head of Economic Research Division, Research and Statistics Department

I. Remarks on the Purpose of the Change in Schedule of This Monetary Policy Meeting and Its Approval

The chairman first provided the following explanation for the purpose of changing the schedule of this Monetary Policy Meeting.

- The government had declared a state of emergency in response to the spread of the novel coronavirus (COVID-19). Given this situation, it was appropriate for the Bank to shorten the duration of the Monetary Policy Meeting with a view to making the utmost efforts to prevent the spread of COVID-19.

The chairman then proposed that the meeting, which had been scheduled to be held on both the 27th and 28th of April, be shortened, and that it proceed with the intention of concluding by around noon on the 27th. The proposal was unanimously approved by the Policy Board members.

II. Summary of Staff Reports on Economic and Financial Developments²

A. Market Operations in the Intermeeting Period

In accordance with the short-term policy interest rate of minus 0.1 percent and the target level of the long-term interest rate, both of which were decided at the previous meeting on March 16, 2020, the Bank had been conducting active purchases of Japanese government bonds (JGBs).³ In this situation, 10-year JGB yields had been at around 0 percent, and the shape of the JGB yield curve had been consistent with the guideline for market operations. In addition, based mainly on the decisions made at the previous meeting, the Bank had conducted the following: the further ample supply of funds; measures to facilitate corporate financing; and active purchases of exchange-traded funds (ETFs) and Japan real estate investment trusts (J-REITs).

² Reports were made based on information available at the time of the meeting.

³ The target level of the long-term interest rate was as follows:

The Bank will purchase JGBs so that 10-year JGB yields will remain at around zero percent. While doing so, the yields may move upward and downward to some extent mainly depending on developments in economic activity and prices. With regard to the amount of JGBs to be purchased, the Bank will conduct purchases in a flexible manner so that their amount outstanding will increase at an annual pace of about 80 trillion yen.

B. Recent Developments in Financial Markets

In the money market, interest rates on both overnight and term instruments generally had been in negative territory. The uncollateralized overnight call rate had been in the range of around minus 0.01 to minus 0.07 percent. As for interest rates on term instruments, yields on three-month treasury discount bills (T-Bills) had declined significantly through the end of March, due mainly to demand for collateral, and since the start of April had been in the range of around minus 0.1 to minus 0.2 percent.

As also seen with U.S. and European stock prices, the Nikkei 225 Stock Average had risen in a situation of aggressive policy responses taken by the government and central bank of each country and region. Long-term interest rates had been more or less flat at around 0 percent throughout the intermeeting period, due mainly to the Bank's timely conduct of JGB purchases, despite temporarily rising somewhat in mid-March. In the foreign exchange market, the yen had been appreciating against the U.S. dollar and the euro. Volatility of stock prices, bonds, and currencies had increased significantly in March, and since the start of April, it had decreased, despite remaining at a relatively high level. Liquidity had declined in the JGB market, as seen, for example, in a substantial decrease in the volume of spot and futures transactions in a situation where market participants had started to work split shifts.

C. Overseas Economic and Financial Developments

Overseas economies had become depressed rapidly, reflecting the impact of the COVID-19 pandemic. The Global Purchasing Managers' Index (PMI) for March had declined significantly for both manufacturing and services, and that for services in particular had been at a record low level. With regard to the outlook, until the spread of COVID-19 subsided, economic activity was likely to remain constrained and thus overseas economies were expected to remain depressed. Thereafter, their growth pace was likely to increase because pent-up demand and a recovery in production from the decline brought about by the spread of COVID-19 were expected to exert upward pressure on these economies, and the effects of aggressive macroeconomic policies taken by each country and region were likely to materialize. That said, future developments were extremely unclear, as they could change depending on the timing of the spread of COVID-19 subsiding and on the magnitude of the impact on overseas economies.

With regard to developments in overseas economies by region, the Chinese economy seemed to be showing signs of a pick-up following a plunge as the impact of the spread of COVID-19 had waned. Production, exports, private consumption, and fixed asset investment had started to pick up from a large decline that reflected the impact of the spread. Economic activity seemed to be picking up when looking at high-frequency data such as the amount of coal consumption -- a manufacturing-related indicator -- and the traffic congestion index of Chinese cities -- a nonmanufacturing-related indicator.

The European economy had become depressed rapidly due to the impact of the spread of COVID-19. In the euro area, business and production activities had been constrained significantly due to strict preventive measures against the spread, including lockdowns of cities. Under such circumstances, while business sentiment as gauged by indicators such as the PMI had deteriorated substantially, the employment and income situation had suffered a serious impact and consumer sentiment also had worsened rapidly.

The U.S. economy had become depressed rapidly due to the impact of the spread of COVID-19. Preventive measures against the spread, such as restrictions on going outside and immigration/emigration, as well as orders to suspend business and production activities, had been taken in almost all of its regions. As a result, business sentiment had deteriorated substantially in both the manufacturing and nonmanufacturing sectors. In addition, there had been a serious impact on the employment and income situation, as seen in a surge in initial claims for unemployment insurance, and consumer sentiment also had worsened rapidly.

Emerging economies other than China had become depressed rapidly due to the impact of the spread of COVID-19. In many of these countries and regions, economic activity had been constrained significantly as a result of preventive measures against the spread -- such as restrictions on going outside and immigration/emigration, as well as orders to suspend business and production activities -- that had been introduced or strengthened. Meanwhile, although outflows of funds had increased temporarily, financial conditions in emerging economies had started to stabilize recently, due in part to the effects of policy responses taken by each country, primarily the United States.

With respect to overseas financial markets, market sentiment remained unstable, although it had improved somewhat, mainly reflecting aggressive monetary and fiscal policies taken by each country and region. U.S. and European stock prices had turned to an

increase since late March. Credit spreads in the United States and Europe temporarily had widened significantly around late March, mainly for low-rated corporate bonds, and narrowed somewhat thereafter. U.S. and European long-term interest rates had risen temporarily but recently had been at low levels. Meanwhile, crude oil prices had fallen substantially, due mainly to a surge in crude inventories, although there had been moves among oil-producing economies toward reducing their production levels.

D. Economic and Financial Developments in Japan

1. Economic developments

Japan's economy had been in an increasingly severe situation, and it was likely to remain severe for the time being due to the impact of the spread of COVID-19 at home and abroad.

Exports and industrial production had declined with overseas economies becoming depressed rapidly. Looking at real exports by goods, although IT-related exports had been firm, mainly for parts for data centers and 5G-related equipment, a downtrend in exports of automobile-related goods and capital goods had been more evident recently, with demand falling significantly in advanced economies in particular. Inbound tourism demand had almost disappeared due to a sharp decline in the number of visitors to Japan.

Private consumption had decreased significantly with the growing impact of the spread of COVID-19, mainly in services such as eating and drinking as well as accommodations. In relation to services demand, looking at people's movement by using mobile phone location data, the number of visitors at World Cultural Heritage Sites in Japan -- which appeared to indicate travel demand -- and the nighttime population of downtown areas in Tokyo -- which appeared to indicate demand for eating and drinking -- had declined substantially in March and then dropped further due to the declaration of a state of emergency on April 7. As for consumption of goods, there had been mixed developments; selling of goods such as automobiles, household electrical appliances, and clothes had decreased due to the impact of a decline in customers coming to stores, while selling at supermarkets had exceeded that for the same period last year owing to an expansion in so-called stay-at-home consumption.

Business sentiment had deteriorated, reflecting intensifying downward pressure on corporate profits. The deceleration in the pace of increase in business fixed investment had become evident recently.

With the growing impact of the spread of COVID-19, the employment and income situation had started to show some weakness, as seen in downtrends in the ratios for active job openings to applicants and for new job openings to applicants becoming more evident.

As for prices, the year-on-year rate of increase in the services producer price index (SPPI, excluding international transportation) had turned negative on a basis excluding the direct effects of the October 2019 consumption tax hike. The year-on-year rate of change in the consumer price index (CPI, all items less fresh food) and that in the CPI (all items less fresh food and energy) were both at around 0.5 percent. With regard to the outlook, the year-on-year rate of change in the CPI was expected to be somewhat weak for the time being, affected by the spread of COVID-19 and the decline in crude oil prices.

2. Financial environment

Financial conditions had been accommodative on the whole but less so in terms of corporate financing, as seen in deterioration in firms' financial positions.

As for inflation expectations, relatively weak indicators had been observed.

Firms' funding costs had been hovering at low levels on the whole while temporarily showing a rise in issuance rates in the market, mainly for CP. With regard to credit supply, financial institutions' lending attitudes as perceived by firms had been accommodative. Issuing conditions for corporate bonds had been favorable on the whole. Although the year-on-year rate of increase in the amount outstanding of CP remained positive, supply-demand conditions in that market had been tightening. Growth in firms' demand for funds had been supported thus far by, for example, rises in demand for funds for business fixed investment and in that related to mergers and acquisitions of firms. Recently, however, there had been an increase in demand for funds that was mainly brought about by a decline in sales and the need to secure funds, both of which were due to the impact of the spread of COVID-19. Looking at the March 2020 *Tankan* (Short-Term Economic Survey of Enterprises in Japan) and survey results released by the Japan Chamber of Commerce and Industry, firms' financial positions, mainly of relatively small-sized firms, had worsened in the services industry -- such as accommodations as well as eating and drinking services --

and in the retail industry, primarily due to the sharp decline in sales reflecting the impact of the spread of COVID-19. As for financing of large firms, financial conditions had been tight, as seen, for example, in a surge in issuance rates for CP after the start of April amid strong demand for issuance in that market.

III. Amendment to the Purchasing Method for ETFs and J-REITs by Issue

A. Staff Report

With the aim of continuing to conduct purchases of ETFs and J-REITs in a smooth manner, the staff proposed that the Bank amend the existing purchasing method for these assets -- in which the share of the amount of each ETF and J-REIT to be purchased would roughly be proportionate to that of the total market value of each asset issued -- to one in which the share would roughly be proportionate to that of each asset's amount outstanding in circulation, obtained by subtracting the amount outstanding of the Bank's holdings of each ETF and J-REIT from the total market value of each asset issued.

B. Discussion by the Policy Board and Vote

"Amendment to 'Principal Terms and Conditions for Purchases of ETFs and J-REITs,'" which represented the aforementioned staff report, was put to a vote. Members voted unanimously to approve the proposal.

IV. Summary of Discussions by the Policy Board on Economic and Financial Developments and the April 2020 *Outlook for Economic Activity and Prices*

A. Economic Developments

Members agreed that global financial markets remained nervous, as seen, for example, in the situation where liquidity had been low, although tension had been abating somewhat, partly due to aggressive policy responses taken by the government and central bank of each country and region. Many members expressed the recognition that a situation in which each market destabilized in succession had been avoided for now due to central banks' provision of ample funds and timely asset purchases. One of these members expressed the view that enhancement of U.S. dollar funds-supplying operations by six major central banks had been exerting its intended effects, and thus had been perceived favorably by the markets. A few members said that they were paying close attention to

divergence that had begun to emerge between stock prices and the ongoing weakness in the real economy. Some members pointed out that, amid the global spread of COVID-19, there had been a decline in liquidity, such as in the bond market, due in part to a shift to market investment operations based on business continuity planning in many regions. Some members expressed the view that, although OPEC Plus, for example, had agreed on a coordinated reduction in oil production in response to a sharp fall in crude oil prices due to weak economic activity, a recovery in demand for petroleum was unlikely to take place for the time being.

Members concurred that overseas economies had become depressed rapidly, reflecting the impact of the COVID-19 pandemic. Many members expressed the recognition that, with COVID-19 spreading rapidly worldwide, economic activity had been constrained significantly as a result of preventive measures taken by each country and region against the spread, such as restrictions on going outside and immigration/emigration, as well as orders to suspend business and production activities. Some members said that, although economic activity had resumed in China with the spread of COVID-19 subsiding in the country, the impact had become prolonged and significant as a result of the global spread. Some members pointed out that business and household sentiment in each country had been deteriorating rapidly to record low levels. Some members expressed the recognition that the global economy had been in an increasingly severe situation, as seen in the fact that demand had declined significantly, excluding some exceptions such as for IT-related goods and daily necessities, and that business conditions had deteriorated further, mainly in the services industry, which had been a driver for economic growth to date.

A few members said that the Chinese economy seemed to be showing signs of a pick-up following a plunge with the spread of COVID-19 subsiding, as observed, for example, in a recovery in the operating rates of factories. Meanwhile, members agreed that the U.S. and European economies had become depressed rapidly due to the impact of the spread of COVID-19. Some members expressed the recognition that, in the United States, amid constrained economic activity due to a rapid increase in the number of COVID-19 cases, there had been a serious impact on the employment and income situation, as seen in a surge in initial claims for unemployment insurance. One member noted that close attention had been paid to the extent to which private consumption in the United States would be pushed down, mainly reflecting constraints on social life, deterioration in the employment

situation, and the negative wealth effects stemming from the stock market. A different member expressed the view that, although discussions on reopening the economy had begun to take place in some areas of Europe and the United States, the prospect of the spread of COVID-19 subsiding was uncertain, and it was highly likely that strong downward pressure would continue to be exerted for the time being.

Members concurred that financial conditions in Japan had been accommodative on the whole but less so in terms of corporate financing, as seen in deterioration in firms' financial positions. Some members pointed out that sales had declined due to the impact of the spread of COVID-19, and financial positions had deteriorated for all firms regardless of size. A few of these members noted that micro firms with a shortage of on-hand liquidity had started to run out of funds, and some firms had gone bankrupt because of issues regarding their financing. A few members pointed out that even large firms had been under increased stress in terms of financing, as evidenced, for example, by a surge in issuance rates for CP since April amid strong demand for issuance in that market, and by the funding rates of corporate bonds rising somewhat.

Based on the above deliberations on economic and financial conditions abroad and financial conditions in Japan, members discussed the state of Japan's economy.

With regard to economic activity, members agreed that the economy had been in an increasingly severe situation due to the impact of the spread of COVID-19 at home and abroad. Many members expressed the recognition that the spread had been exerting severe effects on Japan's economy mainly through a decline in private consumption that largely was due to self-restraint from going outside, in addition to the effects on exports, production, and inbound tourism consumption. Some members expressed the view that, although the number of COVID-19 cases in Japan had been fewer than experienced in other countries, it would take some time until COVID-19 subsided. One of these members said that, with regard to policy measures for medical care and the economy aimed at bringing COVID-19 to the point of subsiding, close attention had been paid to the effects, for example, of the details, timing of implementation, size, and how such measures were playing out. Members shared the recognition that the employment and income situation had started to show some weakness. On this basis, some members pointed out that employment at this point did not show significant deterioration, but as COVID-19 exerted effects for a longer period, the impact would become larger through worsening business conditions and bankruptcies. A

few members then noted that the real GDP growth rate for the April-June quarter of 2020 was highly likely to be significantly low, as in the January-March quarter.

As for prices, members shared the view that the year-on-year rate of change in the CPI (all items less fresh food) and that in the CPI (all items less fresh food and energy) were both at around 0.5 percent, and as for inflation expectations, relatively weak indicators had been observed.

B. Outlook for Economic Activity and Prices

In formulating the April 2020 *Outlook for Economic Activity and Prices* (hereafter the Outlook Report), members discussed the outlook for economic activity and prices for the time being. They shared the recognition that Japan's economy was likely to remain in a severe situation for the time being due to the impact of the spread of COVID-19 at home and abroad. Members shared the view that, until the spread subsided, overseas economies were expected to remain depressed. They then shared the recognition that Japan's exports, including inbound tourism consumption, were likely to remain weak. Members agreed that, despite being supported by the government's economic measures, domestic demand, mainly in terms of private consumption, was expected to remain weak, with economic activity being constrained due to the impact of the spread of COVID-19. As for prices, they shared the recognition that the year-on-year rate of change in the CPI had been positive but was likely to be somewhat weak for the time being, mainly affected by the spread of COVID-19 and the decline in crude oil prices.

Members then discussed the outlook for economic activity and prices from a somewhat long-term perspective. They shared the recognition that, while there were extremely high uncertainties over the outlook for economic activity, it was appropriate in the April Outlook Report to assume that the impact of the spread of COVID-19 on the economy would wane on a global basis through the second half of 2020. One member expressed the view that, although the timing of the spread subsiding was uncertain, there was no alternative at present but to assume, as the International Monetary Fund (IMF) did, that it would subside in around the second half of 2020. Members shared the view that, based on this assumption, the growth pace of overseas economies was likely to increase. They continued that this was because, from around the second half of 2020, pent-up demand and a recovery in production from the decline brought about by the spread of

COVID-19 were expected to exert upward pressure on these economies, and the effects of aggressive macroeconomic policies taken by each country and region were likely to materialize. Members shared the recognition that Japan's economy also was expected to improve as the impact of the spread waned at home and abroad. They shared the view that exports were likely to head toward an increase again with the growth pace of overseas economies rising, and that domestic demand was expected to turn toward a pick-up and then increase, supported by accommodative financial conditions and the government's economic measures, as well as through the expected materialization of pent-up demand.

As for the outlook for prices, members shared the view that, with the economy improving, the year-on-year rate of change in the CPI was likely to increase gradually. One member said that, taking into account future economic developments and the adaptive formation of inflation expectations, it was unlikely that the inflation rate would steadily approach 2 percent even in fiscal 2022, which was the final year of the projection period. A different member expressed the view that a rapid economic contraction not seen since the Great Depression in the 1930s might occur in the short run, although it depended on the consequences of the impact of the spread of COVID-19, and in this situation, achievement of the price stability target would be delayed. One member stated that, as the decline in the economic growth rate was likely to put downward pressure on the output gap and inflation expectations, coupled with a significant decline in crude oil prices, the inflation rate was expected to be in negative territory through fiscal 2021 and return to slightly positive territory thereafter.

Following this discussion, members exchanged views regarding the financial conditions on which the above outlook was based. They shared the recognition that global financial and capital markets had been unstable and corporate financing had been affected globally, both reflecting the spread of COVID-19. However, members shared the view that, in a situation where the government and central bank of each country and region including Japan had been making responses aggressively with a view to maintaining stability in financial markets and ensuring smooth corporate financing, it was expected that financial conditions would remain accommodative and further downward pressure on the real economy from the financial side would be avoided.

On this basis, as for upside and downside risks to economic activity and prices, members discussed those that required particular attention until the impact of the spread of COVID-19 subsided.

First, with regard to risks to economic activity, members shared the view that the outlook was extremely unclear, as it could change depending on the timing of the spread of COVID-19 subsiding and on the magnitude of the impact on domestic and overseas economies. Some members pointed out that, even if the spread almost subsided, there was a risk that the movement of people and goods would not recover due to concern about recurrence of the pandemic, as well as a risk that the behavior of households and firms would become more cautious due to the decrease in income or deterioration in financial positions. One member said that, as there were extremely high uncertainties over the medium- to long-term outlook for Japan's economy at this point, it was possible to assume both optimistic and pessimistic scenarios. A different member noted that, given high uncertainties over the economic outlook, some central banks had postponed the release of such forecasts or presented several scenarios. One member said that, historically speaking, humankind had made progress in globalization, urbanization, and the shift toward a service economy while overcoming a number of pandemics; therefore, this tendency would likely continue, but there were high uncertainties regarding the outlook due to certain possible changes, such as reconstruction of supply chains that took into account public health.

Members also agreed that this outlook for economic activity and prices was based mainly on the assumption that, while the impact of the spread of COVID-19 remained, firms' and households' medium- to long-term growth expectations would not decline substantially and the smooth functioning of financial intermediation would be ensured with financial system stability being maintained, although this assumption entailed high uncertainties. One member pointed out that structural changes could arise in people's demand behavior triggered by the spread of COVID-19, and in this situation, there was a possibility that firms' and households' medium- to long-term growth expectations would decline. In response, one member said that downward pressure on Japan's economy was attributable largely to constrained economic activity that resulted from preventive measures against the spread of COVID-19, and therefore this short-term severe economic downturn did not necessarily determine medium- to long-term growth path. Regarding risks to the financial system, some members expressed the recognition that the functioning of financial

intermediation could weaken, due mainly to a rise in banks' credit costs, if the impact of COVID-19 led to prolonged deterioration in the real economy and a decline in firms' creditworthiness. One member commented that, given that financial institutions supported firms of which financial positions had deteriorated due to the impact of COVID-19, developments in the financial system should be monitored closely with caution, keeping in mind the possibility that a certain proportion of loans would become nonperforming.

Regarding risks to prices, members concurred that, if risks to economic activity materialized, prices also were likely to be affected accordingly. In addition, they shared the recognition that it was necessary to pay attention to developments in international commodity prices, including those of crude oil, and to the effects of future fluctuations in foreign exchange rates on prices.

Based on this discussion, members shared the view that, with regard to the risk balance, risks to both economic activity and prices were skewed to the downside, mainly due to the impact of COVID-19.

V. Summary of Discussions on Monetary Policy for the Immediate Future

Regarding the direction of the Bank's monetary policy responses to recent developments, members concurred that it was appropriate for the Bank to further enhance monetary easing, given that, due to the impact of the spread of COVID-19 at home and abroad, Japan's economy had been in an increasingly severe situation and financial conditions had been less accommodative in terms of corporate financing, as seen in deterioration in firms' financial positions. Many members said that what was most important was to protect employment, businesses, and people's livelihoods until the spread almost subsided, and it was necessary for the Bank to conduct monetary policy with a view to doing its utmost to ensure smooth financing and maintaining stability in financial markets. One member noted that further easing measures, mainly to provide liquidity, were necessary this time as well, and it also was important to fully prepare for a possible further worsening of the situation. A different member commented that policy authorities must act decisively in order to avoid a second Great Depression. One member pointed out that, with regard to policy responses, it was essential to maintain a cooperative framework between the government and the central bank as well as among major central banks, mainly by closely exchanging information and having a shared recognition of challenges.

Based on the above, members discussed possible measures to enhance monetary easing. They expressed the recognition that the Bank should increase purchases of CP and corporate bonds and strengthen measures such as the special funds-supplying operations, which had been introduced and become effective in March, given that there had been increased stress in terms of corporate financing. A few members said that, when increasing purchases of CP and corporate bonds, the terms and conditions should be relaxed with regard to, for example, the maximum amounts outstanding of a single issuer's CP and corporate bonds to be purchased. As for the strengthening of the special funds-supplying operations, a few members expressed the view that the Bank should expand the range of eligible collateral and increase the number of eligible counterparties, with a view to firmly supporting financial institutions to further fulfill the functioning of financial intermediation for a wide range of private sectors, mainly in terms of firms. One member noted that, in a situation where monetary easing was expected to last even longer, it was important to implement measures that encouraged the active lending attitudes of financial institutions, taking into account their severe business conditions. In addition, some members expressed the opinion that the Bank should consider devising measures to support financing, mainly of small and medium-sized firms, taking account, for example, of the government's programs such as those in its emergency economic measures.

As measures that would contribute to maintaining stability in financial markets, some members expressed the recognition that, taking also into account the impact of the increase in the amount of issuance of JGBs and T-Bills in response to the government's emergency economic measures, it was desirable to conduct further active purchases of JGBs and T-Bills, with a view to stabilizing the entire yield curve at a low level. One member said that the Bank should purchase a necessary amount of JGBs without setting an upper limit to achieve the target level of the interest rate under yield curve control. On this basis, the member added that these measures had an effect of demonstrating the Bank's stance that it would cooperate with the government in addressing the severe economic conditions.

Based on the members' views, the chairman requested that the staff explain possible specific measures that would further enhance monetary easing.

The staff proposed possible measures that mainly consisted of the following.

- (1) The Bank would significantly increase the maximum amount of additional purchases of CP and corporate bonds from 1 trillion yen to 7.5 trillion yen for each asset, which

would enable purchases with the upper limit of the amount outstanding of about 20 trillion yen in total, including the existing amounts outstanding of these assets. It would increase the maximum amounts outstanding of a single issuer's CP and corporate bonds to be purchased and the maximum share of the Bank's holdings of these assets within the total amount outstanding of issuance by a single issuer from the current 100 billion yen and 25 percent to 500 billion yen and 50 percent for CP, and to 300 billion yen and 30 percent for corporate bonds. The Bank also would extend the remaining maturity of corporate bonds to be purchased from the current 1 year or more and up to 3 years, to 1 year or more and up to 5 years.

- (2) With regard to the strengthening of the special funds-supplying operations, which had been introduced and become effective in March, there were three possible measures. First, a wide range of private debt, including household debt, would be added to eligible collateral. This operation would be renamed to the Special Funds-Supplying Operations to Facilitate Financing in Response to the Novel Coronavirus (COVID-19). As a result, eligible collateral would increase from about 8 trillion yen to about 23 trillion yen as of end-March 2020. Second, member financial institutions of central organizations of financial cooperatives and the Development Bank of Japan would be included as eligible counterparties. Third, the Bank would apply a positive interest rate of 0.1 percent to the outstanding balances of current accounts held by financial institutions at the Bank that corresponded to the amounts outstanding of loans provided through this operation.

In addition, with the aim of further supporting financing mainly of small and medium-sized firms, the staff expressed the view that the Bank could swiftly consider a new measure to provide funds to financial institutions, taking account, for example, of the government's programs to support financing such as those in its emergency economic measures. An outline of a new fund-provisioning measure could be as follows.

- (a) The amount of fund-provisioning could be calculated based mainly on lending that eligible financial institutions conducted by making use of the government's programs to reduce or exempt guarantee fees and interest rates of credit guaranteed loans, which were included in its emergency economic measures. Details including the range of lending could be considered later on.

- (b) As for the method of fund-provisioning, loans could be provided against all pooled collateral.
 - (c) The Bank could provide funds to financial institutions on favorable terms in order to encourage them to fulfill the functioning of financial intermediation for private sectors. As with the special funds-supplying operations, the interest rate on loans could be 0 percent and twice as much as the amounts outstanding of the loans could be included in the Macro Add-on Balances in current accounts held by financial institutions at the Bank. In addition, a positive interest rate of 0.1 percent could be applied to the outstanding balances of current accounts held by financial institutions at the Bank that corresponded to the amounts outstanding of loans provided through this measure.
- (3) As measures that would contribute to maintaining stability in financial markets, given a decline in liquidity in the bond market and the impact of the increase in the amount of issuance of government bonds, the Bank would announce that it would conduct further active purchases of JGBs and T-Bills. The Bank also would clarify in the guideline for market operations that it would purchase a necessary amount of JGBs without setting an upper limit in conducting yield curve control.

With regard to the possible measures proposed by the Bank's staff, members concurred that these were appropriate as a policy package for enhancing monetary easing with a view to ensuring smooth financing, such as of financial institutions and firms, and maintaining stability in financial markets. One member expressed the view that the proposed measures were bold ones in the face of increasingly severe economic conditions, and that implementing them swiftly would also lead to ensuring public confidence in the Bank. One member said that it would be favorable for the Bank to support small and medium-sized firms through cooperation with member financial institutions of central organizations of financial cooperatives, as stated in the staff proposal, taking into account that gaining first-hand information on these firms' credit demand was not an easy task for the Bank. A few members were of the view that, with financial institutions' business conditions becoming severe, applying a positive interest rate to current account balances that corresponded to the amounts outstanding of loans provided through the special funds-supplying operations was an effective measure for encouraging the active lending attitudes of financial institutions. One member commented that it would be appropriate for

the chairman to instruct the Bank's staff to consider a new fund-provisioning measure and report back at a later Monetary Policy Meeting.

Members also discussed the forward guidance for the policy rates. One member expressed the view that the momentum toward achieving the price stability target had to be judged as being lost temporarily, and thus it was appropriate to revise the forward guidance for the policy rates to relate it to the impact of COVID-19. A different member said that it was appropriate for the Bank to relate the forward guidance for the policy rates to its current policy stance, in which it placed top priority on implementing measures that contributed to supporting economic and financial activities and would take policy responses if necessary, rather than relating it to the momentum toward achieving the price stability target. The member added that such guidance could lead to a sense of security for the public in a situation where firms' and households' sentiment had deteriorated rapidly.

In addition to the above discussions, one member noted that close cooperation between fiscal and monetary authorities in terms of their policies was essential at the time of a significant economic crisis. The member continued that it was possible to contain the risk of a surge in the inflation rate as long as the price stability target was maintained firmly, and given the current situation where there was concern that the economy might fall into deflation, fiscal and monetary authorities could further cooperate with each other regarding their policies. One member commented that there were assumptions that COVID-19 would subside soon and that the economic structure before and after that happened would not change; however, in the current situation of a fierce headwind for economic activity and prices, as well as of extremely high uncertainties, it was necessary for the Bank to conduct monetary policy while factoring in the possibility that such assumptions might not be realized. One member pointed out that the Bank should consider what was necessary to avoid deflation from taking hold again and achieve the price stability target while assessing the effectiveness of the current policy measures. One member said that, by actively purchasing JGBs and T-Bills with the aim of lowering interest rates, coupled with the government's emergency economic measures, it was appropriate for the Bank to (1) further cooperate with the government, (2) alleviate firms' and households' interest burden, and (3) restrict potential deflationary pressure as much as possible. In response to this, one member expressed the view that it was assumed that economic deterioration stemming from COVID-19 would impair the balance sheets of financial institutions, and under the

circumstances, if interest rates declined further in a situation of extremely small lending margins to date, they might reach the reversal rate at an earlier timing.

With respect to yield curve control, members shared the recognition that, since the previous meeting, the JGB yield curve had been formed smoothly in a manner consistent with the guideline for market operations.

Based on the above discussions, regarding the guideline for market operations for the intermeeting period, most members expressed the view that it was appropriate for the Bank to set the guideline as follows. First, as for the short-term policy interest rate, it would 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. Second, as for the long-term interest rate, the Bank would purchase a necessary amount of JGBs without setting an upper limit so that 10-year JGB yields would remain at around 0 percent. While doing so, the yields might move upward and downward to some extent mainly depending on developments in economic activity and prices.

On this point, one member expressed the opinion that it was desirable to further strengthen monetary easing by lowering short- and long-term interest rates, in response to a possible increase in downward pressure on prices and with the aim of alleviating firms' and households' interest burden.

With regard to asset purchases other than JGB purchases, members shared the recognition that it was appropriate for the Bank to implement the following guideline. First, it would purchase ETFs and J-REITs so that their amounts outstanding would increase at annual paces of about 6 trillion yen and about 90 billion yen, respectively. With a view to lowering risk premia of asset prices in an appropriate manner, the Bank might increase or decrease the amount of purchases, depending on market conditions. For the time being, it would actively purchase ETFs and J-REITs so that their amounts outstanding would increase at annual paces with the upper limit of about 12 trillion yen and about 180 billion yen, respectively. Second, as for CP and corporate bonds, the Bank would maintain their amounts outstanding at about 2 trillion yen and about 3 trillion yen, respectively. In addition, it would conduct additional purchases with the upper limit of the amounts outstanding of 7.5 trillion yen for each asset until the end of September 2020.

With respect to the future conduct of monetary policy, members shared the view that it would (1) 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 was necessary for maintaining that target in a stable manner, and (2) continue expanding the monetary base until the year-on-year rate of increase in the observed CPI (all items less fresh food) exceeded 2 percent and stayed above the target in a stable manner.

Regarding its policy stance for the time being, members agreed that the Bank would closely monitor the impact of COVID-19 and not hesitate to take additional easing measures if necessary. Based on this, most members shared the view that, as for policy rates, it would expect short- and long-term interest rates to remain at their present or lower levels.

On this point, one member was of the opinion that, given the severe impact of COVID-19, 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, with a view to not allowing deflation to take hold as well as committing itself to conducting monetary policy based on concrete conditions.

VI. Remarks by Government Representatives

Based on the above discussions, the government representatives requested that the chairman adjourn the meeting. The chairman approved the request. (The meeting adjourned at 11:00 a.m. and reconvened at 11:27 a.m.)

The representative from the Cabinet Office made the following remarks.

- (1) The Japanese economy was getting worse rapidly in an extremely severe situation due to the impact of COVID-19. The government had declared a state of emergency in all prefectures this month. Economic activity had been constrained due to self-restraint from going outside and requests for temporary closure of businesses, and a significant economic downturn in the short term was inevitable. The early end of contagion was the most important issue for economic recovery, and the government would do its utmost to work toward ending the contagion.
- (2) The Emergency Economic Measures to Cope with COVID-19, of which the scale was the largest in history, had been decided by the Cabinet recently. The government would work toward promptly obtaining the Diet's approval of the supplementary budget for fiscal 2020 that would be the basis for the swift implementation of this measure. It would respond flexibly and decisively as necessary.

- (3) The government recognized that the Bank's measures proposed at this meeting would further facilitate corporate financing and strengthen a policy mix by the government and the Bank, and assessed them as timely responses that took account of current developments in economic activity and financial conditions. It expected the Bank to continue conducting appropriate monetary policy while closely monitoring current and future developments.
- (4) The government expected that the Bank would continue to cooperate closely with the government while sharing a sense of crisis.

The representative from the Ministry of Finance made the following remarks.

- (1) It was important for the government and the Bank to share a sense of crisis regarding the economic impact of COVID-19 and closely cooperate with each other in order to take assertive action in this difficult situation. The government recognized that the Bank would implement proposed measures mainly with a view to doing its utmost to ensure smooth corporate financing and maintain stability in financial markets, and assessed them as appropriate responses.
- (2) Domestic and overseas economies had been affected significantly by COVID-19 and the situation was expected to remain extremely severe. Under these circumstances, the Emergency Economic Measures to Cope with COVID-19, with a scale of 117 trillion yen, had been decided by the Cabinet last week. In order mainly to implement this measure, the government would submit to the Diet the supplementary budget for fiscal 2020 today. The government would continue to do its utmost with regard to economic and fiscal management by closely monitoring the global spread of COVID-19 and how long it would take for the contagion to end, as well as its impact on the Japanese economy and people's livelihoods, and by promptly taking necessary measures.
- (3) The government expected that the Bank would continue to do its utmost mainly to ensure smooth corporate financing and maintain stability in financial markets, and also to work toward achieving the price stability target.

VII. Votes

A. Vote on the Guideline for Market Operations

Based on the above discussions, to reflect the majority view of the members, the chairman formulated the following proposal on the guideline for market operations and put it to a vote.

The Policy Board decided the proposal by a majority vote.

The Chairman's Policy Proposal on the Guideline for Market Operations:

The guideline for market operations for the intermeeting period will be as follows.

1. 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.
2. The Bank will purchase a necessary amount of JGBs without setting an upper limit so that 10-year JGB yields will remain at around zero percent. While doing so, the yields may move upward and downward to some extent mainly depending on developments in economic activity and prices.

Votes for the proposal: Mr. KURODA Haruhiko, Mr. AMAMIYA Masayoshi, Mr. WAKATABE Masazumi, Mr. FUNO Yukitoshi, Mr. SAKURAI Makoto, Ms. MASAI Takako, Mr. SUZUKI Hitoshi, and Mr. ADACHI Seiji.

Votes against the proposal: Mr. KATAOKA Goushi.

Mr. Kataoka dissented, considering that it was desirable to further strengthen monetary easing by lowering short- and long-term interest rates, in response to a possible increase in downward pressure on prices and with the aim of alleviating firms' and households' interest burden.

B. Vote on the Guideline for Asset Purchases

To reflect the view of the members, the chairman formulated the following proposal on the guideline for asset purchases and put it to a vote.

The Policy Board decided the proposal by a unanimous vote.

The Chairman's Policy Proposal on the Guideline for Asset Purchases:

The guideline for asset purchases other than JGB purchases will be as follows.

1. In principle, the Bank will purchase ETFs and J-REITs so that their amounts outstanding will increase at annual paces of about 6 trillion yen and about 90 billion yen, respectively. With a view to lowering risk premia of asset prices in an appropriate manner, it may increase or decrease the amount of purchases depending on market conditions. For the time being, the Bank will actively purchase these assets so that their amounts outstanding will increase at annual paces with the upper limit of about 12 trillion yen and about 180 billion yen, respectively.
2. As for CP and corporate bonds, the Bank will maintain their amounts outstanding at about 2 trillion yen and about 3 trillion yen, respectively. In addition, it will conduct additional purchases with the upper limit of the amounts outstanding of 7.5 trillion yen for each asset until the end of September 2020.

Votes for the proposal: Mr. KURODA Haruhiko, Mr. AMAMIYA Masayoshi, Mr. WAKATABE Masazumi, Mr. FUNO Yukitoshi, Mr. SAKURAI Makoto, Ms. MASAI Takako, Mr. SUZUKI Hitoshi, Mr. KATAOKA Goushi, and Mr. ADACHI Seiji.

Votes against the proposal: None.

C. Vote on "Amendment to 'Principal Terms and Conditions for Outright Purchases of CP and Corporate Bonds'" and "Establishment of '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)'"

"Amendment to 'Principal Terms and Conditions for Outright Purchases of CP and Corporate Bonds'" and "Establishment of '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)," which represented the aforementioned staff reports, were put to a vote. Members voted unanimously to approve the proposal.

D. Discussion on the Statement Entitled "Enhancement of Monetary Easing"

On the basis of the above discussions, members discussed the statement "Enhancement of Monetary Easing." Mr. Kataoka expressed the opinion that, given the severe impact of COVID-19, 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.

Based on this discussion, the chairman formulated the statement "Enhancement of Monetary Easing" and put it to a vote. The Policy Board decided the text by a unanimous vote. It was confirmed that the statement would be released immediately after the meeting (see Attachment 1).

VIII. Discussion regarding the Outlook Report

Members discussed the draft of "The Bank's View" in the April 2020 Outlook Report (consisting of "The Bank's View" and "The Background"). To reflect the view of the members, the chairman formulated a proposal on "The Bank's View" and put it to a vote. The Policy Board decided the text of "The Bank's View" by a unanimous vote. It was confirmed that "The Bank's View" would be released immediately after the meeting. It also was confirmed that the full text of the Outlook Report would be made public on April 28.

IX. Approval of the Minutes of the Monetary Policy Meeting

The Policy Board approved unanimously the minutes of the Monetary Policy Meeting of March 16, 2020, for release on May 1.

Enhancement of Monetary Easing

1. Japan's economy has been in an increasingly severe situation due to the impact of the spread of the novel coronavirus (COVID-19) at home and abroad. Although policy responses taken by the government and the Bank of Japan have been exerting some positive effects, financial conditions have been less accommodative in terms of corporate financing, as seen in deterioration in firms' financial positions.
2. Given these developments, the Bank judged it appropriate to further enhance monetary easing through (1) an increase in purchases of CP and corporate bonds, (2) strengthening of the Special Funds-Supplying Operations to Facilitate Financing in Response to the Novel Coronavirus (COVID-19), and (3) further active purchases of Japanese government bonds (JGBs) and treasury discount bills (T-Bills). The Bank will take these measures with a view to doing its utmost to ensure smooth financing, such as of financial institutions and firms, and maintaining stability in financial markets.
3. To this end, at the Monetary Policy Meeting (MPM) held today, the Policy Board of the Bank decided upon the following.

(1) Increase in purchases of CP and corporate bonds

The Bank decided, by a unanimous vote, to significantly increase the maximum amount of additional purchases of CP and corporate bonds and conduct purchases with the upper limit of the amount outstanding of about 20 trillion yen in total.⁴ In addition, the maximum amounts outstanding of a single issuer's CP and corporate bonds to be purchased will be raised substantially, and the maximum remaining maturity of corporate bonds to be purchased will be extended to 5 years (see Attachment 2).

⁴ The maximum amounts of additional purchases of CP and corporate bonds will be increased from 1 trillion yen to 7.5 trillion yen for each asset. Other than the additional purchases, the existing amounts outstanding of CP and corporate bonds will be maintained at about 2 trillion yen and about 3 trillion yen, respectively. The additional purchases will continue until the end of September 2020.

(2) Strengthening of the Special Funds-Supplying Operations to Facilitate Financing in Response to the Novel Coronavirus (COVID-19)

With regard to the Special Funds-Supplying Operations to Facilitate Corporate Financing regarding the Novel Coronavirus (COVID-19), which was introduced and became effective in March, the Bank decided, by a unanimous vote, to (1) expand the range of eligible collateral to private debt in general, including household debt (from about 8 trillion yen to about 23 trillion yen as of end-March 2020), (2) increase the number of eligible counterparties (to mainly include member financial institutions of central organizations of financial cooperatives), and (3) apply a positive interest rate of 0.1 percent to the outstanding balances of current accounts held by financial institutions at the Bank that correspond to the amounts outstanding of loans provided through this operation.⁵ The Bank decided to strengthen this operation with a view to firmly supporting financial institutions to further fulfill the functioning of financial intermediation for a wide range of private sectors, mainly in terms of firms. This operation has been renamed to the Special Funds-Supplying Operations to Facilitate Financing in Response to the Novel Coronavirus (COVID-19).

In addition, with the aim of further supporting financing mainly of small and medium-sized firms, the chairman instructed the staff to swiftly consider a new measure to provide funds to financial institutions, taking account, for example, of the government's programs to support financing such as those in its emergency economic measures, and report back at a later MPM (see Attachment 2 for the outline of the measure).

(3) Further active purchases of JGBs and T-Bills

In a situation where the liquidity in the bond market remains low, the increase in the amount of issuance of JGBs and T-Bills in response to the government's emergency economic measures will have an impact on the market. Taking this into account, the Bank will conduct further active purchases of both JGBs and T-Bills for the time being, with a

⁵ A positive interest will be applied from the May 2020 reserve maintenance period (from May 16 to June 15) onward. Twice as much as the amounts outstanding of the loans will continue to be included in the Macro Add-on Balances in current accounts held by financial institutions at the Bank. The Special Funds-Supplying Operations to Facilitate Financing in Response to the Novel Coronavirus (COVID-19) will be conducted until the end of September 2020.

view to maintaining stability in the bond market and stabilizing the entire yield curve at a low level.

4. The Bank decided to set the following guidelines for market operations as well as for purchases of exchange-traded funds (ETFs) and Japan real estate investment trusts (J-REITs).

(1) Yield curve control (an 8-1 majority vote)^[Note 1]

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 JGBs without setting an upper limit so that 10-year JGB yields will remain at around zero percent. While doing so, the yields may move upward and downward to some extent mainly depending on developments in economic activity and prices.⁶

(2) Purchases of ETFs and J-REITs (a unanimous vote)

The Bank will actively purchase ETFs and J-REITs for the time being so that their amounts outstanding will increase at annual paces with the upper limit of about 12 trillion yen and about 180 billion yen, respectively.⁷

5. 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.

For the time being, the Bank will closely monitor the impact of 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.^[Note 2]

⁶ In case of a rapid increase in the yields, the Bank will purchase JGBs promptly and appropriately.

⁷ As for the guideline for purchases of ETFs and J-REITs, in principle, "the Bank will purchase these assets so that their amounts outstanding will increase at annual paces of about 6 trillion yen and about 90 billion yen, respectively. With a view to lowering risk premia of asset prices in an appropriate manner, the Bank may increase or decrease the amount of purchases depending on market conditions."

6. The Bank recognizes that its current powerful monetary easing measures, including the ones decided today, will contribute to supporting economic and financial activities, coupled with various measures by the Japanese government as well as those by the government and central bank of each country and region in response to the spread of COVID-19.

^[Note 1] Voting for the action: Mr. KURODA Haruhiko, Mr. AMAMIYA Masayoshi, Mr. WAKATABE Masazumi, Mr. FUNO Yukitoshi, Mr. SAKURAI Makoto, Ms. MASAI Takako, Mr. SUZUKI Hitoshi, and Mr. ADACHI Seiji. 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, in response to a possible increase in downward pressure on prices and with the aim of alleviating firms' and households' interest burden.

^[Note 2] Mr. Kataoka dissented, considering that, given the severe impact of COVID-19, 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.

Increase in the Maximum Amounts Outstanding of a Single Issuer's CP and Corporate Bonds to Be Purchased as well as Outline of a New Fund-Provisioning Measure

1. Increase in the Maximum Amounts Outstanding of a Single Issuer's CP and Corporate Bonds to Be Purchased

- (1) The Bank will increase the maximum amounts outstanding of a single issuer's CP and corporate bonds to be purchased from the current 100 billion yen to 500 billion yen and 300 billion yen, respectively.
- (2) The Bank will increase the maximum share of the Bank's holdings of CP and corporate bonds within the total amount outstanding of issuance by a single issuer from the current 25 percent to 50 percent and 30 percent, respectively.
- (3) The Bank will extend the remaining maturity of corporate bonds to be purchased from the current 1 year or more and up to 3 years to 1 year or more and up to 5 years.

2. Outline of a New Fund-Provisioning Measure

(1) Amount of fund-provisioning

The amount will be calculated based mainly on lending that eligible financial institutions conduct by making use of the government's programs to reduce or exempt guarantee fees and interest rates of credit guaranteed loans, which are included in its emergency economic measures. Details including the range of lending will be considered later on.

(2) Method of fund-provisioning

Loans will be provided against all pooled collateral.

(3) Loan rate

The interest rate on loans will be 0 percent.

(4) Addition to the Macro Add-on Balances

Twice as much as the amounts outstanding of the loans will be included in the Macro Add-on Balances in current accounts held by financial institutions at the Bank.

(5) Application of a positive interest rate to current account balances

A positive interest rate of 0.1 percent will be applied to the outstanding balances of current accounts held by financial institutions at the Bank that correspond to the amounts outstanding of loans provided through this measure.