

JSF and University of Tokyo Start Empirical Research on Securities Lending and Borrowing Using Distributed Ledger Technology

Tokyo, June 18, 2021 --- Japan Securities Finance Co., Ltd. (JSF) and School of Engineering, the University of Tokyo (University of Tokyo) jointly launched empirical research to verify whether tokenized securities and collateral can be smoothly traded in securities lending and borrowing transactions through the use of distributed ledger technology.

In recent years, attention has been gathering on distributed ledger technology, and discussions on the applicability of this technology have also progressed in the securities field, mainly in post-trade processing and issuance of tokenized securities. Our experiment focuses on lending and borrowing of securities, which is one of JSF's major businesses, and explores the applicability of distributed ledger technology in this field.

Specifically, in this experiment, we will conduct hypothetical transactions of exchanging tokenized securities and collateral with a limited number of parties. Through these efforts, we will examine the possibility of (1) enabling the transfer of securities and collateral denominated in foreign currencies, which normally involves time differences, to be performed simultaneously in a near real-time manner among parties though without finality, (2) enjoying the benefits of expanding system availability and increasing the efficiency of administrative processing, and (3) utilizing various assets, including illiquid assets, as collateral against the backdrop of these advantages.

Through this empirical research, we will acquire knowledge on the securities lending and borrowing transactions of tokenized securities and collateral, and conduct experiments on the feasibility and challenges involved with the prospect of commercialization.

In addition, JSF will propose and review research themes, investigate related information, and verify and evaluate the developed system. University of Tokyo will oversee system development and research.

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<About JSF>

Japan Securities Finance Co., Ltd. (JSF) is the sole securities finance company in Japan incorporated in 1950 with a license under the Financial Instruments and Exchange Act. Its main business is the provision of funds and securities to securities companies for settlement of standardized margin transactions pursuant to the above law, and also provision of securities lending and financing. As an institution specializing in the securities finance business, JSF, with a keen awareness of this public role, has a mission of contributing to the development of the securities market by proactively meeting the diverse needs of securities and financial circles and boosting the long-term interests of securities market participants. JSF's credit rating is AA- under both Rating and Investment Information, Inc. and Japan Credit Rating Agency, Ltd., and A under S&P Global Ratings. JSF's stock is listed on the Tokyo Stock Exchange.

For more information, visit <https://www.jsf.co.jp/english/>

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