

## **FREQUENTLY-ASKED QUESTIONS (FAQs)**

### **Revised Securities Borrowing and Lending Guidelines (SBL Guidelines)**

#### **1) What are the changes introduced by the revised SBL Guidelines?**

The SBL Guidelines issued on 27 December 2006 previously covers only SBL transactions conducted under the central lending agency (CLA) model, where Bursa Malaysia Securities Clearing is authorised by the Securities Commission to act as the CLA for all SBL activities in Malaysia.

These guidelines are now revised and amended to facilitate the introduction of over-the-counter SBL transaction under the SBL-Negotiated Transaction (SBL-NT) framework in Malaysia.

#### **2) Are the requirements the same for SBL-CLA model and SBL-NT model?**

Yes, the requirements are the same for the SBL-CLA model and the SBL-NT model, in that-

- a) Market participants must get the necessary approval from the approved clearing house before engaging in SBL transactions;
- b) Only eligible securities that are specified by the approved clearing house are eligible for borrowing and lending transactions;
- c) All SBL activities must be made through an approved clearing house under the CLA model or facilitated by an approved clearing house under the SBL-NT model; and
- d) The market participants must observe the requirements set in the rules of the stock exchange, approved clearing house and central depository.

**3) How can a market participant qualify for the income tax exemption as provided for in the Income Tax (Exemption) (No.30) 1995?**

In order to qualify for the tax exemption as provided under the Income Tax (Exemption) (No.30) 1995, the lender or borrower has to be authorised by the SC while the SBL agreement must be approved by the SC.

However, to facilitate market participants, in both SBL models, the SBL Guidelines set out the following:-

**SBL-CLA model**

- a) The clearing house acting as the CLA will be deemed to be authorised by the SC as authorised borrower and/or authorised lender.
- b) A lender or borrower that has been approved by the approved clearing house to participate in the CLA model would be deemed to be the authorised borrower and/or authorized lender.
- c) The agreements between the approved clearing house and the lenders or borrowers (constituting terms and conditions for lending participant or lender, terms and conditions for borrower, circulars and rules of the approved clearing house) as specified by the approved by the clearing house in its rules will be deemed as SBL agreement approved by the SC.

**SBL- NT model**

- a) Borrowers or lenders that are approved by the approved clearing house as approved SBL-NT lender or SBL-NT borrower will be deemed as authorised lender or authorised borrower.
- b) The agreements between the approved SBL-NT lenders or SBL-NT borrowers will be deemed as an approved SBL agreement if the SBL agreements contain the minimum terms and conditions as prescribed in the rules of the approved clearing house.

**4) Can a market participant which is not approved by the approved clearing house, but which has an SBL agreement with another approved market participant qualify for the tax exemption as provided in the Income Tax (Exemption) (No.30) Order 1995?**

Yes, provided that the market participant has fulfilled the criteria in the SBL Guidelines as set out below:-

**SBL-CLA model**

The market participant will be deemed as authorised lender and/or authorised borrower if such market participant has entered into an SBL agreement with the borrower or lender that has been approved by the clearing house to participate in the CLA model and the terms and conditions of the agreement is in full compliance with the rules and directives of the stock exchange or clearing house. The agreement between the market participant and the approved borrower or lender will then be deemed as approved SBL agreement by the SC.

**SBL-NT model**

The market participant will be deemed as an authorised lender and/or authorised borrower if such market participant has entered into an SBL agreement with the approved SBL-NT borrower or SBL-NT lender that has been approved by the approved clearing house to participate in the SBL-NT model and the SBL agreement contains the minimum terms and conditions as prescribed in the rules of the approved clearing house. The said SBL agreements between the market participant and the approved SBL-NT borrower or SBL-NT lender will then be deemed as the approved SBL agreement by the SC.

**5) Where can a market participant get more information on the tax treatment for SBL transactions as provided in the Income Tax (Exemption) (No.30) Order 1995?**

The Inland Revenue Board of Malaysia has issued a Tax Guidelines on Securities Borrowing and Lending which is currently posted on the website of –

- Inland Revenue Board of Malaysia at [www.hasil.org.my](http://www.hasil.org.my)
- Bursa Malaysia at [www.bursamalaysia.com](http://www.bursamalaysia.com)
- SC's website at [www.sc.com.my](http://www.sc.com.my).