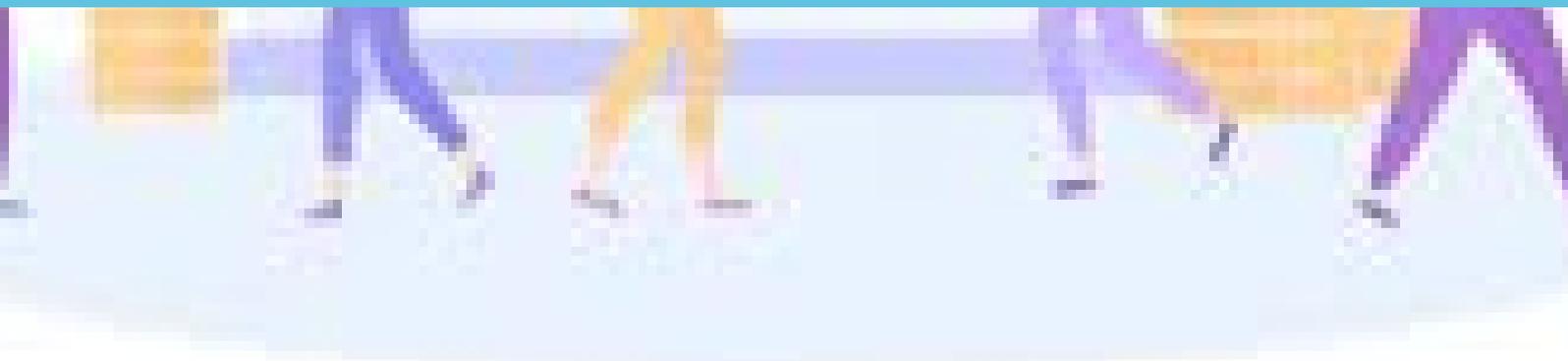




# **BANKING AND INSURANCE LAW NEWSLETTER**





# CENTRE FOR BANKING AND INSURANCE LAW

## **INTRODUCTION**

The Centre for Banking and Insurance Law is an emerging legal Centre which is dedicated to analyzing the nuances in the field of banking and insurance and making it accessible to our diverse leadership.

It is with great joy and excitement that we launch our inaugural newsletter for the months of August and September. We at CBIL hope that you find it intellectually stimulating. All feedback would be highly appreciated.

# Crypto exchange Coinswitch accused of foreign exchange law violations

Coinswitch, a crypto exchange, has been raided by the Enforcement Directorate following allegations that several Crypto Exchanges had indulged in money laundering and violations of Know-Your-Customer norms. Coinswitch is being accused of “multiple possible contraventions” to India’s Foreign Exchange Management Act (FEMA). Coinswitch is also being accused of violating KYC norms. However, its CEO, while allaying fears and confirming on twitter that the probes were not related to money laundering, did not comment on the exact nature of the investigation.

The raid on Coinswitch is seen as a larger scheme on part of the Government to enforce tighter regulations on cryptocurrencies. Earlier this month, another crypto exchange named WazirX had had its premises raided on allegations of possible FEMA violations. WazirX also had its bank accounts worth ₹64.67 crores frozen on money laundering charges. Further as many as 10 crypto exchanges have come under the fire for possible money laundering charges worth ₹1000 crores.

Topic 1

# IRDAI to cap commissions in the insurance sector for operational flexibility and promote greater discipline in the sector

If the proposed regulations are implemented, they might impact standalone health insurers and mid-to-small life companies in the near term, but the large companies are unlikely to see any negative impact, analysts said.

The insurance regulator came out with an exposure draft this week, where it proposed to cap commissions paid by the health and general insurers at 20 per cent of gross written premium (GWP). For life companies, they have proposed to link commissions with expenses of management (EoM), wherein if the actual EoM in the previous financial year is not over 70 per cent of the allowable EoM limits, the life insurer can adopt commission limits as approved by its board. But if EoM exceeds 70 per cent of the allowable limits, the insurer must adhere to caps on commission proposed by the regulator.

Industry sources said the EoM criteria put forth by the regulator will mean a handful of large companies who have greater control over their EoM will be allowed to pay commissions according to their board-approved policy. The rest will be subject to the caps prescribed by the regulator.

The regulator has invited suggestions from stakeholders by September 14, 2022. If these regulations come into effect, insurance companies would need to have a board-approved policy on commissions, remuneration, or reward paid to agents and intermediaries, which will be reviewed annually based on the experience.

# RBI may hike rates by 50 bps as inflation accelerates - Analysts

The **Reserve Bank of India** may raise interest rates by another 50 basis points this month after data showed inflation rose further above the central bank's tolerance limit in August, analysts said.

India's retail inflation rate rose to 7.0% in August from 6.71% in the previous month, data released on Monday showed. The August reading was a tad above the 6.9% expected by economists polled by Reuters. Higher food inflation contributed to the increase in headline rate.

The uneven monsoon rainfall has led to food prices trending higher in the first two weeks of September, IDFC First Bank pointed out. As a result, the preliminary estimate for September CPI inflation is tracking an "uncomfortable" 7.3%, it said. The bank expects inflation to average 6.7% for this fiscal year.

# IRDAI set to meet insurance CEOs on dematerialisation of policies

The insurance regulator is meeting the heads of all life and general insurance companies to discuss dematerialisation of insurance policies, a move aimed at increasing customer convenience.

Dematerialisation means converting physical documents into a modifiable online format. It is essentially like dematerialisation of shares, the only difference being that in the case of shares, customers are allowed to transact, as in buy and sell shares. This feature is, however, not allowed in dematerialised insurance policies. It will simply provide a one-stop window for customers to view all their insurance policies--life, motor, or health. When a customer buys a policy, the insurance company will credit that policy in the customer's repository account.

This initiative was started by the insurance regulator a few years back, but did not take off as the operational challenges and associated cost for insurers outweighed the customer convenience it was supposed to provide.

# RBI in talks with 4 banks, fintechs for digital currency launch this financial year

The Reserve Bank of India (RBI) is holding consultations with a clutch of fintech companies and is said to have asked four public sector banks to run a pilot Central Bank Digital Currency (CBDC) project ahead of a possible rollout this financial year.

The RBI has asked State Bank of India, Punjab National Bank, Union Bank of India and Bank of Baroda to run the pilot internally.

CBDC is a currency that is backed by the regulator and stored in a digital format. It can be converted into paper currency and will reflect on the RBI's balance sheet, thereby granting it legal tender status.

CBDC would further support financial inclusion and at the same time ensure that the risk of fraud and money laundering is minimised. This would additionally entail setting up the right infrastructure and monitoring mechanisms before the formal launch. For a country like India, testing with a pilot launch and planning a phased implementation may be an apt start, according to Vikram Babbar, a partner at Ernst & Young

# Contributors to the Newsletter

- Ashima Acharya
- Ayush Shandilya
- Biraj Kuanar
- Ishita Ayala
- Jahnvi Bhattathiripad