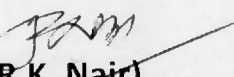


Draft Guidelines on new Investment products : Reverse Repo / Repo in Government Securities and Corporate debt securities

All Stakeholders are requested to review the attached Draft Guidelines and forward their view/ comments to the following address within 15 days.

Joint Director (Investment), Insurance Regulatory and Development Authority,
3rd Floor, Parishram Bhavan, Bahseerbagh, HYDERABAD – 500004.

Comments may also be forwarded by email to rkumar@irda.gov.in and maheshagarwal@irda.gov.in within 15 days.


(R.K. Nair)

Member (F & I)

Dated : 3rd August, 2012

DRAFT GUIDELINES
REVERSE REPO / REPO IN GOVERNMENT SECURITIES
AND CORPORATE DEBT SECURITIES

1. The Reserve Bank of India, vide notification no.IDMD.DOD.05./11.08.38/2009-10 dated January 8, 2010, has issued the '**Repo in Corporate Debt Securities (Reserve Bank) Directions, 2010**'. The same was modified vide RBI Circular No. DNBS.PD /CC. No. 196/03.05.002/2010-11 dated August 11, 2010 and RBI Circular No. IDMD.PCD.22/11.08.38/2010-11 dated November 09, 2010. Within the Guidelines issued by RBI, participation in Reverse repo or Repos in Government Securities / Corporate Debt Securities, by Insurers has been envisaged, subject to the approval of the IRDA.
2. Insurers may participate in "Reverse Repo" and "Repo" in Government Securities / Corporate Debt Securities from time to time, subject to the following conditions:
 - a. Reverse Repo in **Life Companies**, the exposure to Reverse Repo (lending) transaction in Corporate Debt Securities at any point of time shall not exceed 10% of Controlled Fund and up to 10% of the fund size (all Segregated Funds SFINs taken together).
 - b. Reverse Repo and Repo in **Non-Life companies** the exposure to Reverse Repo and Repo transactions shall not exceed 10% of Investment Assets. The 10% limit is applicable to Repo in Government Securities and Corporate Debt Securities.
 - c. The tenor of Repo transactions (borrowing) shall be for a period of not exceeding 180 days and the prior approval of the Investment Committee shall be obtained and be recorded in the minutes of the Investment Committee, for the specific requirement as specified under Section 27B (11) of Insurance Act, 1938.
 - d. Reverse Repo transactions shall be permitted only in AAA rated Corporate Debt Securities.

- e. Reverse Repo / Repo transaction **shall not be permitted between the Insurer and its Promoter group entities.**
- f. The Securities held as collaterals in a "Reverse Repo" shall **not** be taken for computation of Exposure under Regulation 5 of IRDA (Investment) Regulation, 2000. In Reverse Repo transaction, the exposure norms shall apply on the counterparty.
- g. Insurer shall enter into bilateral Reverse Repo / Repo agreement as per the documentation issued by FIMMDA.
- h. The Board of the Insurer shall incorporate the necessary Guidelines in the Investment Policy the following among others:
 - 1. Category of Counterparty
 - 2. Credit rating of Counterparty
 - 3. Tenor of Collateral
 - 4. Applicable Haircuts (over and above required under RBI Guidelines)
 - 5. Counter party exposure
- i. Transactions shall be in compliance with Regulation 5 of the IRDA (Investment) Regulation, 2000 as amended from time to time and other Guidelines, Circulars as issued from time to time.
- j. A quarterly certificate shall be issued by the Concurrent Auditor on Repo transactions (borrowing) specifically confirming that **each** such transaction was done in **compliance of provisions as specified under Section 27B (11) of Insurance Act, 1938** (the same shall form part of the certificate issued as per the Technical Guide on Internal / Concurrent Audit of Insurance Companies issued by ICAI). Further, the Concurrent Auditor, in his certificate shall confirm that the transactions were reported to Audit Committee and Board of the Insurer on a Quarterly periodicity.