

**REPUBLIKA NG PILIPINAS  
KAGAWARAN NG PANANALAPI  
KAWANIHAN NG RENTAS INTERNAS**

**Quezon City**

June 23, 2006

**REVENUE REGULATIONS NO. 10-2006**

**SUBJECT** : Prescribing the Guidelines and Conditions for the Tax Treatment of Securities Borrowing and Lending Transactions Involving Shares of Stock or Securities Listed in the Philippine Stock Exchange

**TO** : All Internal Revenue Officers and Others Concerned

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**SECTION 1. Scope.** - Pursuant to the provisions of Sections 244 and 245 of the Tax Code of 1997 (Tax Code), Section 9(C) of Republic Act (RA) 9243, and the Memorandum of Agreement dated September 30, 1998 between the Philippine Stock Exchange (PSE), and the Securities and Exchange Commission (SEC), the Department of Finance (DOF) and the Bureau of Internal Revenue (BIR), these Regulations are hereby promulgated to prescribe the guidelines and conditions for the tax treatment of Securities Borrowing and Lending (SBL) transactions involving shares of stock or securities listed in PSE with the end in view of institutionalizing the SBL facility in the Philippine capital market. (SBL of securities administered by other Exchanges shall be covered by a separate regulation).

**SECTION 2. Concept of Securities Borrowing and Lending (SBL).** - Securities Borrowing and Lending (SBL) is an important element in securities trading and capital market development among emerging markets. It is a vital facility behind the efficient trading settlements and growth of derivatives and options market. SBL exists for both equity and debt securities. For purposes of these Regulations, however, SBL shall be limited to borrowing and lending of shares of stock or securities listed in the PSE unless declared by the Securities and Exchange Commission to be ineligible for borrowing and lending under an SBL Program. SBL Program for other securities listed and traded in other Exchanges shall be covered by a separate Regulation.

SBL involves the lending of shares of stocks or securities by the Lender, who owns or controls them, to the Borrower who needs the shares of stocks/ securities borrowed to support trading strategies or settlement obligations, in exchange for a

collateral and the promise to return the equivalent shares of stocks/ securities at the end of the borrowing period. The borrowing period in any agreement cannot be more than two (2) years.

Typically, the Borrower will use or dispose of the shares of stocks/ securities borrowed strictly in connection with a particular purpose or purposes as herein mentioned. Being fungible in nature, the borrowed shares of stocks/securities are transferred from the Lender to the Borrower. For the duration of the borrowing and lending period under the agreement, the Lender temporarily loses ownership of the shares of stock/securities lent but acquires a contractual right to receive all benefits accruing to the shares of stock/securities. The objective is to put the Lender into the same economic position as the Lender would have been had the securities not been lent. This means that in case of corporate actions like stock rights, dividend declarations, and other benefits accruing to the shares of stock, the Borrower would have to "manufacture" the corresponding benefits thereon and return the same to the Lender as if the shares of stock/securities "never left his hands".

Upon demand of the Lender or at the end of the stipulated borrowing period, the Borrower is then obligated to return the equivalent shares of stock/securities and the Lender, in turn, returns the collateral put up by the Borrower. In effect, SBL is similar to a simple collateralized cash loan transaction. However, instead of cash, what is borrowed are listed shares of stock/securities and what is provided as collateral is either cash, government or equity securities, or guaranteed letter of credit.

### **SECTION 3. Definition of Terms.**

- a. Borrowing Period.** The period agreed upon by the parties during which an SBL transaction should be outstanding, which period, shall in no case exceed two (2) years from the date of execution of the SBL Confirmation Notice. At the end of this period, the Borrower must return to the Lender the equivalent shares of stock borrowed.
- b. Collateral.** Cash, government or equity securities or letters of credit guaranteed by a bank, provided to the Lender as security in accordance with the rules prescribed by the SEC and/or PSE until the borrowed share/security is returned.
- c. Equivalent Shares of Stock/Securities.** Shares of stock/securities of the same type or class of issue and of equivalent number to the shares/securities borrowed. The term shall also refer to conversion, subdivision or consolidation, a take-over, or a rights issue where it is not possible to return such borrowed shares of stock/securities because of a corporate re-structuring or similar event subsequent to the date of the SBL.
- d. Lender/Lending Agent.** Any person or entity who lends shares of stock/securities from his pool of assets as principal or from the assets of his client in case of a Lending Agent.
- e. Failed Settlement.** In the case of regular stock/securities transaction, failed

settlement means the failure of the seller to deliver to the buyer the shares subject of the transaction within the required period.

- f. **Manufactured Dividend or Benefits.** The amount of dividend or other benefits that accrue on the shares of stock/securities that are lent out which the Borrower is obliged to pass on to the Lender in accordance with the terms of the agreement.
- g. **Mark-to-Market.** The practice of periodically re-pricing the shares on loan against the value of the Collateral based on current market prices of the shares of stock and the Collateral.
- h. **Master Securities Lending Agreement (MSLA).** A written contract between the Borrower and the Lender or the Lending Agent embodying the general terms and conditions for the conduct of SBL transactions.
- i. **Securities Borrowing and Lending (SBL).** The lending (borrowing) of shares of stock/securities listed in the Philippine Stock Exchange from an investor's portfolio or investment account to support trading strategies of the borrower or for purposes specified under these Regulations with the commitment by the borrower to return or deliver the equivalent shares/securities to the lender at the end of the borrowing period.
- j. **Short Sale or Short Selling.** Any sale of shares of stock/securities not yet in the possession of the seller.
- k. **SBL Confirmation Notice.** A notice in a format prescribed by the PSE which is sent by the Lender/Lending Agent to the Borrower to indicate the details of the SBL transaction including, but not limited to, the type of securities borrowed and terms of borrowing.

**SECTION 4. Parties to an SBL transaction.** - The parties to an SBL transaction are as follows:

- a. **Borrower.** - A Borrower is any person, whether natural or juridical, who obtains shares of stock/securities from a Lender's portfolio or investment account under a MSLA strictly for purposes specified under Section 6 (f) hereof. There are no restrictions on the status and qualifications of a person who enters into an MSLA as a Borrower. Consequently, a Borrower is not necessarily one who is registered or accredited by the PSE.
- b. **Lender.** - A Lender is any person, whether natural or juridical, who lends shares of stock/securities from his/its pool of assets or the assets of his clients (in the case of Lending Agents). There are no restrictions on the status and qualifications of a person who enters into an MSLA as a Lender. A foreign lender is contemplated within the definition of a Lender for the purpose of these Regulations.
- c. **Agent.** - An authorized Agent is any person, whether natural or juridical, who acts on behalf of a client, who may be the Lender or the Borrower or both, in respect of SBL transactions.

**SECTION 5. Tax Treatment of Securities Borrowing and Lending (SBL).** - For purposes of these Regulations, the borrowing and lending transactions of shares of stock/securities listed in the PSE, as well as the delivery to the Lender of collateral appurtenant thereto, shall not be subject to the stock transaction tax under Section 127 or capital gains tax imposed under Section 24(C), 25(A)(3), 28(A)(7)(c), and 28(B)(5)(c) of the Tax Code, and documentary stamp tax under Section 176 of the Tax Code, as amended by RA 9243, provided, that, a valid MSLA is executed by the parties and registered with and approved by the BIR, the SBL Program is in accordance with the rules and regulations of the SEC, and such SBL Program is under the administration and supervision of the PSE. However, all other applicable taxes prescribed by the Tax Code and special laws shall continue to apply.

Unless the terms and conditions of these Regulations are complied with, the borrowing (lending) of shares of stock/securities shall be treated as a disposal (an acquisition) by the lender (Borrower), and the return of borrowed shares/securities an acquisition (disposal) by the Lender (Borrower), in which case, the applicable taxes on the transaction shall be imposed.

**SECTION 6. Master Securities Lending Agreement; Basic Requirements.** – Prior to the borrowing of shares of stock/securities by the Borrower and negotiating the terms of an SBL, the parties must have entered into an MSLA. A valid MSLA contains the following features:

- a. **Entitlement of Lender to Certain Stock Rights/Interest** - While there is transfer of the shares of stock/securities to the Borrower, the Lender retains certain rights accruing to the shares of stock/securities lent, such as the right to receive cash, stock dividends or interest which the Borrower is obliged to manufacture or reimburse to the Lender during the borrowing period. These cash, stock dividends or interest which the Borrower is required to manufacture or reimburse to the Lender are otherwise referred to as "**Manufactured Dividends or Benefits**". The Lender may likewise retain voting rights over the loaned shares of stock/securities while in the possession of the Borrower, if mutually agreed upon by the parties in the MSLA.

Receipt of the Manufactured Dividends or Benefits shall not be a taxable income of the Lender since it just represents dividends/other benefits that the lender would have received had the share not been loaned pursuant to SBL. However, the payment of such amount by the Borrower shall not be a tax deductible expense. On the other hand, the receipt of cash dividend from the issuing company by the Borrower or Buyer shall be subject to the provisions of existing laws.

- b. **Stock return.** - The Lender is entitled to recall the loaned shares of stock/securities in whole or in part. Upon demand or at the end of the Borrowing Period, the Borrower has the corresponding obligation to

return the Equivalent Shares of Stock/Securities, i.e., equivalent number of the same class or type of shares of stock/securities, carrying the same rights, and issued by the same company as that of the borrowed shares of stock/securities.

- c. **Collateral requirement.** - There is no consideration involved in the same manner as a regular buy and sell transaction. Instead, the Borrower merely puts up a collateral in accordance with the rules prescribed by the SEC and/or PSE in order to guarantee his obligations under the MSLA, which collateral may not be necessarily in the form of cash but may also be in the form of government or equity securities or letters of credit.
- d. **Borrowing period.** - The period agreed upon by the parties during which the specific SBL transaction under the MSLA is made effective and upon the termination of which, the specific SBL transaction is likewise ended. However, this period shall in no case exceed two (2) years from the date of execution of SBL Confirmation Notice.
- e. **Stock and collateral return.** - Upon the expiration of the Borrowing Period, the Borrower is bound to return the Equivalent Shares/Securities as the term is defined herein. Concomitantly, the Lender is required to return the collateral put up by the Borrower.
- f. **Specified purpose(s).** - The purpose or purposes for which the borrowed shares of stock/securities will be used are specified in and accordingly limited by the MSLA, which must be any of the following:
  - 1. **Settlement of sale of Philippine shares of stock/securities effected in the Philippines.** Shares of stock/securities may be borrowed to avoid failure to deliver for the settlement of a sale. This happens when the seller cannot deliver what he owns on time (failed settlement) and therefore would need to borrow in order to fulfill his settlement obligations. The corresponding transaction taxes relative to the sale of shares/securities shall apply to the actual sale of shares/securities.
  - 2. **Settlement of a future sale whether agreed or not at the time the borrowing is effected.** Shares of stock/securities may be borrowed in advance of a sale if it is anticipated that the borrowed shares of stock/securities will be required for settlement of the said future sale. The corresponding transaction taxes relative to the sale of shares of stock shall apply to the actual sale of shares/securities.
  - 3. **Replacement in whole or in part of shares of stock/securities obtained by the Borrower under another SBL agreement.**

Where a Lender demands the early return of borrowed shares of stock/securities, a Borrower without a sufficient quantity on hand of the shares of stock/securities demanded to be returned can borrow equivalent shares of stock/securities from a third party to repay the first Lender. The replacement borrowing may be for the whole, or part only, of the previously borrowed shares of stock/securities. A condition applying to such an arrangement is that the initial borrowing must itself be an SBL within the meaning of these Regulations. Moreover, the second borrowing must also be under an SBL governed by these Regulations.

- 4. On-lending of borrowed shares of stock/securities to another Borrower who has effected another SBL agreement.** This occurs when an SBL is made by an Agent for on-lending to another Borrower who also effects an SBL. However, the subsequent Borrower must use the Borrowed shares of stock/securities for any of the Specified Purposes specified herein. Because of the practical difficulties an intermediary could face in determining how the subsequent Borrower had used the shares of stock/securities, the BIR shall look at an intermediary's borrowings and on-lendings separately. Thus, provided an intermediary borrows for the purpose of on-lending, his borrowing transaction will qualify under a conditional tax-free status. Furthermore, as shares of stock/securities carrying the same rights are fungible, it is not necessary to match each of an intermediary's SBL with each of his on-lendings on a case-by-case basis.
- 5. Securities Financing and Collateral Pledging.** Shares of stocks/securities may be used by the Borrower as collateral for obtaining loans. The borrowed shares of stock may, in turn, be used by the Borrower as a commodity to lend to participants in securities market so that the participants can carry out their investments and financing efforts.
- 6. Other Authorized Purposes.** Other purposes similar or analogous to the foregoing, or consistent with the objectives of the SBL program as may be determined by the BIR upon favorable recommendation of the SEC and the PSE.

## **SECTION 7. Guidelines in the Execution of the MSLA.**

- a. The Borrower must obtain the shares of stock/securities for one or more of the Specified Purposes as defined in Section 6(f) of these Regulations. In this regard, the MSLA may refer to the Specified Purposes within the meaning of these Regulations. However, an MSLA which permits shares of stock/securities to be borrowed for the Specified Purposes as herein

defined and some other purposes not defined or authorized by these Regulations shall not qualify as a valid MSLA.

- b. A single MSLA may provide for the borrowing and lending of more than one type of shares of stock/securities. However, only shares of stock/securities, the sale and purchase of which are subject to the rules of PSE, are eligible for SBL transaction. Shares of stock/securities in private companies not listed and traded through the PSE do not fall within the scope of an SBL transaction subject of these Regulations.
- c. Every MSLA entered into by a Borrower and a Lender or by their duly authorized agents must be registered with the BIR upon payment of the prescribed registration fee pursuant to Section 8(a) hereof. An MSLA should be entered into by the Borrower for every Lender counterparty. However, of the parties to the MSLA, only the Borrower is required to register the MSLA to avoid duplication.
- d. Where an MSLA does not comply with the requirements herein set forth, the BIR shall consider the requirements fulfilled if a copy of the MSLA is accompanied by an executed copy of an addendum duly complying with the deficiency requirement. In such cases, the addendum should be attached to a copy of the MSLA. Only transactions entered into subsequent to the execution of the addendum will be eligible for a conditional tax-free status.

**SECTION 8. Registration of the MSLA.** - The following guidelines shall govern the registration of every MSLA:

- a. **Requirements.** Prior to entering into the first SBL transaction, the Borrower must provide the BIR with the following:
  1. Three original or certified true copies of a duly completed MSLA Registration Form (*Appendix A*);
  2. Three original or certified true copies of the duly-notarized MSLA (and its addendum if applicable);
  3. The prescribed registration fee of Five Thousand Pesos (Php5,000.00);
  4. Three original or certified true copies of Lender's Notification of Execution of MSLA (*Appendix B*); and
  5. Other documents and information that the BIR may require.

The Borrower's copy of the MSLA and its addendum (if applicable),

endorsed with a registration number and stamped to acknowledge payment of registration fee, will be returned to the Borrower endorsed with the approval or denial of the BIR, as the case may be, within ten (10) working days from receipt thereof.

- b. Place and Time of Registration.** The MSLA shall be registered at the Law Division of the BIR National Office or in such other office which the Commissioner may hereafter direct, upon filing of Registration Form and payment of the registration fee with the General Services Division at the BIR National Office. Registration of the MSLA should be made within two (2) weeks if executed in the Philippines and within one (1) month if executed outside the Philippines.

In case parties have valid existing MSLAs executed outside the Philippines prior to the effectivity of these Regulations, the borrower must register the MSLA before entering into the first SBL transaction involving Philippine equity securities.

- c. Approval of MSLA.** Only SBL transactions under an MSLA duly registered and approved by the BIR shall be entitled to the conditional tax-free status of the said transactions.
- d. Failure to Register.** Failure to register the MSLA will make the SBL transaction a sale and purchase of the borrowed shares of stock/securities outside the PSE thus, the SBL transaction shall be subject to the corresponding capital gains tax and documentary stamp tax.
- e. Duty of the Lender and Borrower.** A Lender under an MSLA must take reasonable care to ensure that the Borrower registers the MSLA or is aware of the requirement to register the MSLA as soon as practicable. Due notice to the borrower may be effected, for example, by stipulating in the MSLA or in the addendum (if applicable), that the Borrower shall register the agreement and its addendum with the BIR or by otherwise informing the Borrower of such registration requirement.

In order not to be assessed the corresponding taxes on the transaction, a Lender must also advise the BIR in writing that he has entered into an MSLA by filling-in the Notification of Execution of MSLA Form (Appendix B). The advice should include particulars of the agreement similar to those shown on the MSLA Registration Form. Said notification shall be submitted upon the registration of the MSLA by the Borrower.

- f. Duty of the BIR.** It shall be the duty of the Law Division of the BIR National Office to determine whether the registered MSLA conforms to the requirements herein imposed, to recommend the signature of the Commissioner or his duly-authorized representative for the approval or

denial of the MSLA registration, to monitor compliance of the parties to the conditions herein prescribed, and to recommend, where appropriate, assessment of the taxes against the parties found to have entered into an SBL transaction in violation of these Regulations.

**SECTION 9. SBL Deemed Sale** –An SBL is deemed a sale and purchase of the borrowed shares of stock/securities (or part of it, as the case may be) when any of the following circumstances is present:

- a. There is no Stock Return in whole or in part of the borrowed shares of stock/securities at the end of the borrowing period. A partial stock return is permissible; however, the balance of any borrowed shares of stock/securities that has not been returned at the end of the borrowing period is deemed to have been bought (sold) by the Borrower (Lender);
- b. The borrowed shares of stock/securities, or part of it, have been used other than that for the Specified Purposes herein enumerated;
- c. The borrower is in default in accordance with the terms provided for in the MSLA for the return of the whole or part of the borrowed shares of stock/securities;
- d. There is failure to comply with the essential features of a valid MSLA;
- e. There is failure to register or there is delayed registration of the MSLA; or
- f. SBL transactions were entered into by the parties outside the borrowing period.

**SECTION 10. Tax-Treatment of SBL Deemed Sale.** Where an SBL is deemed a sale and purchase of the borrowed shares of stock/securities (either in whole or in part), as determined by the BIR and upon due notice to the parties concerned, such transaction shall be subject to applicable taxes as if a sale and purchase of those shares of stock/securities had been effected in the Philippines. In such a case, the following shall be the tax consequences:

- a. If the purported SBL transaction is deemed a sale, such sale is necessarily consummated outside the PSE. Hence, the transaction shall be subject to capital gains tax imposed under either Sections 24(C) or 25(A)(3) or 28(A)(7)(c) or 28(B)(5)(c), as the case may be, and shall be subject to the following rules:
  1. The net capital gains tax shall accrue within 30 days following each sale or other disposition of shares of stock, upon the filing in duplicate of a capital gains tax return (BIR Form No. 1707) with the Authorized Agent Banks located within the Revenue District Office (RDO) having

jurisdiction over the residence or principal place of business of the deemed seller showing, among others, the name of seller and buyer; amount realized (selling price or fair market value of other property received) and contract price or closing price of the securities sold on the day preceding the Specified Day as defined in Section 11 hereof; cost or adjusted basis; date of acquisition; sale or disposition.

2. A final consolidated return or an adjustment return covering all stock transactions during the taxable year shall be filed on or before the fifteenth day of the fourth month following the close of the taxable year.
  3. The return shall include all stock transactions resulting in capital gains or capital losses for the whole year. The tax shown on the final or adjustment return after deducting therefrom the taxes paid during the taxable year shall be paid upon filing or refunded, as the case may be.
  4. The tax base shall be determined on a consideration based on the closing price of the shares of stock on the day preceding the Specified Day as defined in Section 11 hereof or the actual amount realized, whichever is higher, less the carrying cost or adjusted basis of the sold securities, for capital gains tax, and without any deduction, for the computation of the documentary stamp tax. The closing price should be determined in accordance with the Rules and practices of the PSE.
- b. The deemed sale transaction as stated above shall likewise be subject to the documentary stamp tax under Section 175 of the Tax Code, as amended by RA 9243.
  - c. Any gain derived from the transaction deemed sale as provided herein shall be exempt from the regular individual or corporate income tax. The tax paid thereon shall not be deductible for income tax purposes.
  - d. The deemed sale and purchase transaction may expose the Borrower to penalty for late payment of DST and Capital Gains Tax if the applicable time limits set out in the Tax Code of 1997 are not complied with.

**SECTION 11. Specified Day.** – The term Specified Day as used above is defined as follows:

- a. **Where no Stock Return is made** - The day following the expiration of the borrowing period;
- b. **Where the borrowed shares of stock is used for other purposes not specified by the MSLA** - The day on which the borrowed shares of stock/securities were given to the Borrower by the Lender as indicated in

the transaction documents.

- c. **Where the borrower fails to comply with a Lender's demand for a return of borrowed shares of stock/securities** - The day after that failure to comply with the demand.

## **SECTION 12. Compliance Requirements.**

- a. **Record Keeping and Reporting** - The Borrower is required to:

1. Keep SBL ledgers and other books of account in the form prescribed by the Commissioner of Internal Revenue;
2. Enter required particulars of SBL transactions and Stock Return into that ledger;
3. Prepare and keep an SBL Transaction Report for each specific SBL transaction in accordance with *Appendix C* or substantially equivalent form;
4. Provide BIR copies of the SBL Transaction Report and the accompanying SBL Confirmation Notice.

- b. **Recording Format** - The SBL ledgers shall be kept in a written form, as per sample format hereto attached as *Appendix D*, or recorded on a computer where the relevant information can be supplied in a legible hard copy format. The ledger shall contain the following particulars with respect to each SBL transaction and related Stock Return:

1. Date of borrowing or lending and date of return;
2. Name of Borrower and Lender;
3. Reference numbers to identify the SBL transaction, the Stock Return and the MSLA;
4. Description of the shares of stock/securities borrowed or loaned (name, code and type);
5. Quantity of the shares of stock/securities borrowed or loaned (number of shares and value);
6. Purpose for which the shares of stock/securities were borrowed; and
7. Form of collateral, value and other pertinent information about the collateral.

- c. **Filing of Bi-Annual Summary Reports of Outstanding and Liquidated SBL Transactions and Stock Returns.** Bi-annual summary reports of outstanding and liquidated SBL Transactions and Stock Returns, in the format prescribed by the BIR (*Appendices E and F, respectively*), must be prepared **every six months** and filed with the Law Division of the BIR National Office within one (1) month after the end of the covered period. The said reports must be accompanied by

copies of the SBL Transactions Report and SBL Confirmation Notice evidencing specific SBL transactions entered into by the parties during the six-month period.

**SECTION 13. Penalties.** - In addition to the civil and criminal liabilities of the taxpayer for violation of the provision of Sec. 127 (A) and Sec. 175 of the Tax Code of 1997, the following administrative penalties incident to the delinquency or deficiency prescribed under Secs. 248 and 249 of the same Code shall be imposed which shall be collected at the same time, in the same manner and as part of the tax.

**a. Surcharges**

- 1. 25% surcharge** - In case of any failure to make and file a return and pay the tax due thereon as required by these Regulations on the date prescribed; or unless otherwise authorized by the Commissioner, filing a return with an internal revenue officer other than those with whom the return is required to be filed; or failure to pay the deficiency tax within the time prescribed for its payment in the notice of assessment; or failure to pay the full or part of the amount of tax shown on any return required to be filed under the provisions of the Code or of these Regulations, or full amount of the tax due for which no return is required to be filed on or before the date prescribed for its payment, there shall be imposed, in addition to the tax required to be paid, a surcharge equivalent to twenty - five percent (25%) of the amount due.
- 2. 50 % surcharge** - In case of willful neglect to file the return within the period prescribed by the Code or these Regulations, or in case a false or fraudulent return is willfully made, the penalty to be imposed shall be fifty percent (50 %) of the tax or of the deficiency tax, in case any payment has been made on the basis of such return before the discovery of the falsity or fraud.

**b. Interest** - There shall be assessed and collected on any unpaid amount of tax, interest at the rate of twenty percent (20 %) per annum, or such higher rate as maybe prescribed by the rules and regulations, from the date prescribed for its payment until the full payment thereof.

- 1. Deficiency interest** - Any deficiency in the tax due shall be subjected to interest at the rate of twenty percent (20%) per annum, which interest shall be assessed and collected from the date prescribed for its payment until the full payment thereof.
- 2. Delinquency interest** - In case of failure to pay the amount of the tax due on the return required to be filed, or a deficiency tax, or any surcharge or interest thereon on the due date appearing in the notice and demand of the Commissioner of Internal Revenue, there shall be

assessed and collected on the unpaid amount, interest at the rate of twenty percent (20%) per annum until the amount is fully paid, which interest shall form part of the tax.

**c. Failure to File Certain Information Returns** - In case of each failure to file an information return, statement or list, or keep any record, or supply any information required by these Regulations on the date prescribed therefor, unless it is shown that such failure is due to reasonable cause and not to willful neglect, there shall upon notice and demand by the Commissioner, be paid by the person failing to file, keep or supply the same, One Thousand Pesos (Php1,000) for each such failure: Provided, however, that the aggregate amount to be imposed for all such failures during a calendar year shall not exceed Twenty Five Thousand Pesos (Php25,000).

For purposes of these Regulations, the following Appendices are the sample formats for the documents and ledgers to be submitted to the BIR and maintained by the parties:

- Appendix A - MSLA Registration Form
- Appendix B - Notification of Execution of MSLA by Lender
- Appendix C - SBL Transactions Report
- Appendix D1 - Securities Lending Ledger
- Appendix D2 – Securities Borrowing Ledger
- Appendix E – Bi-Annual Summary Report of Outstanding SBL Transactions
- Appendix F – Report of Liquidated SBL Transactions

**SECTION 14. Effectivity** - These Regulations shall take effect after fifteen (15) days from publication in the Official Gazette or in any newspaper of general circulation.

(Original Signed)  
**MARGARITO B. TEVES**  
Secretary of Finance

**Recommending Approval:**

(Original Signed)  
**JOSE MARIO C. BUÒAG**  
Commissioner of Internal Revenue