REVENUE REGULATIONS NO. 10-2024 issued on June 5, 2024 amends certain provisions of Revenue Regulations (RR) No. 10-2006, as amended, relative to the registration of Master Securities Lending Agreement and Global Master Securities Lending Agreement.

Section 3 of RR No. 10-2006, as amended, is further amended to read as follows:

"**SECTION 3. Definition of Terms.** –

xxx xxx xxx

b. Collateral. Cash, government securities, equity securities, standby letter of credit issued by a bank, or other forms of collateral 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.

xxx xxx xxx

f. Global Master Securities Lending Agreement (GMSLA). Master Securities Lending Agreement substantially in the form published by the International Securities Lending Association. For purposes of these Regulations, references to MSLA shall also include the GMSLA.

xxx xxx xxx"

All subsequent paragraphs are re-numbered accordingly.

Section 4 of RR No. 10-2006, as amended, is further amended to read as follows:

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

xxx xxx xxx

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 except those provided in SEC and PSE regulations. A foreign lender is contemplated within the definition of a Lender for the purpose of these Regulations.

xxx xxx xxx"

Section 5 of RR No. 10-2006, as amended, is further amended to read as follows:

"**SECTION 5. Tax Treatment of Securities Borrowing and Lending (SBL).** – For purposes of these Regulations, the Securities Borrowing and Lending transactions of shares of stock/securities listed in the PSE, as well as the delivery to, and return by, the Lender/Lending Agent of collateral

appurtenant thereto or the Equivalent Shares of Stock/Securities, shall not be subject to the stock transaction tax under Section 127 or capital gains tax imposed under Section 24(C), 25(A)(3), 27(D)(2), 28(A)(6)(c), and 28(B)(5)(c) of the Tax Code, and documentary stamp taxes under Section 175 of the National Internal Revenue 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. A valid MSLA shall be deemed registered with, and approved by, the BIR in conformity with applicable requirements upon issuance by the BIR of the Certificate of Registration, which approval shall retroact to the date of complete submission to the BIR of the duly signed MSLA, pre-cleared and favorably endorsed by PSE, and payment of the BIR registration fee in accordance with Section 8 of these Regulations. 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 lending (borrowing) of shares of stock/securities shall be treated as a disposal (an acquisition) by the lender (Borrower), and the return of borrowed shares/securities shall be treated as an acquisition (disposal) by the Lender (Borrower), in which case, the applicable taxes on the transaction shall be imposed."

Section 6 on RR No. 10-2006, as amended, is further amended to read as follows:

"**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 or Multilateral MSLA. A valid MSLA or Multilateral MSLA contains the following features:

xxx xxx xxx

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 or other forms of collateral allowed by the SEC and/or PSE.

xxx xxx xxx

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:

xxx xxx xxx

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 or a Borrower 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 purposes specified herein. Because of the practical difficulties an intermediary or original Borrower could face in determining how the subsequent Borrower had used the shares of stock/securities, the BIR shall look at an intermediary's or original Borrower's borrowings and on-lendings separately. Thus, provided an intermediary or original Borrower 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 the original Borrower's or an intermediary's SBL with each of his on-lendings on a case-by-case basis.

xxx xxx xxx"

Section 7 of RR No. 10-2006, as amended, is further amended to read as follows:

"**SECTION 7. Guidelines in the Execution of the MSLA.** –

xxx xxx xxx

d. As a general rule, an MSLA should be entered into by the Borrower for every Lender/Lending Agent. However, in view of the administrative difficulty of executing and registering an MSLA for every borrower, a Multilateral MSLA may be executed and submitted to the BIR by the Lender/Lending Agent or the concerned party with multiple borrowers. This means that instead of executing separate MSLAs for each borrower, the Lender/Lending Agent or the concerned party may execute and register one-time with the BIR a Multilateral MSLA reflecting their undertaking and willingness to be bound by its provisions. For the avoidance of doubt, the Lender/Lending Agent may add borrowers to a previously registered Multilateral MSLA by executing an Accession Agreement indicating the conformity of the additional borrowers to be bound by the provisions of the Multilateral MSLA. Such Accession Agreement shall form an integral part of the previously registered MSLA upon submission of the Accession Agreement to the BIR and payment of the equivalent registration fees. It is understood that a Multilateral MSLA shall contain all the features of a valid MSLA, including the delivery of collateral, pursuant to Section 6 hereof. For this purpose, a new certificate of registration reflecting the additional borrowers shall be issued by the BIR upon evaluation of the Accession Agreement and confirmation of payment of registration fees.

e. Parties to an MSLA may interchange as Lender or Borrower. The Parties must indicate in the SBL Confirmation Notice the capacity in which they are acting in a particular loan transaction.

f. 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 extension of the addendum will be eligible for conditional tax-free status.

If either or both parties to an SBL transaction are foreign nationals who have a GMSLA in place, the BIR shall consider the requirements under these Regulations fulfilled if the parties submit, together with the GMSLA, a duly executed Addendum or Supplemental Agreement as may be prescribed by the PSE; alternatively, the parties may also submit an MSLA in case they have no GMSLA in place."

Section 8 of RR No. 10-2006, as amended, is further amended to read as follows:

"**SECTION 8. Registration of the MSLA or Multilateral MSLA.** – The following guidelines shall govern the registration of every MSLA or Multilateral MSLA:

xxx xxx xxx

c. *Place and Time of Registration.* The MSLA or Multilateral MSLA shall be registered with the BIR by submitting the following: (i) three original or certified true copies of a duly completed MSLA Registration Form (Appendix A); (ii) three original or certified true copies of the duly-signed and completed MSLA (and its addendum if applicable), or if executed abroad, an authenticated or apostilled version of the MSLA pre-cleared and favorably endorsed by PSE and (iii) three original or certified true copies of Lender's Notification of Execution of MSLA (Appendix B), to the Legal and Legislative Division of the BIR National Office or in such other office which the Commissioner may hereafter direct, and filing of Registration Form and payment of the registration fee with the General Services Division at the BIR National Office. Registration of the MSLA or Multilateral MSLA in accordance with this section should be made within two (2) weeks from execution if executed in the Philippines and within one (1) month from its authentication or certification via apostille 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, in accordance with this section.

d. *Approval of MSLA or Multilateral MSLA*. The Legal and Legislative Division of the BIR National Office shall take the appropriate action on the application for registration within five (5) working days from submission of complete documents as prescribed in this Section. All applications for registration of MSLAs or Multilateral MSLAs shall be approved by the BIR Assistant Commissioner, Legal Service, or any other revenue official duly-authorized by the Commissioner.

   Only SBL transactions under an MSLA or Multilateral MSLA registered and approved by the BIR shall be entitled to the conditional tax-free status of the said transactions without prejudice to BIR's post-audit review. The registration shall be valid until revoked by the BIR.

e. *Failure to Register*. xxx

f. *Duty of the Lender/Lending Agent/Borrower*. xxx

g. *Duty of the BIR*. It shall be the duty of the concerned Revenue District Office or the Large Taxpayer District Offices, as the case may be, to determine whether the registered MSLA conforms to the requirements herein imposed, to monitor compliance of the parties to the conditions herein prescribed, to assess taxes against the parties found to have entered into an SBL transaction in violation of these Regulations, and to recommend to the BIR Assistant Commissioner of Legal Service through the Legal and Legislative Division, for the revocation of the MSLA registration."

Section 9 of RR No. 10-2006, as amended, is further amended to read as follows:

"**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 have not been returned at the end of the borrowing period is deemed to have been bought (sold) by the Borrower (Lender). The Lender/Lending Agent may purchase Equivalent Shares of Stock/Securities using the collateral of the borrower from the stock exchange, which purchase is subject to the stock transaction tax under Section 127(a) of the National Internal Revenue Code of 1997, as amended.

xxx xxx xxx"

Section 12(a) of RR No. 10-2006, as amended, is further amended to read as follows:

"**SECTION 12. Compliance Requirements.** –

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

xxx xxx xxx

5. Provide a copy of the BIR-stamped MSLA to PSE within fifteen (15) days from submission to BIR.

xxx xxx xxx"

A new Section 14 is added to RR No. 10-2006, as amended, which shall read as follows:

"SECTION 14. Information Sharing. –

(a) To facilitate monitoring of compliance with these Regulations, PSE shall grant authorized BIR representatives access to reports provided by the depository and depository participants to PSE with respect to SBL transactions.

(b) To facilitate monitoring of compliance with PSE's reportorial requirements, BIR shall provide to the PSE, within fifteen (15) calendar days after the end of each quarter, a list of all MSLAs registered in such quarter."

The succeeding section shall be renumbered accordingly.