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Recent Efforts for Developing the ABCP Market: Improving Financing Conditions for Small to Medium-sized Enterprises and Exploiting Opportunities for Securitization

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Market Review

One of the most important agendas for the revival of the Japanese economy is to improve direct financing channels for firms. Over the past few months, financial experts were invited to a "Study Group on the Securitization of Small to Medium-sized Enterprises' Receivables," held at the Financial Markets Department, Bank of Japan. This Group examined issues to be tackled in order to develop the Japanese ABCP (Asset-Backed Commercial Paper) market, so as to enable small to medium-sized enterprises, which have traditionally been highly dependent on bank loans, to increase direct financing from markets by utilizing securitization techniques. This Study Group identified three priorities in developing the ABCP market: i) responding to legal issues arising from the assignment of receivables, ii) standardizing procedures for the assignment of receivables, and iii) improving databases on small to medium-sized enterprises. The Bank of Japan will continue to pay attention to the development of the ABCP market and to support their efforts towards market infrastructure improvements.

Introduction

For the Japanese economy to return to a growth path, it will be essential to create an environment where firms can raise funds smoothly and enjoy the effects of strong monetary easing by the Bank of Japan. In the last half of the 1990s, the credit intermediation function of the Japanese banking sector was impaired by the intensification of the non-performing loan problem. This has unquestionably constrained corporate financing, especially financing by small to medium-sized enterprises, which are highly dependent on bank lending. Accordingly, enhancing direct financing opportunities for firms, including small to medium-sized enterprises, would facilitate smoother financing of business activities. Such developments in financial channels could also contribute to economic recovery. The key is to reinforce the mechanism whereby abundant funds provided by investors are directly funneled to meet the funding needs of non-financial firms. This would not only contribute to the diversification of firms' financing channels, but would also diversify credit risk, which has been concentrated in the banking sector, throughout the entire financial system.

Securitization of assets is one method whereby firms can directly access the markets. Like derivatives that appeared from the 1980s, securitization techniques are highly complex instruments for investors. They also demand financial intermediaries to upgrade their financial expertise. Securitization techniques enable firms to raise funds from any investor with the will and ability to take risks, backed by all types of assets including, but not limited to, real estate and other tangible properties.

Until recently, in practice only large firms could enjoy the benefits of securitization techniques. Small to medium-sized enterprises, which account for 99.7%[1] of all Japanese firms, have mostly fallen outside the scope of the securitization business because of their small size and the lack of publicly available information regarding their credit conditions. Furthermore, under traditional business perceptions, the mobilization of assets by small to medium-sized enterprises has been regarded as implying funding difficulties, and thus could heighten credit concerns. Notwithstanding these constraining factors, given the current conditions under which the banking sector's credit intermediation function has not fully recovered, it is most important for small to medium-sized enterprises to open new channels for funding other than bank borrowing by mobilizing their assets to tap the market.

One constraining factor in the financing of Japanese small to medium-sized enterprises is the scarcity of assets that can be used to support both bank loans and fund raising via securitization. However, the receivables held by small to medium-sized enterprises remain almost unutilized. This article summarizes the current conditions and future issues regarding efforts to enhance channels for direct financing of small to medium-sized enterprises, drawing on discussions at the "Study Group on the Securitization of Small to Medium-sized Enterprises' Receivables[2]" (hereinafter referred to as the "Study Group"). The Study Group was sponsored by the BOJ Financial Markets Department and held from December 2001 through February 2002.

Raising Funds from the Market by Utilizing Receivables

The term "receivables" refers to the claims of seller firms that arise from the sale of goods or services, entitling them to receive payments from buyer firms in future. As of March 31, 2001, Japanese firms held a total of ¥191 trillion[3] in receivables, an amount comparable to their real estate holdings or bank deposits. Unlike trade bills or promissory notes, the payment methods and due dates of receivables are sometimes not specified beforehand. While such practices concerning receivables provide firms with a higher level of flexibility, the claims are less easily assigned compared with trade bills or promissory notes. As a result, receivables are now hardly being utilized to support fund raising in Japan.[4]

Japanese small to medium-sized enterprises[5] presently hold approximately ¥74 trillion in receivables. If financing channels were developed and these receivables used to support fund raising, the enterprises could raise additional funds equivalent to as much as 30%[6] of their present borrowings outstanding.

In view of this potential, in December 2001, the Small and Medium Enterprise Agency introduced a system whereby credit guarantee corporations provide guarantees for bank loans collateralized by receivables (see Box 1). Small to medium-sized enterprises should readily adopt this credit guarantee system for loans collateralized by receivables, because it approximates their established fund raising practices. On the other hand, this system could also be influenced by banks' risk-taking capacities, which might be a constraint considering the present conditions of the Japanese banking system.

Meanwhile, receivables can also support direct fund raising from financial markets. Possible structures include assignment of receivables to Special Purpose Companies (SPCs), factoring companies and other entities, which would then issue securities backed by the receivables (e.g., ABCP, see Boxes 2 and 3). These structures enable firms to raise funds from a wider range of investors without relying on banks, as long as their underlying businesses remain sound. The subsequent sections primarily focus on such securitization structures.

The Structure of ABCP Backed by Receivables

Generally speaking, it is difficult for small to medium-sized enterprises to individually raise funds directly from financial markets because of their small funding requirements and the difficulties in evaluating their credit conditions. Nevertheless, as detailed below, it is possible for small to medium-sized enterprises to tap the markets by employing securitization techniques, such as pooling, credit enhancement, senior/subordinated structure, and liquidity enhancement.

Pooling

Even if individual receivables amount to a few million yen at most, one hundred such claims bundled together into a single package would add up to several hundred million yen, which is sufficiently large to be securitized (see Box 2). Such pooling of multiple claims would not only attain sufficient volume but would also provide diversification effects.[7]

Credit Enhancement

The creditworthiness of securitized products does not depend on the credit quality of the small to medium-sized enterprises (the sellers of receivables) themselves, but rather on that of the underlying assets (in this case, of the group of obligors who must pay the receivables claims). Since the clients of small to medium-sized enterprises include entities with high credit ratings such as government bodies and large-sized firms, in some cases the credit quality of the products resulting from the securitization of claims against these entities could be higher than that of the small to medium-sized enterprises themselves.[8]

Even in cases where both the sellers of receivables and the obligors are not very creditworthy, the credit quality of the securities ultimately issued can be enhanced. This can be achieved by assigning more claims than the face value of the securities issued (*overcollateralization*), and by obtaining insurance or credit guarantees on individual claims. For example, some factoring companies are beginning to utilize trade credit insurance when they purchase receivables (see Box 3).

When banks arrange securitization programs, they may provide credit enhancement frameworks, such as guarantees. Generally, banks provide two types of credit enhancement: "full support programs" in which banks cover the entire risks inherent in the programs, and "partial support programs" in which a portion of the risks is transferred to the securities investors. In the past, the ABCP programs arranged by Japanese banks were mostly of the full support variety, as they were practically a form

BOX 1: System of Guarantees for Loans with Receivables Collateral and Securitization of Credits Extended to Small to Medium-Sized Enterprises

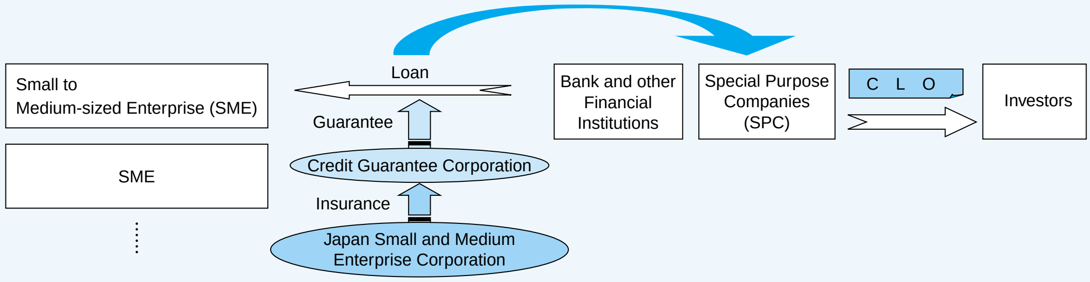
System of Guarantees for Loans with Receivables Collateral

In December 2001, a new credit guarantee framework was established covering loans to small to medium-sized enterprises using receivables as collateral, in order to facilitate and diversify fund raising by small to medium-sized enterprises which cannot provide physical collateral. Under this framework, credit guarantee corporations provide guarantees for 90% of the loans (partial guarantees), and these guarantees are then reinsured by Japan Small and Medium Enterprise Corporation (covering 80% of the principal of the original loan).

Securitization of Credit Extended to Small to Medium-sized Enterprises: CLO (Collateralized Loan Obligation) Scheme Launched by the Tokyo Metropolitan Government

A CLO Scheme, securitizing new loans guaranteed by credit guarantee corporations, was launched under the Tokyo Metropolitan Government's initiative to develop a debt securities market for small to medium-sized enterprises. While the underlying assets in the scheme are not necessarily restricted to receivables, the scheme is attracting attention as a novel approach to promote the securitization of credit extended to small to medium-sized enterprises, including loans backed by receivables collateral. From FY1999 through FY2001, three issues were launched with a total value of approximately ¥180 billion. The third issue (in March 2002) was notable in that one component was purely comprised of receivables assigned by private sector sellers (mainly banks) who retained the subordinated tranche, and thus did not rely on guarantees from credit guarantee corporations. In April 2002, Fukuoka Prefecture also launched a similar system called "the New Financing System in Fukuoka."

CLO Scheme



of bank credit. Nevertheless, partial support programs, with limited dependence on banks' credit support, are also emerging.[9]

Senior/Subordinated Structure

Senior/subordinated structure is a common technique in securitization. Under this structure, securities are issued in various classes or tranches, each with different levels of risks. Holders of senior securities have first claims on the cashflows from the underlying assets. Junior (subordinated) securities are entitled to receive payments only after the holders of senior securities. Additionally, structures may include so-called "mezzanine securities" that fall somewhere in between senior and junior securities, as well as "deeply subordinated securities" that have characteristics similar to equity. The programs discussed in this article could utilize such senior/subordinated structure: i.e., the sellers themselves or the arrangers (banks, etc.) could assume the risks of the sellers or obligors by holding junior securities, and the senior securities could be sold to general investors. In such cases, it could be possible to acquire the highest credit ratings for the senior securities. The junior securities can also be marketed to investors, if more investors were ready to hold high-risk products.

Liquidity Enhancement

Apart from the enhancement against credit risk, temporary payments could be provided by liquidity enhancement frameworks when there might be unexpected mismatches between the cash collection from receivables and the payment of interest and principal on the securities. While there is a growing reluctance on the part of Japanese banks to take risks by providing credit enhancement, some banks are more willing to provide liquidity enhancement as a promising business line. In overseas markets, there are now programs whereby multiple banks form syndicates to provide liquidity enhancement.

Problems that Need to be Resolved: Legal Issues, Standardization of Procedures, and Data Accumulation

The Study Group noted the following three issues as major obstacles that need to be overcome to develop the ABCP market: (1) legal issues regarding the assignment of receivables; (2) issues related to the standardization of procedures; and (3) the accumulation of data for evaluating pools of receivables.

Legal Issues Regarding the Assignment of Receivables

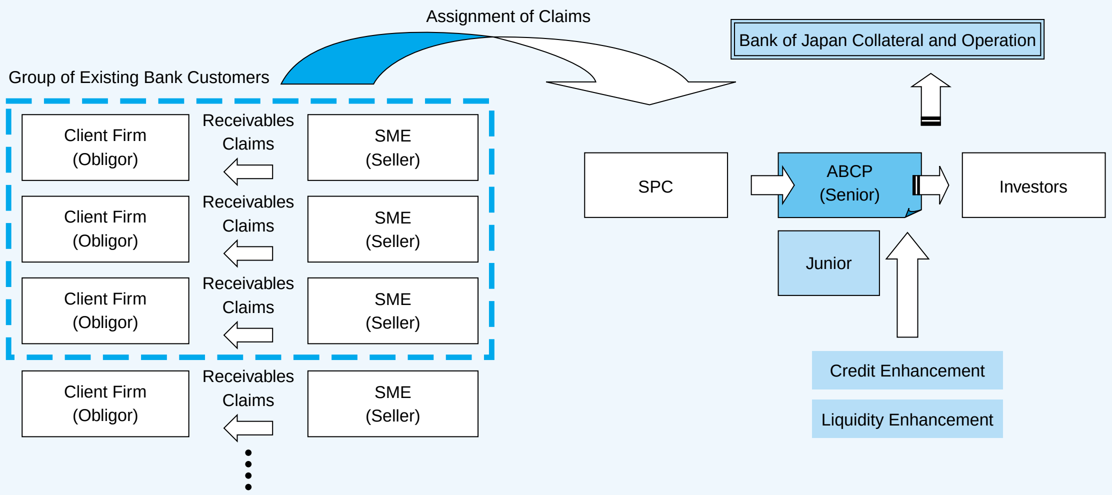
In ABCP programs backed by receivables, the key point is to ensure that the funds are collected, without fail, from the receivables that are assigned. Unlike trade bills or promissory notes, receivables claims may be influenced by the underlying sales contracts, which can raise various issues. For example, in some cases, claims would be devalued when defects in goods are found after delivery. In the worst hypothetical case, the transactions underlying the receivables may not even exist. Accordingly, when receivables are securitized, various measures must be devised to address these risks.

While such risks undoubtedly increase the costs of arranging ABCP programs, in practice they can be addressed through additional credit enhancement. In the U.S., for instance, the quantitative evaluation necessary for credit enhancement to address these risks is conducted by referring to the track record of individual firms' claims collection performance, etc.

Another issue concerning the assignment of

BOX 2: ABCP Program: Case 1 (Arranged by a Bank)

(1) The arranger bank identifies an appropriate group of sellers from its existing customers, considering the costs of credit approval processing and credit enhancement.
(2) The enterprises (sellers) transfer their receivables (or pools of receivables) to an SPC.
(3) The SPC issues ABCP to investors with the receivables as the underlying assets. At the time of issuance, the creditworthiness of the ABCP is enhanced by dividing the pool into senior and junior tranches, with the senior tranche having priority over the junior tranche in the event of default.
(4) The sellers receive funds raised by the ABCP issuance in return for the transfer of their receivables, and the investors receive the cash flows from the receivables pool as interest and principal payments on the ABCP. In many cases, the cash collection from the receivables (servicing function) is conducted by the sellers themselves.



Note: After the implementation of The Law Concerning Book-entry Transfer of Short-term Corporate Debt Securities (April 2002), ABCP can be directly issued as senior securities. Before such an arrangement became possible, receivables had to be transferred first to trust banks and senior securities issued against the trust beneficiary rights in the form of ABCP. This was because ABCP was regarded as a trade bill (or promissory note), which could not contain any language specifying a senior/subordinated structure.

receivables is the practical response to double assignments. The Law Concerning Exceptions, Etc. to the Civil Code, Applicable to Perfection of Assignment of Receivables provides a clear and simple perfection method of the assignment of receivables against third parties via joint registration, but the original obligors are not involved in the registration procedures. As a result, complications could arise when receivables are assigned twice for some reason and the obligor has approved the assignment to the subsequent assignee without reservation in accordance with the Civil Code. While the prior assignee of the receivables is given priority over the subsequent assignee under the Law Concerning Exceptions, Etc to the Civil Code, the prior assignee would be prevented from exercising rights against the obligor under the Civil Code.

This would not be a problem if the assignment was perfected against the obligor simultaneously with the joint registration, but some participants find these procedures to be troublesome in practice. Additionally, to avert double assignments the assignee must confirm that there are no prior registrations, and some market participants have noted that searching for such records is burdensome. Thus, it is important to improve these practical procedures. As for the legal issues, some have pointed out the possibility of ensuring perfection via approval of the assignment of future receivables.

Many have noted that one of the difficulties in the financing of receivables is the existence of covenants prohibiting assignments to third parties. According to a survey conducted by the Small and Medium Enterprise Agency, such covenants prohibiting assignments become more common as the size of the obligor's business becomes larger. On a procurement value basis, approximately 45% of all Japanese receivables are governed by such covenants. And even when the contracts do not include covenants prohibiting assignments, actual requests seeking approval of the assignments could lead to a severing of business relationships as the mobilization of receivables would be regarded as a symptom of cashflow difficulties.

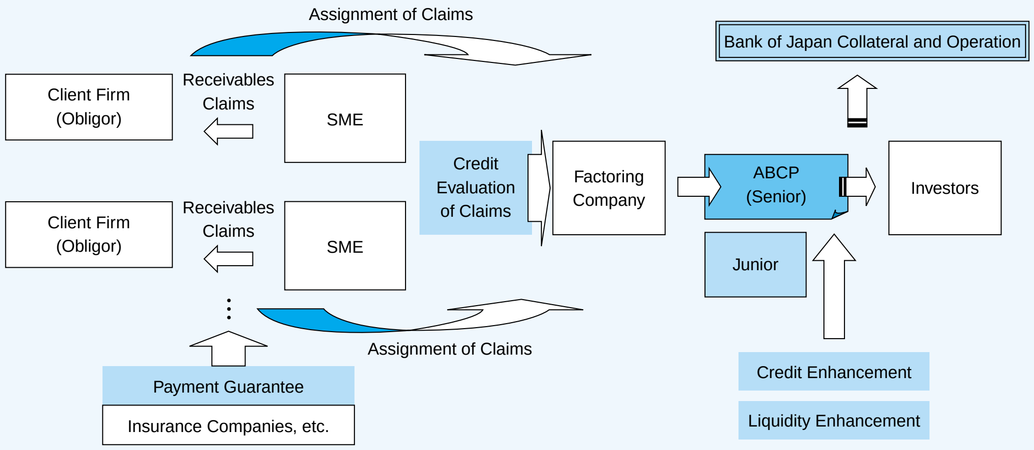
Recently, however, there is a growing trend to eliminate some of the covenants prohibiting assignments in contracts with public entities. While the issue of assignment prohibitions is ultimately based on the intentions of the contracting parties, covenants prohibiting assignments may eventually be abandoned as the economic significance of the assignment of receivables gains wider recognition and as efforts to ease the institutional constraints that make such assignments difficult bear fruit. From this perspective, for example, the establishment of a filing system that is consistent with international practices may be considered as a long-term agenda.

Issues Related to the Standardization of Procedures

The procedural costs incurred by both the sellers and the intermediaries that arrange securitization programs have also been noted as barriers to the assignment of receivables. For example, when receivables are assigned to SPCs or factoring companies, the arrangers must identify receivables that can be transferred and prepare electronic files for registration to perfect the assignment. For small to

BOX 3: ABCP Program: Case 2 (Factoring Company Intermediation)

(1) Small to medium-sized enterprises sell their receivables to a factoring company. The factoring company is usually prepared, after conducting necessary evaluation of credit, to purchase receivables even from enterprises with which they do not have prior business relations.
(2) The factoring company has ABCP issued against the receivables via an SPC, and raises funds to purchase receivables from investors.
(3) Under this approach, the default risk on the receivables is controlled via thorough examination of the receivables. In some cases, the factoring company purchases trade credit insurance from insurance companies, so as to cover any losses if obligors go bankrupt.



The functions of factoring companies, such as the purchase of receivables and bills from firms, can be grouped into four categories. In their early stages of development in Japan, factoring companies could only purchase high-risk bills that banks were unwilling to discount. The factoring companies suffered from high incidences of defaults following the first Oil Shock, incurring heavy industry-wide damages. At present, Japanese factoring firms mostly provide services grouped in iii) and iv). In Europe and the U.S., the factoring industry has developed significantly as providers of comprehensive financial services including service grouped in ii).

i) Financing (prepayment of claims): Early Japanese factoring companies mostly purchased bills (during the latter 1960s and early 1970s).
ii) Management of receivables (bookkeeping services)
iii) Collection of receivables (agent for receiving payments) } From the 1980s
iv) Credit guarantees (assuming collection risks)

medium-sized enterprises, in many cases there is no written contract stipulating the receivables, and substantial time and effort are required to individually process data, which arrive in diverse formats, into electronic formats.

Many of the Study Group participants agreed that standardizing and systematizing the assignment procedures via the use of uniform contract forms and other measures would be a desirable means of reducing the procedural costs. Some noted that these costs could be further reduced by establishing nationwide ID numbers for small to medium-sized enterprises. The Credit Risk Database (CRD, described in greater detail below) has already been established for accumulating financial data on more than one million small to medium-sized enterprises. The CRD Management Council presently changes a firm's name to an anonymous number for recording the data. Taking the CRD participants' views into account, the Council is now considering the assignment of common ID numbers based on certain attributes of firms (these attributes are used for processing firms' data anonymously). In addition, it is exploring the possibility of releasing information that would link such ID numbers with firms' names.

The Study Group noted that managing receivables by payment date, in a manner analogous to that used for trade bills and promissory notes, could be adopted as a practical approach. Some participants reported the development of a system for processing data up through the preparation of registration filing data.[10] However, systems for managing large firms' own debts and credits are presently still in the initial development stages. The establishment of standard electronic contracts with clauses concerning assignment of small to medium-sized enterprises' receivables would greatly reduce the securitization costs.[11]

The Accumulation of Data on Small to Medium-sized Enterprises

Along with the issues regarding the assignment of receivables, the paucity of public data on small to medium-sized enterprises is also problematic. In fact, historical data on financing and transactions are essential for investors and rating agencies to evaluate any ABCP that is ultimately issued in the market. While the environment needs to be improved, Japanese small to medium-sized enterprises may generally be uncomfortable with this type of disclosure of management information, which is not harmonious with their traditional business practices. Nevertheless, the accumulation of financial and transaction data is a prerequisite for objective third-party evaluations that must take place for small to medium-sized enterprises to establish direct financing channels.

The use of the CRD, which is being implemented under the initiative of the Small and Medium Enterprise Agency, is attracting attention as one possible means of overcoming these problems. Under the CRD, the participants (52 credit guarantee corporations, 2 government-affiliated financial institutions, 15 banks, and 3 *shinkin* banks[12]) are anonymously recording financial and

BOX 4: Public Sector Involvement in Promoting Securitization

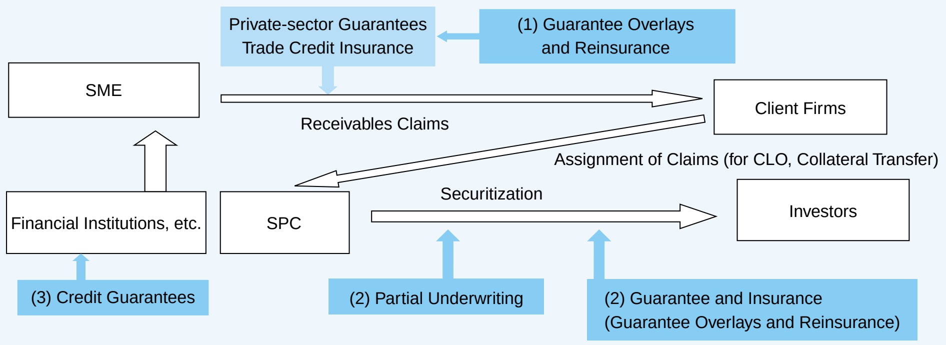
At the Study Group, there were views advocating public sector support aiming at promoting the development of the market for securitizing claims involving small to medium-sized enterprises. These focused on risk support schemes, whose costs are significant in arranging ABCP issues. Specifically, the following three options were outlined.

(1) Guarantees and Reinsurance
Public sector entities could guarantee receivables purchased by factoring companies or reinsure trade credit insurance provided by insurance companies.

(2) Underwriting, Guaranteeing or Insuring Securitized Products
Public sector entities could underwrite a portion of securitized products issued against claims held by small to medium-sized enterprises, or provide guarantees and insurance (guarantee overlays and reinsurance) for such products.

(3) Credit Guarantees for Underlying Loans to Small to Medium-sized Enterprises
Public sector entities could provide guarantees for the individual underlying loans under CLO type securitization. The present guarantee scheme provided by the Small and Medium Enterprise Agency is an example.

The use of the third framework would be dependent on the behavior of financial institutions. In contrast, public sector support would be possible for frameworks (1) and (2), regardless of the financing channels utilized by the small to medium-sized enterprises (under either direct or indirect financing). The relative advantages among the three frameworks can be weighed from the perspective of liquidity demands on public sector entities, and from that of efficiency. As regards liquidity demands, the purchase of securities under the second framework requires public sector entities to provide cash when securities are issued. Under the two other frameworks, public sector entities only have to pay when default events occur. From the perspective of efficiency, the purchase of securities under the second framework could be more efficient because, if an appropriate structure were constructed, it would better limit the losses incurred from defaults by mitigating moral hazard on the part of small to medium-sized enterprises and financial institutions.



default data on small to medium-sized enterprises with which they have business relations. The CRD is building up a nationwide database, and providing various services to help the participating financial institutions to quantify credit risk. As of the end of February 2002, the CRD had already accumulated data on 2.87 million financial statements from 1.06 million small to medium-sized enterprises (810,000 firms and 250,000 proprietorships), and is expected to cover approximately half of Japan's 4.84 million firms nationwide[13] in the future. The accumulated data include information on defaults by approximately 70,000 firms, and are therefore extremely useful for the evaluation of credit risk. Analyses of the actual data by the CRD Management Council reveal a low correlation between revenue information and instances of default, but indicate that equity ratios and other balance sheet information as well as debt service information can be effectively utilized for the evaluation of firms' credit conditions. In the future, barriers faced by small to medium-sized enterprises will be mitigated when they seek to raise funds directly from the market, as firms will more voluntarily disclose financial data for more efficient raising of funds and the CRD data will be shared more widely with less emphasis on anonymity.

Conclusions

Several insights related to the future development of the Japanese ABCP market were obtained through exchanging views with various market participants via the Study Group. First, upgrading the environment for ABCP backed by the receivables held by small to medium-sized enterprises would not only strengthen the direct fund raising channels for those enterprises and generally facilitate financing of business activities, but also present new business opportunities for Japanese firms and financial institutions. Advancing such market reforms is expected to facilitate the re-examination of traditional business practices, and the development of new financial products would bring greater dynamism to Japanese financial markets.

Second, the process of expanding the securitization business may demand changes in the role of public finance, in terms of qualitatively supplementing private-sector initiatives. Until the issues pointed out in this article are resolved, having public entities guarantee receivables and underwriting a portion of the securities might be a useful option (see Box 4).

Finally, from the central bank's perspective, efforts to upgrade the ABCP market are required to facilitate smoother corporate financing and to strengthen the effects of monetary easing. The Bank of Japan Policy Board outlined policies regarding the assets that are eligible for BOJ operations and collateral in December 2001, and revised the criteria in January 2002.[14] Such policy decisions are expected to encourage the improvement and development of Japan's ABCP market. Furthermore, the public release, as appropriate, of various information about the ABCP market being collected by the BOJ Financial Markets Department should also support the development of sound markets.

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1 *Establishment and Enterprise Census (1999)*, Ministry of Public Management, Home Affairs, Posts and Telecommunications.

2 For further details on the discussions at the Study Group, see the final report, which will be released in the near future. Participants included financial experts who have expertise in the small to medium-sized enterprises financing and securitization business, legal experts, and representatives from the Small and Medium Enterprise Agency. The BOJ Financial Markets Department served as the secretariat, and the Study Group met four times on December 25, 2001, January 24, 2002, February 12, 2002 and February 26, 2002.

3 The total value of receivables as of fiscal 2000 year-end, according to *Financial Statements Statistics of Corporations by Industry, Annual*, Ministry of Finance.

4 According to *Regarding the Facilitation of Financing Activities by Small to Medium-sized Enterprises via Securitization Etc.,* Small and Medium Enterprise Agency (2001), as of 1999, only approximately 1% of Japanese receivables had been mobilized.

5 Firms capitalized at under ¥100 million according to *Financial Statements Statistics of Corporations by Industry, Annual*, Ministry of Finance.

6 This percentage is calculated by using data as of fiscal 2000 year-end from *Financial Statements Statistics of Corporations by Industry, Annual*, Ministry of Finance, by dividing receivables by the sum of short-term and long-term borrowings.

7 When more than a few receivable claims are pooled together, the overall credit risk can be quantitatively measured based not on the credit risks of the individual receivables, but rather in accordance with the law of large numbers. As long as the pool is sufficiently large and efforts are made to contain correlation risks among the claims, the risks of the overall pool can be controlled.

8 In certain cases, small to medium-sized enterprises providing goods and services to one large-sized firm would assign their receivables claims against this large-sized firm to a financial institution. The financial institution would then advance funds to the small to medium-sized enterprises and take care of processing payments on behalf of the large-sized firm. The pool of receivables thus assigned to the financial institution would sometimes be utilized as the underlying asset for ABCP issues.

9 The Bank of Tokyo-Mitsubishi plans to improve its ABCP program by achieving a higher pooling effect than in the past by utilizing its own tracking records on individual obligors. Based on this improvement, the BTM will be able to decrease the amount of credit enhancements provided to the program (SPC) and to enlarge the program volume from one trillion yen to two trillion yen without taking on additional risk.

10 The Sumitomo Mitsui Banking Corporation plans to develop an internet platform "S-eMP" for trading securitized receivables by this Autum. The platform is built on its already live "e-MP" system for securitization of receivables. The SMBC will actively enlarge its business for securitization of receivables. The Shinkin Central Bank is presently developing an electronic bill system (to enable electronic processing of receivables) as part of its efforts to support the expansion of electronic transaction by small to medium-sized enterprises, and this system is scheduled to begin operation within FY2003.

11 Under the U.S. Small Business Administration (SBA) guaranteed loan securitization program, the standardized form of contracts, "SBA Form 1086" is available via the Internet.

12 Aside from regular members, the Small and Medium Enterprise Agency, the National Federation of Credit Guarantee Corporations and the Bank of Japan participate as specially designated members.

13 *Establishment and Enterprise Census (1999)*, Ministry of Public Management, Home Affairs, Posts and Telecommunications.

14 The ABCP market scale was approximately ¥16.5 trillion as of March 31, 2002 (on program basis, according to a Bank of Japan survey), of which ¥0.7 trillion was eligible for Bank of Japan guarantees.

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