

**CIRCULAR**

**Ref.: IRDAI/F&I/CIR/INV/142/12/2025**

**19<sup>th</sup> December, 2025**

To,  
All Insurers and Reinsurers

**Sub: Permitting insurers' investments in AT1 bonds and Tier 2 Capital of RBI regulated All India Financial Institutions (AIFIs)**

Under the current regulatory framework, IRDAI allows insurers to invest in AT1 Bonds and Debt Capital Instruments and Preference Share Capital Instruments forming Tier 2 capital of Banks.

2. Further, RBI allowed All India Financial Institutions (AIFIs) to issue Additional Tier 1 Bonds and Tier 2 capital w.e.f 1<sup>st</sup> April, 2024 under Prudential Regulations on Basel III Capital Framework.
3. IRDAI as part of continuous regulatory initiatives and to enable insurers to have wider scope for investments and portfolio diversification hereby permits investments in the following instruments issued by RBI regulated All India Financial Institutions (AIFIs).
  - i. AT1 bonds and
  - ii. Debt Capital Instruments and Preference Share Capital Instruments (except Perpetual Cumulative Preference shares) forming Tier 2 Capital.
4. Investments in the above instruments are to be made in line with existing provisions applicable to the insurers' investments in banks which are covered under para 1.6(b) and (d) of Chapter 3 of Master Circular on Actuarial, Finance and Investment Functions of Insurers dt. 17<sup>th</sup> May, 2024.

5. The insurers are required to use the existing category codes specified for investments in the above instruments of PSU banks while making these investments.

This circular is issued in line with clause 12(6) of Schedule III of IRDAI (Actuarial, Finance and Investment Functions of Insurers) Regulations, 2024.

**Sd./-**  
**(Ammu Venkataramana)**  
**(General Manager)**