

Cash Flow Support for Businesses following the “Emergency Economic Measures to  
cope with COVID-19”  
(Request to financial institutions)

The government decided on the “Emergency Economic Measures to cope with COVID-19” on April 7. One of the measures was to introduce effectively interest-free and unsecured loans provided via private financial institutions, utilizing local governments’ loan programs for the purpose of helping SMEs continue their businesses. The relevant budget proposal was decided at the Cabinet meeting on April 20.

Local governments will start the new loan program once the relevant budget are approved. This request contains issues to note for financial institutions to prepare for smooth and prompt implementation of the new loan program in collaboration with local governments and Credit Guarantee Corporations.

In implementing the new loan program, local governments and Credit Guarantee Corporations are to make efforts to simplify and accelerate processes for providing loans, from the perspective of promoting even smoother and prompter financial support to businesses.

1. With the aim of implementing the effectively interest-free and unsecured loans provided via private financial institutions (hereinafter referred to as the "new loan program") smoothly, we request financial institutions to strengthen their capacity to respond to customers’ loan consultations. Once the new loan program is launched, we urge financial institutions to offer cash flow support by providing loans as promptly as possible from companies with higher urgency. In deciding loan terms, set appropriate periods up to five years to allow borrowers to skip repayments on the principal.
2. The Small and Medium Enterprise Agency has issued a notice to local governments, which states that financial institutions shall in principle file applications for new loans on behalf of customers to make the process easier for them. In light of this, financial

institutions are requested to check necessary documents and file applications for municipal governments' approval or for Credit Guarantee Corporations' guarantees, based on discussions with local governments and Credit Guarantee Corporations (promotion of one-stop procedures).

3. The Small and Medium Enterprise Agency instructs that with regard to businesses that have existing loans with Credit Guarantee Corporations, refinancing of an existing bridge loan with a guaranteed loan under the new loan program should not be uniformly prohibited and judgments should be made on a case-by-case basis, in consideration of businesses' benefits. Based on this instruction, we request financial institutions to actively offer financial support, such as bridge loans, including in the period prior to the Golden Week holidays from May 2. Before offering bridge loans, hold discussions with Credit Guarantee Corporations and submit basic documents, such as a written application for credit guarantee consignment, before providing bridge loans.

Depending on the urgency of each business, actively provide bridge loans, not limited to guaranteed loans, until the business receives loans provided by the Japan Finance Corporation or various benefits. In doing so, closely cooperate with the Japan Finance Corporation.

4. As it is expected that financial institutions will receive many questions and consultations regarding the new loan program and other supports from companies around the Golden Week holidays from May 2 to 6, we request financial institutions to readily respond to those consultations by opening necessary branches during the holidays. Additionally, process applications in close cooperation with local governments and Credit Guarantee Corporations during the holidays so that funding will be promptly commenced after the holidays.

Also after the holidays, financial institutions are requested to provide financial support to companies with high urgency as swiftly as possible, and at the same time, take necessary measures at branches from the perspective of mitigating congestion and preventing spread of the virus, such as setting work priorities with due consideration to each customer's circumstances and not compromising customer convenience significantly.

5. Check financing conditions of customers in detail before and after the holidays, and provide financial support in advance for companies that expect cash settlements during the holidays. Also take appropriate measures to prepare necessary cash so that flexible responses can be made to unexpected fund needs during the holidays.

6. Process loan applications appropriately in accordance with the guidelines and Q&A of the new loan program. In particular, requests for guarantees should be made at proper amounts according to each business' size, personal guarantees should not be required except for certain cases where the business and the owner are unseparated, and securities should not be collected unless a company especially wishes so.

7. When processing applications for refinancing of existing loans, make appropriate judgements in light of each company's needs and avoid formalism. Give special consideration regarding fees and penalties that arise upon refinancing, taking into account each customer's circumstances.

In addition, give special consideration regarding fees and penalties that arise upon modification of loan terms, not limited to loans under the new loan program but including loans by private financial institutions.