



**RESERVE BANK OF INDIA**  
**Foreign Exchange Department**  
**Central Office**  
**Mumbai - 400 001**

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**RBI/2004-05/433**  
**A.P. (DIR Series) Circular No. 39**

**April 25, 2005**

To

All Banks Authorised to Deal in Foreign Exchange

Madam / Sirs,

**Establishment of Liaison Offices in India by foreign Insurance companies**

Attention of Authorised Dealer Banks is invited to Regulation 3 of Notification No. FEMA22/2000-RB dated May 3, 2000 as amended from time to time, in terms of which a person resident outside India is required to obtain prior approval of the Reserve Bank of India for establishing a branch or liaison office or any other place of business by whatever name called, in India.

2. It has since been decided, in consultation with the Government of India, to grant General Permission to **Insurance Companies incorporated outside India** which have obtained **prior approval** from the Insurance Regulatory and Development Authority (IRDA), to establish Liaison Offices in India. The General Permission is subject to the terms and conditions indicated in the Annex hereto and other conditions that may be stipulated by the IRDA from time to time.

3. Further, the General Permission is granted under the provisions of the Foreign Exchange Management Act, 1999 and is without prejudice to the permissions and approvals, if any, required to be taken by such insurance companies incorporated outside India under any other law in force.

4. Necessary amendments to the Foreign Exchange Management (Establishment in India of Branch or Office or other Place of Business) Regulations, 2000 (Notification No.FEMA.22/2000-RB dated May 3, 2000), are being issued separately.
5. Authorised Dealers may bring the contents of this Circular to the notice of their constituents/customers concerned.
6. The directions contained in this circular have been issued under Sections 10 (4) and 11 (1) of the Foreign Exchange Management Act 1999 (42 of 1999).

Yours faithfully,

**(F R Joseph)**  
**Chief General Manager**

## Annex

- i) The Liaison Office in India shall not carry on any activity other than the activity for which approval has been granted by the IRDA/RBI.
- ii) The Liaison Office in India shall not, without the prior permission of IRDA/RBI, undertake any new activity or carry on by itself or in partnership or by otherwise associating with others, any activity of a trading, commercial or industrial nature other than the activity for which the approval has been granted by the IRDA/RBI, as the case may be.
- iii) The Liaison Office in India shall not enter into any business contracts in its own name without prior permission of IRDA/RBI.
- iv) No commission/fees will be charged or any other remuneration received/income earned by the Liaison Office in India for liaison activities, consultancy services or any other services rendered by it in India, either directly or indirectly, unless approved by the IRDA.
- v) The entire expenses of the Liaison Office in India will be met exclusively out of the funds received from abroad through normal banking channels.
- vi) The Liaison Office in India shall not borrow or lend any money from/to any person in India nor shall it accept deposits in India.
- vii) The Liaison Office, in India shall not acquire, hold, (otherwise than by way of lease for a period not exceeding five years) transfer or dispose of any immovable property in India without obtaining prior permission of the Reserve Bank of India under the Foreign Exchange Management (Acquisition and Transfer of immovable property in India) Regulations, 2000, as amended from time to time.

- viii) The Liaison Office in India shall furnish to the IRDA, on an annual basis, a certificate from the auditor that the Office has complied with the terms and conditions stipulated in the letter of approval issued by the IRDA/RBI and that all the expenses are met by way of approved means.
- ix) For Liaison Offices established with IRDA or RBI approval, the closure will be allowed by IRDA under intimation to RBI.
- x) The Liaison Office in India will not have signing/commitment powers, except to the extent required for normal functioning of the office, on behalf of the Head Office.
- xi) The Foreign Insurance Company which has opened a Liaison Office in India under this General Permission may open a head office account in the books of their Liaison Office/s in India, subject to the conditions that the credits to the account should represent the funds received from Head Office through normal banking channels for meeting the expenses of the Liaison Office. Debits to this account would be only for meeting the local expenses of the Liaison Office.
- xii) The activities/affairs of these offices may be verified/ examined by IRDA/RBI/Government of India by carrying out a scrutiny as and when found necessary.
- xiii) The Liaison office in India shall have to strictly obey and respect the laws in force in India and there shall be no compromise or excuse for the ignorance of the Indian legal system in any manner.