



Ref: IRDAI/INT/ORD/MISC/94/6/2024

Date: 14.06.2024

Order of Insurance Regulatory and Development Authority of India under IRDAI (Registration of Corporate Agents) Regulations, 2015 read with provision of Insurance Act, 1938-

In the matter of M/s. Billionbrains Garage Ventures Private limited (BGV)

Based on the reply to the Show Cause Notice dated 23<sup>rd</sup> February 2024 and submissions made by during Personal Hearing held on 30<sup>th</sup> May 2024, chaired by Member (F&I) & Member (Life) at the office of Insurance Regulatory and Development Authority of India, Hyderabad]

**Background:**

1. M/s Billionbrains Garage Ventures Pvt Ltd., (hereinafter called the "BGV") applied for Composite category of Corporate Agency CoR on 5th June 2023. After due process and several correspondences with the applicant where it had submitted clarifications / information / additional documents, the applicant was granted Corporate Agent Certificate of Registration(CoR).
2. BGV is granted CoR to act as a Corporate Agent (Composite) by Insurance Regulatory and Development Authority of India (hereinafter referred to as the Authority) on 16.10.2023 vide license no. CA0872, valid up to 15.10.2026.
3. Immediately after receiving the CoR, BGV sent an email communication on 20th October, 2023 (with a letter dated 17<sup>th</sup> October 2023) to keep the Authority informed about a petition filed by BGV with Hon'ble National Company Law Tribunal (NCLT), Bengaluru bench for a scheme of amalgamation with its parent/promoter company, M/s Groww Inc., a Delaware (USA) registered Foreign Company.

4. Upon seeking further clarification, it has come to notice that the Board of Directors of the Transferor and Transferee Companies had approved the Scheme of Amalgamation vide their respective Board Resolutions dated 12th April, 2023 and the First Motion Petition for the scheme of amalgamation was filed before Hon'ble NCLT, Bengaluru Bench on 24th April 2023 (much before the submission of the corporate agency application) which was disposed on 4th August 2023 allowing the petitioner to file Second Motion Petition.
5. As informed by BGV, upon filing the Second Motion Petition dated 29<sup>th</sup> August 2023 for the scheme of amalgamation, the NCLT, Bengaluru Bench passed an interim order vide dated 27<sup>th</sup> September, 2023 instructing the CA to serve a notice to sectoral regulator for any comments / views / objections on the scheme.
6. In view of the above, BGV sent an email on 20<sup>th</sup> October 2023 to keep the Authority informed about the scheme of amalgamation. As per the scheme of amalgamation, BGV's parent entity, Groww Inc. would merge into BGV. As a result, BGV will remain the surviving entity and all shareholders of Groww Inc. would consequently become shareholders of BGV.
7. BGV's applicant's Corporate Agency Application was filed with the Authority on 5th June 2023 and the Certificate of Registration (CoR) was granted on 16th Oct 2023 and there were several correspondences with the applicant during this period.
8. However, BGV did not furnish any information about ongoing Merger & Amalgamation petition pending at NCLT.
9. BGV also submitted that as effective shareholding of BGV will remain unchanged, post-merger having the same respective rights, powers and preferences, qualifications and limitations and restrictions to the extent permitted under applicable laws in India.
10. Hence, BGV considered that the proposed merger was not material information to be included as a part of the CA application.

#### **11. Show-Cause Notice, Reply and Hearing:**

- a. Considering the facts and circumstances, Show cause notice (hereinafter referred as "SCN") dated 23<sup>rd</sup> February 2024 was issued to the Corporate Agent for the violation of the following regulations:
  - i. Violation of Reg. 22(1) of the IRDAI (Registration of Corporate Agents) Regulations, 2015.
  - ii. Violation of Clause I(ii)(b) of Schedule V read with Regulation 28 of IRDAI (Registration of Corporate Agents) Regulations, 2015.
- b. BGV submitted their response vide letter dated 8<sup>th</sup> April 2024 wherein it had sought a personal hearing to elaborate their clarification further.
- c. A personal hearing was given to BGV on 30<sup>th</sup> May 2024. On behalf of the BGV hearing was attended by Mr. Ankit Bansal, PO- BGV, Mr. Lalit Bhimani, VP- Finance, BGV, Mr. Harsh Jain, Co-Founder & Director, BGV. On behalf of the Authority, Mr. B C Patnaik, Member (Life), Mr. J Rajay Kumar Sinha, Member (F& I), Ms. R. Uma Maheswari, General Manager (Intermediary), Mr. Kurapaty Sridhar Rao, Deputy General Manager (Intermediary), and Mr. Sumandeep Ghosh, Assistant Manager (Intermediary) attended the meeting.
- d. The charges framed against BGV in the SCN dated 23<sup>rd</sup> February 2024, response of the CA in their written reply dated 8<sup>th</sup> April 2024 and submissions made during personal hearing dated 30<sup>th</sup> May 2024 and the decisions on the charges thereon are detailed below.

#### **12. Submission of BGV:**

The proposed scheme of arrangement filed before the NCLT is for a reverse merger of BGV's parent entity, Groww Inc., with BGV which is purely for administrative purposes. As a result, BGV will remain the surviving entity and all shareholders of Groww Inc. would consequently become shareholders of BGV without affecting any change in the ultimate shareholders of BGV and/or any of its subsidiaries.

The merger petition filed by BGV before the NCLT for the merger of BGV with its parent entity Groww Inc. is undertaken for the following administrative reasons:



- (a) to simplify and unifies the group structure;
- (b) for efficient decision making by eliminating duplicate corporate procedures under US laws by streamlining the holding structure; and
- (c) to reduce administrative, managerial and other common expenses. Apart from these corporate structuring advantages, there would effectively be no change in the group structure or the control of the BGV.

Further, the effective shareholding of BGV will remain unchanged, post-merger having the same respective rights, powers and preferences, qualifications and limitations and restrictions to the extent permitted under applicable laws in India, thereby effectively causing no change in the effective shareholding of BGV, post-merger. Since, during the NCLT process, BGV had not received any license from IRDAI, they believed that the IRDAI was not yet statutory authority for BGV. The merger petition was made public on their website and notices were published in newspaper like Hindu & Udyavani. BGV believed that the proposed merger was not material information and the entire events were purely unintentional. BGV requested for pardon for any inadvertent oversight during the application processing stage.

Groww as a group, places a strong emphasis on compliance and governance, both integral aspects of their operations. They also submitted that they are acutely aware of the expectations placed upon them by regulators and they take great care to ensure that their actions are aligned with industry standards and regulatory requirements. The same not only safeguards their interests but also contributes to the integrity and stability of broader financial ecosystem. BGV further submitted that they are fully committed to maintaining the trust and confidence reposed on them by the regulator.

BGV requested for pardon for any inadvertent oversight and request for the opportunity to elaborate on their response in the personal hearing and assured that they would address any further question or clarification.



### 13. Charge 1:

#### **Violation of Regulation 22(1) of IRDAI (Registration of Corporate Agents) Regulations, 2015**

*An applicant desires to become a corporate agent shall disclose to the Authority at the time of filing application all material facts relevant for consideration of application, on its own. In case of any change in the information provided for consideration of their application, subsequent to filing of application or during the processing of application, such change shall be disclosed to the Authority, voluntary by the applicant, for consideration of the Authority*

#### **Observation and Decision:**

BGV had complete knowledge of the scheme of amalgamation filed with the NCLT even before filing application of CoR and during the process of the application. However, the same was not informed to the Authority during the submission / processing of the application. The information is material as the resulting shareholding pattern is changing and instead of a Company, multiple entities would be directly become shareholder of the applicant company. This material change has a bearing on processing of application before granting CoR due to informed diligence exercise done by the Authority. Further, had the Hon'ble NCLT, Bengaluru Bench not directed to serve notice to sectoral regulator on the scheme of amalgamation, the CA would not have kept the Authority informed about the same at all even after grant of CoR.

BGV should have informed the Authority about the material information by 15<sup>th</sup> Oct 2023 i.e. during the processing of the application. However, BGV informed about the merger & amalgamation scheme on 20<sup>th</sup> Oct 2023.

Hence, BGV is in violation of the provisions of Regulation 22(1) of IRDAI (Registration of Corporate Agents) Regulations, 2015.

Considering the aforementioned violations, as detailed above, the Authority in exercise of powers vested in Section 102(b) of the Insurance Act, 1938 imposes penalty of Rs. 5,00,000/- (Rupees Five lakh only) on BGV.



**14. Charge 2:**

**Violation of Clause I(ii) (b) of Schedule V read with Regulation 28 of IRDAI (Registration of Corporate Agents) Regulations, 2015**

*The Authority may suspend or cancel the registration of a Corporate Agent for any one or more of the following reasons:*

*(b) Furnishes wrong or false information; or conceals or fails to disclose material facts in the application submitted for obtaining a registration.*

**Observation & Decision:**

BGV vide letter dated 9th November 2023 submitted their application to surrender of CoR wherein it had informed that they have not commenced any business activity as Corporate Agent and no policy have been issued through the CoR. Considering the fact that BGV have already surrendered its application of CoR and did not book any policy till date, it is decided to not press charges for this violation.

**15. Summary of Decisions:**

The following is the summary of charge wise decisions in this order:

<b>Charge No.</b>	<b>Title of charge and the provisions violated</b>	<b>Decision</b>
1	<b>Violation of Regulation 22(1) of IRDAI (Registration of Corporate Agents) Regulations, 2015</b>	Penalty of Rs. 5,00,000/- (Rupees Five lakh only)
2	<b>Violation of Clause I(ii) (b) of Schedule V read with Regulation 28 of IRDAI (Registration of Corporate Agents) Regulations, 2015</b>	Not pressed.



**16. Conclusion:**

- a. As directed under the respective charges, the penalty of Rs. Five Lakh shall be remitted by the Corporate Agent within a period of 45 days from the date of receipt of this Order through NEFT/ RTGS (details for which will be communicated separately). An intimation of remittance may be sent to [accounts@irdai.gov.in](mailto:accounts@irdai.gov.in) with a copy to [uma@irdai.gov.in](mailto:uma@irdai.gov.in)
- b. BGV shall confirm compliance in respect of the above decisions, within 21 days from the date of receipt of this order. The order shall be placed in their upcoming Board meeting and BGV shall submit a copy of the minutes of the discussion.
- c. If BGV feels aggrieved by any of the decisions in this order, an appeal may be preferred to the Securities Appellate Tribunal as per Section 110 of the Insurance Act, 1938.

Place: Hyderabad

Date: 14.06.2024



**B C Patnaik**  
Member (Life)



**Rajay Kumar Sinha**  
Member (F & I)