

September 22, 2021

Bank of Japan

Establishment of "Principal Terms and Conditions of the Funds-Supplying Operations to Support Financing for Climate Change Responses"

At the Monetary Policy Meeting held on September 21 and 22, 2021, the Policy Board of the Bank of Japan made the following decisions with a view to supporting private sector efforts on climate change.

Regarding these decisions, please refer to "(Reference) Outline of Climate Response Financing Operations" as well.

1. The Bank shall establish the "Principal Terms and Conditions of the Funds-Supplying Operations to Support Financing for Climate Change Responses" (see Attachment 1).
2. The Bank shall amend the "Principal Terms and Conditions of Complementary Deposit Facility" (see Attachment 2).
3. The Bank shall amend the "Principal Terms and Conditions of the Interest Scheme to Promote Lending" (see Attachment 3).

Principal Terms and Conditions of the Funds-Supplying Operations to Support Financing for Climate Change Responses

1. Purpose

These terms and conditions prescribe the principles for the Bank of Japan's funds-supplying operations to support financing of the private sector for their efforts on climate change (i.e., open market operations through which the Bank provides loans against eligible collateral within the amount outstanding of investment or loans by eligible counterparties to contribute to Japan's actions to address climate change).

2. Location of Operations

The Bank's Head Office (Operations Department) or its branches.

3. Eligible Counterparties

(1) Eligible counterparties shall, pursuant to the Bank's relevant rules, be selected from financial institutions, etc. (prescribed in Article 37, paragraph 1 of the Bank of Japan Act [Act No. 89, 1997]) and the Development Bank of Japan Inc. that satisfy the following requirements.

(a) To have a current account at the Bank.

(b) To be deemed sufficiently creditworthy in light of their capital condition and other relevant information obtained through the Bank's on-site examinations and so forth.

(c) To disclose information on certain matters, which are determined in the Bank's relevant rules, concerning their efforts to address climate change.

(2) The Bank shall review eligible counterparties annually in principle.

(3) If the Bank specifically deems it necessary from the perspective of the smooth conduct of the Funds-Supplying Operations to Support Financing for Climate Change Responses (hereinafter referred to as "Climate Response Financing Operations"), it can implement such measures as an exclusion of the institution in question from eligible counterparties.

4. Form of Loans

Loans shall be provided in the form of electronic lending.

5. Duration of Loans

The duration of each loan shall be one year in principle. Loans may be provided successively as the Bank shall disburse new loans on the maturity date of the existing loans.

6. Loan Rates

The interest rate on loans shall be 0 percent per annum.

7. Counterparties

Counterparties of each loan shall be eligible counterparties that wish to receive loans.

8. Maximum Amount of Loans for Each Counterparty

The maximum amount of loans for each counterparty shall be equivalent to the amount outstanding of investment or loans by counterparties to contribute to Japan's actions to address climate change, with a remaining

maturity of 1 year or more at the time determined at each loan disbursement pursuant to the Bank's relevant rules.

9. Investment or Loans to Contribute to Addressing Climate Change

The investment or loans that contribute to addressing climate change shall be those that counterparties themselves determine to satisfy either (1) or (2) below.

(1) The investment or loans that are listed from (a) to (e) below and comply with corresponding international standards or the Japanese government's guidelines

(a) Green loans

(b) Green bonds (including sustainability bonds)

(c) Sustainability-linked loans with performance targets related to efforts on climate change

(d) Sustainability-linked bonds with performance targets related to efforts on climate change

(e) Transition finance

(2) The investment or loans that are substantially equivalent to those prescribed in (1) above, including those exemplified in the relevant rules of the Bank

10. Disclosure of Information on Investment or Loans by Counterparties

Each counterparty shall, pursuant to the Bank's relevant rules, disclose its criteria used to determine which investment or loans contribute to addressing climate change.

11. Amount of Each Loan

The amount extended to each counterparty for each loan shall be the amount the counterparty wishes to receive within the maximum amount prescribed in 8. However, it shall not exceed the unused value of total standing pool of eligible collateral pledged to the Bank at the time of loan disbursement.

12. Date of Loan Disbursement, etc.

With a view to conducting the Climate Response Financing Operations smoothly, the Bank shall determine the date and other necessary specifics at each loan disbursement.

13. Collateral

(1) The Bank shall accept eligible collateral from counterparties in advance.

(2) The "Guidelines on Eligible Collateral" (Policy Board Decision on October 13, 2000) and the "Collateral Guidelines on Eligible Foreign Bonds" (Policy Board Decision on May 22, 2009) shall apply to the collateral for the loans.

(Supplementary Provision)

These terms and conditions shall become effective today and shall be valid through March 31, 2031, unless the smooth conduct of market operations is interfered with. To the loans that are disbursed on or before March 31, 2031, these terms and conditions shall be applied until their maturities.

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

- Paragraph 4. shall be amended as follows.

4. Interest Rate

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

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

(a) (No change)

(b) The average amount of yen-denominated loans under the "Principal Terms and Conditions for the Loan Support Program" (Policy Board Decision on December 20, 2012), the "Principal Terms and Conditions of the Special Funds-Supplying Operations to Facilitate Financing in Response to the Novel Coronavirus (COVID-19)" (Policy Board Decision on March 16, 2020) ~~and~~ the "Principal Terms and Conditions for the Funds-Supplying Operation to Support Financial Institutions in Disaster Areas" (Policy Board Decision on March 16, 2020), and the "Principal Terms and Conditions of the Funds-Supplying Operations to Support Financing for Climate Change Responses" (Policy Board Decision on September 22, 2021) during the DRMP.

(c) }
(d) } (No change)

(4) (No change)

(Supplementary Provision)

This amendment shall become effective today and shall be applied to the calculation of interest for the reserve maintenance period starting on or after December 16, 2021.

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

- Paragraph 2. shall be amended as follows.

2. Eligible Institutions

Institutions shall be the eligible counterparties of the loans listed from (1) to ~~(4)~~(5) below and shall have no obstacles to become eligible.

(1) }
2 } (No change)
(4) }

(5) Loans under the "Principal Terms and Conditions of the Funds-Supplying Operations to Support Financing for Climate Change Responses" (Policy Board Decision on September 22, 2021) (hereinafter referred to as "Climate Response Financing Operations")

- Paragraph 3. shall be amended as follows.

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

The amounts to which interest is applied and the applied interest rates are listed from (1) to (3) below.

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

(3) Category III

An interest rate of 0 percent per annum shall be applied to the average amount of CAB during the DRMP subtracted by the amount of required reserve per day, the amount for Category I, and the amount for Category II (excluding the case where such amount is negative), up to the sum of the average amount of borrowings each day during the DRMP under the operations listed from (a) to ~~(e)~~(d) below.

- (a)
 - ?
 - (c)
- } (No change)

(d) Climate Response Financing Operations

(Supplementary Provision)

These amendments shall become effective today and shall be applied to the calculation of interest for the reserve maintenance period starting on or after December 16, 2021.