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1. Introduction

1.1 Derivatives, properly managed, can play a useful role in financial risk management. With the development of a broader and deeper derivative market and the availability of a wider array of derivative instruments, derivatives can be used to manage exposures of insurance funds to term structure risks (e.g. asset and liability duration mismatches) and unfavourable market volatilities associated with interest rate or share price movements.

1.2 The use of derivatives requires a thorough understanding of the associated risks and prudent management oversight. These guidelines provide *minimum* requirements and standards which insurers should observe to ensure that derivative activities are conducted in a prudent manner. Insurers are encouraged to adopt more stringent controls and standards as appropriate in their own internal risk management policies.

1.3 These guidelines set out regulatory policies concerning:-

(i) the purpose for which derivatives may be used;
(ii) general and specific regulatory requirements for derivative transactions;
(iii) supervisory expectations on risk management practices that should be observed for derivative activities;
(iv) the accounting treatment and financial disclosures for derivatives; and
(v) regulatory reporting requirements.

2. Legal Provision and Applicability

2.1 The guidelines are issued pursuant to Section 201 of the Insurance Act 1996 (the "Act"), and is applicable to all insurers licensed under the Act.

3. Definitions

3.1 Unless otherwise mentioned, the following definitions shall apply in these guidelines:-

"derivative" means a financial asset or liability whose value is derived from an underlying asset, liability or index. Common forms of derivative instruments include forwards, futures, options, swaps, credit derivatives or combinations thereof (as applicable). Credit derivatives refer to financial instruments which are used to assume or mitigate credit risk of an underlying reference credit. Examples of credit derivatives include credit default swaps, credit-linked notes and total return swaps;

"exchange-traded derivatives" refers to derivatives traded on Bursa Malaysia or any other regulated exchange in a foreign jurisdiction;

"fair value" is the amount for which an asset or liability could be exchanged, or settled between knowledgeable, willing parties in an arm's length transaction;

"hedging" in the context of this guidelines means the use of derivatives to offset the component risk elements (such as interest rate, exchange rate, price and asset liability mismatch risk) of another asset or liability position(s) materially or entirely;

"asset-liability mismatch risk" means the risk of adverse movements in the relative value of assets and liabilities. Assets and liabilities are considered to be well matched if changes in value in response to market movements are positively correlated.

4. Scope

4.1 The guidelines apply to all derivative activities undertaken directly by an insurer for purposes as outlined in **paragraph 5** of the guidelines.

5. Purpose of Use

5.1 Insurers are allowed to engage in derivative activities for hedging purposes where such derivative transactions are identified with the corresponding risk exposures being hedged, and the risks associated with such derivative transactions are insignificant and remote given the risk reduction benefits that can reasonably be expected from the transactions.

5.2 It should be probable both at inception and throughout the period of the derivative contract that the changes in the value of the underlying exposures being hedged are materially or entirely offset by the changes in the value of the derivative positions, thus effectively reducing the risk of financial losses. Where such derivative positions are established, insurers may apply the capital treatment provided under the Risk-Based Capital Framework[1] for the derivative positions.

5.3 Derivative positions which no longer meet the hedging intent should be closed out promptly.

[1] For example, in the case of hedged equity risk exposures, an effective hedge is achieved where the weighted composition of the hedged exposures represent more than 90% of the weighted market value of the corresponding hedging instruments and it is probable both at the inception and throughout the period of the derivative contract that a high degree of negative correlation exists between changes in the fair value of the derivative instrument and changes in the fair value of the underlying exposures being hedged. In this instance, an insurer may apply the carved out treatment stipulated in **Paragraph 5.2** (see also Appendix II, Paragraph 2.4 of the Risk-Based Capital Framework).

6. General Requirements

6.1 Prior to undertaking any derivative transactions, the board of directors (board) of insurers is expected to ensure that:-

(i) it understands the scope and nature of derivative activities to be undertaken;

(ii) the derivative transactions are consistent with the investment and risk management policy of the insurer;

(iii) it has been appraised of all legal and regulatory requirements under these guidelines, the Insurance Act 1996 and other relevant legislation;

(iv) approved policies, systems and procedures that are commensurate with the level and nature of derivative activities to be undertaken by the insurer are in place and have been clearly communicated to all levels of staff concerned; and

(v) the insurer has appropriate resources (e.g. competent, capable and qualified personnel), capacity and adequate infrastructure to effectively manage and monitor derivative positions.

6.2 In addition, insurers should ensure that derivative positions are:-

(i) ***fully covered***. An insurer must prudently estimate all obligations or liabilities arising from derivative positions and ensure that positions are fully covered by available assets. Acceptable covers for the purpose of this guidelines include:

a) cash margins already paid and which are marked-to-market daily;

b) equivalent cash or near-cash holdings;

c) a holding guaranteed to deliver income of the right magnitude and at the right intervals to cover payment obligations under a derivative contract. For example, amounts due under an interest rate swap may be covered by fixed interest payments due from fixed deposit holdings;

d) securities which can be readily realized in an active market, and where the basis risk relative to movements in value of the derivative contract is insignificant. Such securities should be free from encumbrances that restrict the rights of the insurer to realize the securities; and

e) legally enforceable offsetting transactions that would enable an insurer to meet its obligations under the derivative contract.

An obligation arising out of a derivative transaction may either be fully covered using a single or combination of acceptable covers. However, an insurer must ensure that an acceptable cover for one derivative transaction is not also used to cover another derivative transaction concurrently.

(ii) ***capable of being readily closed out***. Key considerations to determine whether the derivative positions can be readily closed out shall include, among others, sufficiency of liquidity in the derivative market and the creditworthiness of counterparties; and

(iii) ***readily priced***. Generally, a derivative is readily priced if fair values can be determined based on values obtained in an active market (e.g. prices available in derivative exchanges or market quotes available on electronic dealing screens) or with reference to a quantifiable underlying value (as in the case of over-the-counter derivatives where amounts exchanged are calculated with reference to notional amounts of underlying assets or income on underlying assets).

7. Risk Management Framework

Roles and Responsibilities of the Board

7.1 The board is responsible for approving an appropriate risk management framework for the use of derivatives that is consistent with the insurer's corporate objectives, investment management policies, financial capacity, management expertise and risk appetite. The risk management framework should commensurate with the level and nature of the insurer's derivative activities and include the following aspects:-

(i) defined ***roles and responsibilities*** of the board, senior management and other related functions within the insurer for derivative activities;

(ii) ***policies, procedures and systems*** for identifying, measuring, monitoring and controlling the various risks associated with derivative transactions, including risk control measures such as structured limits, parameters and internal guidelines to control exposures within permitted risk-tolerance levels;

(iii) ***processes for the communication and timely reporting*** of derivative activities to the senior management and the board; and

(iv) ***internal control and audit functions*** to ensure the independence and effectiveness of risk management as well as ongoing compliance with approved internal policies and procedures in the use of derivatives, legal and regulatory requirements.

7.2 The board should be aware of, and act promptly to avoid or mitigate, any adverse effects on the insurer's ability to fulfill its obligations to policy holders that may result from the insurer's derivative activities. The board is therefore expected to ensure the continuous availability and proper allocation of resources (e.g. human, financial, and technological resources) to monitor and manage the insurer's derivative activities.

7.3 The board should receive and evaluate reports on the insurer's derivative exposures on a regular basis. Such reports should provide adequate, reliable and meaningful information to facilitate effective decision making and oversight by the board of the insurer's derivative activities.

Independence of the Risk Management Function

7.4 The board should ensure that there is an independent risk management function to support the implementation of the approved risk management framework. Among others, the board should ensure that a clear separation exists in the organizational structure between responsibilities for measuring, monitoring and controlling risks of derivative transactions and the investment function, which undertakes the day-to-day execution of derivative activities.

7.5 The remuneration policies established for the risk management function should be also appropriate to ensure the effectiveness, integrity and objectivity of the risk management function and avoid any conflicts of interest. This should include remuneration policies for employees responsible for the risk management functions that are independent of investment results.

Risk Management Policy

7.6 The senior management of insurers should put in place a ***written*** risk management policy, approved by the board. In respect of derivative activities, the risk management policy should cover the following primary components of risk management practices:-

(i) the purpose for which derivatives may be used;

(ii) the scope and types of permitted derivatives, including the risk tolerance level in respect of its derivative activities;

(iii) procedures for the proper authorization of any change in significant risk management policies or procedures;

(iv) procedures on authorization of new derivative products for use by the insurer;

(v) restrictions on counterparties with whom derivative transactions may be effected (e.g. subject to minimum acceptable credit ratings);

(vi) details on persons authorized to enter into derivative transactions and limits of authority;

(vii) clear lines of responsibility for the monitoring and management of the insurer's derivative positions;

(viii) procedures for regular reporting to senior management and the board on derivative activities; and

(ix) a provision for periodic review by the board and senior management of the insurer's risk management policy to gauge its effectiveness in managing risk exposures and to ensure that the policy remains consistent with the insurer's corporate strategies and financial and management capabilities, particularly in the light of changing circumstances.

8. Risk Management Practices

Risk Types

8.1 The involvement in derivatives may give rise to several types of risk exposures including:-

(i) **credit (or counterparty) risk:** the risk that the counterparty will fail to perform its obligation under the derivative contract to the insurer;

(ii) **position (or market) risk:** the risk of loss arising from adverse movements in the level of market prices (e.g. exchange rate, interest rate, stock prices etc.);

(iii) **liquidity risk:** the risk that funds may not be available when required, leading to the forced sale of assets. Liquidity risk can also arise under conditions where there is inadequate market depth or disruptions in the market place resulting in difficulties faced by insurers in unwinding or offsetting their derivative positions;

(iv) **hedge (or basis) risk:** the risk that market prices of an instrument used as a hedge may not move in line with the market prices of the position being hedged;

(v) **operational risk:** the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Examples include operational errors in processing of derivative trades, fraud by back office staff in settlement procedures or failure of information systems in recording derivative exposures; and

(vi) **legal risk:** the risk that the transaction or parts of it will be legally unenforceable. This includes the risk that the contractual documentation is incomplete or incorrect in some respect, thereby compromising contractual protection.

8.2 **Paragraphs 8.3 to 8.16** outline the Bank's supervisory expectations for the management of risks associated with derivative activities. Insurers are expected to integrate these risk management practices in the overall risk management framework as appropriate.

Risk Management Systems and Internal Controls

8.3 Insurers should have suitable systems in place to identify and measure derivative risks and compare positions against approved risk management policies and risk-tolerance levels. The sophistication of such systems should be proportionate to the extent and nature of the insurer's derivative activities. At a minimum, however, the Bank expects risk management systems to:-

(i) be able to capture all relevant details of transactions;

(ii) be capable of accurately measuring and reporting significant risks in a timely manner; and

(iii) enable risks to be aggregated and assessed on a company-wide basis across the insurer's derivative and non-derivative activities (also see **paragraph 8.9(i)**) and where relevant, on a group-wide basis.

8.4 In addition, risk management procedures should also provide for the following internal control measures in relation to the ***processing of derivative transactions***:-

a) regular reconciliations between the front office (execution of transactions), back office (processing) and accounting systems. For insurers which actively use derivatives, such reconciliations should be performed daily;

b) regular matching of internal records against external sources (e.g. statements from counterparties);

c) procedures to ensure that positions (including margin variations) are properly and promptly settled and reported and amounts owing to the insurer are tracked and duly followed up on;

d) procedures to ensure the independent verification of contract rates or prices; and

e) procedures to independently ensure compliance with authority limits and early detection and reporting of breaches.

8.5 In cases where external fund managers are appointed to undertake fund management activities for the insurer, including derivative activities as may be associated with such fund management arrangements, the insurer is expected to ensure that it has retained sufficient controls and expertise and has access to sufficient information in a timely manner under the terms of the fund management agreement to enable the insurer to evaluate the performance of fund managers and ensure consistency with the insurer's approved policies and procedures in respect of derivative transactions.

Dealings with Counterparties

8.6 Insurers are required to deal with eligible counterparties only. Eligible counterparties for the purposes of the guidelines include:-

(i) banking institutions licensed under the Banking and Financial Institutions Act 1989 (BAFIA) and the Islamic Banking Act 1983 (IBA);

(ii) Capital Market Services Act 2007 (CMSA) licensees authorized to conduct dealing or trading in derivative contracts; and

(iii) regulated local and foreign exchanges (for exchange-traded derivatives).

8.7 The Bank expects insurers to exercise due diligence in assessing the creditworthiness of counterparties both prior to engaging in derivative transactions, and on an ongoing basis until the positions are closed out or settled. Decisions to deal with particular counterparties should be consistent with the risk management policy approved by the Board (see paragraph 7.6(v)).

8.8 Insurers are expected to establish internal guidelines and procedures to ensure the ***enforceability of counterparty agreements***. Among other things, the guidelines should specify:-

(i) documentation requirements to minimize legal risk and ensure that agreements with counterparties conform in all material respects to standard, well-tested documents such as the master agreements for OTC derivative transactions promulgated by the International Swaps and Derivatives Association (ISDA);

(ii) procedures for safeguarding important documents;

(iii) procedures to evaluate the terms of derivative contracts to ensure that the terms are consistent with internal investment policies and are not disadvantageous to the insurer;

(iv) procedures to ensure that counterparties are properly authorised to engage in derivative transactions;

(v) procedures to ensure that the insurer's rights to any margin or collateral from its counterparties are enforceable; and

(vi) procedures to ensure the execution of legal documentation within a reasonable time.

Risk Tolerance Levels

8.9 The insurer's risk tolerance level on derivative exposures should be consistent with the insurer's overall investment and risk management policies. The Bank expects this level to be reviewed periodically to factor in the degree of volatility in market conditions that may affect the credit, market, liquidity and basis risk profiles of derivative positions. To ensure that the risk exposure is managed within prudent risk tolerance levels, the insurer is expected to establish the following:-

(i) limits for individual[2] and aggregate risk exposures from the insurer's total on and off-balance sheet derivatives risk positions, which should also be integrated with exposures originated from the insurer's non-derivative activities, where appropriate (e.g. aggregated exposures to the same underlying asset). The limits set should also address exposures to liquidity, market, basis and counterparty risks. Exposures to a single counterparty in respect of open derivative positions[3] on OTC contracts shall not exceed 5% of the insurer's total assets within all of its insurance and

[2] Examples include limits for exposures on individual transactions, to certain product type, underlying asset class, counterparty, maturity profile etc.

[3] For the purpose of determining the ultimate exposure to a particular counterparty, counterparty exposures shall be assessed on the basis of amounts actually owing to the insurer at prevailing fair values, and not on the basis of the nominal value of the derivative contracts. Credit risk mitigants such as netting arrangements, collateral or third-party guarantees may be taken into account to the extent that the arrangements or recourse provisions are valid and legally enforceable.

shareholders'/working funds. An insurer may adopt more prudent and differentiated internal limits based on its own credit assessment of counterparties and the insurer's financial capacity to absorb losses;

(ii) risk reporting structures and processes to enable management to monitor and control actual exposures in relation to pre-determined risk tolerance levels set by the Board; and

(iii) procedures for prompt corrective measures for any breaches of risk tolerance levels.

Stress Testing

8.10 As part of the risk management process, the Bank also expects insurers to incorporate within the stress testing[4] procedures, the likelihood of adverse events affecting derivative exposures (including unusual market movements, cashflow constraints, heightened counterparty or liquidity risks, or other plausible events) to ensure the insurer's continuing capacity to absorb potential losses from derivatives activities. Insurers are expected to incorporate a reasonable degree of conservatism in their stress tests.

Monitoring and Reporting

8.11 The Bank expects insurers to ensure regular and timely reporting of derivative activities to the senior management and the board. In principle, the frequency of reports to senior management and the board should be proportionate to the nature and extent of the insurer's involvement in derivatives.

8.12 The Bank expects reports to the management and board to contain both quantitative and qualitative information covering:-

(i) a commentary on the insurer's derivative activity during the reporting period, highlighting significant deviations from anticipated changes in fair values of derivatives and the resultant net impact on derivative exposures of the insurer;

[4] More detailed guidance on stress testing are available in the Guidelines on Stress Testing for Insurers.

(ii) a summary of settlements due in the near future supported by estimates of the resultant cash flows;

(iii) details of open positions by insurance fund and by derivative type;

(iv) an analysis of credit exposures by insurance fund and by counterparty;

(v) details of any legal and regulatory requirements, or internal policies, procedures and limits breached during the period, and

(vi) any material changes in the direction of future derivative activities.

8.13 Significant breaches of legal and regulatory requirements or approved internal policies, procedures and limits shall be reported to the board and notified to the Bank **immediately** upon discovery, together with an assessment of the consequential impact of such breaches on the insurer's financial position and remedial action taken by the insurer.

Internal Audit

8.14 The internal audit coverage under this section should be read together with the Bank's Guidelines for Audit Committees and Internal Audit Departments for Insurance Companies (BNM/RH/GL 003-22).

8.15 The insurer shall ensure that its internal audit plan provides for the regular audit of the insurer's derivative activities. Officers conducting the audit of derivative activities should be knowledgeable and conversant in the inherent risks associated with derivatives.

8.16 Internal auditors are expected to evaluate the following:-

(i) adequacy of written policies and procedures;

(ii) the independence, effectiveness, integrity and objectivity of the risk management function;

(iii) the adequacy of procedures for the approval and credit assessment of counterparties;

(iv) the availability of skilled and competent personnel to effectively conduct and manage derivative activities;

(v) the existence and effectiveness of risk measurement systems;

(vi) the existence and effectiveness of internal controls, guidelines and procedures;

(vii) adherence to approved policies, procedures and limits;

(viii) compliance with legal and regulatory requirements; and

(ix) the reliability and timeliness of information reported to the insurer's senior management and board.

9. Accounting Treatment and Disclosure in Financial Statements

9.1 Insurers should account for its derivative transactions and ensure appropriate disclosures, including explanatory notes on their derivative positions in the financial statements in accordance with the accounting standards issued by the Malaysian Accounting Standards Board (MASB).

10. Regulatory Reporting for Derivatives

10.1 Pursuant to section 193 of the Insurance Act 1996, insurers shall report to the Bank, the total derivative exposures in the balance sheet and the particulars of derivative positions for each fund and type of business in the revised Schedule 8(a) "Derivative Reporting Form" (see **Appendix I**). This form shall be submitted together with the statutory annual, quarterly and monthly financial statements to the Bank via the Insurance Online Submission System.

Appendix I: Derivative Reporting Form

Notional Amount of Derivatives Positions by Contract Type, Counterparty and Remaining Maturity

Name of Company:
Company Code:
Type of Fund: Life Fund / General Fund / Shareholders'/Working Fund
Type of Business: Business Within / Outside Malaysia

Revised Schedule 8(a)
Particulars of Derivative Positions

Assets

		Equity Related Contracts		Interest Rate Related Contracts		Foreign Exchange Related Contracts		Credit Derivatives		Others		Total	
		Notional Amount	**Gross Market Value**	**Notional Amount**	**Gross Market Value**	**Notional Amount**	**Gross Market Value**	**Notional Amount**	**Gross Market Value**	**Notional Amount**	**Gross Market Value**	**Notional Amount**	**Gross Market Value**
D1	**Total (D2 + D8)**	-	-	-	-	-	-	-	-	-	-	-	-
D2	***Over-the-Counter Derivatives Contracts***	-	-	-	-	-	-	-	-	-	-	-	-
D3	*Futures*											-	-
D4	*Forward*						A					-	-
D5	*Swaps*											-	-
D6	*Options*											-	-
D7	*Others*											-	-
D8	***Exchange traded Derivatives Contracts***	-	-	-	-	-	-	-	-	-	-	-	-
	Domestic											-	-
	Foreign											-	-
D9	**Eligible Counterparties (D10 + D11 + D12)**	-	-	-	-	-	-	-	-	-	-	-	-
D10	***Banking Institutions***						**B**					-	-
D11	***Capital Market Services Licensees***											-	-
D12	***Others****											-	-
D13	**Remaining Term to Maturity**	-	-	-	-	-	-	-	-	-	-	-	-
D14	*Less than 1 year*						C					-	-
D15	*1 to 5 years*											-	-
D16	*More than 5 years*											-	-

Note: * Exchanges and other counterparties as may be approved by BNM
The total amount reported of all derivatives positions by contracts (D1), counterparty (D9) and remaining term to maturity (D13) shall be the same.
The total gross market value in row D1 should be consistent with derivatives financial assets as reported in the Balance Sheet (L3/LR3/G3/GR3)

Liabilities

		Equity Related Contracts		Interest Rate Related Contracts		Foreign Exchange Related Contracts		Credit Derivatives		Others		Total	
		Notional Amount	**Gross Market Value**	**Notional Amount**	**Gross Market Value**	**Notional Amount**	**Gross Market Value**	**Notional Amount**	**Gross Market Value**	**Notional Amount**	**Gross Market Value**	**Notional Amount**	**Gross Market Value**
D17	**Total (D18 + D24)**	-	-	-	-	-	-	-	-	-	-	-	-
D18	***Over-the-Counter Derivative Contracts***	-	-	-	-	-	-	-	-	-	-	-	-
D19	*Futures*											-	-
D20	*Forward*						D					-	-
D21	*Swaps*				G							-	-
D22	*Options*											-	-
D23	*Others*											-	-
D24	***Exchange traded Derivatives Contracts***	-	-	-	-	-	-	-	-	-	-	-	-
	Domestic											-	-
	Foreign											-	-
D25	**Eligible Counterparties (D26 + D27 + D28)**	-	-	-	-	-	-	-	-	-	-	-	-
D26	***Banking Institutions***				**H**		**E**					-	-
D27	***Capital Market Services Licensees***											-	-
D28	***Others****											-	-
D29	**Remaining Term to Maturity**	-	-	-	-	-	-	-	-	-	-	-	-

D30	*Less than 1 year*						F					-	-
D31	*1 to 5 years*				I							-	-
D32	*More than 5 years*											-	-

Note: * Exchanges and other counterparties as may be approved by BNM.

The total amount reported of all derivatives positions by contracts (D18), counterparty (D26) and remaining term to maturity (D30) shall be the same.

The total gross market value in row D18 should be consistent with derivatives financial liabilities as reported in the Balance Sheet (L3/LR3/G3/GR3)

Appendix II: Guidance on Reporting

1. Sum all positive mark-to-market (MTM) values of all derivative contracts and report under "Assets" table by type of derivative contracts (e.g. foreign exchange, interest rate, equity, etc.)

2. Sum all negative mark-to-market (MTM) values of all derivative contracts and report under "Liabilities" table by type of derivative contracts (e.g. foreign exchange, interest rate, equity, etc.)

3. The positive and negative MTM values under each derivative type are then segregated by:-
   - Derivative instrument (for "Assets" refer row D2 to D8 and for "Liabilities" row D18 to D24)
   - Counterparty (refer D10 to D12 for "Assets" and D26 to D28 for "Liabilities"); and
   - Remaining term to maturity (refer D14 to D16 for "Assets" and D30 to D32 for "Liabilities")

Example: Reporting of Market Value of Foreign Exchange Forward[5] Contract (FX Forward) and Interest Rate Swap (IRS)

FX Forward

The reporting insurer enters into a forward contract to purchase USD10 million against MYR at a forward rate of 3.40 at initiation with a banking institution with remaining maturity of 9 months. If at the reporting date (prior to settlement date), the MYR/USD forward rate is higher at 3.60, it has a positive market value of MYR 2 million. This figure shall be reported in cell [A], [B] and [C], respectively.

If the forward rate at the reporting date is lower than 3.40, say 3.30, it has a negative market value of MYR 1 million at the time of reporting. This figure shall be reported in cell [D], [E] and [F].

IRS

Assuming the reporting insurer enters into an IRS to receive fixed rate of 4% p.a. and pay a 6-month KLIBOR to a banking institution with a notional value of MYR10 million with a remaining maturity of 2 years. If market interest rate rises at the time of reporting and it has a negative mark-to-market (or replacement value) of e.g MYR 2 million[6]. The negative market value of MYR 2 million shall be reported in cell [G], [H] and [I], respectively.

[5] In the case of forwards and swaps, the market (or replacement) value of outstanding contracts to which the reporting insurer is a counterparty is either positive, zero or negative, depending on how underlying prices have moved since the contract's initiation.

[6] E.g. Valued as the sum of net payments discounted by the market interest rate prevailing at the reporting date.

Data Descriptions

Reporting Item	Description
Reporting Basis	All values should be reported in Malaysian Ringgit (MYR). Non-MYR values should be translated into MYR based on the spot foreign exchange rate on reporting date.
Notional Amount	Notional value of all derivative contracts concluded and not yet settled on the reporting date.
Gross Market Value	The sums of the absolute values of all open contracts with either positive or negative replacement values based on market prices prevailing on the reporting date. The gross **positive market value** of an insurer's outstanding contracts is the sum of the replacement values of all contracts that are in a current gain position to the reporting insurer at current market prices (positive mark-to-market value). If these derivative positions were settled immediately, they would represent claims on counterparties. The gross **negative market value** is the sum of the values of all contracts that are in a current loss position to the reporting insurer (negative mark-to-market value). If these derivative positions were settled immediately, they would represent liabilities of the reporting insurer to its counterparties. The term "**gross**" is used to indicate that contracts with positive and negative replacement values with the same counterparty are **not netted**. All positive and negative-value contracts are to be summed separately in respective column under each derivative type.
Counterparty	Counterparties for derivative contracts (including exchange-traded contracts) should be grouped according to: - Banking institutions - Capital Market Services Licensees; and - Others* *Includes exchanges and other counterparties as may be approved by BNM
Remaining Term to Maturity	The remaining time period until the settlement date of the derivative position.