



Order No.IRDAI/INT/ORD/MISC/269/10/2021

Order of the Insurance Regulatory and Development Authority of India in the matter of M/s. 5Paisa Insurance Brokers Limited under Reg.6(1) read with Reg.37(1) of the IRDAI (Insurance Brokers) Regulations, 2018

The Insurance Regulatory and Development Authority of India (hereinafter referred to as “**the Authority**”) received an application vide URN No. BR-NEW-3666-2019 dated 14.11.2019 from M/s.5Paisa Insurance Brokers Limited, having its registered office at IIFL House, Sun Infotech Park, Road No.16V, Plot No.B-23, MIDC, Thane Industrial Area, Wagle Estate, Thane – 400604 (hereinafter referred to as “**the applicant**”), seeking grant of Certificate of Registration to act as a Direct Insurance Broker (Life & General) in terms of Reg.5 of IRDAI (Insurance Brokers) Regulations, 2018 (hereinafter referred to as “**the Regulations**”).

2. Upon examination of application form and its enclosures, in terms of Reg.7(1) of the Regulations, the Authority vide its letter no. IRDA/DB 800/02/19 dated 04.12.2019 advised the applicant to submit certain clarifications/documents/information to the Authority. Since, there was no response from the applicant, the Authority issued two reminders i.e. first reminder vide letter dated 03.01.2020 and second reminder vide letter dated 03.02.2020 and advised the applicant to submit its response at the earliest.

3. The applicant vide its letter dated 03.02.2020 submitted its response along with the documents on the Business Analytics Portal (BAP) of the Authority. The response of the applicant was examined and following were observed:-

- a) M/s. 5Paisa Capital Limited (hereinafter referred to as “5PCL”) is holding 99.99 per cent shares of the applicant entity.
- b) M/s. India Infoline Group has promoted a broking entity namely, IIFL Insurance Brokers Ltd. (Direct Broker) vide Licence No.DB-314/05 of 2009 (hereinafter referred to as “IIFLIBL”), granted by the Authority.

- c) The registered office of the applicant entity i.e. 5PIBL, 5PCL and IIFLIBL is same i.e. IIFL House, Sun Infotech Road No. 16V, Plot No. B-23, Thane – 400 604.
- d) The website <https://www.5paisa.com> is owned by 5PCL and the information of financial products including insurance is hosted on the said website. Further, on clicking the insurance link, the web page directs the prospective customers to <https://www.iiflinsurance.com>, which is owned by IIFLIBL.
- e) Note 11 regarding Related Parties Disclosure (AS 18) in the annual accounts for the FY 2018-19 of the applicant mentions that all the related parties of the applicant entity are India Infoline's group companies.
- f) In view of the above, it is understood that the applicant comes under the India Infoline Group, and IIFLIBL has already been granted registration by the Authority as a Direct Broker.

4. The Authority vide its letter dated 29.04.2020 sought explanation from the applicant whether they are part of India Infoline's Group or not. In terms of Reg.7(2) of the Regulations, the applicant had not submitted any response on the queries raised by the Authority within 30 days of the receipt of communication and the Authority vide letters dated 17.06.2020 (first reminder) and dated 29.06.2020 (second reminder) sent reminders to the applicant.

5. The applicant vide letter dated 08.07.2020 submitted its reply and following have been observed:-

- a) The ultimate promoter of IIFLIBL and the applicant i.e. 5PIBL are one and the same.
- b) 5PCL and the applicant belongs to the same Promoter Group. For meeting the needs of insurance, 5PCL is diverting its customers to IIFLIBL through the link in its website. Further, it has been submitted that there is no commercial arrangement or relationship with IIFLIBL for diverting their clients and their intent is to cater to all the financial needs of the customers under 5Paisa Group.
- c) The applicant entity reiterated that the promoter of the 5Paisa and India Infoline groups are same. They submitted that within the group, each of the entities

including 5PCL, as a policy, ensures that all its business/operations, funds/income and expenses, assets and liabilities etc. are directly managed on its own. There were transactions in the past within the group companies for smooth running of the business and such transactions were in the normal course of business and are strictly on arm's length basis.

- d) The applicant entity while reiterating the submissions, stated that the promoter of the 5Paisa and India Infoline groups are same, emphasized and quoted Reg.3(2) of the Regulations, which stipulates that the Authority may consider their application for grant of certificate of registration under same group on merit subject to there being no conflict of interest. The applicant also submitted that IIFLIBL and the applicant entity are distinct and separate in terms of management, business-wise, operational & functionality, infrastructure-wise etc. and are carried on with separate set of human resources and hence, there will not be any conflict of interest and requested the Authority to grant certificate of registration.
- e) The applicant requested the Authority to grant them an opportunity to represent their stand.

6. Based on the request of the applicant, the Authority vide letter no. IRDA/DB 800/04/19 dated 01.09.2020 granted an opportunity under Reg.7(3) of the Regulations to the applicant on 03.09.2020. The personal hearing was attended by the officials from applicant entity i.e. Mr. Mayur Premji Dedhia, Principal Officer; Mr. Prakash Gagdani, Director; and Mr. Santosh Jayaram; and from the Authority, Member (Distribution), CGM (Intermediaries), AGM (Brokers) and AM (Licensing).

7. During the personal hearing, the Competent Authority advised the applicant to submit their stand, if any, in addition to the submissions made to the Authority prior to hearing. The applicant was also advised to demonstrate how they are different from IIFL Group and who are the ultimate beneficiaries.

8. Accordingly, the Authority vide letter no. IRDA/DB 800/05/19 dated 22.09.2020 sought clarifications/documents/information from the applicant. The applicant vide letter dated 01.10.2020 sought additional time till 10.10.2020 for submission of its response, which was

granted by the Authority. As no response was received from the applicant, the Authority on 22.10.2020 sent the reminder to the applicant on BAP portal to submit its response.

9. The applicant vide letter dated 23.10.2020 submitted its response along with Form No.BEN-2 of IIFLIBL and 5PCL. The submissions made by the applicant have been examined and the following are observed:-

- a) The promoters and ultimate beneficial owners/shareholders of applicant & IIFL Insurance Brokers Ltd. (IIFLIBL) are one and the same.
- b) Both the entities i.e. the applicant and IIFLIBL are related parties of IIFL Group and its associate companies.

10. Based on the above said facts and submissions by the applicant, the Authority vide letter no.IRDA/DB 800/06/19 dated 11.06.2021 issued a Show Cause Notice (hereinafter referred to as “**SCN**”) and drawn reference to the provisions of Reg.37(1) of the Regulations, which provides for “*grant of single broking registration to one corporate group*”.

11. In terms of the above Regulations, one corporate group shall be given only one certificate of registration in the same category of broker. Therefore, multiple broking entities in the same group for carrying out similar kind of or same category of broking registration is not allowed under the Regulations. In view of the same, the applicant was given an opportunity to submit its reply as to why the application for seeking certificate of registration to act as Direct Insurance Broker (Life & General) may not be rejected under Reg.6(1) of the Regulations. The applicant, if required, may seek personal hearing in this regard.

12. The applicant submitted its response vide its letter dated 07.07.2021 (uploaded on the BAP portal on 09.07.2021) after seeking extension of time till 15.07.2021 and has not sought any personal hearing in the matter.

13. The response was examined and the applicant has not submitted any new facts other than those submitted vide its letter dated 08.07.2020 in support of their request for consideration of application for grant of COR. Therefore, considering the documents and submission made by the applicant company, it is established that the IIFL Group, who is the



ultimate/beneficial owner of the applicant company, is already having a broking company registration within its group i.e. M/s.IIFL Insurance Brokers Ltd. registered with the Authority as Direct Insurance Broker (Life & General). In spite of the existence of Direct broking registration within the group entity, the applicant also made an application with the Authority for seeking certificate of registration to act as a Direct Insurance Broker (Life & General) under the same group. The same is in violation of Reg.37(1) of the IRDAI (Insurance Brokers) Regulations, 2018.

14. In view of the above facts and records available with the Authority, the Authority in terms of the powers vested with it under regulation 6(1) of the Regulations, hereby rejects the application bearing URN No.BR-NEW-3666-2019 dated 14.11.2019 filed by M/s. 5Paisa Insurance Brokers Limited as Reg.37(1) provides for "*grant of single broking registration to one corporate group*".

15. If the applicant is aggrieved by this order, an appeal may be preferred before the Securities Appellate Tribunal, as per the provisions stipulated under Sec 110 of the Insurance Act, 1938.

Sd./

(S. N. Rajeswari)
Member (Distribution)

Date : 09.11.2021
Place : Hyderabad