

# THE BANK OF JAPAN LAW\*

(Preliminary translation by the Bank of Japan)

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## Chapter I General Provisions (Objectives)

- Article 1 The objective of the Bank of Japan, as the central bank of Japan, is to issue banknotes and to carry out currency and monetary control.
2. In addition to what is prescribed by the preceding Paragraph, the Bank's objective is to ensure smooth settlement of funds among banks and other financial institutions, thereby contributing to the maintenance of an orderly financial system.

(The principle of currency and monetary control)

- Article 2 Currency and monetary control shall be aimed at, through the pursuit of price stability, contributing to the sound development of the national economy.

(Respecting the autonomy of the Bank of Japan and ensuring transparency)

- Article 3 The Bank of Japan's autonomy regarding currency and monetary control shall be respected.
2. The Bank shall endeavor to clarify to the public the content of its decisions, as well as its decision making process, regarding currency and monetary control.

(Relationship with the government)

- Article 4 In recognition of the fact that currency and monetary control is a component of overall economic policy, the Bank of Japan shall always maintain close contact with the government and exchange views sufficiently, so that its currency and monetary control and the basic stance of the government's economic policy shall be mutually harmonious.

(Public nature of the Bank's business and autonomy)

- Article 5 In light of the public nature of its business and property, the Bank of Japan shall endeavor to conduct its business in a proper and efficient manner.

2. In implementing this Law, due consideration shall be given to the autonomy of the Bank's business operations.

(Legal status)

Article 6 The Bank of Japan shall be a legal person.

(Head office and branches)

Article 7 The Bank of Japan shall locate its head office in Tokyo.

2. The Bank may, in accordance with an ordinance from the Ministry of Finance and upon authorization from the Minister of Finance, establish, move, or abolish branches and other offices.
3. The Bank may, in accordance with an ordinance from the Ministry of Finance and upon authorization from the Minister of Finance, establish or abolish agencies that perform a part of the Bank's business.
4. If the authorizations in Paragraphs 2 and 3 above are sought but not granted, the Minister of Finance shall publicly announce this denial of authorization and the reason for denial without delay, together with the content of the requested application.

(Capital)

Article 8 The amount of the Bank of Japan's capital shall be one hundred million yen to be subscribed to by both the government and non-governmental persons.

2. Of the amount of capital referred to in the preceding Paragraph, that part which is subscribed to by the government shall be no less than fifty five million yen.

(Subscription certificates)

Article 9 The Bank of Japan shall issue subscription certificates for capital subscription under Paragraph 1 of the preceding Article.

2. Other matters relating to subscription certificates under the preceding Paragraph as well as matters relating to capital subscription in general, shall be prescribed by a Cabinet Order.

(Transfer of ownership of capital)

Article 10 Subscribers to the Bank's capital may, as prescribed by a Cabinet Order, transfer ownership of capital or put it in pledge.

(By-laws)

Article 11 The Bank of Japan shall stipulate the following matters in by-laws:

- (1) objectives;
  - (2) official name of the Bank;
  - (3) location of the head office and branches;
  - (4) matters related to capital and capital subscription;
  - (5) matters related to the Policy Board;
  - (6) matters related to Bank Executives;
  - (7) matters related to the Bank business and its execution;
  - (8) matters related to banknote issuance;
  - (9) matters related to accounting;
  - (10) means of public announcement and publication.
2. Amendments to the by-laws shall be considered invalid unless authorized by the Minister of Finance and the Prime Minister.

3. Provisions of Article 7, Paragraph 4 shall apply mutatis mutandis to the authorization prescribed by the preceding Paragraph.

(Registration)

Article 12 The Bank of Japan shall register relevant matters as prescribed by a Cabinet Order.

2. Matters to be registered in accordance with the preceding Paragraph cannot be asserted against a third party unless registered.

(Restriction on the use of the Bank's name)

Article 13 None other than the Bank of Japan may use the name "Bank of Japan".

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Chapter II Policy Board

(Establishment)

Article 14 A Policy Board (hereinafter referred to as the "Board" in this and next Chapter) shall be established in the Bank of Japan.

(Powers)

Article 15 The following matters, relating to currency and monetary control, shall be decided by the Board:

- (1) determining or altering the basic discount rate, other discount rates, and the types and terms of bills to be discounted, in relation to the discounting of bills pursuant to Article 33, Paragraph 1, Section (1);
  - (2) determining or altering the basic loan rate, other loan rates, and the types, terms, and value of collateral to be used for loans, in relation to the loans made pursuant to Article 33, Paragraph 1, Section (2);
  - (3) determining, altering, or abolishing reserve requirement ratios, the base date, and other matters prescribed by Article 4, Paragraph 1 of the Law Concerning Reserve Deposit Requirement System (Law No. 135 of 1957);
  - (4) determining or altering the guidelines for money market control (which is currency and monetary control conducted in financial markets, including open market operations) through various measures such as buying and selling of bills or bonds prescribed by Article 33, Paragraph 1, Section (3), as well as determining or altering the types, terms, and other conditions of bills or bonds to be used for such money market control;
  - (5) determining or altering the guidelines for currency and monetary control in other forms;
  - (6) determining or altering the Bank of Japan's view on currency and monetary control, including its basic view on economic and monetary conditions which provide the basis for matters listed in Sections (1) through (5) above.
2. In addition to those listed in the preceding Paragraph as being subject to the Board's vote, the following matters shall also be decided by the Board;
  - (1) making loans prescribed by Article 37, Paragraph 1, and executing business prescribed by Article 38, Paragraph 2;
  - (2) applying for authorization prescribed by Article 39, Paragraph 1, and

determining important matters related to the business pursuant to such authorization;

- (3) buying and selling of foreign exchange to facilitate those types of international financial business which the Minister of Finance designates as constituting cooperation in the field of international finance pursuant to Article 40, Paragraph 3, initiating transactions with a foreign central bank or an international institution to carry out business prescribed by Article 41, and executing transactions prescribed by Article 42;
  - (4) applying for authorization prescribed by the exception clause of Article 43, Paragraph 1, and determining important matters relating to the business pursuant to such authorization;
  - (5) determining the content of a contract regarding on-site examination prescribed by Article 44, Paragraph 1, as well as determining important matters relating to the conduct of on-site examinations for each business year;
  - (6) altering by-laws;
  - (7) making or altering a written statement of manners of conducting business;
  - (8) establishing, moving, or abolishing branches, other offices, or agencies;
  - (9) determining important matters relating to the Bank's organization and the size of staff (except for that referred to in Section (8) above);
  - (10) making or altering the standards of salaries prescribed by Article 31, Paragraph 1, as well as rules with respect to ethical discipline prescribed by Article 32;
  - (11) acquiring or disposing of real estate and other important assets;
  - (12) making or altering a current expenditure budget (referred to the current expenditure budget prescribed by Article 51, Paragraph 1), making an inventory, balance sheet, profit and loss statement, and other financial reports, and determining important accounting matters including disposal of profit;
  - (13) making the report prescribed by Article 54, Paragraph 1, as well as the outline of business operations prescribed by Article 55;
  - (14) making or altering the rules prescribed by Article 59;
  - (15) determining matters which this Law prescribes the Board to determine, or doing what this Law or other laws and regulations prescribe the Board to do;
  - (16) determining matters, other than those listed from Sections (1) through (15) above, which the Board considers particularly necessary to determine.
3. The Board shall oversee the execution of duties by executives (with the exception of Executive Auditors and Counsellors) .

#### (Organization)

Article 16 The Board shall be composed of nine members.

2. Members shall consist of six Deliberative Members, the Bank of Japan's Governor and two Deputy Governors. Irrespective of the provisions of Article 22, Paragraphs 1 and 2, the Governor and the Deputy Governors shall perform their duties as Board members independently of each other.
3. The Board shall have a chairman, to be elected by Board members from among themselves.
4. The chairman shall exercise general control over Board business.

5. The Board shall designate, in advance, a member who shall perform the duties of the chairman when the chairman is prevented from attending to his or her duties.

(The call of Board meetings)

Article 17 Board meetings are called by the chairman of the Board (or by the designated alternate prescribed by the previous Article, Paragraph 5. This rule applies to the remainder of this Article, the next Article, and Article 20).

2. The chairman shall, as prescribed by a Cabinet Order, regularly call Board meetings, at which the matters listed in Article 15, Paragraph 1 (hereafter called "monetary control matters" in this Chapter) are to be discussed.
3. The preceding Paragraph may not be interpreted as preventing a Board meeting for monetary control matters from being called on an ad hoc basis, if the chairman believes that such a meeting is necessary, or if one-third or more of the total incumbent Board members believe that such a meeting is necessary and request the chairman to call such a meeting.

(Procedures)

Article 18 The Board may neither meet nor vote unless the chairman and two-thirds or more of the total incumbent Board members are present.

2. Matters shall be decided by a majority of votes cast by members who are present. When the votes are equally split, the chairman shall make a final decision.
3. Except where otherwise specified in this Law, necessary matters concerning management of Board meetings, such as the procedures for Board discussion, shall be determined by the Board.

(Attendance of government representatives)

Article 19 The Minister of Finance and the minister who is in charge of economic and fiscal policy as prescribed by Article 19, Paragraph 2 of the Law Establishing the Cabinet Office (Law No.89 of 1999) (The latter minister is referred to as the "minister for economic and fiscal policy" in Article 19, Paragraph 2 of this Law. In the case that the office is vacant, it shall be assumed by the Prime Minister.) may, when necessary, attend and express views at Board meetings for monetary control matters, or may each designate a staff member of the Ministry of Finance or the Cabinet Office, respectively, to attend and express views at such meetings.

2. The Minister of Finance (or a designated delegate) and the minister for economic and fiscal policy (or a designated delegate), when attending the Board meetings for monetary control matters, may submit proposals regarding monetary control matters, or request that the Board postpone a vote on monetary control matters until the next Board meeting of this type.
3. If a request is made to postpone a Board vote under the provisions of the preceding Paragraph, the Board shall decide whether or not to accommodate the request, in accordance with the same voting procedures which apply to other matters.

(Publication of transcripts and other documents)

Article 20 After each Board meeting for monetary control matters, the chairman shall, without delay, prepare a document which contains an outline of the discussion at the meeting in accordance with the decisions made by the Board, and publish the document upon its approval at another Board

meeting for monetary control matters.

2. The chairman shall produce the transcripts of each Board meeting for monetary control matters in accordance with the decisions taken by the Board, and publish the transcripts after appropriate amount of time, as determined by the Board, has passed since the meeting.

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### Chapter III Executives and Staff

#### (Executives)

Article 21 The executives of the Bank of Japan shall consist of six Deliberative Members, a Governor, two Deputy Governors, three or less Executive Auditors, six or less Executive Directors, and a few Counsellors.

#### (Duties and powers of executives)

Article 22 The Governor shall represent the Bank of Japan and exercise general control over the Bank's business in accordance with decisions made by the Board.

2. The Deputy Governors shall, in accordance with decisions made by the Governor, represent the Bank, administer the business of the Bank assisting the Governor, act in place of the Governor whenever he or she is prevented from attending to his or her duties, and perform the Governor's duties when the post is vacant.
3. The Executive Auditors shall inspect the business of the Bank.
4. If deemed necessary based on the results of the inspection, the Executive Auditors may submit their views to the Minister of Finance, the Prime Minister or the Board.
5. The Executive Directors shall, in accordance with the decisions made by the Governor, administer the business of the Bank assisting the Governor and the Deputy Governors, act in place of the Governor when the Governor and Deputy Governors are prevented from attending to their duties, and perform the Governor's duties when the posts of the Governor and Deputy Governors are vacant.
6. The Counsellors shall be consulted with by the Board on any important matters concerning Bank business, and if deemed necessary, the Counsellors may express their views to the Board.

#### (Appointment of executives)

Article 23 The Governor and the Deputy Governors shall be appointed by the Cabinet, subject to the consent of the House of Representatives and the House of Councillors.

2. The Deliberative Members shall be appointed by the Cabinet, subject to the consent of the House of Representatives and the House of Councillors from among those with academic expertise or experience including experts on the economy or finance.
3. The Executive Auditors shall be appointed by the Cabinet.
4. The Executive Directors and the Counsellors shall be appointed by the Minister of Finance based on the Board's recommendation.



5. If the term of office of a Governor, Deputy Governor, or Deliberative Member expires or if any of these positions becomes vacant, and if the Diet is out of session or the House of Representatives is dissolved so that it is impossible to obtain the consent of both Houses, the Cabinet may appoint a Governor, Deputy Governor, or Deliberative Member irrespective of the provisions of Paragraphs 1 and 2 of this Article.
6. The appointment, as prescribed by the preceding Paragraph, shall be approved ex post by both Houses in the first Diet session after the said appointment. If the Cabinet fails to obtain such ex post approval, it shall immediately dismiss the Governor, Deputy Governor, or Deliberative Member.

(Executives' term of office)

Article 24 The term of office shall be five years for the Governor, the Deputy Governors, and the Deliberative Members, four years for the Executive Auditors and the Executive Directors, and two years for the Counsellors. However, if a position of Governor, Deputy Governor, or Deliberative Member becomes vacant during his or her term of office, the term of office for the replacing Governor, Deputy Governor, or Deliberative Member shall be limited to the remaining term of the predecessor.

2. The Governor, the Deputy Governors, the Deliberative Members, the Executive Auditors, the Executive Directors, and the Counsellors may be reappointed.

(Guarantee of the executives' status)

Article 25 Executives of the Bank of Japan (except for Executive Directors) shall not be dismissed against their will during their term of office except as prescribed by Article 23, Paragraph 6 and in the following situations:

- (1) an executive receives a ruling of commencement of bankruptcy proceedings;
  - (2) an executive receives penalties under this Law;
  - (3) an executive is sentenced to imprisonment or given heavier punishment;
  - (4) an executive is deemed incapable of carrying out his or her duties by the Board (or by the Board and the Cabinet in the case of the Executive Auditors), because of physical or mental disorders.
2. The Cabinet or the Minister of Finance shall dismiss a Bank executive if any of Sections (1) through (4) of the preceding paragraph applies to the said executive.
  3. In addition to the dismissals prescribed by the preceding Paragraph, the Minister of Finance may dismiss an Executive Director if the Board requests such dismissal.

(Restrictions on the executives' activities)

Article 26 Executives (excluding Counsellors in this Article as well as in Articles 31 and 32) may not engage in any of the following activities during his or her term of office;

- (1) become a candidate for the National Diet, for the assembly of any municipality or for any elected public office;
- (2) become an officer of any political body including political parties or actively engage in political activities;

- (3) maintain or take other posts that bring remuneration (except when the Board considers that such post does not interfere with the proper execution of his or her duties at the Bank, based on the rules with respect to the ethical discipline prescribed by Article 32);
  - (4) engage in commercial or other business for pecuniary gain.
2. If an executive of the Bank becomes a candidate for the National Diet, for the assembly of any municipality, or for any elected public office, he or she shall be considered as having resigned as an executive of the Bank.

(Appointment of attorney)

Article 27 The Governor and the Deputy Governors may appoint, from among the Bank's Executive Directors and staff, a local representative who shall have full power to act for the Bank of Japan before any court, or in any non-judicial capacity regarding the business of the Bank's head office and branches.

(Appointment of staff)

Article 28 The Governor shall appoint the Bank's staff.

(Secrecy imposed on the executives and staff)

Article 29 The Bank of Japan's executives and staff shall not leak secrets which they have learned in performing their duties, or use such secrets for their own interest. These requirements are equally applicable after they leave the Bank.

(The status of the executives and staff)

Article 30 The Bank of Japan's executives and staff shall be deemed to be those engaged in public service by laws and regulations.

(Standard of salaries)

Article 31 The Bank of Japan shall determine the standards of salaries (including all types of pecuniary remuneration such as bonuses and retirement allowances) paid to its executives and staff, consistent with the general standards prevailing in society. These standards shall be reported to the Minister of Finance and, at the same time, publicly announced. The same steps shall be taken when making any change to the standards.

2. Among the standards of salaries prescribed by the preceding Paragraph, that which is applicable to executives shall be determined in consideration of salaries, retirement allowances, and other remunerative conditions of public servants to whom the Law Concerning Salaries of Government Officials with Special Capacity (Law No. 252 of 1949) is applicable.

(Rules with respect to the ethical discipline)

Article 32 In light of the public nature of its business, and in order to ensure appropriate discharge of duties by the Bank of Japan's executives and staff, the Bank shall establish rules regarding ethical discipline of its executives and staff, such as the obligations to devote themselves to their duties and to separate themselves from private enterprises. These rules shall be reported to the Minister of Finance and, at the same time, publicly announced. The same steps shall be taken when making any change to the rule.



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### Chapter IV Business

#### (Regular business)

Article 33 In order to achieve the objectives prescribed by Article 1, the Bank of Japan may conduct the following business:

- (1) discounting of commercial bills and other bills or notes;
  - (2) making loans against collateral in the form of bills or notes, government bonds and obligations, and other negotiable securities;
  - (3) buying and selling of commercial bills and other bills or notes (including those drawn by the Bank of Japan), government bonds and obligations, and other bonds or debentures;
  - (4) lending and borrowing of government bonds and obligations, and other bonds or debentures against cash collateral;
  - (5) receiving money for deposits;
  - (6) dealing in domestic exchange;
  - (7) taking custody of negotiable securities, other securities and certificates which represent property rights;
  - (8) performing other business incidental to the business enumerated in the preceding Sections (1) through (7), such as buying and selling of gold and silver bullion.
2. "Deposits" in Section (5) of the preceding Paragraph refers to taking deposits based on a deposit contract.

#### (Loans to the government and other business)

Article 34 As the central bank of Japan, the Bank of Japan may, in addition to the business listed in Paragraph 1 of the preceding Article, conduct the following business with the government:

- (1) making loans, without collateral, subject to a limit imposed by a Diet resolution prescribed by the exception clause in Article 5 of the Fiscal Law (Law No. 34 of 1947);
- (2) making loans, without collateral, to finance the government's temporary borrowing permitted under the Fiscal Law or other laws concerning the government's accounting;
- (3) subscribing or underwriting government bonds subject to a limit imposed by a Diet resolution prescribed by the exception clause in Article 5 of the Fiscal Law;
- (4) subscribing or underwriting financial bills and other bills issued for stopgap financing;
- (5) accepting custody of precious metals and other items.

#### (Handling of Treasury funds)

Article 35 As the central bank of Japan, the Bank of Japan shall handle Treasury funds in compliance with relevant laws and regulations.

2. When handling Treasury funds as prescribed by the preceding Paragraph,

the Bank of Japan may conduct business necessary for this purpose in addition to the types of business listed in Article 33, Paragraph 1.

(Handling affairs of the government)

Article 36 As the central bank of Japan, the Bank of Japan shall handle the affairs of the government relating to currency and finance in compliance with relevant laws and regulations.

2. When handling the affairs of the government prescribed by the preceding Paragraph, the Bank may conduct business necessary for this purpose in addition to the types of business listed in Article 33, Paragraph 1.
3. Necessary expenses to handle the affairs of the government prescribed by Paragraph 1 of this Article may be borne by the Bank in compliance with relevant laws and regulations.

(Temporary loans to financial institutions)

Article 37 The Bank of Japan, irrespective of the provisions of Article 33, Paragraph 1, may provide uncollateralized loans to financial institutions (defined as those engaged in the business of taking bank deposits (deposits prescribed by Article 2, Paragraph 2 of the Deposit Insurance Law, Law No. 34 of 1971) as well as engaging in exchange transactions, the same definition shall apply hereinafter) and other financial business entities prescribed by a Cabinet Order (hereinafter referred to as "financial institutions" together) for a period within that prescribed by a Cabinet Order when they unexpectedly experience a temporary shortage of funds for payment due to accidental causes, including computer system problems, whereby the business operations of the financial institutions may be seriously hampered if the shortage is not recovered swiftly, provided that the advance is necessary to secure the smooth settlement of funds among financial institutions.

2. The Bank shall, when providing loans as prescribed by the preceding Paragraph, report the fact to the Prime Minister and the Minister of Finance without delay.

(Business contributing to the maintenance of an orderly financial system)

Article 38 The Prime Minister and the Minister of Finance may request that the Bank of Japan conduct the business necessary to maintain an orderly financial system, including provision of loans, when it is believed to be especially necessary for the maintenance of an orderly financial system including the case where it is judged, after consultation pursuant to the provisions of Article 57-5 of the Banking Law (Law No. 59 of 1981) and other relevant laws and regulations that a serious problem in an orderly financial system may arise.

2. At the request of the Prime Minister and the Minister of Finance as prescribed by the preceding Paragraph, the Bank may conduct business necessary to maintain an orderly financial system, including provision of loans under special conditions, in addition to the business prescribed by Article 33, Paragraph 1.

(Business contributing to smooth settlement of funds)

Article 39 The Bank of Japan, in addition to the business prescribed by Articles 33 through 38, may, upon authorization from the Prime Minister and the Minister of Finance, conduct business deemed to contribute to the smooth

settlement of funds among financial institutions when conducted in conjunction with the business prescribed by Article 33, Paragraph 1, Sections (5) through (7) or that prescribed by Article 35, Paragraph 2 or Article 36, Paragraph 2.

2. The provisions of Article 7, Paragraph 4 shall apply mutatis mutandis to the authorization in the preceding Paragraph.

(Buying and selling of foreign exchange)

Article 40 The Bank of Japan, when necessary, may buy and sell foreign exchange on its own account or as an agent of the government, in accordance with the provisions in Article 36, Paragraph 1. In addition, as the central bank of Japan, the Bank may buy and sell foreign exchange as an agent of foreign central banks (foreign central banks and similar institutions, the same definition shall apply hereinafter) and international institutions (those international institutions of which Japan has a membership including the Bank for International Settlements, the same definition shall apply hereinafter) in order to pursue cooperation with them.

2. The Bank shall buy and sell foreign exchange as an agent of the government, in accordance with the provisions of Article 36, Paragraph 1, when its purpose is to stabilize the exchange rate of the national currency.
3. When buying and selling foreign exchange on its own account or as an agent of foreign central banks and international institutions for the purpose of pursuing cooperation with them as the central bank of Japan under the provisions of Paragraph 1 of this Article, the Bank shall conduct the business which the Minister of Finance designates as constituting cooperation in the field of international finance at the request of the Minister or upon receipt of the Minister's approval.

(International financial business)

Article 41 The Bank of Japan may conduct the following business with foreign central banks and international institutions in order to pursue cooperation with them as the central bank of Japan:

- (1) Accepting deposits denominated in the national currency (deposits prescribed by Article 33, Paragraph 2);
- (2) Buying and selling government bonds in exchange for deposits accepted in accordance with the preceding Section;
- (3) Accepting articles of value, negotiable securities and other items for custody;
- (4) Acting as an intermediary, broker or agent for central banks abroad and international institutions engaged in buying and selling of government bonds;
- (5) Other business prescribed by an ordinance from the Ministry of Finance as those deemed to contribute to the proper management of deposits and other assets denominated in the national currency and held by foreign central banks and international institutions.

Article 42 In addition to the business prescribed by the preceding Article, the Bank of Japan may engage in the following transactions and other business necessary for cooperating, as the central bank of Japan, with foreign central banks and international institutions in the field of international finance, including international financial assistance at the request of the Minister of

Finance or upon receipt of the Minister's approval.

(1) Acquiring loan claims on foreign central banks which are held by the Bank for International Settlements

(2) Providing loans to foreign central banks and international institutions

(Prohibition of other business)

Article 43 The Bank of Japan may not conduct any business other than those prescribed by this Law unless such business is necessary to achieve the Bank's objectives prescribed by this Law and the Bank obtains authorization from the Minister of Finance and the Prime Minister.

2. The provisions of Article 7, Paragraph 4 shall apply mutatis mutandis to the authorization in the preceding Paragraph.

(On-site examination)

Article 44 The Bank of Japan may, for the purpose of appropriately conducting or preparing to conduct business prescribed by Articles 37 through 39, enter into a contract with financial institutions which become the correspondents in such business (referred to as "correspondent financial institutions" in this Article) regarding on-site examination (On-site examination of the business operations and the state of the property of correspondent financial institutions conducted by the Bank of Japan, the same definition shall apply hereinafter in this Article. Such contract must contain the clauses required by a Cabinet Order including, that requiring the Bank to notify correspondent financial institutions and obtain prior consent from them when conducting on-site examinations).

2. The Bank shall consider administrative burden incurred by financial institutions when conducting on-site examinations.

3. At the request of the Commissioner of the Financial Services Agency, the Bank may submit the results of on-site examinations or other information to the Commissioner, or provide them for his or her staff for their perusal.

(Written statement of manners of conducting business)

Article 45 The Bank of Japan shall prepare a written statement of manners of conducting business, and submit it to the Minister of Finance and the Prime Minister. The same steps shall be taken when making any change to the statement.

2. The written statement in the preceding Paragraph shall contain matters prescribed by a Cabinet Order, including those related to loan provision.

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## Chapter V Bank of Japan Notes

(Issuance of Bank of Japan notes)

Article 46 The Bank of Japan shall issue banknotes.

2. The banknotes issued by the Bank (hereinafter referred to as "Bank of Japan notes"), in accordance with the provisions of the preceding Paragraph shall be legal tender, and hence shall be used for payment without limits.

(Types and forms of Bank of Japan notes)

Article 47 The types of Bank of Japan notes shall be decided by a Cabinet Order.

2. The Minister of Finance shall decide the forms which Bank of Japan notes shall take, and release these forms in the Official Gazette.

(Exchange of Bank of Japan notes)

Article 48 The Bank of Japan shall exchange, without fees, Bank of Japan notes rendered unfit for further circulation due to defacement, mutilation or other causes in accordance with an ordinance from the Ministry of Finance.

(Printing and cancellation of Bank of Japan notes)

Article 49 The Bank of Japan shall determine the procedures regarding printing and cancellation of Bank of Japan notes and submit these procedures to the Minister of Finance for approval. The same steps shall be taken when making any change to the procedures.

2. The provisions of Article 7, Paragraph 4 shall apply mutatis mutandis to the approval under the provisions of the preceding Paragraph.

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### Chapter VI Accounting

(Fiscal period)

Article 50 The fiscal period of the Bank of Japan shall run from April 1 to March 31 of the following year.

(Budget for general and administrative expenses and costs)

Article 51 Every fiscal period, the Bank of Japan shall prepare a budget for general and administrative expenses (those prescribed by a Cabinet Order as not hampering the currency and monetary control, hereinafter referred to as "a current expenditure budget"), and submit it to the Minister of Finance for his or her authorization before the business year begins.

2. If the Minister of Finance deems it inappropriate to authorize the current expenditure budget submitted in accordance with the preceding Paragraph, he or she shall immediately notify the Bank, stating the reason, and announce the details of the submitted current expenditure budget and the reason publicly.
3. If the notification prescribed by the preceding Paragraph is made, the Bank may express its views to the Minister of Finance or, if necessary, announce them publicly.

(Financial statements)

Article 52 The Bank of Japan shall prepare an inventory and balance sheet for each six month period running from April through September and from October through March as well as profit and loss statement for each fiscal period and each six month period provided for above and submit these documents (hereinafter referred to as "financial statements") with Executive Auditors' opinions to the Minister of Finance for his or her approval within two months after the relevant six month period or the fiscal period.

2. When submitting the financial statements for a fiscal period to the Minister of Finance under the provisions of the preceding Paragraph, the Bank shall

attach its report on the settlement of accounts for each fiscal period to the Executive Auditors' opinions.

3. Upon receipt of the approval from the Minister of Finance prescribed by Paragraph 1, the Bank shall, without delay, make available the financial statements, the report on the settlement of accounts in the preceding Paragraph, and the Executive Auditors' opinions prescribed by the preceding two Paragraphs at its head office and branches, and keep them for the public's perusal for a period determined appropriate by the Policy Board.

(Disposal of surplus)

Article 53 The Bank of Japan shall retain, as a reserve fund, five-hundredths of the surplus resulting from the settlement of profits and losses for each fiscal period.

2. Irrespective of the provisions of the preceding Paragraph, if deemed particularly necessary, the Bank may, upon the authorization from the Minister of Finance, retain more than the amount prescribed by the preceding Paragraph, as a reserve fund.
3. The reserve fund prescribed by the preceding two Paragraphs shall not be drawn on, except to cover losses incurred by the Bank or to use them for dividends as prescribed by the next Paragraph.
4. The Bank may, upon the authorization from the Minister of Finance, pay dividends to shareholders out of the surplus resulting from the settlement of profits and losses for each fiscal period. The rate of dividend payments over paid-up capital may not exceed five-hundredths per annum.
5. The Bank, after deducting the retained reserves prescribed by Paragraphs 1 and 2 and the dividend payments prescribed by the preceding Paragraph from the surplus resulting from the settlement of profits and losses for each fiscal period, shall transfer the remaining surplus to the national treasury within two months after each relevant fiscal period.
6. The government may have the Bank make, by estimate, a partial amount of the payment to the national treasury for each fiscal period under the provisions of the preceding Paragraph during the relevant fiscal period in accordance with a Cabinet Order.
7. The transfer to the national treasury under the provisions of Paragraph 5 shall be treated as losses when computing the amount of income prescribed by the Corporation Tax Law (Law No. 34 of 1965) and the amount of income related to the business tax prescribed by the Local Tax Law (Law No. 226 of 1950).
8. Necessary matters regarding the transfer to the national treasury under the provisions of Paragraph 5, other than those prescribed by the preceding three Paragraphs, shall be provided by a Cabinet Order.
9. The provisions of Article 7, Paragraph 4 shall apply mutatis mutandis to the authorization under the provisions of Paragraphs 2 and 4.

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## Chapter VII Reporting to the Diet

### (Reporting to and attendance at the Diet)

Article 54 The Bank of Japan shall, approximately every six months, prepare and submit to the Diet through the Minister of Finance, a report on the Policy Board's decisions regarding the matters prescribed by each Section of Article 15, Paragraph 1 and conditions of business operations which have been carried out based on such decisions.

2. The Bank shall endeavor to explain to the Diet the report prescribed by the preceding Paragraph.
3. The Governor, the Chairman of the Policy Board or a representative designated by them shall attend the sessions of the House of Representatives, the House of Councillors, or their Committees when requested by them, in order to explain the state of the Bank's business operations and property.

### (Public announcement of an outline of business operations)

Article 55 Upon the approval regarding financial statements for each fiscal period prescribed by Article 52, Paragraph 1, the Bank of Japan shall prepare, without delay, an outline of its business operations in the relevant business year and publicly announce the outline together with the financial statements and a report on the settlement of accounts for the relevant fiscal period.

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## Chapter VIII Rectification of Illegal Actions

### (Rectification of illegal actions)

Article 56 The Minister of Finance or the Prime Minister may request that the Bank of Japan take necessary measures to rectify deeds of the Bank, its executives or staff, when such deeds have violated or may potentially violate this Law or other laws, regulations, or by-laws.

2. The Bank shall, at the request of the Minister of Finance or the Prime Minister as prescribed by the preceding Paragraph, take swift actions which the Policy Board deems necessary, such as rectifying the deeds concerned, and report these actions to the Minister of Finance or the Prime Minister.

### (Inspection at the request of the Minister of Finance or the Prime Minister)

Article 57 When the Bank of Japan, its executives or staff have violated or may potentially violate this Law or other laws, regulations, or by-laws, the Minister of Finance or the Prime Minister may request that the Executive Auditors of the Bank inspect the deeds concerned and other necessary matters, and report the result of such inspection to the Minister of Finance or the Prime Minister.

2. The Executive Auditors of the Bank shall, at the request of the Minister of

Finance or the Prime Minister prescribed by the preceding Paragraph, swiftly inspect such matters and report the result of such inspection to the Minister of Finance or the Prime Minister and also to the Policy Board.

(Submission of reports, etc.)

Article 58 The Minister of Finance or the Prime Minister may, when deemed necessary in light of the conditions of business operations of the Bank of Japan, request a report or relevant documents from the Bank.

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### Chapter IX Others

(Rules)

Article 59 The Bank of Japan shall, when setting rules regarding the organization or other matters other than those prescribed by this Law, report such rules to the Minister of Finance without delay. The same steps shall be taken when making any change to the rules.

(Dissolution)

Article 60 The dissolution of the Bank of Japan shall be prescribed by a separate law.

2. At the time of dissolution, if the remaining property of the Bank of Japan exceeds the amount of paid-up capital, the excess amount shall belong to the national treasury.

(Application of provisions regarding a legal person)

Article 61 The provisions of Articles 44, 50, 54, and 57 of the Civil Code (Law No. 89 of 1896) as well as the provisions of Article 35, Paragraph 1 of the Law of Procedure in Non-Contentious Cases (Law No. 14 of 1898) shall apply mutatis mutandis to the Bank of Japan.

(Entrusting of powers of the Prime Minister)

Article 61-2 The Prime Minister shall entrust its powers prescribed by this Law (except for Article 19) to the Commissioner of the Financial Services Agency except for those prescribed by a Cabinet Order.

(Entrusting to a Cabinet Order)

Article 62 In addition to the provisions in this Law, matters necessary to implement this Law shall be provided by a Cabinet Order.

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### Chapter X Penalty

Article 63 Those who leak secrets or use such secrets for their own interest, in violation of the provisions of Article 29, shall be liable to a term of penal servitude not exceeding a year or a fine not exceeding five hundred thousand yen.

Article 64 Those who fail to conduct the inspection or reporting prescribed by Article

57, Paragraph 2 or make false reporting shall be liable to a fine not exceeding five hundred thousand yen.

Article 65 The Bank of Japan's executives and staff shall be punished by a non-penal fine not exceeding five hundred thousand yen for the commission of any of the following breaches:

- (1) Failing to obtain authorization from the Minister of Finance or from both the Minister of Finance and the Prime Minister, or the approval of the Minister of Finance, as required by this Law (excluding the provisions of Article 43, Paragraph 1);
- (2) Failing to make a report to the Minister of Finance or both the Minister of Finance and the Prime Minister as required by this Law or making a false report to the Minister of Finance or both the Minister of Finance and the Prime Minister ;
- (3) Failing to make public announcements required by this Law or making false public announcements;
- (4) Neglecting to register in violation of a Cabinet Order under the provisions of Article 12, Paragraph 1;
- (5) Maintaining or taking other posts that bring remuneration or engaging in other business for pecuniary gains in violation of the provisions of Article 26, Paragraph 1;
- (6) Conducting business other than those prescribed as the Bank's business in violation of the provisions of Article 43, Paragraph 1;
- (7) Violating the provisions of Article 48;
- (8) Failing to keep financial statements, a report on the settlement of accounts, or the Executive Auditors' opinions or failing to provide the aforementioned documents for perusal in violation of the provisions of Article 52, Paragraph 3;
- (9) Failing to retain a surplus as a reserve fund in violation of the provisions of Article 53, Paragraph 1;
- (10) Disposing of a reserve fund in violation of the provisions of Article 53, Paragraph 3;
- (11) Paying dividends in violation of the provisions of Article 53, Paragraph 4;
- (12) Failing to make a report as required by Article 56, Paragraph 2 or making a false report;
- (13) Failing to make a report, or failing to submit documents as required by Article 58 or making a false report or submitting false documents.

Article 66 Those who violate the provisions of Article 13 shall be punished by a non-penal fine not exceeding five hundred thousand yen.