



भारतीय बीमा विनियामक और विकास प्राधिकरण  
INSURANCE REGULATORY AND  
DEVELOPMENT AUTHORITY OF INDIA

**CIRCULAR**

Date: 30<sup>th</sup> Nov, 2016

REF: IRDAI/CIR/F&I/INV/239/1/2016-17

As per Section 14 (2) (k) of IRDA Act, 1999, the Authority is empowered to issue amendments to Master Circular – Investments, 2016. This shall be effective from the date of issue of this Circular:

**A. Investment in “Additional Tier 1 (Basel III Compliant) Perpetual Bonds” [AT1 Bonds]**

1. Insurers can invest in Additional Tier 1 (Basel III Compliant) Perpetual Bonds [AT1 Bonds], which conform to the following:

- i. The rating of AT1 Bonds shall be not less than “AA”, at the time of investment
- ii. The Offer document, in the case of IPOs of AT1 Bonds, shall have a provision for listing in at least one of the Exchanges
- iii. The Insurer shall invest in not more than 10% of AT1 Bonds offered through IPO. Further, the aggregate value of AT1 Bonds held in any particular Bank, at any point of time, shall not exceed 10% of the total outstanding AT1 Bonds
- iv. The Common Equity Tier I Capital (CET) **including** Capital Conservation Buffer, of the issuer Bank shall be more than 1% the minimum CET prescribed by RBI, at the time of investment in AT1 Bonds of such Bank
- v. Insurers can invest in AT1 Bonds, only where such Banks have declared dividend for the preceding 2 years
- vi. The AT1 Bonds shall be forming part of “Equity” in compliance with IRDAI (Investment) Regulations, and Master Circular issued thereunder
- vii. No investment shall be done in AT1 Bonds, where the issuer Bank is either under the Promoter Group of Insurer or Corporate Agent of the Insurer

2. The Investment in AT1 Bonds shall be valued either as per FIMMDA or at applicable Market Yield Rates published by any Rating Agency registered with “SEBI”

3. The following shall be the Category Codes (COI) for AT1 Bonds:

**AT1 Bonds as part of “Approved Investments”**

**D 38:** Additional Tier 1 (Basel III Compliant) Perpetual Bonds – [PSU Banks] - EAPS

**D 39:** Additional Tier 1 (Basel III Compliant) Perpetual Bonds – [Private Banks] - EAPB

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**AT1 Bonds as part of "Other Investments"**

**E 27: Additional Tier 1 (Basel III Compliant) Perpetual Bonds – [PSU Banks] - OAPS**

**E 28: Additional Tier 1 (Basel III Compliant) Perpetual Bonds – [Private Banks] - OAPB**

4. The Concurrent Auditor in his Quarterly Report to the Audit Committee / Board of the Insurer shall confirm that all the above norms and disclosure requirement have been complied with.

**B. Insurers to participate in Joint Lenders Forum (JLF) formed under RBI Guidelines**

The Authority permits Insurers to participate in JLF, which is formed under RBI Guidelines for loan accounts which could turn into potential NPAs. Through this mechanism, Insurers may take, need based exposure with the **prior approval** of the Insurers Board, which may be in excess of exposure permitted under extant IRDAI (Investment) Regulations

Insurers shall file, along with Quarterly Periodical Returns to IRDAI, the following information, as under, apart from making necessary disclosure in Notes to Accounts of Financial Statements.

No	Name of the Entity	Date of Insurers entry into JLF	Exposure as on the date of Insurers entry into JLF	Additional Exposure as decided in JLF	% of exposure in excess of IRDAI (Inv) Regulations	Date of Approval by the Insurers Board	Comments of Board on Additional Exposure permitted

**C. Amendment to Provision on "Exposure to Credit Default Swap"**

The following provisions shall be substituted for Provision of 1.8.a.2.c of Master Circular – Investments, 2016

"On purchase of protection, the exposure with respect to reference entity shall shift to "Protection Seller" to the extent of "Protection Purchased" within Regulation 9 of the IRDAI (Investment) Regulations, 2016 and such exposure shall form part of BFSI Sector, under Industry Sector Exposure

  
**V R IYER**  
Member (F&I)