

Circular Number: ID 09/05

1 August 2005

To: Principal Officers of All Insurers

Dear Sir/Madam

REVISION OF MAS NOTICE 113 ON SECURITIES LENDING ACTIVITIES

The Authority has revised MAS Notice 113 to reflect the following:

- (a) the lowering of the minimum level of collateral required for securities lending activities from 105% to 100% of the value of the lent security; and
- (b) the removal of the restriction on cash collateral taken to be re-invested in specified instruments.

The Notice has been re-drafted for greater clarity but other than the above, the substance of the Notice is unchanged.

2. A copy of the revised MAS Notice 113 is attached. It is also available on the MAS website (<http://www.mas.gov.sg>).

Yours faithfully

(Sent via MASNET)

LOW KWOK MUN
EXECUTIVE DIRECTOR
INSURANCE SUPERVISION DEPARTMENT

Notice No.: MAS 113
Issue Date: 1 August 2005

This Notice replaces MAS 113 dated 1 January 2001.

NOTICE ON SECURITIES LENDING ACTIVITIES

1. This Notice is issued pursuant to section 64(2) of the Insurance Act (Cap. 142).
2. Insurers shall ensure that securities lending activities are conducted in a prudent manner. They shall have in place sound controls and complete records. Insurers shall use a legally binding master agreement with each borrower, establishing the basis for all security loans between the two parties.
3. Insurers shall ensure that the lent securities are supported by suitable collateral (“Qualifying Collateral”). The Qualifying Collateral shall:
 - (a) be marked to market on a daily basis;
 - (b) be at least 100% of the value of the lent securities throughout the period the securities are lent; and
 - (c) comprise one or more of the following:
 - (i) deposits with financial institutions with a minimum short-term rating of either Prime-1 by Moody's, A-1 by Standard & Poor's, F-1 by Fitch or TBW-1 by Thomson Bankwatch, or with Singapore-incorporated financial institutions approved under the Central Provident Fund Investment Scheme (“the CPFIS”) to accept fixed deposits. If a Singapore-incorporated financial institution approved under the CPFIS to accept fixed deposits obtains a solicited short-term rating, deposits may only be placed with that financial institution if it meets the requisite short-term rating cited in this paragraph;
 - (ii) Singapore Government Securities;
 - (iii) other debt securities which have a remaining maturity of not more than 366 calendar days and are rated at least either A2 by Moody's, A by Standard & Poor's, A by Fitch or A by Thomson Bankwatch; and
 - (iv) cash.
4. For the avoidance of doubt, nothing in paragraph 3 shall preclude insurers from requiring that lent securities are supported by additional collateral over and above the Qualifying Collateral. The collateral that insurers may accept as additional collateral are not subject to the requirements stated in paragraph 3.
5. Insurers shall comply with the requirements set out in MAS Notice 109 when engaging in securities lending activities.

MAS 113: Notice on Securities Lending Activities

6. Please note that as provided in regulation 2 of the Insurance (Exemption) Regulations 2002, insurers are exempted from compliance with section 20 of the Insurance Act when they engage in securities lending transactions in the manner set out therein.