



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

Ref.: IRDA/F&A/CIR/GLD/156/07/2017

Date: 05.07.2017

Circular

To,
All Insurers,

Sub: Pricing in case of Put or Call options in JV Agreements.

The Reserve Bank of India had, vide amendment Notification No. FEMA 294/2013-RB dated 12th November, 2013, permitted the optionality clause (put and call options) in contracts. In this context some insurers had approached the Authority seeking clarification as to whether the existing contracts with optionality clauses, entered prior to the notification of the above amendment were in compliance with the FEMA stipulations.

The Government of India, in consultation with the Reserve Bank of India, has clarified that any Agreement with "options" entered into prior to 12th November, 2013 is in contravention of Regulation 2(ii) of the Foreign Exchange Management (transfer or Issue of Securities by a person Resident outside India) regulations, 2000. It has also been reiterated that all existing contracts should be in compliance with the pricing guidelines issued by the RBI under the FEMA Regulations.

In view of the above, all insurers who have Joint Venture Agreements with foreign entities should examine whether they have option clauses therein and ensure that they are in compliance with the FEMA Regulations, including those regarding pricing.

Insurers are advised to furnish a confirmation of compliance with the above, to the Authority.

(Dr Mamta Suri)
CGM and HOD-F&A