



Title: Investment Guidelines

Reference No.: INV/GLN/007/2003-04

Date: 21/01/2004

GUIDELINES – INV/GLN/007/2003-04
EXPLANATION ON DEFINITION OF “GROUP”

The IRDA (Investment) Regulations, 2000 as amended from time to time, under Regulation 2 (ca) defines “Group” as under:

- (i) *Two or more individuals, associations of individuals, firms, trusts, trustees or bodies corporate (excluding Financial Institutions) or any combination thereof, which exercises, or is established to be in a position to exercise, control, directly or indirectly, over any body corporate, firm or trust; or*
- (ii) *Associated persons.*

as explained in the Guidelines issued in this regard as modified from time to time;

Explanation: - The term “Group” shall include the following:

- I a Group of persons who are able, directly or indirectly, to control the policy of a body corporate, without having a controlling interest in that body corporate, shall be deemed to be in a position to exercise control over it;
- II Associated persons shall include:
 - (a) in relation to a director of a body corporate means –
 - (i) *a relative of such director, and includes a firm in which such director or his relative is a partner;*
 - (ii) *any trust of which any such director or his relative is a trustee;*
 - (iii) *any company of which such director, whether independently or together with his relatives, constitutes 1/4th of its Board of directors;*
 - (iv) *any other body corporate, at any general meeting of which not less than 1/4th of the total number of directors of such other body corporate are appointed or controlled by the director of the first mentioned body corporate or his relative, whether acting singly or jointly;*
 - (b) in relation to the partner of a firm, means a relative of such partner and includes any other partner of such firm; and
 - (c) in relation to the trustee of a trust, means any other trustee of such trust;
- III Where any person is an associated person in relation to another, the later shall also be deemed to an associated person in relation to the former;
- IIII An inter-connected undertaking means two or more undertakings which are inter-connected with each other in any of the following manner, namely:-

- (i) *if one owns or controls the other,*
- (ii) *where the undertakings are owned by firms, if such firms have one or more common partners,*
- (iii) *where the undertakings are owned by bodies corporate -*
 - (a) *if one body corporate manages the other body corporate, or*
 - (b) *if one body corporate is a subsidiary of the other body corporate, or*
 - (c) *if the bodies corporate are under the same management, or*
 - (d) *if one body corporate exercises control over the other body corporate in any other manner;*
- (iv) *where one undertaking is owned by a body corporate and the other is owned by a firm, if one or more partners of the firm –*
 - (a) *hold, directly or indirectly, not less than 50% of the shares, whether preference or equity, of the body corporate, or*
 - (b) *exercise, control, directly or indirectly, whether as director or otherwise, over the body corporate,*
- (v) *if one is owned by a body corporate and the other is owned by a firm having bodies corporate as its partner, is such bodies corporate are under the same management*
- (vi) *if the undertakings are owned or controlled by the same person or by the same group*
- (vii) *if one is connected with the other, either directly or through any number of undertaking which are inter connected undertakings within the meaning of one or more of the foregoing sub-clauses.*

Explanation: - Two bodies corporate shall be deemed to be under the same management

- (i) *if one such body corporate exercises control over the other or both are under the control of the same group or any of the constituents of the same group; or*
- (ii) *if the Managing Director or manager of one such body corporate is the MD or manager of the other; or*
- (iii) *if one such body corporate holds not less than 1/4th of the equity shares in the other or controls the composition of not less than 1/4th of the total membership of the Board of directors of the other; or*
- (iv) *if one or more directors of one such body corporate constitute, or at any time within a period of 6 months immediately preceding the day when the question arises as to whether such bodies corporate are under the same management, constituted whether independently or together with relatives of such directors or the employees of the first mentioned body corporate 1/4th of the directors of the other; or*
- (v) *if the same individual or individuals belonging to a group, while holding whether by themselves or together with their relatives not less than 1/4th of the equity shares in one such body corporate also hold whether by themselves or together with their relatives not less than 1/4th of the equity shares in the other; or*
- (vi) *if the same body corporate or bodies corporate belonging to a group, holding, whether independently or along with its or their subsidiary or subsidiaries, not less than 1/4th of the equity shares in one body corporate, also hold not less than 1/4th of the equity shares in the other; or*
- (vii) *if not less than 1/4th of the total voting power in relation to each of the two bodies corporate is exercised or controlled by the same individual whether independently or together with his relatives or the same body corporate whether independently or together with its subsidiaries; or*
- (viii) *if not less than 1/4th of the total voting power in relation to each of the two bodies corporate is exercised or controlled by the same individual belonging to a group or by the same bodies corporate belonging to a group, or jointly by such individual or individuals and one or more of such bodies corporate; or*
- (ix) *if the directors of the one such body corporate are accustomed to act in accordance with the directions or instruction of one or more of the directors of the other, or if the directors of both the bodies corporate are accustomed to act in accordance with the directions or instructions of an individual, whether belonging to a group or not.*