The consultation paper seeking comments/views from public on the draft IFSCA (Investment) Regulations, 2022 were issued by IFSCA on November 18, 2022. The following comments have been received:

Sr. No.	Reg. No.	Sub-Regu No. /Para No.	Comments / Suggestions / Suggested modifications	Rationale
1	2	2	An IIO not incorporated in an IFSC may either chose elect to follow norms related to investment of assets as applicable to its parent entity or as specified under these regulations. Provided that an IIO electing parent entity regulations shall intimate the Authority regarding such election and shall provide a legal opinion describing the legal regime applicable to investments by the parent entity and shall provide a certificate of compliance with such regime on an annual basis. Provided further that an IIO may not alter its election without prior approval of the Authority.	The change is being suggested for a consistent approach in the selection methodology, and for the Authority to be better empowered to regulate investments by IIOs choosing the 'parent entity level' option.
2	2	2	We understand that for the business underwritten by the IIO's, the investment regulations of IFSCA will apply to such IIO's and option to choose parent entity may not apply. We seek clarity on the applicability of 2.2 Further we recommend inclusion of currency risk hedge under the proposed IFSCA regulations.	Currently IRDAI Investment Regulations do not allow Insurers to hedge on the currency risk. Considering unforeseen risks of currency fluctuations and volatility, IIO be allowed to hedge currency risks and accordingly such form of derivatives be allowed under the extant norms of IFSCA Investment Regulations.
3	2	3	An IIO established as branch of a Foreign insurer or Lloyd's India, registered by with the Insurance Regulatory Development Authority of India (IRDAI), may either chose elect to follow norms related to investment of assets as applicable to its parent entity or as specified under these regulations.	The change is being suggested for better readability.
4	2	1	Clarification regarding following parent company's investment norms. Under unincorporated route if the company choose to follow parent company's investment strategy, can the company include IIO investment in the overall investment pool of the parent company or the IIO investment has to be done separately?	Parent company's invest norms are the ones prescribed by IRDAI, does this allow for income from IIO to be invested along with overall INR investments done by parent company?

5	4	(e) (3) and (7) (f)	(a) Propose that the definition as per clause 4 (e) (3) be defined as following 'debts, deposits and other rights including securitised debts which are in the form of asset backed securities (ABS) including bonds/ debentures issued by ReIT/ InvIT'. (b) The proposed definition of the financial derivatives define only those instruments which are traded on stock exchange. It thus implies that derivatives those are not listed on exchanges. Some of the hedging instruments also available on OTC platforms are excluded under the current norms from the definition. (a) Admissible pattern of investment asset for derivatives not mentioned in the table containing the pattern matrix. Seek clarity under which asset class financial derivatives would be classified (b) Sr. no 4 specifies the maximum exposure of 20% for investments in listed/ to be listed Equities and equity type instruments including Preference Shares; and Equity Mutual Funds. Suggest that the maximum ceiling be increased to 50% (c) The investment asset exposure pattern matrix define investment asset under 'listed' and 'to be listed' asset class which implies that investments cannot be made under 'unlisted' asset class. Suggest that 'listed/ to be listed' be omitted from the exposure draft	(a) Recommending the amendments to the definition under 4(e) (3) to include bonds/ debentures issued by ReIT/ InvIT as a part of such asset class. (b) We seek clarification for such class of derivatives those are not listed on stock exchange and traded through over the counter (OTC) basis. Further we also recommend suitable amendments to the definition of financial derivatives to be inclusive of such derivatives.
6	4	1(k)	We request clarity on the term 'investment' as defined in sub-regulation 1(k) of Regulation 4. In this regard we request clarity whether "investment" should be read as 'investment of assets' or 'investment' as provided in the Regulation 2 and Regulation 3. We further request guidance whether same definition should apply to the pattern of investment and exposure norms.	The Authority may consider prescribing alternative term (like 'Approved Investment'/'Specified Investments') to identify specific subset of financial assets. If it is to be used as reference in any of the other regulation/ schedule, such regulations may clearly put reference to this definition under Regulation 4(1)(k) to avoid ambiguity.

7	4	(1)(k)	'investment' refers to deployment in financial assets or infrastructure assets, in accordance with these regulations, but shall not include: iv. Investment in a Government bonds other than debt instruments issued or guaranteed by cCentral Ggovernments including (e.g. exposures to bonds issued by provinces, municipalities and public sector entities).	The change is being suggested for better readability.
8	4	1(e) & 1 (f)	We request the Authority to consider extending the scope of financial assets to include commodities and equity derivatives.	We understand the IIO will source business from other SEZs and foreign jurisdictions and thus would need a larger investible asset class to deploy the funds. In view of the same, we request the Authority to consider extending the scope of financial assets to include commodities and equity derivatives.
9	4	(1)(e) (7)	With a view that the 'financial assets' includes derivatives for the purpose of hedging, we recommend below: 1. Guidelines for Hedging of Foreign Currency Risk needs to be issued 2. Guidelines for Hedging of Interest Rate Risk to be issued	1. Since the inflow of policyholder's fund is in different currencies and invested in another currency / currencies, there is an Exchange Rate risk. IIO should be allowed to hedge the currency risk, hence Foreign Currency derivative related guidelines to be defined. 2. Interest Rate Risk is another important factor for managing and the related guidelines to be included.
10	4	2	Clarification required on role of current regulation mentions board policy be formed under relevant regulatory framework however, there is not prescriptive/guidance in document per se. Does this mean local framework (IRDAI in our case) needs to be followed	Formulating products as per IRDAI guidelines would require overall all process and approval process for overall company level for both domestic and foreign products (GIFT). If IFSCAI has a different framework details on process is required for planning
11	5	2	It is suggested to specify method of valuation for Assets and Liabilities as prescribed under this clause.	At present IIOs are guided by prescriptions laid down by home country regulator. Hence, it is requested to provide guidance on the valuation method for IIO.
12	5	3	We request the Authority to compare total assets (net) against the liabilities instead of only considering assets earmarked and invested while ensuring liabilities are adequately met by the IIO.	We submit that the assets backing policyholders' liabilities include investments, investment related net current assets (like interest receivable, receivable/ payable in relation to purchase/ sale of investments etc.) and other assets (net) like receivable from policyholders, vendor advances, vendor payables etc.

13	5	4,6	We request the Authority to consider changing the reference of Regulation 4(3) as provided under Regulation 5(4) and 5(6)	We note that the Regulation 4(3) refers to "Words and expressions used and not defined in these regulations but defined in the Act or Acts mentioned in the First Schedule to the Act or any rules, regulations or notifications made thereunder, shall have the same meanings respectively assigned to them in those Acts, rules or regulations or any statutory modification or re-enactment thereto, as the case may be".
14	5	4	Proposed IFCA regulations stipulate 'An IIO may invest not more than five per cent. of the assets referred to in sub-regulation (3) of regulation 4, by value, in a company or other body corporate which is owned or controlled by the promoters, subject to the conditions specified in these regulations.' **We recommend relaxation in Promoter group limit.**	In the initial years, IIO may require support of overseas promoters. It is therefore requested that, for first 5 years, the promoter group limit to be at 100% and afterwards it can be gradually reduced to 50%, 25% and 5% after completion of 7years, 8 years and 10 years.
15	5	5	The Authority may share some guidance on the term "dealing with any bank", does it include a bank as a counterparty or it is for investments in deposits, Certificate of Deposits, having current account for investment operations, etc.	IIO may be required to deal with different banks apart from investment. Accordingly, the Authority is requested to provide guidance on the same.
16	5	5	We request the Authority to consider relaxing conditions i and iii of Regulation 5(5)	The Authority may consider allowing IIO to engage with banks based on the qualitative conditions and relax the quantitative conditions. This will allow the IIO to evaluate wider range of banks with whom IIO can engage.
17	5	5	May consider adding banks that are/ have been registered in IFSC.	Dealing with a bank already registered in IFSC in relation to an investment by IIO is more favourable.
18	5	8	We request Authority's guidance on reference given to the Regulation 10 in Regulation 5(8)	We note that the Regulation 10 refers to the debt investments, however, Regulation 9 refers to the overall investment pattern. We thus request the Authority to consider providing reference of Regulation 9 in Regulation 5(8) which may be more appropriate.
19	5	8	While the accounting can be carried out separately, as per the RBI regulations, an organization cannot have two Security general ledger accounts needed for dealing in Government securities, thus to that extent a single account may be maintained.	It is suggested that the Regulator may incorporate a size limit (say for example investment assets of INR 500 crs or more) for the IFSC operations till which time the organizations may maintain a single demat/ bank account for investments for the IFSC and non-IFSC operations. This would bring in operational ease and become economical to operate.

20	5	5	Clarification required on bank related investment conditions, whether this is relating to investment made in banking company or any transactions made through bank for investments	The term 'in relation to an investment' may be interpreted to mean any investment made in any banking company and whether any operational utilization of banking services will also require compliance to conditions specified therein
21	8	-1	Investments in Government bonds / debt instruments issued at the Central Government level of a country shall be admissible only in respect of the countries having Investment Gradesuch Sovereign Credit Ratings (SCR) from one of the international rating agencies recognized by the International Association of Insurance Supervisors (IAIS), unless otherwise as may be specified by the Authority.	India's sovereign credit ratting is BBB-/Baa3, which is the lowest rung of 'Investment Grade' credit rating. In case of an unprecedented situation, if the credit rating agencies even downgrade the rating by one notch, it may lead to Indian sovereign bonds being disqualified as 'Government Bonds'. Further, we recommend the removal of the explanation since provincial bonds have been already disqualified as 'investments' under the definition of the term. We have suggested the change to ensure that such threshold is prescribed under a circular and can be quickly amended as and when required.
22	8	1	We request the Authority to consider the Government bonds/ debt instruments guaranteed by the Central Government at par with the sovereign bond/ debt instruments.	We submit that the interest and maturity proceeds are guaranteed by the Central Government and thus the same could be treated at par with sovereign bond/ debt instruments
23	9	Matrix 1	We request the Authority to consider enhancing the limits of some of the asset classes depending on the policy holder expectation and product specifications.	We submit that the pattern of investment matrix should be consistent with type and combination of product offered to policyholders. The Authority may consider authorizing the Board of the IIO to devise an appropriate matrix through Board Investment Policy.
24	9	3	Proposed IFCA regulations stipulate "Exposure in Debt Mutual Funds shall not be more than 10 per cent. of total Debt Investments". We recommend relaxation in Exposure norms for Investments in Debt Mutual Funds.	In the initial years, IIO may require investing higher amount in Debt Mutual Funds. It is therefore requested to permit Exposure in Debt Mutual Funds at 100% of total Debt Investments in first 5 years and afterwards it can be gradually reduced to 50%, 25% and 5% after completion of 7years, 8 years and 10 years.

25	9		The Authority may share some guidance on the “Buffer limits” mentioned under the regulation for more clarity.	
26	9		Type of Invt. Assest Debts, Loans, Corporate and Bank Deposits and similar rights. - Bank Deposits to be considered as part of Money market instruments and hence to be added to Money markets for short period, including in Liquid and Money Market Mutual Funds	Generally, bank deposits are placed for shorter duration (1 year or less than 1 year).
27	9		Type of Invt. Assset – Max. Exposure 3. Debts, Loans, Corporate and Bank Deposits and similar rights- Max. 30% 6. Loans (other than policy loans in Life Insurance) – Max. 5% Suggest removal of Loans from Max. exposure of 30%.	Loans appearing in both the exposures.
28	9		Type of Invt. Assest Infrastructure including Infrastructure Investment Trusts (InvIT) and instruments for financing infrastructure assets. Infrastructure Bonds to be include in Listed/ to be listed Bonds, debentures and equivalent fixed income instruments with max. exposure of 80%. So max. exposure of 5% to relate to only InvITs	Exposure limit of Investments in Infrastructure bonds may be increased.

29	9	9	(a) Admissible pattern of investment asset for derivatives not mentioned in the table containing the pattern matrix. Seek clarity under which asset class financial derivatives would be classified (b) Sr. no 4 specifies the maximum exposure of 20% for investments in listed/ to be listed Equities and equity type instruments including Preference Shares; and Equity Mutual Funds. Suggest that the maximum ceiling be increased to 50% (c) The investment asset exposure pattern matrix define investment asset under 'listed' and 'to be listed' asset class which implies that investments cannot be made under 'unlisted' asset class. Suggest that 'listed/ to be listed' be omitted from the exposure draft	Flexibility proposed under the draft regulations
30	9		Suggest removal of Money markets for short period including in Liquid and Money Market Mutual Funds (for other than new funds)	Since the investments in Money Market Instruments will be more liquid, funds invested by IIOs can be permitted with 100% liquidity.
31	10		Clarification required on Sovereign Credit Ratings limits for bonds and equity exposures. Does this allow investing all the funds in single country which has SCR-RC 1 rating as 100% investment is allowed?	Require details on sub-limitations on investment in SCR countries to devise exposure limits of different asset classes for foreign countries

32	15	3	It is suggested that the requirement of infusing additional capital, in case where exposure limits exceed, may be revisited Rating downgrade of the asset in which investment has been made, to below investment grade may not be treated as an event for infusing additional capital.	Infusion of additional capital may require requisite approvals from various stakeholders such as Board of Directors, shareholders etc. at organisation level and other procedural aspect which may be time consuming. Further, downgrade of a Security below the Investment grade may not necessarily mean a default. Accordingly, additional capital requirement may not be necessary. However, only in the event of a default when there is a hit to the solvency on account of such default can trigger additional capital requirement.
33	16	(1) and (2)	Request clarity from the Authority on managing the Deal Room / Front Office/ Mid office/ Back office whether in India under IIO or outside India IIO. Request clarity from Authority in case of specific disallowance from Income Tax Authorities on the Accounting policy followed.	The Parent Accountung policy mandates the branch to show Investments at Fair value- even the IIO prescibes the same. However, in case of a significant difference between the market value and amortised cost resulting in Loss could be disallowance from the I there ncome Tax Authorities which may mandates branch the for disclosure and adjustments in books

34	16	2	We request the Authority to allow IIOs to authorize personnel for making investments on behalf of IIO.	We note that IIO could be incorporated as an independent entity in IFSC and thus the IIO may be allowed to authorize its own personnel to make the investment decisions and not depend on the parent entity for such authorisations.
35	16	2	*Proposed IFCA regulations stipulate:* *"The investments on behalf of an IIO shall be made by the persons duly authorized by the Parent Entity of the IIO, with adequate protocols for reporting and review."* *Outsourcing of below activities of IIO may be allowed:* *Both Investments Fund Management (Front Office decision making) and Investments Operations (Back & Mid Office) activities may be allowed to be outsourced till IIO reach certain AUM size (say Rs. 10,000 Crore).*	It will help in establishing and smooth conduct of Investment Dept of IIO, both Investments Fund Management (Front Office decision making) and Investments Operations (Back & Mid Office) activities.
36	17	2	The methodology to derive the reporting USD rate needs to be mentioned.	The USD rate for the reporting purpose needs to be prescribed to avoid any anomaly.
37	10, 11, 12, 13, 14		We request the Authority to consider specifying rating/ dividend criteria for instruments issued in India including IFSC	We understand that the securities issued in India carry different rating and hence appropriate exposure norms may be defined for fund allocation in order to ensure an uniformed approach for the industry while ensuring protection of the policyholders' funds. This is to further restrict certain business practices of investing in riskier class for fetching better returns; thereby posing as potential high risk for policyholders' funds.

38	10, 11, 12, 13, 14		We request the Authority to specify type of assets to which exposure limits under these regulations to be applied with reference to the serial number as per Matrix 1 under Regulation 9.	We submit that Regulation 9 deals with overall pattern of investments. Providing reference to the serial number as per Matrix 1 will help to avoid ambiguity about asset types to consider while calculating limits under these regulations
39			In case of investment in multicurrency securities, guidance is required with respect to the limits stipulated in the regulations to be adhered to, It may be necessary to convert the investments in a single base currency, thus those modalities needs to be understood; Any conversion of investments in base currency, may lead to breach of limit because of fluctuation in currency rates all other things remaining the same and therefore there is a need to define how the organization may deal with such circumstances	