बीमा विनियामक और विकास प्राधिकरण
INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY

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CIRCULAR

The CEOs of All Insurers

Indian Depositary Receipts

We observe that Government of India have notified recently the Companies (issue of Indian Depositary Receipts) Rules, 2004, as amended (the '**IDR Rules**') and the operating guidelines have been issued by the Securities and Exchange Board of India (SEBI) under Chapter VI A of the SEBI (disclosure and Investor Protection) Guidelines, 2000 (the SEBI DIP Guidelines).

The Authority has been approached by some insurance companies whether it is in order to invest in Indian Depositary Receipts.

In an IDR issue, the foreign companies are permitted to mobilize funds from the Indian markets by offering their equity shares, in the form of rupee denominated Depositary receipts created by the domestic Depositary in India. They are listed on the Indian stock exchanges and freely transferable. These receipts are issued to the investors in India, against the underlying equity shares of the issuing company based outside India (foreign company) which are held by an Overseas Custodian, which authorized the Indian Depositary to issue the IDRs.

On examination of the features of IDR, it is observed that an investment in an IDR by any insurer would amount to an indirect investment made outside the country and would not be in compliance with Section 27 C of Insurance Act 1938 (Prohibition for investment of funds outside India) that restricts the investment of policyholders' funds directly or indirectly outside the country

In view of the extant statutory restrictions on overseas investments, it would not be in order for insurers to invest in Indian Depositary Receipts.

C R MURALIDHARAN
MEMBER (F&I)

परिश्रम भवन, तीसरा तल, बशीर बाग, हैदराबाद – 500 004. भारत
✆ : 91-040-2338 1100, फैक्स : 91-040-6682 3334
ई-मेल : irda@irda.gov.in वेब : www.irda.gov.in / www.irdaindia.org

Parishram Bhavan, 3rd Floor, Basheer Bagh, Hyderabad - 500 004. INDIA
Ph. : 91-040-2338 1100, Fax : 91-040-6682 3334
E-mail : irda@irda.gov.in Web. : www.irda.gov.in / www.irdaindia.org