

April 27, 2020

Bank of Japan

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.¹ 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).

¹ 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.² 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 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

² 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.³

(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.⁴

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]

³ In case of a rapid increase in the yields, the Bank will purchase JGBs promptly and appropriately.

⁴ 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.

Reference

Meeting hours:

Monday, April 27: 9:00-12:01

Policy Board members present:

Mr. KURODA Haruhiko, Chairman (Governor)
Mr. AMAMIYA Masayoshi (Deputy Governor)
Mr. WAKATABE Masazumi (Deputy Governor)
Mr. FUNO Yukitoshi
Mr. SAKURAI Makoto
Ms. MASAI Takako
Mr. SUZUKI Hitoshi
Mr. KATAOKA Goushi
Mr. ADACHI Seiji

[Others present]

From the Ministry of Finance:

Mr. TOYAMA Kiyohiko, State Minister of Finance (9:00-11:35, 11:46-12:01)

From the Cabinet Office:

Mr. NISHIMURA Yasutoshi, Minister of State for Economic and Fiscal Policy (9:00-11:35, 11:46-12:01)

Release dates and times:

Enhancement of Monetary Easing -- Monday, April 27 at 12:08

Outlook for Economic Activity and Prices (Outlook Report)

The Bank's View -- Monday, April 27 at 12:08

Full text -- Tuesday, April 28 at 14:00

Summary of Opinions -- Monday, May 11 at 8:50

Minutes of the Monetary Policy Meeting -- Friday, June 19 at 8:50