

**Never Let Me Go:**  
**Why Do Lenders Recall Loaned Shares?**  
**Evidence from Japan's Cross-Shareholding Practice**

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**Abstract**

In stock lending transactions, all rights associated with the original owner (lender), including ownership, voting rights, dividends, shareholder benefits, and other rights are transferred to the borrower during the lending period. Unless the lent shares are reclaimed, these rights, other than dividends, cannot be regained. Therefore, in Japan's stock lending market, many stock lenders recall their lent shares approximately seven days before the record date of the settlement month to retain their names on the shareholder register. This practice, which originated from Japan's long-standing tradition of cross-shareholding, has non-negligible effects on the prices of loaned shares in the equity market. We examine the relationship between stock loan recalls and the transfer of ownership rights, focusing on short-covering activity around recall events. We show that the seasonal recall-induced supply reduction leads to an increase in lending fees and short covering activities, ultimately inflating stock prices by approximately 2% over the four-day window surrounding the recall date.

Keywords: Securities lending, Market quality, Cross-shareholding

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