

INTERNATIONAL FINANCIAL SERVICES CENTRES AUTHORITY

Fourteenth Authority Meeting held on 24th March 2023

Gist of Agenda item: IFSCA (Management Control, Administrative Control and Market Conduct of insurance business) Regulations, 2023

1. Objective:

This memorandum seeks approval of the Authority to notify the International Financial Services Centres Authority (Management Control, Administrative Control and Market Conduct of insurance business) Regulations, 2023 ('Management Control Regulations').

2. Background:

- (a) The International Financial Services Centres Authority (IFSCA) is the unified regulator for the development and regulation of financial products, financial services and financial institutions in the International Financial Services Centres (IFSCs) in India;
- (b) To ensure prudent eco-system which is at par with top international jurisdictions, IFSCA has already issued regulations on various aspects of insurance and re-insurance.
- (c) The proposed regulations are to further strengthen the supervisory aspects related to Management Control, Administrative Controls and Market Conduct of insurance business carried out by IFSC Insurance Office (IIO) or IFSC Insurance Intermediary Office (IIIO) by adopting international best practices.

- 3. **Scope and Applicability:** The proposed IFSCA (Management Control, Administrative Control and Market Conduct of insurance business) Regulations, 2023 *inter-alia* provides for framework on i) Capital related issues and Management control ii) Minimum Limits for Annuities iii) Acquisition iv) Expenses of IIOs v) Payment of Commission or remuneration or reward to intermediaries vi) Protection of Policyholders' Interest vii) Advertisements and Disclosures.

4. Procedure followed for making regulations:

- (a) As per provisions of the IFSCA (Procedure for making Regulations) Regulations, 2021, the consultation paper was placed on the website of the Authority on 21-Feb-2023 inviting inputs / comments of the general public / stakeholder by 13-Mar-2023. Three (03) stakeholders has forwarded twenty-one (21) comments, certain comments are duplicate in nature.
- (b) The following is the gist and proposed action on the comments received:

Proposed Action	No. of Comments
May be considered	8
May be considered for deletion of the provision	5
No modification is required.	8
Total No. of Comments	21

- (c) The suggestions which are proposed to be considered, are of clarificatory in nature and thus may be accepted.
- (d) For certain suggestion which are not in line with extant regulatory framework, it is proposed that no modification is to be carried out for such inputs / suggestions.
- (e) Based on the inputs / comments from stakeholders and internal examination It is proposed that following two provisions from Public Consultation dated 21-03-2023, may be deleted from the proposed regulations –
- (i) Reg. 12 – Payment of Salaries and other Benefits (CF|40) –
- Reg. 6 of IFSCA (Maintenance of Insurance Records and Submission of Requisite Information for Investigation and Inspection) Regulations, 2022 has similar provision about salaries and other benefits payable to employees of IIO,
 - Sec. 34A of the Insurance Act, 1938, deals with appointment of Directors, Managing Director or WTD of the IIO and their remuneration.

Hence to avoid duplication it is proposed to delete the provision from the draft regulations circulated for public consultation.

- (ii) Reg. 14 - Sharing of confidential information concerning domestic or foreign entity -

It was noted that the proposed provision at Reg. 14 on sharing of confidential information concerning domestic or foreign entity is applicable for entities engaged in insurance business only. In this regard it is felt that, being an unified regulator, the Authority may issue a common document on the matter, which may be applicable across all the verticals of the Authority such as Banking, Capital Market, Insurance, Pension etc.

Hence, said Reg. 14 is proposed to be deleted from these regulations at this stage.

- (f) The analysis of comments received and observations on its acceptance or otherwise is attached as **Annexure – 2**. (Published on website)

5. Proposal:

Approval of the Authority is sought for notifying the International Financial Services Centres Authority (Management Control, Administrative Control and Market Conduct of insurance business) Regulations, 2023 (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.
