# BOJ Monetary Policy Meeting (September 2025)

**Policy Rate Unchanged, but Market Surprised by ETF Divestment Announcement**

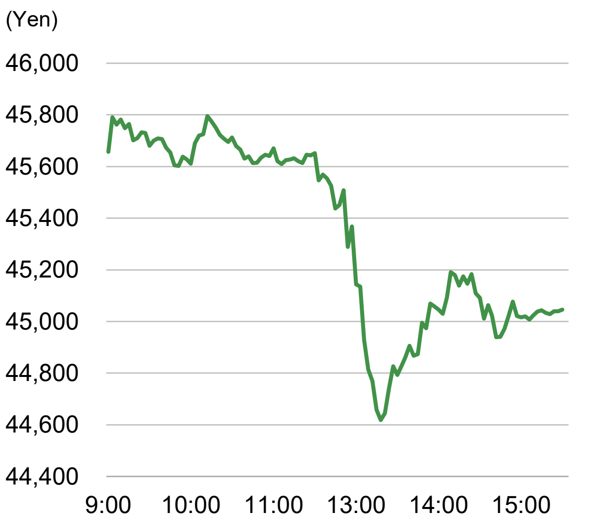
September 22, 2025

## Exchange Traded Funds (ETFs) and J-REITs Sale Policy Announced; Policy Interest Rate Unchanged

The Bank of Japan (hereinafter, "BOJ") convened its Monetary Policy Meeting on September 18–19, maintaining the policy interest rate as widely anticipated by the market. The BOJ reaffirmed its commitment to keeping the uncollateralized overnight call rate at approximately 0.50%. Conversely, the central bank surprised market participants by, for the first time, disclosing its policy to liquidate its holdings of Exchange-Traded Funds (ETFs) and Japanese Real Estate Investment Trusts (J-REITs). According to the official statement, the BOJ intends to dispose of equities acquired from financial institutions—whose divestment was completed in July 2025—by selling a comparable amount into the market. The plan stipulates annual sales of ETFs at a book value of approximately JPY 330 billion and J-REITs at around JPY 5 billion. Based on the current book value of holdings (approximately JPY 37 trillion), it would take over a century to complete the full divestment. Notably, the BOJ's ETF holdings, marked to market, exceed JPY 70 trillion, accounting for more than 7% of the Tokyo Stock Exchange Prime Market's total market capitalization. Following the announcement, the Nikkei Stock Average experienced a significant temporary decline.

The rationale behind the BOJ's decision to divest ETFs and J-REITs appears to be the need to secure capital gains from these assets as a buffer against potential losses, given the heightened risk of insolvency stemming from increased interest payment expenses (remuneration on excess reserves) associated with rate hikes. This move may also be interpreted as a signal of the BOJ's intention to proceed with a gradual normalization of monetary policy. On the other hand, Governor Ueda refrained from providing forward guidance regarding the timing or terminal level of the next rate hike, citing uncertainties such as the impact of US tariff policies on Japan's domestic economy and inflation outlook. However, if strong momentum regarding wage trends is confirmed in the September Tankan survey or at the branch managers' meeting, a rate hike could be considered at the October meeting, and such prospects may be flagged in advance by market observers.

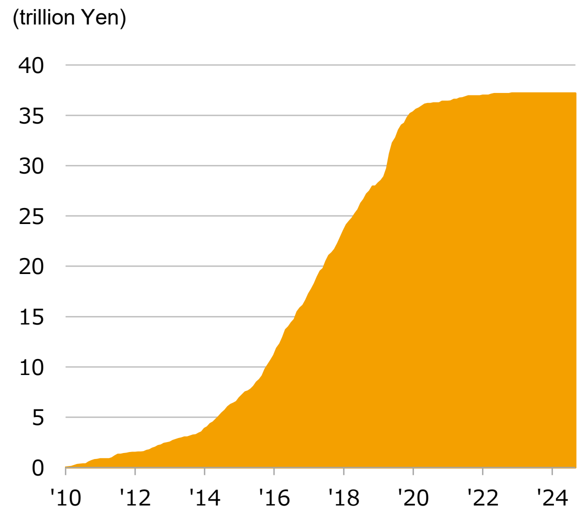
**Nikkei 225 (September 19)**




※ 3-minute chart. For time intervals with no data, the previous value is used. The latest value is at 15:30

Source: Bloomberg, Complied by Daiwa Asset Management

**BOJ's Exchange Traded Funds (ETFs) holdings (book value basis)**




※ The latest value is August 2025

Source: Bank of Japan; Complied by Daiwa Asset Management

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