

INTERNATIONAL FINANCIAL SERVICES CENTRES AUTHORITY

21st Authority Meeting held on 27.09.2024

Gist of Agenda item: IFSCA (Investment by IFSC Insurance Office) (Amendment) Regulations, 2024

1. Objective:

This memorandum seeks approval of the Authority to notify the International Financial Services Centres Authority (Investment by IFSC Insurance Office) (Amendment) Regulations, 2024.

2. Background:

- a) Considering the significance of return on investment for the insurers and reinsurers, IFSCA, in accordance with Section 27 of the Insurance Act, 1938, had notified International Financial Service Centres Authority (Investment by IFSC Insurance Office) Regulations, 2022 on 12th January 2023.
- b) IFSCA received certain requests / representations, concerning Investment of premium received against offering of Unit Linked Insurance Policies (ULIP) products. On examination of the said requests, it was observed that IRDAI also has some specific provisions on investment of ULIP premiums and accordingly, it is felt that for better clarity IFSCA's regulatory framework, it would be appropriate to insert a separate provision for investment of assets against offering of ULIP products.
- c) It may be noted that IRDAI has notified its (Re-insurance) (Amendment) Regulations, 2023 on 22nd August 2023. These regulations *inter-alia* enables IFSC Insurance Offices (IIOs) which invest 100% of retained premiums emanating from insurers in India in the Domestic Tariff Area (DTA), to participate as Category 2 under Order of Preference (OoP), i.e. at par with the Foreign Reinsurance Branches.

- d) In light of the said amendments, it is proposed to provide separate Investment Asset Exposure limits for the IIOs who will be investing the retained premium in DTA. This provision for separate exposure limits will give better clarity to the IIOs in investing their assets in DTA.
- e) Accordingly, considering the significance of investment income for insurers and reinsurers, the IFSCA proposes to notify the relevant amendments to the IFSCA (Investment by IIO) Regulations, 2022.

3. **Proposed Amendments:** Copy of the proposed amendments to regulations is placed at **Annexure – 1**.

4. In response to the public consultation paper, total three (03) stakeholders forwarded six (06) comments.

- a) The following is the gist and proposed action on the comments received:

Proposed Action	No. of Comments
May be accepted	02
No modification may be required	04
Total No. of Comments	06

- b) As regards to 02 suggestions which are proposed to be accepted, it is submitted that the IIOs transacting life insurance business in IFSC, are at nascent stage and it will be challenging and uneconomical for them to comply with present investments exposure norms. Thus, to facilitate Ease of Doing Business (EoDB), a carve-out in terms of minimum period of business (3 years) or threshold of Asset Under Management (AUM) of USD 25 Mn. (Approx INR 210 Cr), is proposed. The detailed analysis of comments is placed at **Annexure – 2**.

5. Proposal:

Approval of the Authority is sought for notifying the International Financial Services Centres Authority (Investment by IFSC Insurance Office) (Amendment) Regulations, 2024 (**Annexure - 1**) in the Official Gazette, after carrying out changes, if any, of drafting and consequential nature. The Authority is further requested to authorize the Chairperson to take such necessary, consequential and incidental steps to operationalize the proposed Regulations.
