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GUIDELINES FOR SECURITIES BORROWING AND LENDING

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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