Item No. 13

Monitoring Mechanism for IRDAI (Listed Indian Insurance Companies) Guidelines, 2016

The Authority has issued Insurance Regulatory and Development Authority of India (Listed Indian Insurance Companies) Guidelines, 2016 on 05.08.2016. The guidelines apart from various other things provides for the following:

1. Provisions relating to Transfer of the Shares

i. Every person who intends to make any transfer/ make any arrangement or agreement for transferring 1 percent or more but less than 5 percent of the paid up equity share capital of the concerned insurer, may do so, subject to the compliance of Fit and Proper criteria.

ii. Every person who intends to make an acquisition / make an arrangement or agreement for acquisition which will / is likely to take the aggregate holding of such person together with shares held by him, his relatives, associate enterprises and persons acting in concert with him, to 5 per cent or more of the paid-up equity share capital of the concerned insurer shall seek prior approval of the Authority.

2. Provisions Relating to Shareholding

i. The minimum shareholding by promoters / promoter group shall at all times be maintained at 50 percent of the paid up equity capital of the insurer. However, where the present holding of the promoters is below 50 percent, such holding shall be the minimum holding.

ii. Ownership limits for various class of shareholders as under

a) In the case of individuals and non-financial entities, the limit shall be 10 per cent of the paid up capital;

b) In the case of entities from the financial sector, other than regulated or diversified or listed, the limit shall be at 15 per cent of the paid-up capital;

c) In the case of ‘regulated, diversified, listed entities from the financial sector’ or public sector undertaking or Government, a uniform limit up to 30 per cent of the paid-up capital is permitted for non-promoters;

The Authority had written to SEBI to issue necessary guidelines / directions to enable the stock exchanges, Depositories and RTAs to build necessary IT systems to give effect to the above provisions of the guidelines. Further, the issues were also discussed in greater detail with SEBI officials. The meeting was attended by two officials of the F&A Department of the Authority. The issues highlighted above have been discussed with Depositories, Insurer, RTAs. All the participants were of the view that the above said provisions can be monitored at Issuer level i.e. at Insurer level. Hence, it was decided that ICICI Prudential, which was going to listed soon, may submit a detailed response on how the above said limits shall be monitored by them on an ongoing basis.

Based on the above, the overall compliance of provisions of IRDAI (Listed Indian Insurance Companies) Guidelines, 2016, shall be as under:

1. Insurer's website shall disclose / inform the following for the awareness of the investor:
   a. IRDAI Guidelines,
   b. Criteria for identifying the "Fit and Proper person" for various thresholds as defined in IRDAI Guidelines and
   c. Procedure for Filing Fit & Proper declaration with the insurer

2. Steps proposed to monitor shareholding limits by the insurer
   a. The Registrar would provide the beneficiary position to the Insurer on weekly basis (including inputs from the two depositories NSDL & CDSL)
   b. Based on abovementioned Benpose (Beneficial position) data provided by the Registrar, the Insurer would communicate with the investors who have invested 90% (or more) of the threshold percentages for evaluating fit & proper as defined in the IRDAI Guidelines.

      The Company would inform such investors about:

      (i) Fit & proper certification to the Company, in case the investor intends to avail shares in excess of 1% but less than 5%, and/or

(ii) Seek approval from IRDAI in case the investor intends to acquire shares above the threshold limits as specified in IRDAI Guidelines.

c. Further, based on the Benpose, should the Insurer identify any breach by the investor in adherence to the thresholds, the Insurer would inform IRDAI in this regard within 5 working days and seek further guidance.

3. Monitoring Foreign investment ceiling of up to 49% in insurance companies in India in terms of the extant foreign exchange regulations:

Based on the Benpose, the Company will identify the total foreign investments in the Company on a weekly basis. Additionally, as provided on the website of RBI, the Reserve Bank of India monitors the ceilings on FIIs/ NIRs/ PIOs investment in Indian companies on daily basis. RBI has fixed cut-off points that are 2 per cent lower than the actual ceilings. Once, the aggregate net purchases of equity shares of the company by FIIs / NIRs / PIOs reach the cut –off point, RBI cautions all designated bank branches so as not to purchase any more equity shares of the respective company on behalf of FIIs/ NRIs/ PIOs without prior approval of RBI. The link offices are then required to intimate RBI about the total number and value of equity shares / convertible debentures of the company they propose to buy on behalf of FIIs / NRIs / PIOs. On receipt of such proposals, RBI gives clearances on a first come first served basis till such investments in companies reach the sectoral caps. On reaching the aggregate ceiling limit, RBI advises all designated bank branches to stop purchases on behalf their FIIs / NRIs / PIOs clients. RBI also informs that general public about the “caution” and the “stop purchase” in these companies through a press release.

However, it shall be the responsibility of insurance company to ensure the compliance of foreign investment limit of 49 percent.

4. Ceilings on the shareholding of various categories of investors in an insurance company

The RBI Master Direction – Ownership in Private Sector Banks, Directions, 2016, bearing no. RBI/DBR/2015-16/24 dated May 2016, also prescribe limits for the

similar investor categories for Private Sector Banks. The Insurers shall, in accordance with the Benpose and in line with the stipulated benchmarks within the group, monitor the same.

The above approach will be followed for compliance of the provisions of Insurance Regulatory and Development Authority of India (Listed Indian Insurance Companies) Guidelines, 2016.

Placed for the approval of the Authority