



F.No. IFSCA-RPRA0EFD/1/2025-RPRA

Date: February 13,2025

**INTERNATIONAL FINANCIAL SERVICES CENTRES AUTHORITY (IFSCA)**

**ORDER**

**Order under Section 12 and Section 13 of International Financial Services Centres Authority Act, 2019 read with section 33(6) of the Insurance Act, 1938**

Name of the Noticee	PAN
Prowess Insurance Brokers Pvt. Ltd. (PIBPL)	AADCB0415G

**BACKGROUND**

1. M/s Prowess Insurance Brokers Pvt. Ltd (“PIBPL” or “Noticee”) is registered with Insurance Regulatory and Development Authority of India (“IRDAI”), as ‘Direct Broker (Life & General)’. IRDAI granted renewal of certificate of registration (CoR) to PIBPL which was valid from September 22, 2018, till September 21, 2021.
2. The IRDAI in terms of IRDAI (IFSC Insurance Intermediary Offices) Guidelines, 2019 (hereinafter after referred to as ‘IRDAI IIIO Guidelines, 2019’) had granted approval/authorization dated August 17,2020 to PIBPL to open branch in GIFT IFSC and operate as IFSC Insurance Intermediary Office (IIIO).
3. As per clause 11 of the said IRDAI guidelines, validity of approval/authorization granted to the IIIO by IRDAI was for a period co-terminus with the expiry of the original CoR issued by the IRDAI to PIBPL. Accordingly, the CoR for the Noticee was issued on September 22, 2018, and was valid till September 21, 2021.
4. The IFSCA notified IFSCA (Insurance Intermediary) Regulations, 2021 (hereinafter referred to as IIIO Regulations, 2021) which superseded the IRDAI IIIO Guidelines, 2019. Under the IIIO Regulations, 2021, PIBPL was expected to seek and obtain renewal of its CoR beyond September 21, 2021 from IRDAI, and subsequently required to file an application with IFSCA for CoR for its Branch office at GIFT-IFSC, as the authorization/approval for the IFSC branch office of PIBPL was also valid till September 2021 only.

**INTERNATIONAL FINANCIAL SERVICES CENTRES AUTHORITY**

Second & Third Floor, PRAGYA Tower, Block 15, Zone 1, Road 1C, GIFT SEZ, GIFT City,  
Gandhinagar-382 355, Gujarat, India. P: +91 79 6180 9800



5. The Noticee/Branch office of PIBPL in GIFT IFSC had informed the IFSCA on January 6, 2022 that their application for renewal of registration is pending with IRDAI. Consequently, the IFSCA on January 12, 2022, in terms of Reg.9(3) of the IIO Regulations, 2021 read with Reg.14(2) of IRDAI (Insurance Brokers) Regulations, 2018, had directed the Noticee/ Branch office of PIBPL in GIFT IFSC, not to engage in any fresh insurance business until the renewal of CoR is granted, except for servicing the existing policyholders.

6. The Noticee/ Branch office of PIBPL in GIFT IFSC failed to acknowledge receipt of IFSCA email dated January 12, 2022, and continued with its business operation in stark violation of the direction issued by the IFSCA. Therefore, the IFSCA on May 30, 2023 directed the Noticee/ Branch office of PIBPL in GIFT IFSC to submit certain information about their operations.

### On-site inspection

7. The Noticee/ Branch office of PIBPL in GIFT IFSC shared the relevant information with IFSCA through email dated June 16, 2023. Upon consideration of the information, it was observed that despite being advised not to engage in fresh insurance business until the renewal of CoR from IRDAI is granted, the Noticee/ Branch office of PIBPL in GIFT IFSC had engaged in sourcing of the business. Therefore, the IFSCA decided to conduct an on-site inspection of Noticee/ Branch office of PIBPL in GIFT IFSC to find out whether the transaction(s) have been carried out, resulting non-compliance with IIO Regulations, 2021.

8. An on-site inspection of the Noticee/ Branch office of PIBPL in GIFT IFSC was scheduled on October 5, 2023. However, the same was rescheduled based on Noticee's/ Branch office of PIBPL in GIFT IFSC request. Subsequently, the next visit was scheduled on October 19, 2023. During the inspection, operations of Noticee/ Branch office of PIBPL in GIFT IFSC i.e., from FY 2020-21 to FY 2023-24 were examined.

The findings of the on-site inspection in brief are as follows:

- a) Despite being advised to not engage in fresh insurance business, the Noticee/ Branch office of PIBPL in GIFT IFSC continued to engage in fresh (re)insurance





business from foreign jurisdictions for close to two years.

- b) Noticee/ Branch office of PIBPL in GIFT IFSC was also getting remuneration or rewards towards (re)insurance commission/brokerage from foreign (re)insurers. However, Noticee had booked the same as Risk Management Fee (RMF) and has shown as such in their audited financial statements.
- c) Though Noticee/ Branch office of PIBPL in GIFT IFSC was granted CoR to engage in direct insurance business only, it also engaged in re-insurance business for its clients. This amounts to functioning as a composite broker.
- d) Noticee/ Branch office of PIBPL in GIFT IFSC has received both RMF from Debtor/Risk Management Services (RMS) Recipient and remuneration and reward from (re)insurer for the same RMS.

10. The aforementioned inspection report (IR) was shared with the Noticee/ Branch office of PIBPL in GIFT IFSC vide e-mail dated February 15, 2024, advising it to offer comments on the observations/findings of IR on or before March 01, 2024. IFSCA received the response of the same vide e-mail dated March 01, 2024.

11. The Noticee's responses to the inspection report are similar to its responses to the Show Cause Notice sent by the IFSCA (mentioned in the subsequent para Sl. No 15).

12. Based on the aforementioned facts as well as findings of the on-site inspection, and responses from the Noticee, the Competent Authority approved initiation of action against the Noticee for non-compliance with the IIO Regulations, 2021.

### **SHOW CAUSE NOTICE (SCN) AND REPLY**

13. A SCN dated September 2, 2024 was sent via speed delivery acknowledgment due (SPAD) to the Noticee/ Branch office of PIBPL in GIFT IFSC. The same was returned as undelivered from Branch office of PIBPL in GIFT IFSC. The SCN was received by the Noticee at its registered office in Mumbai on September 13, 2024. The SCN laid down the following allegations:

- i. the Noticee/ Branch office of PIBPL in GIFT IFSC has continued to carry out transactions after expiry of its authorization/registration and served new clients



in violation of IIO Regulations, 2021 as well as in defiance with the clear directions from IFSCA dated January 12, 2022.

- ii. the Noticee/ Branch office of PIBPL in GIFT IFSC has conducted business Operations beyond the authorized scope of CoR/Authorization.
- iii. the Noticee/ Branch office of PIBPL in GIFT IFSC has recorded Insurance brokerage, co-brokerage income from foreign insurers or insurance brokers in its audited financial statements as RMF.
- iv. the Noticee/ Branch office of PIBPL in GIFT IFSC has received both the remuneration & reward and fee for same RMS.

14. The Noticee/ Branch office of PIBPL in GIFT IFSC was required to respond within twenty one (21) days of receipt of the SCN, as to why appropriate actions should not be initiated for the alleged violations committed. The IFSCA has received an e-mail on October 3, 2024 from Mr. K.V. Pathak, Principal Officer of the Noticee/ Branch office of PIBPL in GIFT IFSC. Through the said e-mail, Noticee submitted their response to the SCN.

15. The point wise response of Noticee/ Branch office of PIBPL in GIFT IFSC is mentioned in brief below:

- i. In response to allegation no.1, the Noticee/ Branch office of PIBPL in GIFT IFSC stated that discontinuation of business and stopping on-boarding of new client pending renewal leads to financial loss. Establishing insurance business requires time and same cannot be closed overnight due to time taken in renewal of the application. The Noticee/ Branch office of PIBPL in GIFT IFSC claims that it continued to serve existing customers only. All transactions were with repeat clients and consistent business partners.
- ii. In response to allegation no.2, the Noticee/ Branch office of PIBPL in GIFT IFSC stated that in their application to GIFT City they had presented a detailed and comprehensive business model. The application proposed different types of business activities. The application was approved by the GIFT authorities. Consequently, the Noticee/ Branch office of PIBPL in GIFT IFSC had also secured the No Objection Certificate (from) the IRDAI.





- iii. In response to allegation no.3, the Noticee/ Branch office of PIBPL in GIFT IFSC claims that they had decided to book insurance brokerage, co-brokerage income as RMF based on guidance received from their advisors and auditors. The Noticee's/ Branch office of PIBPL in GIFT IFSC understanding was that RMS included the consultation and advisory services provided for insurance matters. However, the Noticee/ Branch office of PIBPL in GIFT IFSC further stated that if the same treatment is not permitted under the IFSCA (Intermediary) Regulations, they would reassess the categorisation and would ensure that books are updated to reflect the correct classification.
- iv. In response to allegation no.4, the Noticee/ Branch office of PIBPL in GIFT IFSC claimed that they faced several constrains related to remittance by the insurance companies as the client would pay percentage of the fees, while the remaining was remitted by the insurance companies or its affiliate. Thus, the income received was rather split of payment between the client and insurance company. Thus, the Noticee/ Branch office of PIBPL in GIFT IFSC requested the oversight be excused and be viewed as unintentional negligence. For future, the Noticee/ Branch office of PIBPL in GIFT IFSC claimed full assurances in compliance with the relevant IFSCA guidelines.

### CONSIDERATION OF ISSUES AND FINDINGS

16. The main issue for consideration in the instant matter is that the Noticee has not followed the directions issued by IFSCA and has acted in contravention of the regulatory requirements laid down under the IFSCA (Insurance Intermediary) Regulations, 2021.

#### **Reference to relevant provisions of Law violated:**

17. Before proceeding further, it would be expedient to refer to the relevant extract of the provisions of the IIO Regulations, 2021 violated in the matter, which are reproduced herein below:

**3(1)(i)- Direct broker** means an insurance broker registered with the Authority who for a remuneration and/or a fee, solicits and arranges insurance business for its

clients with insurers, and/or provide risk management services as permitted under these regulations.

**“6(i)- Conditions for grant of registration**

(i) It shall exclusively carry on the business, for which the registration has been granted, in the manner as specified in SCHEDULE-II of these regulations;”

**“9(3)- Renewal of Certificate**

An IIO whose certificate is expired and is pending for renewal, shall not engage in any fresh insurance business except for servicing the existing policyholders till the renewal of registration.”

**“8(4)- Scope of Operations**

No IIO shall be permitted to transact a class of business, which is not permitted in its certificate as issued by the Authority”

**“SCHEDULE II, Part A: Activities and Functions of Insurance Brokers**

(1) (2) (iii) The Insurance broker cannot receive both the remuneration and reward and fees for the same risk management services;”

**OBSERVATIONS OF THE AUTHORITY**

18. After consideration of findings of the inspection report, the SCN and the responses submitted by the Noticee to the SCN, the observation of the Authority is outlined below:

- i. The IFSCA is of the view that the CoR granted by IRDAI to Noticee/ Branch office of PIBPL in GIFT IFSC clearly states that they have to comply with the relevant guidelines from time to time. The IIO Regulations, 2021 clearly states that an IIO whose certificate is expired and is pending renewal, shall not engage in any fresh insurance business except for servicing the existing policyholders. In the present case, Noticee’s CoR expired on September 22, 2021. Therefore, Noticee/ Branch office of PIBPL in GIFT IFSC was under an obligation to not engage in any fresh insurance business pending renewal.





However, as clear from the audited financial statements, Noticee/ Branch office of PIBPL in GIFT IFSC has engaged in fresh transactions for the financial years 2021-22, 2022-23 and 2023-24. Thus, it is established that Noticee/ Branch office of PIBPL in GIFT IFSC is in violation of Regulation 9(3) of the IIO Regulations, 2021.

- ii. The IIO Regulations, 2021 clearly states that Noticee/ Branch office of PIBPL in GIFT IFSC shall exclusively carry on the business, for which the registration has been granted, in the manner specified in SCHEDULE-II of these regulations. As per the CoR issued by IRDAI, the PIBPL was granted registration as Direct Broker (Life & General). As per the Noticee's response to Inspection Report, they have acknowledged that they do not hold license to operate as a composite broker. The PIBPL wanted to obtain a composite license/CoR but till date they have a licence/CoR to operate as Direct Broker (Life & General) only. Thus, it is evident that Noticee/ Branch office of PIBPL in GIFT IFSC has conducted business operation beyond the terms of CoR. They are in violation of Clause 8(4) of the IIO Regulations, 2021.
- iii. As per Noticee's response to SCN, it is clearly evident that they had charged the Insurance brokerage, co-brokerage income from foreign insurers or insurance brokers as RMF. Their position is based on the guidance provided by their auditors, which is not acceptable. Clause 3(1)(i) of IIO Regulations, 2021, clearly differentiates between brokerage income and risk management fee. The clause states that a direct broker means an insurance broker registered with the Authority, who for a remuneration and/or a fee, solicits and arranges insurance business for its clients with insurers (i.e. brokerage income), and/or provide risk management services as permitted under these regulations (i.e. risk management fee). Consequently, the Noticee's position that RMS encompassed the consultation and advisory services provided to clients for the insurance matters is incorrect and ultra vires the position laid down under the regulations. Thus, the Noticee is in violation of provisions of regulation 8 (4) and regulation 6 (i) of the IIO Regulations, 2021 which mandate the IIO to exclusively carry on business, for which the registration has been



granted.

- iv. The Noticee/ Branch office of PIBPL in GIFT IFSC has admitted that they have committed an oversight by receiving both the remuneration & reward and fee for same Risk Management Service. They request that this oversight be excused for the particular instance. The Noticee also requested that this particular instance be viewed as a result of unintentional negligence. It is reiterated that the terms of CoR place a continuing obligation on the Noticee to comply with the regulations. Schedule II, Part A, Clause 1(2)(iii) r/w Reg.6(i) of IIO Regulations, 2021 clearly provides that the Insurance broker cannot receive both the remuneration and reward and fees for the same risk management services. Thus, the Noticee had violated the abovementioned clause of the Schedule II and Reg 6(i) of the IIO Regulations, 2021.

19. In light of the aforementioned observations, it is established that the Noticee/Branch office of PIBPL in GIFT IFSC has failed to comply with the provisions of the IIO Regulations, 2021 and the conditions of grant of registration which makes the Noticee liable for action for default in terms of Regulation 30 of the IFSCA (Insurance Intermediary) Regulations, 2021 r/w Section 33(6)(b) of the Insurance Act, 1938. The relevant extract of the above-mentioned section from Insurance Act, 1938 is reproduced below:

**“Section 33(6)(b):**

On receipt of any report under sub-section (1) or sub-section (5), the Authority may, after giving such opportunity to the insurer or intermediary or insurance intermediary, as the case may be, to make a representation in connection with the report as, in the opinion of the Authority, seems reasonable, by order in writing, —

- (b) cancel the registration of the insurer or intermediary or insurance intermediary, as the case may be; or”





## ORDER

20. In exercise of the powers conferred under Section 12 and Section 13 of the IFSCA Act, 2019, and Regulation 30 of the IIIO Regulations, 2021 r/w Section 33(6)(b) of the Insurance Act, 1938, the validity of approval/authorization granted to PIBPL to operate "Branch office in GIFT IFSC" as IFSC Insurance Intermediary Office (III O) hereby **stands cancelled.**

21. Irrespective of the cancellation of approval/authorization, the Noticee shall continue to be liable for anything done or omitted to be done as Insurance Intermediary and continue to be responsible for payment of outstanding fees and dues and interest, if any, due to the Authority.

22. The Noticee shall ensure maintenance and preservation of records and other documents required to be maintained under the relevant regulations, if any.

23. This Order comes into force with immediate effect.

24. A copy of this order shall be served upon the Noticee.

A handwritten signature in blue ink, followed by the date "13/02/2025" written below it.

**DEBABRATA DAS**  
**HOD-IN-CHARGE**  
**DIVISION OF ENFORCEMENT**  
**INTERNATIONAL FINANCIAL SERVICES CENTRES AUTHORITY**

Date: **February 13,2025**

Place: **Gift City, Gandhinagar**