Chapter 2 Financing Bills, Borrowings, Government-Guaranteed Debt and Subsidy Bonds

In addition to issuing JGBs to finance fiscal expenditures as explained in Chapter 1, the central government also issues Financing Bills, has borrowings, and grants government guarantees. They have different features, but they are similar to JGBs in that they are part of the debt associated with financing the fiscal activities of the central government. The government also issues Subsidy Bonds in place of monetary payments. These debt instruments are outlined below:

1 Financing Bills

The central government is able to issue Financing Bills (FBs) to finance the national treasury on a short-term basis or cope with temporary fund shortage in special accounts. As Treasury Financing Bills issued to finance the national treasury will address cash position within a fiscal year, they will be redeemed with revenues in the same fiscal year.

(1) Legal Grounds of Financing Bills

The government may issue Financing Bills for the General Account or some Special Accounts within the parameters as approved by the Diet in accordance with the "Public Finance Act," "Act on Special Accounts," and some other legislation.

Fig.2-32 Financing Bills by Legal Grounds of Issuance (☞①, ②)

Financing Bills	Legal grounds	Main purpose
Treasury Financing Bills	Article 7 (1) of the Public Finance Act	Issued "when it is required to balance the National Treasury."
Fiscal Loan Fund Financing Bills	Article 9 (1) of the Fiscal Loan Fund Act	Issued "when there is insufficient cash in the Fiscal Loan Fund"
Foreign Exchange Fund Financing Bills	Article 83 (1) of the Act on Special Accounts	Issued "when there are insufficient reserves in the Foreign Exchange Fund"
Petroleum Financing Bills	Article 94 (2) and 95 (1) of the Act on Special Accounts	Issued "as necessary to provide revenue sources for purchase for national petroleum reserves etc." and "when there is insufficient cash for payment."
Nuclear Damage Liability Facilitation Financing Bills	Article 94 (4) and 95 (1) of the Act on Special Accounts	Issued "as necessary to provide revenue sources for transfer for Special Account for the Government Debt Consolidation Fund etc." and "when there is insufficient cash for payment."
Food Financing Bills	Article 136 (1) and 137 (1) of the Act on Special Accounts	Issued "when revenue sources are required for the purchase of foodstuffs, agricultural products or imported livestock feed" and "when there is insufficient cash for payment."

☞① Because these different bonds and Treasury Bills (later mention) are all issued as Treasury Discount Bills, there is no difference in each other as financial instruments.

☞② This table shows the types of Financing Bills which have been issued in the past.

(2) Status of Financing Bills in the Budget

The budget's general provisions set forth the upper limit of Financing Bills for that fiscal year. This upper limit requires an approval at the Diet.

(3) Auction Methods, etc.

In principle, Financing Bills are issued to the market through public auction. They are basically issued to the market on the first business day in a week. They are redeemable in three months, in principle (☞①).

If some Financing Bills remain unsold through public auction, or if there emerge unexpected cash needs, the Bank of Japan may exceptionally accept Financing Bills (☞②).

Since February 2009, the MOF has jointly issued Treasury Bills (TBs) and Financing Bills, under unified names of Treasury Discount Bills (T-Bills) and these have been circulated in the markets.

☞① 2-Month, 6-Month and 1-Year Financing Bills are also issued.

☞② In this case, Financing Bills accepted by the BOJ are redeemed as quickly as possible by the cash raised through the revenue of Financing Bills at public auction.

Fig.2-33 Comparison of Treasury Bills and Financing Bills

	TBs	FBs
Official name	Treasury Bills	Financing Bills
Purpose of issue	To finance fiscal expenditures (the same as JGBs with other maturities)	To finance the National Treasury on a short-term basis, or cover temporary fund shortage in a special account
Manner of issue	Issued at a discount	
Maturities (FY2020)	6 months, 1 year (☞③)	Approx. 2 months, 3 months, 6 months, 1 year
Minimum face value	50,000 yen	
Method of issue	・In principle, public auction (conventional, competitive price auction) ・Jointly issued by the name of "Treasury discount bills"	
Transfer restrictions	Unrestricted	

☞③ In addition to 1-Year Treasury Bills, 6-Month Treasury Bills are planned to be issued in FY 2020.

(4) Outline of Cash Management of the National Treasury

The balance of the National Treasury may have temporary cash shortage or surplus caused by timing differences between daily receipts and payments. The adjustment means of treasury balance are: issuance of Financing Bills, temporary use of the treasury surplus, advanced redemption of Financing Bills possessed by the BOJ or the National Treasury, and reclassification to domestic designated deposit (interest-bearing deposits). The Financial Bureau of the MOF estimates receipts and payments of the National Treasury in order to secure smooth and stable financing and gives due consideration of impact on private financial markets.

Specifically, the MOF issues 3-Month, 6-Month and 1-Year Financing Bills and ensures that the issuance date of the new bill basically matches the maturity date of the outstanding bill. While for 2-Month Financing Bills, the MOF sets the issuance date on the day of net payments from the National Treasury and the redemption date on the day of net receipts into the National Treasury.

The MOF also strives to refrain from concentrated issuance in the market, through active temporary use of treasury surplus into special accounts facing fund shortage as well as through active underwriting in the National Treasury.