



Republic of the Philippines
Department of Finance
INSURANCE COMMISSION
1071 United Nations Avenue
Manila

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CIRCULAR LETTER

**TO : ALL INSURANCE/REINSURANCE COMPANIES AND
MUTUAL BENEFIT ASSOCIATIONS AUTHORIZED TO
TRANSACTION BUSINESS IN THE PHILIPPINES**

SUBJECT : GUIDELINES FOR SECURITIES BORROWING AND LENDING

The Insurance Commission (IC) recognizes the importance of Securities Borrowing and Lending (SBL) in the development of the Philippine capital market and the potential role of insurance/reinsurance companies and mutual benefit associations (MBAs) in SBL transactions, hence said entities may be allowed to participate in SBL transactions, but as Lenders only and subject to the following guidelines:

1. The borrowing period for any loan of securities shall in no case exceed two (2) years from the date of execution of the SBL Confirmation Notice.
2. The following may be accepted by insurance/reinsurance companies and MBAs as collateral for their SBL transactions:
 - a) Cash denominated in peso;
 - b) Irrevocable and negotiable letters of credit issued by a commercial bank;
 - c) Securities listed in the Philippine Stock Exchange (PSE) or securities issued by the Government of the Philippines or its political subdivisions or instrumentalities, or government-owned or controlled corporations and entities, including the Bangko Sentral ng Pilipinas (BSP), which securities must be free from any lien or encumbrance; or

- d. Any combination thereof, or other forms of collateral that may be allowed by the IC.
3. The value of the securities to be lent shall be determined by the current market value of the securities.
4. If the collateral is in the form of cash or letters of credit, the value of the collateral delivered shall be maintained at an amount not less than 102% of the current market value of the securities borrowed.
5. If the collateral is in the form of government securities, the value of the collateral delivered shall be maintained at an amount not less than 105% of the current market value of the securities borrowed.
6. If the collateral is in the form of equity shares listed in the PSE, the value of the collateral delivered shall be maintained at an amount not less than 130% of the current market value of the securities borrowed.
7. When the value of collateral becomes less than the current market value of the borrowed securities, a margin call must be issued and the borrower shall promptly increase the amount of collateral to at least the current market value of the borrowed securities.


However, when the value of collateral becomes greater than the current market value of the borrowed securities, the borrower may require the lender to release the collateral which is in excess of the required current market value of the borrowed securities. The parties shall specify in the Master Securities Lending Agreement (MSLA) or Multilateral MSLA the threshold level above which the borrower may require the release of excess collateral.

8. For every executed MSLA, the insurance/reinsurance company or MBA shall obtain a one-time authorization from the IC prior to engaging in lending transactions with the specified borrower/s. In this regard, the insurance/reinsurance company or MBA shall submit to the IC a copy of its MSLA duly registered with the Bureau of Internal Revenue (BIR).

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Thereafter the insurance/reinsurance company or MBA may engage in lending transactions with the borrower/s for the duration of the MSLA, provided that, every SBL participation activity shall be documented by executing an SBL Confirmation Notice for each and every lending transaction, copy of which shall be furnished the IC.

For strict compliance.



EMMANUEL F. DOOC
Insurance Commissioner