

What did the Bank of Japan do after the 2011 Earthquake?

(Report of BOJ Bureau of Settlement Mechanism, June 2011)

“Direct damage and indirect impact on the Japanese settlement system and financial institutions were great. However, the settlement system and financial institutions (including BOJ) continued to operate reliably after the quake and maintained normal functions. This was mainly thanks to the great effort made by financial institutions in the affected area to restart operation and respond to the needs of depositors and enterprises. Moreover, cumulative improvements on emergency response operations made by the settlement system and financial institutions also contributed to minimize the damage.” (p.3)

BOJ establishes **Emergency Response Headquarters** 15 min. after the quake on March 11, 2011.

Supply cash From Mar. 12, BOJ starts to supply cash to financial institutions in affected area & Tokyo reaching 310 billion yen (3 times normal) within 1 week

BOJ Net BOJ Net is a computerized interbank settlement & transaction system. It continued to operate normally after the earthquake

Commercial bills 29 exchanges (about half in affected area) closed immediately. By June 21 only 3 remained closed. Meanwhile, surviving commercial bill exchanges covered transactions of damaged ones.

Tax & pension BOJ branches temporarily replaced tax & pension pay-in & pay-out operations of the financial institutions damaged by the quake.

Note exchange From Mar. 12, BOJ starts to exchange money (paper notes) damaged by earthquake & tsunami amounting to 2.42 billion yen by June 21

Special action BOJ & Government requested financial institutions to allow depositors to withdraw money with minimum ID requirement even if they had lost bankbooks.

Number of inoperative financial institution branches in Tohoku Area + Ibaraki (among about 2,700)
310 or 11% (Mar.16) → 170 (Mar.28) → 150 (Apr.4) → 97 (May 2) → 72 or 2.7% (Jun.21)

In 2011, BOJ did not indiscriminately re-discount commercial bills in affected area unlike in 1923. The financial system continued to operate more or less normally despite the large real-sector damage inflicted by the earthquake & tsunami.