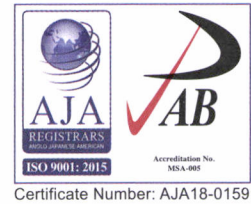




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**PRESS RELEASE**  
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## **IC PROMULGATES GUIDELINES ON INVESTMENTS IN SECURITIES BORROWING AND LENDING BY INSURANCE COMPANIES**

Insurance Commissioner Dennis B. Funa recently signed Circular Letter No. 2019-45 providing for the rules and limitations on Securities Borrowing and Lending (SBL) Transactions by insurance companies and professional reinsurers.

To qualify as an admitted asset, SBL transactions of an insurance company must be approved by the Insurance Commission which shall not exceed 5% of the total admitted assets of a life insurance company or 10% of the net worth of a non-life insurance or professional reinsurance company.

One of the limitations prescribed by the said guidelines is that the securities subject of an SBL transaction shall be limited to securities listed in the Philippine Stock Exchange (PSE), or those issued by the Bureau of Treasury or the Bangko Sentral ng Pilipinas, and the lending period shall not exceed two (2) years from the date of the execution of the SBL Confirmation Notice.

In addition, the Insurance Commission prescribes insurers and professional reinsurers to comply with documentation, valuation, collateral management, record keeping, and reporting requirements.

In terms of collateral management, the Insurance Commission limits the acceptable collaterals for SBL transactions to peso denominated cash, irrevocable and negotiable letters of credit issued by a commercial bank, bonds and other instruments of indebtedness issued by the government, bonds, debentures or other instruments of indebtedness of any solvent corporation or institution existing under Philippine laws, securities listed in the PSE and/or any other combination thereof.

It likewise prescribes the marking of assets to market at least daily and prescribes a minimum amount of collateral depending on the kind of eligible collateral as against the current value of the securities borrowed.

The Insurance Commission had previously issued rules on securities borrowing and lending transactions in 2014 but was later on deferred due to the issues raised on repurchase agreements, including SBLs.

Commissioner Funa said that insurance companies may take advantage of engaging in SBL transactions to gain additional returns on their investment portfolios by loaning out securities which are not actively traded.

Commissioner Funa said, "In view of the next tranche in the increase of minimum net worth requirement for insurance companies as prescribed under the law, insurance companies may increase their yield by engaging in SBL transactions."

He noted that the insurance industry has a narrow investment option as they are limited only to those investment instruments as provided under Republic Act No. 10607.

"With the issuance of this Circular Letter, insurance companies are now given additional investment channel to diversify their investment portfolio and to actively participate in capital market development," Commissioner Funa said.

  
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