



CIRCULAR

GUIDELINES FOR INVESTMENT IN DEBT ETFs WITH CPSE BONDS AS UNDERLYING

The IRDAI (Investment) Regulations, 2016 read along with Investments - Master Circular Dt.3rd May, 2017 issued thereunder, permits Insurers to invest in the various exhaustive Asset categories. The IRDAI hereby permits Debt ETFs with underlying Debt Securities of Central Public Sector Enterprises (CPSEs) [herein after referred to as **Debt ETFs**] proposed to be launched in India, as eligible class of Investment, and as a part of "Mutual Fund" exposure.

All Exposure and Prudential Norms applicable for investments in Mutual Funds covered under Para 1.3 of Master Circular – Investments shall apply for investment made in Debt ETFs, in addition to the following conditions:

1. The Debt ETFs shall be issued by Mutual Funds registered with SEBI and governed by SEBI (Mutual Funds) Regulations, 1996, as amended from time to time.
2. The Debt ETF shall invest in a basket of Securities issued by CPSEs which are part of constituents' of a publicly available index.
3. The minimum investment by the Insurer shall not be less than Creation Unit size and it shall not be reduced to below Creation Unit Size.
4. **"All"** Securities in the Index shall be complied with rating criteria as per Regulation 3 of IRDAI (Investment) Regulations, 2016 for it to part of "Approved Investment". If any of the underlying securities gets downgraded below "AA", the Debt ETF shall be automatically reclassified under "Other Investment".

5. The following Category of Investment **(COI)** Codes shall apply for investment in Debt ETFs:

No	Investment Category Head	CAT Code	Market Value - for FORM - 3A, 3B
D 42	Debt ETFs - "Approved Investments"	EDTF	Traded Price or at NAV as on the reporting date
E 31	Debt ETFs - "Other Investments"	ODTF	Traded Price or at NAV as on the reporting date

Yours faithfully,



S N Jayasimhan
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