4 Subsidy Bonds

Subsidy Bonds are the government bonds issued in place of provision of cash. Accordingly, issuance of Subsidy Bonds does not generate revenues (☞).

Subsidy Bonds include (narrowly defined) Subsidy Bonds issued by the government in place of monetary payments including condolence money and benefits and Subscription/Contribution Bonds issued for subscriptions or contributions to international organizations such as the International Monetary Fund.

(1) Subsidy Bonds (narrowly defined)

Subsidy Bonds are currently issued to the bereaved families of the war dead or those who suffered physical or spiritual damage in World War II and those who were repatriated after the war, in lieu of monetary payments such as condolence money and benefits.

The first such government bonds were issued to the bereaved families of the war dead and others based on the Act on Relief of War Victims and Survivors (Act No.127, 1952) established in 1952. Since then, a total of 45 types of Subsidy Bonds have been issued under relevant special laws by the end of FY2017. The number of such bond issues totals 18.9 million, worth 4,250.4 billion yen. Subsidy Bonds outstanding at the end of FY2017 totaled 194.1 billion yen.

In the context of leveling fiscal spending, redemption of these bonds is made over a period of several years on an installment payment basis (☞).

(2) Subscription/Contribution Bonds

Subscription/Contribution Bonds (☞) are kinds of Subsidy Bonds, and are issued to pay the subscription or contribution in whole or in part to international institutions, in lieu of the amount to be paid in the currency. Thus, these bonds are non-interest bearing, nontransferable, and payable on demand (whenever the institution concerned needs the currency and requests for encashment, the cash should be paid to the institution).

As of the end of FY2017, we have a total of 19 outstanding issues of subscription or contribution bonds issued to 13 institutions, including the IMF. As prescribed in the articles of agreement for each institution, using government bonds to make a payment to an international institution is permitted only when the institution concerned does not require the currency for the time being for the conduct of its operations.

Domestically, the Accession Measures Act for each international institution provides a legal base for the issuance of these Subscription/Contribution Bonds.

(3) Others

A. Government Bonds issued to Development Bank of Japan

Government Bonds issued to the Development Bank of Japan (DBJ) are government bonds issued/provided for the purpose of strengthening the financial foundations of the DBJ to facilitate the implementation of crisis response operations carried out by the DBJ; these

☞Subscription/Contribution Bonds, Government Bonds issued to the Development Bank of Japan for crisis response operations and Government Bonds issued to the Nuclear Damage Compensation and Decommissioning Facilitation Corporation are also issued by the government in place of provision of cash and do not generate revenues. Therefore, they are treated as widely defined Subsidy Bonds in addition to narrowly defined Subsidy Bonds in (1).

☞Also, given the purpose for issuance and the nature that the recipients of redemption money are limited, Subsidy Bonds are offered as name bonds, and in principle their transfer and attachment are prohibited.

☞While the difference between "subscription" and "contribution" paid to international institutions is not very clear, the former is used if all of the following requirements (1) to (3) are met, otherwise the latter is used.

(1) Funds necessary for institutions with independent articles of agreement to perform their primary operations set forth in their articles of agreement are provided.

(2) The purpose of providing the funds is to participate in the management of the institution concerned and voting rights commensurate with the amount of funds paid are granted.

(3) In cases including withdrawal from the institution concerned, the right to distribution of property commensurate with funds paid until then is granted.

bonds are non-interest bearing, non-transferable, and payable on demand (whenever the DBJ needs to reinforce its financial foundation and requests for encashment, the cash should be paid to the DBJ).

B. Government Bonds issued to Nuclear Damage Compensation and Decommissioning Facilitation Corporation

Government Bonds issued to the Nuclear Damage Compensation and Decommissioning Facilitation Corporation (NDF) are issued/provided to raise funds for the NDF to cover special financial assistance. These bonds are non-interest-bearing, non-transferable, and payable on demand (whenever the NDF needs to subsidize funds for a nuclear energy firm to pay damages compensation and requests the encashment of these bonds, the cash should be paid to the NDF).

It should be noted that these bonds are redeemed with cash at the expense of the Special Account for Energy Policy (Nuclear Damage Liability Facilitation Account).