



बीमा विनियामक और विकास प्राधिकरण
**INSURANCE REGULATORY AND
DEVELOPMENT AUTHORITY**

Ref: IRDA/F&I/INV/CIR/ ¹³⁴ /2013

12th July, 2013

CIRCULAR

The CEOs of all Insurers

Sub: Lending Securities through Securities Lending and Borrowing (SLB) Framework.

The Authority sought public comments vide exposure draft dated 3rd August, 2012 to permit Insurers lending through Securities Lending and Borrowing (SLB) scheme. Comments received from the various stake holders including Life Insurers, General Insurers and other entities along with suggestions and the controls needed. After examination of the comments received, it is observed that Insurers can generate extra yield on the securities held in their custody by lending securities through SLB mechanism. Therefore, Insurers are permitted to participate in SLB subject to the following:

1. The SLB Framework should be governed by the SEBI cir no. MRD/DoP/SE/Dep/Cir – 14/2007 dated 20th December, 2007 and subsequent revisions and amendments to the guidelines. Insurers are permitted to lend through SLB Framework in Equities only.
2. The Insurer has to adhere to the Client level and Participant level position limits prescribed by SEBI and stock exchange while undertaking SLB. Insurer can only lend securities to the maximum extent of 10% quantity in the respective scrips in the respective Funds. These prescribed limits shall be adhered at all the times.

Flesch Reading Ease 36.4%

Flesch – Kincaid Grade Level 14.0

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3. Securities lent in SLB would not be treated as creating encumbrance, charge, hypothecation or lien on such securities.
4. Securities lent in SLB would be treated as if the Insurer owns such securities and all benefits arising on such securities shall be available to the Insurer i.e. the beneficial rights of the Insurer shall continue as per the SLB Frame work.
5. The lending fee shall be accounted for on accrual basis in view of the risk of early repay/recall of securities.
6. The securities lent shall continue to be shown in Form 5 as they were shown prior to SLB transaction. Income earned on lending securities shall be shown in the CAT code that is applicable as it appears in Form 1. The Securities which are lent through SLB and are not held in custody shall be shown in Form 6 under the column 'others' and detailed reconciliation statement covering name of the scrip, no. of securities lent, name of the fund, maximum limit permissible in such fund based on the total quantity held, stock exchange, date of expiry of the contract, value of the securities lent as on the date of the Return shall be provided along with the Return.
7. The practices of lend, recall and repay etc. shall be made keeping the overall interest of policyholders across the Funds of the Insurer.
8. Lending securities through SLB in the Funds shall be made only after approval of the Investment Committee. While considering approval, the Investment Committee shall satisfy that lending securities through SLB will be in the interest of the Policyholders.

9. The Board of Insurer shall amend its Investment Policy and put in place adequate Risk Management framework on SLBs covering circumstances for an early recall & rollover, treatment of corporate actions such as dividend, split, bonus, rights, merger, demerger etc.



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Member (F&I)