

**CONCEPT NOTE ON MECHANISM FOR FRAMING,
CONSULTATION AND ISSUING OF REGULATIONS
(On the Model proposed by FSLRC)**

Consequent upon the Insurance Laws (Amendment) Ordinance 2014, there is a need for IRDA to issue or amend several regulations, the details of which have been brought out in the Chairman's mail dated 14.1.2015. Issue of regulations, department which is entrusted with the responsibility and time line within which the Draft of Regulation must be ready have all been indicated therein.

2. In order to ensure that there is a uniform consultation process in line with FSLRC to be adhered to while making / amending regulations and proposing rules, Chairman has directed Legal Department to provide a note so that the same could be adopted uniformly. This note is therefore prepared and put up focusing on the consultation process to be adopted uniformly across the Departments in IRDA.

3. Non-Legislative Recommendations of the Financial Sector Legislative Reforms Commission (FSLRC) contain the procedure for Framing of Regulations by all Regulators. The procedure involves approval of Board before initiating process of framing / amending regulations, at the draft stage and finally before issue of the Regulations. FSLRC also recommended integration of the consultation process in the finalization of regulations/amendments thereto.

4. Adopting the approach as above, considering the large number of regulations proposed to be issued now, an in-principle approval of the Authority for framing / amending the regulations indicated in Chairman's note dated 14.1.2015 can be obtained through an Agenda item in this regard in the next meeting of the Authority. In future, for any issue of regulations/amendments, the Department concerned should place an Agenda Note for approval of Authority in its next meeting or by circulation or

in the event of emergency, the Chairman could approve going ahead with framing regulations and inform the Authority in its subsequent meeting. The Agenda Note in all cases should necessarily give the background and need for the regulations/amendments.

5. As part of implementation of FSLRC Recommendations Legal Department had prepared the process of Framing Regulations and a Circular has been issued on 10.02.2015. The Indian Financial Code under Sec.59 provides for procedure for Emergency Regulation making. Accordingly, the process of Emergency Regulation Making has been incorporated in the revised concept note enclosed circular on Mechanism for Framing, Consultation and Issuing of Regulations. The present circular supersedes the earlier note issued vide. Circular dated 10.02.2015.

6. The respective Departments may draw up the respective Regulations within the time lines indicated by Chairman.

7. The process of consultation, both internal and external, and the steps for issue of Final Regulations is discussed hereunder:

Sl. No.	Details	Timelines
I.	CONSULTATION WITHIN IRDAI	
	<p>1. DRAFT REGULATIONS FOR CONSULTATION Once the Regulations are framed, they are taken up for consultation within IRDAI. The draft document to be placed on the intranet for internal consultations should contain the following:</p> <p>a) A background note of the regulations indicating the following.</p> <ul style="list-style-type: none"> o The relevant sections of the Act exercising powers under which the regulation is issued o The brief description of the content of the Regulations <ul style="list-style-type: none"> ▪ In case of fresh regulations <ul style="list-style-type: none"> • The purpose which is intended to be achieved through the 	

	<p>regulations</p> <ul style="list-style-type: none"> • Previous circulars / instructions / guidelines in the matter, if any and consolidation thereof in the present regulation. ▪ In case of amending regulations <ul style="list-style-type: none"> • The provisions intended to be amended • Key changes made • Rationale for changes made <p>b) Draft Regulations in the exact format in which it is supposed to be notified</p> <p>c) Name and email id of the person to whom comments are required to be sent</p> <p>d) Standard format of sending comments so that they can be collated and compiled easily</p> <p>e) Time for comments (ordinarily 1 week to 10 days)</p> <p>The documents should be forwarded to IT Department for placing on Intranet site for comments.</p>	
	<p>2. PLACING ON THE INTRANET SITE</p> <ul style="list-style-type: none"> • IT Department to place the content on the Intranet. • An auto-generated mail should be sent as an email alert to the Chairman, Members and the all HODs indicated in the Note 14/01/2015 informing them <ul style="list-style-type: none"> ○ of placing the Draft Regulations on Intranet site ○ obtaining comments from the members of the Department ○ sending consolidated comments in the specified format to the person named in the exposure draft ○ time frame within which comments have to be sent. 	<p>Immediate (Max one day for clarification, if any)</p>
	<p>3. EXAMINATION BY OTHER DEPARTMENTS AND COMMENTS THEREOF</p> <ul style="list-style-type: none"> • On receipt of intimation of placing Draft Regulations on the Intranet, the other Departments 	<p>One week to 10 days as the case may</p>

	<p>should obtain comments from the staff.</p> <ul style="list-style-type: none"> • HODs to consolidate the comments for the Department • The consolidated comments to be forwarded to the Department preparing the Regulations. 	be
	<p>4. EXAMINATION OF COMMENTS</p> <ul style="list-style-type: none"> • Department dealing with regulations to collect and collate the comments received from other Departments • Give responses to the comments about need for implementation / rejection of suggestions 	One week
	<p>5. DISCUSSION ABOUT REGULATIONS AND DECISION ON COMMENTS</p> <ul style="list-style-type: none"> • Department concerned should make a presentation to the Senior Management (Chairman, Members, Sr JDs, JDs and select officials from the concerned department) covering <ul style="list-style-type: none"> ○ Draft regulations with rationale and background ○ Clause-wise discussion of regulation, suggestions received and their view on acceptance or rejection of the suggestion ○ Chairman and in his absence Member concerned to decide upon the final provision • The decisions on changes should be minuted and placed on record. 	At the earliest but preferably within a week
	<p>6. FINALIZING REGULATIONS</p> <p>Incorporating the changes approved, Final Draft Regulations will be prepared and got vetted by Legal Department for language and inconsistencies, if any.</p>	3 days to One week
	EXTERNAL CONSULTATIONS	
II.	BOARD APPROVAL OF DRAFT OF REGULATIONS	
	<p>The Exposure Draft of the Regulations is placed before the Board for approval before seeking public comments On approval by Board, the draft will be placed in public domain for comments.</p>	Meeting of the Authority

III.	PUBLIC CONSULTATION	
	<p>1. EXPOSURE DRAFT FOR CONSULTATION</p> <p>The exposure draft with all the requirements indicated in I (1)(a) to (d) should be placed on the website.</p> <p>The time for public comments should be indicated as 21 days</p>	
	<p>2. PLACING ON THE INTERNET</p> <p>The exposure draft should be placed on the IRDAI website (www.irda.gov.in) as well as Consumer education website (www.policyholder.gov.in)</p>	21 days (For stakeholders to respond)
	<p>3. FORWARDING TO OTHER STAKEHOLDERS</p> <ul style="list-style-type: none"> • The exposure draft should be forwarded to the following advising them to place the exposure draft on their website for comments from public <ul style="list-style-type: none"> ○ Life Insurance Council ○ General Insurance Council ○ Academic Institutions in insurance – III, IIRM, NIA • The exposure draft should also be forwarded to CEOs and GROs of Insurers – Life and Non-life <p><i>This will enable structured inputs from the members which can be factored in for consideration. Draft PPHI Regulations have been placed on Councils' websites and structured comments have been received from several companies.</i></p>	Alongside with Sl. No. 2 above
	<p>4. INSURANCE ADVISORY COMMITTEE</p> <ul style="list-style-type: none"> • The exposure draft and the summary of responses / suggestions to be presented before the IAC. • Suggestions received therein are to be minuted. 	At the earliest
	<p>5. EXAMINATION OF COMMENTS BY DEPARTMENT</p> <ul style="list-style-type: none"> • Department dealing with regulations to collect and collate the comments received from the public and also the comments received during the discussions in the IAC Meeting. • The public comments and comments of IAC should be listed out with comments of the Department on 	One week

	the suggestions and proposal relating to acceptance / rejection of the suggestions made with reasons.	
	<p>6. DISCUSSION ABOUT REGULATIONS AND DECISION ON COMMENTS</p> <ul style="list-style-type: none"> • Make a presentation to the Senior Management (Chairman, Members, Sr JDs, JDs and select officials from the concerned department) <ul style="list-style-type: none"> ○ Clause-wise discussion of regulation, suggestions received and their view on acceptance or rejection of the suggestion ○ Chairman and in his absence Member concerned to decide upon the final provision • The decisions on changes should be minuted and placed on record. The listing of public comments / suggestions which are accepted and rejected along with reasons should be placed on the public domain when the Final regulations are issued 	At the earliest
	<p>7. PREPARING FINAL DRAFT OF REGULATIONS</p> <p>Incorporating the changes approved, Final Draft of Regulations will be prepared (and got vetted by Legal Department, if major changes are made).</p>	One week (Simultaneous with Sl. No. 6)
V.	<p>BOARD APPROVAL OF FINAL DRAFT OF REGULATIONS:</p> <p>The Final Draft of Regulations should be placed for approval of the Board Agenda should indicate</p> <ul style="list-style-type: none"> • Changes during the course of consultations • Changes carried out and rationale <p>Board will pass a resolution approving the Draft Regulations / suggest modifications. The Final Regulations will be prepared incorporating the suggestions of the Board, if any.</p>	Meeting of the Authority

<p>VI.</p>	<p>ISSUE OF REGULATIONS:</p> <p>The Regulations will be notified and published in the official gazette. The Regulations will be placed on the website of IRDAI. Responses of IRDA on the public comments received should also be placed on the website simultaneously. A copy of the Regulations will be forwarded to DFS for placing before the Parliament for the required period of 30 days.</p>	<p>Within two weeks of the Approval of Authority</p>
<p>VII.</p>	<p>EMERGENCY REGULATION MAKING:</p> <p>1.The following requirements must be complied with for framing regulations in an emergency where the entire internal and external consultation cannot be made:</p> <p>a) A background note of the regulations indicating the following.</p> <ul style="list-style-type: none"> ○ The relevant sections of the Act exercising powers under which the regulation is issued ○ The brief description of the content of the Regulations <ul style="list-style-type: none"> ▪ In case of fresh regulations <ul style="list-style-type: none"> • The purpose which is intended to be achieved through the regulations • Previous circulars / instructions / guidelines in the matter, if any and consolidation thereof in the present regulation. ▪ In case of amending regulations <ul style="list-style-type: none"> • The provisions intended to be amended • Key changes made • Rationale for changes made <p>b) The emergency for resorting to framing regulations in a manner different from usual process</p> <p>c) Draft Regulations in the exact format in which it is supposed to be notified</p> <p>d) The draft may be circulated to Chairman, Members and senior officers of the IRDAI</p>	

	<ul style="list-style-type: none"> e) The draft may be circulated to IAC members within 24 hours requesting their comments within two working days. f) Presentation on the regulations in a meeting of Chairman, Members and Senior Officers discussing the comments received from members of IAC may be made within 2 days (as in I.5) g) Vetting of the Regulations by Legal Department h) Notification of the regulations with a Press Release giving the background <p>2. A Regulation made under this Section will cease to have effect after one hundred and eighty days from the date on which the regulation is notified</p>	
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(Note - Cost Analysis of Regulations (quantitatively) as per Chapter IV of FSLRC – Non-legislative Recommendations handbook, has not been included in the procedure as that requires further understanding. However, the purpose & rationale of the draft regulation would cover this area qualitatively.)

Index for regulation framing

Sl. No.	Details	Timeline
I.	Framing of draft of the Regulations	As indicated in Chairman's mail dated 14.1.2015
II.	Consultation within IRDAI	3 to 4 weeks
III.	Board approval of exposure of draft Regulations	Meeting of the Authority
IV.	Public Consultation Process	5 weeks
V.	Broad Approval of draft Regulations	Meeting of the Authority
VI.	Issue of Regulations	Within two weeks of Approval of the Authority
VII	EMERGENCY REGULATION MAKING	Depending on Urgency

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