

(Provisional translation)
Financial Services Agency
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Cash Flow Support for Companies under the Second Supplementary Budget for FY2020 (Request)

On May 27, 2020, the central government decided the second supplementary budget for FY2020 to strengthen cash flow support for companies, including expansion of the coverage of no-interest unsecured loans by private financial institutions.

The FSA has monitored financial institutions' efforts for providing substantially no-interest and unsecured loans by the use of local governments' loan programs, but in order to ascertain the entirety of cash flow support for companies, it is necessary to also take into account the important roles played by private financial institutions' proper loans, in addition to government financial institutions' loans and loans guaranteed by Credit Guarantee Corporations.

From the perspective of making utmost efforts for further securing prompt and proper support measures for companies, such as the deferment of principal payments or alteration of other loan conditions and the provision of new loans, depending on the circumstances of respective companies, the FSA publicizes the following matters to note. Please properly inform the members of your association.

1. With regard to categories of loans upon alteration of conditions such as postponement of repayment or provision of new loans for offering cash flow support, if financial institutions had evaluated relevant borrowers, who are now facing the deterioration of business conditions due to the pandemic, as being financially sound before the spread of COVID-19 infection, and decided to maintain such evaluations in consideration of the high possibility of their post-corona recovery and the effects of the emergency economic package, the FSA will respect such decisions made by financial institutions.

2. From the perspective of ensuring that private financial institutions effectively offer cash flow support for companies, the FSA and Local Finance Bureaus analyze the balances of private financial institutions' proper loans and conduct hearings concerning the status of their cash flow support for companies, such as whether loan balances are decreasing or not, while referring to loans and guarantees provided by government financial institutions, etc. When there arises a need to check a support system put in place by any financial institution, we will conduct a special inspection (an on-site inspection under Article 25 of the Banking Act) to check their efforts on a timely basis.

3. As a means for offering support to companies that are in urgent need of funds due to a drastic change in business environment, active use of borrowings recognizable as capital (borrowed money that is deemed to have the nature of capital through the evaluation of the borrower and that can be treated as capital) is recommendable and we will clearly indicate this in the Guidelines for Supervision.