

Circular No. ID 06/19

12 April 2019

To Chief Executives
All Licensed Insurers

Dear Sir/ Madam

CLARIFICATION ON MAS 113 – NOTICE ON SECURITIES BORROWING AND LENDING ACTIVITY

MAS Notice 113 governs securities borrowing and lending transactions, where the objective of such transactions is to borrow or lend securities. It is not intended to apply to a transaction where its objective is to borrow or lend cash or cash-equivalent assets.

2 The objective of a transaction (e.g. whether it is driven by the need for securities or cash) should be evident from the terms of the agreement governing the transaction. Relevant factors in determining the objective of a transaction include, but are not limited to, the asset on which margining is based, and the mark-to-market requirements imposed on the collateral leg of the transaction. For example, in a transaction where the objective is to borrow securities, margining is based on the amount of securities that are borrowed under the agreement, and mark-to-market requirements are applied on the other leg of the transaction serving as collateral, which could be in the form of cash or other securities, to the transaction. Accordingly, such a transaction will be subject to MAS Notice 113, including the collateralisation requirements.

3 Another example would be in a transaction where the objective is to borrow cash, where margining is based on the amount of cash that is borrowed under the agreement, and mark-to-market requirements are applied on the other leg of the transaction serving as collateral, which could be in the form of a single security or portfolio of securities, to the transaction. Accordingly, such a transaction will not be subject to MAS Notice 113.

4 Should you have any queries, please contact your company's liaison officer in MAS.

Yours sincerely,

[sent via MASNET]

MR DANIEL WANG
EXECUTIVE DIRECTOR
INSURANCE DEPARTMENT