

Introduction of the ETF Lending Facility

1. Purpose of the Introduction

- The Bank decided to introduce the ETF lending facility, through which it can temporarily lend its ETFs holdings to market participants, with the aim of improving the liquidity in ETF markets, in accordance with the decision made at the Monetary Policy Meeting in April 2019.

2. Outline of the Facility

(1) ETFs to be lent

- Selected from ETFs held by the Bank.

(2) Eligible counterparties

- Selected by the Bank from major players in ETF markets which have a current account at the Bank, and reviewed annually.

(3) Method

- The trustee, which manages ETFs held by the Bank as the trust property, shall lend ETFs.

(4) Duration of lending

- Within one year. Due dates are not specified in the contract and either party may request to terminate at any time.

(5) Lending rates

- Determined by multiple-rate competitive auctions or by the Bank in advance.

(6) Lending dates, etc.

- For each lending, the Bank shall determine specifications necessary for lending, including the lending dates, the amount of ETFs to be lent, and the counterparties.
- Lending shall be conducted daily at eligible counterparties' requests. However, it is to be conducted periodically at first in order for the relevant parties to become proficient at the facility.

(7) Collateral

- The trustee shall accept cash collateral, which is calculated by multiplying market prices of ETFs by margins.
- The interest rate applied to cash collateral shall be the rate applied to the Policy-Rate Balances.

3. Effective Date

- This facility shall become effective on the date determined by the Governor after the date the Bank obtains authorization, provided that the Bank obtains such authorization.

(Diagram of the facility)

