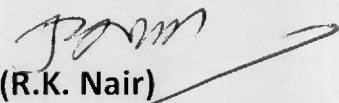


Draft Guidelines on new Investment products : Securities Lending and Borrowing (SLB) Scheme.

All Stakeholders are requested to review the attached Draft Guidelines and forward their view/ comments to the following address within 15 days.

Joint Director (Investment), Insurance Regulatory and Development Authority,
3rd Floor, Parishram Bhavan, Bahseerbagh, HYDERABAD – 500004.

Comments may also be forwarded by email to rkumar@irda.gov.in and maheshagarwal@irda.gov.in within 15 days.



(R.K. Nair)

Member (F & I)

Dated : 3rd August, 2012

DRAFT GUIDELINES
SECURITIES LENDING AND BORROWING (SLB) SCHEME

1. The Securities Exchange Board of India (SEBI), vide circular no. MRD/DoP/SE/Dep/Cir- 14/2007 dated December 20, 2007 and operationalized with effect from April 21, 2008. The SLB framework was revised vide circular no. MRD/DoP/SE/Cir-31/2008 dated October 31, 2008 and SEBI/MRD/DoP/SE/Dep/Cir-01 /2010 dated January 6, 2010.
2. The Authority proposes to allow Insurers to participate as lender of securities in SLB scheme of NSE and BSE within the guidelines issued by SEBI from time to time.
3. Insurance companies shall be allowed to lend up to 10% of their total equity holdings.
4. Equities lent in SLB would not be treated as creating encumbrance, charge, hypothecation or lien on such equities.
5. Equities lent in SLB would be treated as if the Insurer owned such equities and all benefits arising on such equities shall be available to the insurer i.e. the beneficial rights of the insurer shall continue.
6. The equities 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.
7. The Board of the Insurer shall amend its Investment Policy and put in place adequate Risk Management framework on SLBs.