



International Financial Services Centre (IFSC) in Special Economic Zones (SEZs)

REGULATIONS & GUIDELINES



Ministry of Commerce & Industry
Government of India

IFSC

International Financial Services Centre (IFSC)
in Special Economic Zones (SEZs)

REGULATIONS & GUIDELINES

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[To be published in the Gazette of India,
Extraordinary, Part-II, Section 3, Sub-Section (ii)]

Government of India
Ministry of Commerce and Industry
(Department of Commerce)

NOTIFICATION

New Delhi, the 8th April, 2015

S.O. ____ (E) :- In exercise of the powers conferred by sub-section (2) of section 18 of the Special Economic Zones Act, 2005 (28 of 2005), the Central Government hereby notifies that Units in an International Financial Services Centre in Special Economic Zones may be set up and approved in accordance with the Special Economic Zones Rules, 2006, read with Notification S.O 870(E) dated 27th March, 2015, and Insurance Regulatory and Development Authority of India (Regulation of Insurance Business in Special Economic Zone) Rules, 2015, as amended from time to time, subject to the guidelines or regulations framed and notified in this regard by the Reserve Bank of India, the Securities and Exchange Board of India and the Insurance Regulatory and Development Authority of India, namely:-

- i. Insurance Regulatory and Development Authority of India (International Financial Service Centre) Guidelines, 2015 [Dated 6th April, 2015].
 - ii. Foreign Exchange Management (International Financial Services Centre) Regulations, 2015 [G.S.R 218(E) dated 2nd March, 2015]
 - iii. Scheme for setting up of IFSC Banking Units (IBU) by Indian Banks [Dated April 1, 2015]
 - iv. Securities and Exchange Board of India (International Financial Services Centres) Guidelines, 2015 [Dated 27th March, 2015]
2. The units in International Financial Services Centre shall conform to the provisions of the Special Economic Zones Act, 2005 and the Special Economic Zones Rules, 2006 and the regulations made thereunder.

[F.No. D.12/25/2009-SEZ]

Sd/-
(Bhupinder S. Bhalla)
Joint Secretary to the Government of India

No. D.12/25/2009-SEZ
Government of India
Ministry of Commerce & Industry
Department of Commerce
(SEZ Division)

Udyog Bhawan, New Delhi
Dated: 8th April, 2015

To:
All Development Commissioners
Special Economic Zones

Subject: Procedure for Setting up an International Finance Service Centre (IFSC) unit in SEZs- regarding.

Sir/Madam.

Please refer to the Notification issued vide S.O.....(E) dated 8th April, 2015 under Section 18(2) of the Special Economic Zones Act, 2005, which may be viewed at <http://sezindia.nic.in/latest-updates.asp> [SEZ Gazette Notification, 2015 Gazette copy]. In order to facilitate setting up of an International Financial Services Centre Unit in SEZ, entrepreneurs are required to submit application to the concerned Development Commissioner in Form-F (prescribed under Rule 17) in the modified format as enclosed.

2. Any difficulty or suggestion in this regard may be brought to the notice of the Director, SEZ Division, Department of Commerce, Udyog Bhawan, New Delhi. You are requested to bring this to the notice of all concerned stakeholders.

Encl. As above.

Yours faithfully,
Sd/-
(Sanjeet Singh)
Director
Tel. 2306 2109
E-mail: sanjeet@nic.in

Copy to :

1. Department of Revenue (CBDT/CBEC), Govt. of India
2. DG, EPCES

FORM-F

Consolidated Application Form For Setting Up Services Unit in Special Economic Zone

[Refer rule 17]

1. Setting up of units in Special Economic Zone;
2. Annual permission for sub-contracting;
3. Allotment of Importer Exporter Code Number;
4. Allotment of land/industrial sheds in the Special Economic Zone;
5. Water Connection;
6. Registration-cum-Membership Certificate;
7. Small Scale Industries Registration;
8. Registration with Central Pollution Control Board;
9. Power connection;
10. Building approval plan;
11. Sales Tax registration;
12. Approval from Inspectorate of factories;
13. Pollution control clearance, wherever required;
14. Any other approval as may be required from the State Government.

The application should be submitted to the Development Commissioner of the concerned Special Economic Zone in 5 copies alongwith a crossed Demand Draft of rupees five thousand drawn in favour of The Pay & Accounts Officer of the concerned Special Economic Zone together with a project report giving details of activities proposed.

For Official Use only

Application No.

Date :

Details of Bank Draft

Amount Rs.

Draft No.

Draft date

Drawn on

(Name of the Bank)

Payable at

PART-I

- I. Name and full address of
applicant firm/company
(in block letters)
Registered Office in case of limited company and
.....
Head Office for others)
Pin Code
Tel. No.
Fax No.
Permanent E-Mail Address
Web-Site, if any
Passport No., if any
Name of Bank with Address & Account No.
.....
Digital Signature
Income Tax PAN (attach copy)

- II. Constitution of the applicant firm: Public Ltd. Company
[Tick () the appropriate entry]: Private Limited Company
 Partnership
 Proprietorship
 Others (please specify)

(Attach copy of Certificate of Incorporation alongwith Articles of Association and Memorandum of Association in case of companies and partnership deed in case of partnership firms).

- III. Name and complete address of each of the Directors/Partners/ Proprietor, as the case may be, with Telephone numbers

IV. ITEM(S) OF SERVICE ACTIVITY:

(If necessary, additional sheets may be attached)

Item(s) Description

- (i)
- (ii)
- (iii)

V. INVESTMENT:

(RS. IN LAKHS)

- a) Capital Investment
- Indigenous
- Import CIF value
- Total (i) + (ii)
- b) Details of source(s) of finance

VI. Import and indigenous requirement of materials and other inputs:

(Value in Rupees)

Import

Indigenous

- a) Capital Goods
- b) Other inputs

TOTAL:

.....

VII. INFRASTRUCTURE REQUIREMENTS

- 1. Requirement of land:— Area in sq. mtrs.)
 - i) Work space & offices
 - ii) Storage
 - iii) Others, specify
- 2. Requirement of built-up area
- 3. Requirement of Water (in Kilo Liters)
- 4. Effluent Treatment
Specify whether own Effluent Treatment Plant (ETP) will be created
(please indicate ETP capacity)
- 5. Requirement of Power (in KVA)

VIII. EMPLOYMENT

| | |
|-------|-------|
| Men | Women |
| | |

IX. WHETHER FOREIGN COLLABORATION AGREEMENT IS ENVISAGED

(Tick () the appropriate entry)

Yes..... No.....

- i) Name and Full Address of foreign collaborator
- ii) Nature of Collaboration
 - 1. Equity Participation including Foreign Investment
 - i) (\$ in thousand)(Rs. in lakhs)
 - a) Authorised
 - b) Subscribed
 - c) Paid-up Capital

Note : If it is an existing company, give the break up of existing and proposed capital structure

- ii) Pattern of share holding in the paid-up capital (Amount in Rupees)

| | |
|----------------|------------------|
| (Rs. in lakhs) | (US \$ Thousand) |
|----------------|------------------|

 - a) Foreign holding
 - b) Non Resident Indian company/Individual holding
 - i) Repatriable
 - ii) Non-repatriable
 - c) Resident holding
 - d) Total Equity
 - e) External Commercial Borrowing (give details)
- 2. Marketing collaboration (furnish details in project report)

X. Foreign Exchange Balance sheet

| | | | | |
|-----|-----|-------|-----|-----------------------------|
| | | Total | | Total |
| 1st | 2nd | 3rd | 4th | 5th(5 yrs) |
| | | | | Rs. In lakhs/\$ in thousand |

- 1. FOB value of exports in first five years
- 2. Foreign Exchange outgo on for the first five years
- 3. Net Foreign Exchange earnings for the first five years (1)-(2)

XI. OTHER INFORMATION

- i) Whether the applicant has been issued any LOI/LOA under EOU/SEZ/STP/EHTP scheme. If so, give full particulars, namely reference number, date of issue and progress of implementation of each project etc.
- ii) Whether the applicant or any of the partner/Director who are also partners/Directors of another company or firms its associate concerns are being proceeded against or have been debarred from getting any Licence/Letter of Intent/Letter of Permission under Foreign Trade (Development and Regulation) Act, 1992 or Foreign Exchange Management Act, 1999 or Customs Act, 1962 or Central Excise Act, 1944.

Place: Signature of the Applicant

Date: Name in Block Letters

Designation

Official Seal/Stamp

Tel. No.

E-mail

Web-Site, if any

Full Residential Address

UNDERTAKING

I/We hereby declare that the above statements are true and correct to the best of my/our knowledge and belief. I/We shall abide by any other condition, which may be stipulated by the Development Commissioner. I/We fully understand that any Permission Letter/Approval granted to me/us on the basis of the statement furnished is liable to cancellation or any other action that may be taken having regard to the circumstances of the case if it is found that any of the statements or facts therein are incorrect or false. An affidavit duly sworn in support of the above information is enclosed.

Place: Signature of the Applicant

Date: Name in Block Letters

Designation

Official Seal/Stamp

Tel. No.

E-mail

Web-Site, if any

Full Residential Address

Note : Formats of application not given herein may be obtained from the Development Commissioner.

(TO BE PUBLISHED IN PART II, SECTION 3, SUB-SECTION (ii) OF THE
GAZETTE OF INDIA, EXTRAORDINARY)

Government of India
Ministry of Finance
Department of Financial Services

Notification

New Delhi, the 27th March, 2015

S. O. 870 (E).- In exercise of the powers conferred by section 2CA of the Insurance Act, 1938 (4 of 1938), the Central Government hereby directs that-

- a) the provisions contained in sections 29, 32B, 32C, 32D, 64C, 64D, 64E, 64F, 64G, 64H, 64J, 64K, 64L, 64M, 64N, 64-O, 64R, sub-section (2) of section 64 ULA, sections 101A, 101B, 105B, 110F, 118 and section 120 of the said Act shall not apply to an insurer, being an Indian Insurance Company, insurance co-operative society or a body corporate referred to in clause (c) of sub-section (1) of section 2C;
- b) all sections other than those mentioned in clause (a) shall apply to an insurer, being an Indian Insurance Company, insurance co-operative society or a body corporate referred to in clause (c) of sub-section (1) of section 2C,

carrying on the business of insurance in any Special Economic Zone as defined in clause (za) of section 2 of the Special Economic Zones Act, 2005 (28 of 2005).

[F.No. 14017/98/2014-Ins. II]

Anup Wadhawan
Joint Secretary

(TO BE PUBLISHED IN PART II, SECTION 3, SUB-SECTION (i) OF THE
GAZETTE OF INDIA, EXTRAORDINARY)

Government of India
Ministry of Finance
Department of Financial Services

Notification

New Delhi, the 27th March, 2015

G.S.R. 229 (E).- In exercise of the powers conferred by clause (c) of sub-section (2) of section 24 of the Insurance Regulatory and Development Authority Act, 1999 (41 of 1999), the Central Government hereby makes the following rules, namely:-

1. Short title and commencement.-
 - 1) These rules may be called the Insurance Regulatory and Development Authority of India (Regulation of Insurance Business in Special Economic Zone) Rules, 2015.
 - 2) They shall come into force on the date of their publication in the Official Gazette.
2. Definitions.- In these rules, unless the context otherwise requires,-
 - a) “Act” means the Insurance Regulatory and Development Authority Act, 1999 (41 of 1999);
 - b) “Act of 2005” means the Special Economic Zones Act, 2005 (28 of 2005);
 - c) words and expressions used herein and not defined but defined in the Insurance Regulatory and Development Authority Act, 1999 (41 of 1999), the Insurance Act, 1938 (4 of 1938) and the Special Economic Zones Act, 2005 (28 of 2005) shall have the meanings respectively assigned to them in those Acts.
3. Provisions regarding regulation of insurance business in Special Economic Zone.- For the purposes of regulating and promoting the insurance business in Special Economic Zone, the Authority may, in consideration of the notification issued by the Central Government under section 2CA of the Insurance Act, 1938 (4 of 1938),-
 - a) permit an insurer registered, with the Authority, under section 3 of the Insurance Act, 1938 (4 of 1938) to carry on the business of insurance in a Special Economic Zone subject to the following conditions, namely:-
 - i) that an insurer shall set up its place of business in a Special Economic

- Zone with the prior approval of the Authority;
- ii) that an insurer may underwrite only such classes or sub-classes of business of life insurance, general insurance, health insurance or re-insurance as may be specified by the Authority from time to time for the Special Economic Zone:
- Provided that the Authority may allow such insurer to accept re-insurance of all classes of business from within the Special Economic Zone involving cover either within the Special Economic Zone or from outside the country, subject to the provisions of Act of 2005 and rules made thereunder:
- Provided further that the Domestic Tariff Area entities may be allowed by the Authority to procure services relating to re-insurance from insurers operating from the Special Economic Zone on the same terms as they may be allowed in general under the relevant law for the time being in force to procure such services from the insurers outside the country subject to the provisions of Act of 2005 and rules made thereunder:
- Provided also that such insurer may be allowed by the Authority to accept insurance business from entities within the Special Economic Zone and from entities outside the country, subject to the provisions of Act of 2005 and rules made thereunder:
- Provided also that the Domestic Tariff Area entities may be allowed by the Authority to procure services relating to insurance from insurers operating from the Special Economic Zone on the same terms as they may be allowed in general under the relevant law for the time being in force to procure such services from the insurers outside the country subject to the provisions of Act of 2005 and rules made thereunder;
- iii) acceptance of insurance business within the Special Economic Zone shall be in accordance with the guidelines of the Authority, referred to in sub-section (2) of section 18 of Act of 2005;
- b) permit an insurer from outside the country to set up his branch in Special Economic Zone to transact the business of re-insurance within the Special Economic Zone, in the Domestic Tariff Area and abroad, subject to the conditions mentioned in clause (a), and-
- i) any placement of re-insurance business by an Indian insurer to such insurer shall be deemed as re-insurance placed outside India;
- ii) such insurer carrying on the business of re-insurance shall not be deemed to be an Indian re-insurer within the meaning of the provisions of section 101A of the Insurance Act, 1938 (4 of 1938);
- iii) the Domestic Tariff Area entities may be permitted to procure re-insurance services from such insurers on the same terms as they may be allowed in general under the relevant law for the time being in force to

- procure such services from the insurers outside the country subject to the provisions of Act of 2005 and rules made thereunder;
- iv) acceptance of re-insurance business within the Special Economic Zone shall be in accordance with the guidelines of the Authority, referred to in sub-section (2) of section 18 of Act of 2005;
- c) permit an insurer from outside the country to transact the insurance business from the Special Economic Zone on the conditions specified in clause (a), and-
- i) such permission may include approval for procurement of insurance business from entities within the Special Economic Zone with cover confined to the Special Economic Zone and from entities outside India;
- ii) the Domestic Tariff Area entities may be permitted to procure insurance services from such insurers on the same terms as they may be allowed in general under the relevant law for the time being in force to procure such services from the insurers outside the country subject to the provisions of Act of 2005 and rules made thereunder;
- iii) acceptance of insurance business within the Special Economic Zone shall be in accordance with the guidelines of the Authority, referred to in sub-section (2) of section 18 of Act of 2005;
- d) direct the insurers, carrying on the insurance business and re-insurance business in a Special Economic Zone, to comply with its directions, and with the relevant laws and rules and regulations framed thereunder.

(F. No. 14017/98/2014-Ins. II)

Anup Wadhawan
Joint Secretary

Insurance Regulatory and Development Authority of India (International Financial Service Centre) Guidelines, 2015

Ref: IRDA/NL/GDL/MISC/065/04/2015

Date: 6th April, 2015

In exercise of the powers conferred by Insurance Regulatory Development Authority of India (Regulation of Insurance Business in Special Economic Zone) Rules, 2015 read with Section 18 (2) of SEZ Act, 2005, the Authority hereby makes the following Guidelines:-

1. Short title and commencement

- 1) These Guidelines may be called Insurance Regulatory and Development Authority of India (International Financial Service Centre) Guidelines, 2015.
- 2) These Guidelines shall come into force with immediate effect.

2. Definitions:- In these Guidelines, unless the context otherwise requires;

- 1) **“Act”** means the Insurance Act, 1938 (4 of 1938)
- 2) **“Applicant”** means an Insurer granted certificate of registration by the Authority or any insurer registered with a foreign regulatory or supervisory Authority.
- 3) **“Authority”** means “the Insurance Regulatory and Development Authority of India” established under sub-section (1) of section 3 of the Insurance Regulatory and Development Authority, 1999;
- 4) **“Certificate”** means a certificate of registration granted by the Authority under these Guidelines;
- 5) **“DTA”** means the Domestic Tariff Area as defined under the Special Economic Zones Act, 2005.
- 6) **“IFSC Insurance Office”** (herein after referred to as ‘**IIO**’) means an office of applicant registered with the Authority under these Guidelines to transact Reinsurance business and/or specified direct insurance business;
- 7) **“Special Economic Zone”** (SEZ): means the Special Economic zone established under the Special Economic Zones Act, 2005
- 8) All words and expressions used herein and not defined in but defined in the Insurance Act, 1938 or in the Insurance Regulatory and Development Authority Act, 1999, Special Economic Zones Act, 2005, Central Government (Special Economic Zones) Rules, 2005 or Insurance Regulatory and Development Authority of India (Regulation of Insurance Business in Special Economic Zone) Rules, 2015 shall have the meanings respectively assigned to them in the those Acts and Rules;

Chapter I Reinsurance Business

3. An applicant meeting the eligibility criteria under clause 4 of these guidelines may establish an IFSC Insurance Office (IIO) in the SEZ to carry on Reinsurance business.

4. Eligibility Criteria

- 1) All Indian insurers are eligible to set up IIO. Such applicants shall make an application to the Authority in Form as may be prescribed by the Authority.
- 2) An Insurer registered with a foreign Regulatory or Supervisory Authority seeking to set up IIO in a SEZ, *shall be eligible* based on the following *criteria*:
 - a. The Applicant is registered or licensed for doing Insurance or Reinsurance business in the country of incorporation;
 - b. The Applicant has been duly authorized by the Regulatory or Supervisory Authority of that country to set up such office;
 - c. The Applicant has been in continuous operation during the preceding 5 years from the year in which the application is made;
 - d. The Applicant has net owned funds as specified in the Act;
 - e. The Applicant has satisfactory track record in respect of regulatory or supervisory compliance.

Provided that the applicant whose application for registration has been rejected by the Authority, shall become eligible only after a period of two years from such date of rejection.

- f. An Applicant fulfilling the above criteria shall submit an application to the Authority in the form prescribed by the Authority;

5. **Application for registration:** Every application for registration shall be accompanied by:

- a) a certificate of approval from the appropriate authority as prescribed in SEZ Act for conducting insurance business in the SEZ;
- b) a copy of the registration certificate issued by the respective Regulatory or Supervisory Authority,
- c) copy of the document(s) establishing incorporation of the entity under the laws of the respective country or a deed of covenant or any other document which is considered as valid proof of its existence;
- d) approval from the Board of Directors of the Applicant through a resolution in support of the commitment to set up such IIO.
- e) a note on the regulatory architecture of the country where the Insurer or Re-insurer is incorporated and licensed along-with its reporting and compliance structure;
- f) the name, address and the occupation of the Directors and CEO;
- g) projected business for next 5 years;

- h) evidence of the payment of non-refundable fee of rupees Rs. 50,000/-.
- i) a certificate from a practising Chartered Accountant of India or a practising Company Secretary of India certifying that all the requirements of the Act read with notifications issued under section 2CA of the Act have been complied with by the applicant; and
- j) published annual reports for the last 5 years;

Nothing in this clause shall prevent the Authority from seeking further information as may be needed for the processing of the application for registration.

6. Consideration of application for registration:

- 1) The Authority shall take into account, for considering grant of certificate of registration, all matters relating to carrying on the business of reinsurance by the applicant.
- 2) In particular and without prejudice, the Authority shall consider the following matters for grant of certificate of registration to the applicant, namely:
 - a) the record of performance of Insurance and Re-insurance business carried on by the Applicant;
 - b) the record of performance of the directors and persons in the management of the Applicant;
 - c) the capital structure of the Applicant;
 - d) the planned infrastructure of the Applicant to effectively carry out the insurance business in SEZ;
 - e) the organisation structure of the Applicant; and
 - f) other relevant matters in consonance with the provisions of these Guidelines.
- 3) The Authority on being satisfied that:-
 - a) the application is complete in all respects and is accompanied by all documents required therein;
 - b) all information given is correct; and
 - c) the applicant
 - i. is a bona fide applicant for registration;
 - ii. the financial condition and the general character of management of the applicant are sound and;
 - iii. the applicant is eligible, and in its opinion, is likely to meet effectively its obligations imposed under the Act as well as under the SEZ Act, 2005
 may accept the application subject to compliance with clause 9 of these Guidelines.
- 4) If the Authority, after, considering matters referred to in sub clause (1) and (2) above is satisfied that it is not desirable to grant a certificate of registration, it may, through an order to be communicated in writing to the applicant, reject the application after giving the applicant a reasonable opportunity of

being heard.

Provided that the reasons for rejecting the application are also to be recorded therein

7. **Grant of Certificate of Registration:** The Authority, after being satisfied of the fulfilment of norms as stipulated in Clause 13 may register the applicant as an IFSC Insurance Office (IIO) in SEZ for the class of business for which the applicant is found suitable and grant him a certificate in form prescribed.

Nothing here shall prevent the Authority to reject such certificate of registration provided it is observed that the applicant has misrepresented the facts or failed to fulfil the requirements as stipulated in the Act, rules, regulations and guidelines and the SEZ Act, 2005

8. **Scope of Operations:** Such IIO granted certificate of registration under clause 7 of these guidelines are permitted to

- a) accept reinsurance business of all classes of business within the SEZ and from outside the country
- b) accept re-insurance business from the insurers operating in the DTA in accordance with the IRDAI Regulations on reinsurance.

Provided that the IIO may retrocede upto 90% of its reinsurance business. The surplus available after such retrocession arrangements shall be held in the form of Government Securities issued by Govt. of India or in deposits with Scheduled banks in India.

9. **Time Limit:** An applicant granted a certificate of registration under these Guidelines shall commence operations within 6 months of the date of grant of certificate of registration.

Provided, however, that if the IIO is not able to commence the insurance business within the specified period of 6 months, it can before the time limit expires, but atleast 30 days in advance, seek an extension, by a proper written application to the Authority.

Provided further that no extension of time shall be granted by the Authority beyond 12 months from the date of grant of certificate of registration under clause 7 of these guidelines.

10. **Assigned Capital:** The applicant on receipt of communication from the Authority under Clause 6(3) shall demonstrate an assigned capital of Rs. 10 crore. Such capital may be held in the form of Government Securities issued by the Govt of India or held as deposits with Scheduled Banks in India and shall be maintained at

all times during the subsistence and validity of its registration under these guidelines.

Provided that the requirement of such assigned capital is applicable to applicants specified in clause 4(2).

Chapter II

Direct Insurance Business in SEZ

11. 1) An applicant being an Indian Insurer may (except a statutory body) also establish an IIO to transact specified Direct Insurance Business within the SEZ. However, the same IIO granted Certificate of Registration under clause 7 may also transact specified Direct Insurance Business.
- 2) Such IIO may also underwrite specified direct insurance business of foreign jurisdictions.
- 3) The IIO shall make an application in form prescribed for underwriting direct business.
- 4) Such IIO shall not write direct insurance business in the DTA except in accordance with Section 2 CA of the Act.

Chapter III

Terms, conditions and requirements of Certificate of Registration

12. Terms and Conditions

Notwithstanding anything stated herein, the following terms and conditions shall govern the approval of the IIO operations in SEZ:

- 1) Initial and further augmentation of capital and liabilities met out of the Shareholder's funds beyond solvency margin requirement;
- 2) Compliance with Know your Customer (KYC) and Anti-Money Laundering (AML) guidelines issued by the Authority;
- 3) Compliance with Foreign Exchange Management Act, 1999 and any other law in force governing the operations of such offices;

13. Reporting requirements

- 1) Notwithstanding anything contained in the Insurance Act, 1938, the Board of the applicant shall review the reports of the IIO in the SEZ on a regular basis, specifically covering the following:
 - a) Financial reporting covering statement of account giving details of activities;
 - b) Business reporting;
- 2) The Insurer registered with a foreign Regulatory or Supervisory Authority or an Indian Insurer as the case may be shall immediately report to the Authority any regulatory or supervisory action taken by the home country reg-

- ulator with full details and the penalty, any administrative action imposed and the remedial steps taken.
- 3) The IIO shall submit periodic returns in such form and such manner as the Authority may specify from time to time.
14. **Annual fee:** The IIO shall be liable to pay annual fee of Rs. 1,00,000/-. Such fees shall be remitted by 31st December of the preceding financial year.
15. **Manner of payment of Fees:** The fee shall be remitted by online banking/ RTGS/ NEFT/ or through any other recognised electronic mode / Demand draft issued by any scheduled bank in favour of the Insurance Regulatory and Development Authority of India.
16. **Further powers of the Authority**
- 1) The Authority shall have the right to call, inspect or investigate any document, record or communication of the IIO.
 - 2) Closure of operation of any IFSC Insurance Office (IIO) in a SEZ shall be with the prior approval of the Authority.
 - 3) Notwithstanding the above, where the Authority is of the opinion that the operations of an IIO are not in public interest, the Authority reserve the right to direct the Insurer to close the office in SEZ after giving adequate opportunity of being heard to the IIO.

Chapter IV **Miscellaneous Provisions**

17. IIO shall follow the terms and conditions for underwriting the business of insurance and reinsurance within the overall scope of Insurance Regulatory and Development Authority of India (Regulation of Insurance Business in Special Economic Zone) Rules, 2015 notified by Central Government.
18. **Applicability of the provisions of Insurance Act, 1938**
- i. IIO is regulated under provisions of Insurance Act, 1938 read with notifications issued by the Central Government under Section 2CA of the Insurance Act, 1938.
 - ii. All IIOs shall comply with the provisions of Insurance Act, 1938, IRDA Act 1999, SEZ Act 2005, rules, regulations, guidelines and circulars made there under save as expressly otherwise provided in the aforesaid notifications and the guidelines in this behalf.

(TS VIJAYAN)
Chairman

RESERVE BANK OF INDIA

Foreign Exchange Department
Central Office

NOTIFICATION

Mumbai, the 2nd March 2015

Foreign Exchange Management (International Financial Services Centre) Regulations, 2015

G.S.R. 218(E)—In exercise of the powers conferred by section 47 of the Foreign Exchange Management Act, 1999 (42 of 1999), the Reserve Bank makes the following regulations relating to financial institutions set up in International Financial Services Centres, namely:-

1. Short title and commencement:-

- i) These regulations may be called the Foreign Exchange Management (International Financial Services Centre) Regulations, 2015.
- ii) They shall come into force from the date of their publication in the Official Gazette.

2. Definitions:-

In these Regulations unless the context requires otherwise , -

- a) 'Act' shall mean the Foreign Exchange Management Act, 1999 (42 of 1999);
- b) 'Financial Institution' shall include
 - i) a company, or
 - ii) a firm, or
 - iii) an association of persons or a body of individuals, whether incorporated or not, or
 - iv) any artificial juridical person, not falling within any of the preceding categories engaged in rendering financial services or carrying out financial transactions.

Explanation: For the purpose of this sub-regulation, and without any loss of generality of the above, the expression 'financial institution' shall include banks, non-banking financial companies, insurance companies, brokerage firms, merchant banks, investment banks, pension funds, mutual funds, trusts, exchanges, clearing houses, and any other entity that may be specified by the Government of India or a Financial Regulatory Authority.

- c) 'Financial service' shall mean activities a financial institution is allowed to carry out as specified in the respective Act of the Parliament or by the Government of India or by any Regulatory Authority empowered to regulate the concerned financial institution.

- d) 'Financial transaction' shall mean making any payment to, or for the credit of any person, or receiving any payment for, by order or on behalf of any person, or drawing, issuing or negotiating any bill of exchange or promissory note, or transferring any security or acknowledging any debt.
- e) 'FMC' shall mean the Forward Market Commission established under the Forward Contracts (Regulation) Act, 1952 (74 of 1952).
- f) 'International Financial Services Centre' or 'IFSC' shall have the same meaning given in Section 2 (q) of the Special Economic Zones Act, 2005 (28 of 2005).
- g) 'IRDA' shall mean the Insurance Regulatory and Development Authority established under the Insurance Regulatory and Development Authority Act, 1999 (41 of 1999).
- h) 'PFRDA' shall mean the Pension Fund Regulatory and Development Authority established under the Pension Fund Regulatory and Development Authority Act, 2013 (23 of 2013).
- i) 'Regulatory Authority' shall include Reserve Bank of India (RBI), Securities Exchange Board of India (SEBI), Insurance Regulatory Development Authority (IRDA), Pension Fund Regulatory and Development Authority (PFRDA), Forward Market Commission (FMC) or any other statutory authority empowered to regulate a financial institution under the Indian laws.
- j) 'SEBI' shall mean the Securities and Exchange Board of India established under the Securities and Exchange Board of India Act, 1992 (15 of 1992).
- k) The words and expressions used but not specified in these Regulations shall have the same meanings respectively assigned to them in the Act.

3. Any financial institution or branch of a financial institution set up in the IFSC and permitted/recognised as such by the Government of India or a Regulatory Authority shall be treated as a person resident outside India.

4. A financial institution or branch of a financial institution shall conduct such business in such foreign currency and with such persons, whether resident or otherwise, as the concerned Regulatory Authority may determine.

5. Subject to the provisions of Section 1(3) of the Act, and save as otherwise provided in these Regulations or any other Regulations or directed by the Reserve Bank of India from time to time, nothing contained in any other regulations shall apply to a financial institution or branch of a financial institution set up in an IFSC.

(B.P. Kanungo)
Principal Chief General Manager

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RESERVE BANK OF INDIA

RBI/2014-15/533

DBR.IBD.BC. 14570/23.13.004/2014-15

April 1, 2015

All Scheduled Commercial Banks
(excluding Regional Rural Banks)

Dear Sir/Madam,

Setting up of IFSC Banking Units (IBUs)

Please refer to the Reserve Bank of India Notification No. FEMA.339/2015-RB dated March 02, 2015 (copy enclosed) under FEMA 1999 on Foreign Exchange Management (International Financial Services Centre) Regulations, 2015 setting out RBI regulations relating to financial institutions set up in International Financial Services Centres (IFSC). These regulations have been published in the Official Gazette of Government of India on March 23, 2015 vide Notification No. G.S.R. 218 (E) dated March 2, 2015.

2. Pursuant to the above Notification, Reserve Bank has formulated a scheme for the setting up of IFSC Banking Units (IBUs) by banks in IFSCs. The broad contours of the scheme for Indian banks and foreign banks already having presence in India are detailed in Annex I and Annex II, respectively. You may be aware that Government of India has already announced setting up of an IFSC in Gujarat namely Gujarat International Finance Tec-City (GIFT) in Gandhinagar, Gujarat. The guidelines contained in this circular will be applicable to IBUs set up in GIFT as well as in other IFSCs which may be set up in India.

3. Eligible banks intending to set up IBU may approach this department with an application under Section 23 of the Banking Regulation Act, 1949.

Yours faithfully

(Rajinder Kumar)
Chief General Manager

Scheme for setting up of IFSC Banking Units (IBU) by Indian Banks

The Reserve Bank has issued a notification under FEMA vide Notification No. FEMA.339/2015-RB dated March 02, 2015 setting out RBI regulations relating to financial institutions set up in International Financial Services Centres (IFSC). The regulatory and supervisory framework governing IBUs set up in IFSCs by Indian banks is detailed below.

2. The scheme

2.1 Eligibility criteria

Indian banks viz. banks in the public sector and the private sector authorised to deal in foreign exchange will be eligible to set up IBUs. Each of the eligible banks would be permitted to establish only one IBU in each IFSC.

2.2 Licensing

Eligible banks interested in setting up IBUs will be required to obtain prior permission of the Reserve Bank for opening an IBU under Section 23 (1)(a) of the Banking Regulation Act, 1949 (BR Act). For most regulatory purposes, an IBU will be treated on par with a foreign branch of an Indian bank.

2.3 Capital

With a view to enabling IBUs to start their operations, the parent bank will be required to provide a minimum capital of US\$ 20 million or equivalent in any foreign currency to its IBU. The IBU should maintain the minimum prescribed regulatory capital on an on-going basis as per regulations amended from time to time.

2.4 Reserve requirements

The liabilities of the IBU are exempt from both CRR and SLR requirements of Reserve Bank of India.

2.5 Resources and deployment

The sources for raising funds, including borrowing in foreign currency, will be persons not resident in India and deployment of the funds can be with both persons resident in India as well as persons not resident in India. However, the deployment of funds with persons resident in India shall be subject to the provisions of FEMA, 1999.

2.6 Permissible activities of IBUs

The IBUs will be permitted to engage in the form of business mentioned in Section

6(1) of the BR Act as given below, subject to the conditions, if any, of the licence issued to them.

- i) IBUs can undertake transactions with non-resident entities other than individual / retail customers / HNIs.
- ii) All transactions of IBUs shall be in currency other than INR.
- iii) IBUs can deal with the Wholly Owned Subsidiaries / Joint Ventures of Indian companies registered abroad.
- iv) IBUs are allowed to have liabilities including borrowing in foreign currency only with original maturity period greater than one year. They can however raise short term liabilities from banks subject to limits as may be prescribed by the Reserve Bank.
- v) IBUs are not allowed to open any current or savings accounts. They cannot issue bearer instruments or cheques. All payment transactions must be undertaken via bank transfers.
- vi) IBUs are permitted to undertake factoring / forfaiting of export receivables.
- vii) IBUs are permitted to undertake transactions in all types of derivatives and structured products with the prior approval of their Board of Directors. IBUs dealing with such products should have adequate knowledge, understanding, and risk management capability for handling such products.

2.7 Prudential regulations

All prudential norms applicable to overseas branches of Indian banks would apply to IBUs. Specifically, these units would be required to follow the 90 days' payment delinquency norm for income recognition, asset classification and provisioning as applicable to Indian banks. The bank's board may set out appropriate credit risk management policy and exposure limits for their IBUs consistent with the regulatory prescriptions of the RBI.

The IBUs would be required to adopt liquidity and interest rate risk management policies prescribed by the Reserve Bank in respect of overseas branches of Indian banks and function within the overall risk management and ALM framework of the bank subject to monitoring by the board at prescribed intervals.

The bank's board would be required to set comprehensive overnight limits for each currency for these Units, which would be separate from the open position limit of the parent bank.

2.8 Anti-Money Laundering measures

The IBUs will be required to scrupulously follow "Know Your Customer (KYC)", Combating of Financing of Terrorism (CFT) and other anti-money laundering in-

structions issued by the Reserve Bank from time to time. IBUs are prohibited from undertaking cash transactions.

2.9 Regulation and Supervision

The IBUs will be regulated and supervised by the Reserve Bank of India.

2.10 Reporting requirements

The IBUs will be required to furnish information relating to their operations as prescribed by the Reserve Bank from time to time. These may take the form of offsite reporting, audited financial statements for IBUs, etc.

2.11 Ring fencing the activities of IFSC Banking Units

The IBUs would operate and maintain balance sheet only in foreign currency and will not be allowed to deal in Indian Rupees except for having a Special Rupee account out of convertible fund to defray their administrative and statutory expenses. Such operations/transactions of these units in INR would be through the Authorised Dealers (distinct from IBU) which would be subject to the extant Foreign Exchange regulations. IBUs are not allowed to participate in the domestic call, notice, term, forex, money and other onshore markets and domestic payment systems.

The IBUs will be required to maintain separate nostro accounts with correspondent banks which would be distinct from nostro accounts maintained by other branches of the same bank.

2.12 Priority sector lending

The loans and advances of IBUs would not be reckoned as part of the Net Bank Credit of the parent bank for computing priority sector lending obligations.

2.13 Deposit insurance

Deposits of IBUs will not be covered by deposit insurance.

2.14 Lender of Last Resort (LOLR)

No liquidity support or LOLR support will be available to IBUs from the Reserve Bank of India.

Scheme for setting up of IFSC Banking Units (IBU) by foreign banks already having a presence in India

The Reserve Bank has issued a notification under FEMA vide Notification No. FEMA.339/2015/RB dated March 02, 2015 setting out RBI regulations relating to financial institutions set up in International Financial Services Centres (IFSC). The regulatory and supervisory framework governing the IFSC Banking Units (IBU) set up by foreign banks is detailed below.

2. The scheme

2.1 Eligibility criteria

Only foreign banks already having presence in India will be eligible to set up IBUs. This shall not be treated as a normal branch expansion plan in India and therefore, specific permission from the home country regulator for setting up of an IBU will be required. Each of the eligible banks will be permitted to establish only one IBU in each IFSC.

2.2 Licensing

The banks will be required to obtain prior permission of the Reserve Bank for opening an IBU under Section 23 (1) (a) of the Banking Regulation Act, 1949 (BR Act). The applications of foreign banks will be considered on the basis of extant guidelines for setting up branches in India subject to the additional requirement of the home country regulator/s confirmation in writing of their regulatory comfort for the bank's presence in the IFSC, having regard among other things, to the provisions of paragraphs 2.3 and 2.14 below.

2.3 Capital

With a view to enabling IBUs to start their operations, the parent bank would be required to provide a minimum capital of US\$ 20 million or equivalent in any currency, other than INR, to the IBU. The IBUs should maintain the minimum prescribed regulatory capital on an on-going basis as per regulations amended from time to time. The parent bank will be required to provide a Letter of Comfort for extending financial assistance, as and when required, in the form of capital / liquidity support to IBU.

2.4 Reserve requirements

The liabilities of the IBU are exempt from both CRR and SLR requirements of Reserve Bank of India.

2.5 Resources and deployment

The sources for raising funds, including borrowing in foreign currency, will be persons not resident in India and deployment of the funds can be with both persons resident in India as well as persons not resident in India. However, the deployment of funds with persons resident in India shall be subject to the provisions of FEMA, 1999.

2.6 Permissible activities of IBUs

The IBUs will be permitted to engage in the form of business mentioned in Section 6(1) of the BR Act as given below, subject to the conditions, if any, of the licence issued to them.

- i) IBUs can undertake transactions with non-resident entities other than individual / retail customers / HNIs.
- ii) All transactions of IBUs shall be in currency other than INR.
- iii) IBUs can deal with the Wholly Owned Subsidiaries / Joint Ventures of Indian companies registered abroad.
- iv) IBUs are allowed to have liabilities including borrowing in foreign currency only with original maturity period greater than one year. They can however raise short term liabilities from banks subject to limits as may be prescribed by the Reserve Bank.
- v) IBUs are not allowed to open any current or savings accounts. They cannot issue bearer instruments or cheques. All payment transactions must be undertaken via bank transfers.
- vi) IBUs are permitted to undertake factoring/forfeiting of export receivables.
- vii) IBUs are permitted to undertake transactions in all types of derivatives and structured products with the prior approval of their Board of Directors. IBU dealing with such products should have adequate knowledge, understanding, and risk management capability for handling such products.

2.7 Prudential regulations

An IBU shall adopt prudential norms as prescribed by Reserve Bank of India. The bank's board may set out appropriate credit risk management policy and exposure limits for their IBUs consistent with the regulatory prescriptions of the Reserve Bank of India.

The IBUs will be required to adopt liquidity and interest rate risk management policies prescribed by the Reserve Bank and function within the overall risk management and ALM framework of the bank subject to monitoring by the board at prescribed intervals.

The bank's board would be required to set comprehensive overnight limits for each

currency for these Units, which would be separate from the open position limit of the other branch/es of the foreign bank having a presence in India.

2.8 Anti-Money Laundering measures

The IBUs will be required to scrupulously follow "Know Your Customer (KYC)", Combating of Financing of Terrorism (CFT) and other anti-money laundering instructions issued by RBI from time to time, including the reporting thereof, as prescribed by the Reserve Bank / other agencies in India. IBUs are prohibited from undertaking cash transactions.

2.9 Regulation and supervision

The IBUs of foreign banks will be regulated and supervised by the Reserve Bank of India.

2.10 Reporting requirements

The IBUs will be required to furnish information relating to their operations as prescribed from time to time by the Reserve Bank. These may take the form of offsite reporting, audited financial statements for the IBU, etc.

2.11 Ring fencing the activities of IFSC Banking Units

The IBUs would operate and maintain balance sheet only in foreign currency and would not be allowed to deal in Indian Rupees except for having a Special Rupee account out of convertible fund to defray their administrative and statutory expenses. Such operations/transactions of these units in INR would be through the Authorised Dealers (distinct from IBU) which would be subject to the extant Foreign Exchange regulations. IBUs are not allowed to participate in the domestic call, notice, term, forex, money and other onshore markets and domestic payment systems.

The IBUs will be required to maintain separate nostro accounts with correspondent banks which would be distinct from nostro accounts maintained by other branches of that foreign bank in India.

2.12 Priority sector lending

The loans and advances of IBUs will not be reckoned as part of the Net Bank Credit for computing priority sector lending obligations of the foreign bank in India.

2.13 Deposit insurance

Deposits of IBUs will not be eligible for deposit insurance in India.

2.14 Lender of Last Resort (LOLR)

No liquidity support or LOLR support will be available to IBUs from the Reserve Bank of India.

**SECURITIES AND EXCHANGE BOARD OF INDIA
(INTERNATIONAL FINANCIAL SERVICES CENTRES)
GUIDELINES, 2015**

Dated: March 27th, 2015.

In exercise of the powers conferred by section 11(1) of the Securities and Exchange Board of India Act, 1992 and sections 4 and 8A of the Securities Contracts (Regulation) Act, 1956 read with Section 18(2) of the Special Economic Zones Act, 2005, the Securities and Exchange Board of India hereby makes the following guidelines to facilitate and regulate financial services relating to securities market in an International Financial Services Centre set up under Section 18(1) of Special Economic Zones Act, 2005 and matters connected therewith or incidental thereto, namely:—

**CHAPTER I
PRELIMINARY**

Short title and commencement

1. 1) These guidelines may be called the Securities and Exchange Board of India (International Financial Services Centres) Guidelines, 2015.
- 2) They shall come into force on April 01, 2015.

Definitions

2. 1) In these guidelines, unless the context otherwise requires, the terms defined herein shall bear the meanings assigned to them below, and their cognate expressions shall be construed accordingly,—
 - a) "Act" means the Securities and Exchange Board of India Act 1992;
 - b) "Board" means the Securities and Exchange Board of India established under the provisions of section 3 of the Securities and Exchange Board of India Act, 1992 (15 of 1992);
 - c) "domestic company" means a company and includes a body corporate or corporation established under a Central or State legislation for the time being in force;
 - d) "financial institution" shall include:
 - i) a company;
 - ii) a firm;
 - iii) an association of persons or a body of individuals, whether incorporated or not; or
 - iv) any artificial juridical person, not falling within any of the preceding categories engaged in rendering financial services in securities market or dealing in securities market in any manner.

Explanation.- For the purpose of this clause and without prejudice to the generality of the foregoing, the expression financial institution shall include stock brokers and sub-brokers, merchant banks, mutual funds, alternative investment funds, stock exchanges, clearing corporations, investment advisers, portfolio managers, or any other entity that may be specified by the Board.

- e) "financial services" shall mean activities a financial institution is allowed to carry out as specified in the respective Act of the Parliament or by the Government of India or by any regulatory authority empowered to regulate the concerned financial institution;
- f) "foreign jurisdiction" means a country, other than India, whose securities market regulator is a signatory to International Organization of Securities Commission's Multilateral Memorandum of Understanding (IOSCO's MMOU) (Appendix A signatories) or a signatory to bilateral Memorandum of Understanding with the Board, and which is not identified in the public statement of Financial Action Task Force as:
 - i) a jurisdiction having a strategic Anti-Money Laundering or Combating the Financing of Terrorism deficiencies to which counter measures apply; or
 - ii) a jurisdiction that has not made sufficient progress in addressing the deficiencies or has not committed to an action plan developed with the Financial Action Task Force to address the deficiencies;
- g) "intermediary" means and includes a stock broker, a merchant banker, a banker to an issue, a trustee of trust deed, a registrars to an issue, a share transfer agent, an underwriter, an investment adviser, a portfolio manager, a depository participant, a custodian of securities, a foreign portfolio investor, a credit rating agency, or any other intermediary or any person associated with the securities market, as may be specified by the Board from time to time;
- h) "International Financial Services Centre" or "IFSC" shall have the same meaning as assigned to it in clause (q) of section 2 of the Special Economic Zones Act, 2005;
- i) "issuer" shall mean a company incorporated in India seeking to raise capital in foreign currency other than Indian rupee which has obtained requisite approval under Foreign Exchange Management Act, 1999 (FEMA) or exchange control regulations as may be applicable, or a company incorporated in a foreign jurisdiction;
- j) "recognised entity" means any intermediary which is registered with the Board or registered or recognised with a regulator of a foreign jurisdiction: Provided that such entities shall comply with fit and proper norms specified by the Board;
- k) "securities laws" means the Act, the Securities Contracts (Regulation)

Act, 1956 (42 of 1956), the Depositories Act, 1996 (22 of 1996), provisions of Companies Act, 2013 administered by the Board and the rules, regulations, circulars, clarifications issued thereunder;

- 2) Words and expressions used and not defined in these guidelines but defined in the Act, the Securities Contracts (Regulation) Act, 1956, the Depositories Act, 1996, Companies Act, 2013, the Special Economic Zones Act, 2005 or any rules or regulations made thereunder shall have the same meanings respectively assigned to them in those Acts, rules or regulations or any statutory modification or re-enactment thereto, as the case may be.

Applicability and scope.

3. 1) Any entity desirous of organising or assisting in organising any stock exchange or clearing corporation or depository, or desirous of undertaking any other financial services relating to securities market, shall be a recognised entity and such an entity shall seek permission of the Board in accordance with the norms specified herein or as may be specified by the Board, from time to time.
- 2) Any entity desirous of operating in an IFSC for rendering financial services relating to securities market, shall comply with the provisions relating to registration or recognition, as the case may be, of applicable regulations of the Board: Provided that certain entities shall be permitted to operate in IFSC subject to these guidelines.
- 3) Save as otherwise provided in these Guidelines or as specified by the Board from time to time, all provisions of securities laws shall apply to a financial institution operating in an IFSC.
- 4) These Guidelines shall be subject to the guidelines of Government of India on foreign investment.

CHAPTER II STOCK EXCHANGES, CLEARING CORPORATIONS AND DEPOSITORIES

Eligibility and shareholding.

4. 1) **Eligibility and shareholding limit for stock exchanges desirous of operating in IFSC :** Any Indian recognised stock exchange or any stock exchange of a foreign jurisdiction may form a subsidiary to provide the services of stock exchange in IFSC where atleast fifty one per cent. of paid up equity share capital is held by such exchange and remaining shares may be offered to any other recognised stock exchange, whether Indian or of foreign jurisdiction.
- 2) **Eligibility and shareholding limit for clearing corporations desirous of operating in IFSC :** Any Indian recognised stock exchange or clearing corporation, or any recognised stock exchange or clearing corporation of

a foreign jurisdiction may form a subsidiary to provide the services of clearing corporation in IFSC where atleast fifty one per cent. of paid up equity share capital is held by such stock exchange or clearing corporation, and remaining shares may be held by any other recognised stock exchange or clearing corporation, whether Indian or of foreign jurisdiction.

- 3) **Eligibility and shareholding limit for depositories desirous of operating in IFSC :** Any Indian registered depository or any regulated depository of a foreign jurisdiction may form a subsidiary to provide the depository services in IFSC where atleast fifty one per cent. of paid up equity share capital is held by such depository and remaining shares may be offered to any other registered depository or recognised stock exchange or clearing corporation, whether Indian or of foreign jurisdiction.
- 4) Every person who acquires equity shares of a recognised stock exchange or recognised clearing corporation or registered depository in IFSC shall inform the Board within fifteen days of such acquisition.

Net worth requirement of a permitted stock exchange, clearing corporation and depository.

5. 1) Every permitted stock exchange shall have a minimum network worth equivalent of twenty five crore rupees initially and it shall enhance its network to a minimum equivalent of one hundred crore rupees over the period of three years from the date of approval.
- 2) Every permitted clearing corporation shall have a minimum network worth equivalent of fifty crore rupees initially and it shall enhance its network to a minimum equivalent of three hundred crore rupees over the period of three years from the date of approval.
- 3) Every permitted depository shall have a minimum network worth of twenty five crore rupees and it shall enhance its network to a minimum equivalent of one hundred crore rupees over the period of three years from the date of approval.

Certain provisions not to apply.

6. 1) The provision of Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 that every recognised stock exchange shall credit twenty five per cent. of its profits every year to the Fund, of the recognised clearing corporation(s) which clears and settles trades executed on that stock exchange shall not be applicable to the stock exchanges operating in IFSC.
- 2) The provision of Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996 that every depository shall credit twenty five per cent. of profits every year to the investor protection fund shall not be applicable to the depositories operating in IFSC.
- 3) All the transitory provisions or relaxations that were provided to the stock ex-

changes and clearing corporations to comply with Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 shall not be applicable to stock exchanges and clearing corporations operating in IFSC.

- 4) Provisions of Chapter IIA of Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996 and Chapter V of Securities Contracts (Regulation) (Stock Exchanges And Clearing Corporations) Regulations 2012 shall not apply to depositories, stock exchanges, clearing corporations in IFSC, as the case may be:

Provided that depositories, stock exchanges, clearing corporations operating in IFSC shall adopt the broader principles of governance prescribed by International Organization of Securities Commissions (IOSCO) and principles for Financial Market Infrastructures (FMI) and such other governance norms as may be specified by the Board, from time to time.

Permissible securities.

7. The stock exchanges operating in IFSC may permit dealing in following types of securities and products in such securities in any currency other than Indian rupee, with a specified trading lot size on their trading platform subject to prior approval of the Board:
- i) Equity shares of a company incorporated outside India;
 - ii) Depository receipt(s);
 - iii) Debt securities issued by eligible issuers;
 - iv) Currency and interest rate derivatives;
 - v) Index based derivatives;
 - vi) Such other securities as may be specified by the Board.

CHAPTER III INTERMEDIARIES

Approval.

8. Any recognised entity or entities desirous of operating in IFSC as an intermediary, may form a company to provide such financial services relating to securities market, as permitted by the Board.

Nature of clients.

9. 1) Any intermediary permitted by the Board for operating within the IFSC shall provide financial services to the following categories of clients:
- i) a person not resident in India;
 - ii) a non-resident Indian;
 - iii) a financial institution resident in India who is eligible under FEMA to invest funds offshore, to the extent of outward investment permitted;

- iv) a person resident in India who is eligible under FEMA, to invest funds offshore, to the extent allowed under the Liberalized Remittance Scheme of Reserve Bank of India, subject to a minimum investment as specified by the Board from time to time:
Provided that clients referred to in clauses (ii) to (iv) may be provided services, subject to guidelines of Reserve Bank of India.
- 2) Any intermediary permitted by the Board for operating within the IFSC shall, for the purpose of enforcing compliance with regulatory requirements, appoint a senior management person as “Designated Officer”.
- 3) In order to avail investment advisory or portfolio management services in IFSC, the client shall be:
 - i) a person resident outside India;
 - ii) a non-resident Indian;
 - iii) a financial institution resident in India who is eligible under FEMA to invest funds offshore, to the extent of outward investment permitted;
 - iv) a person resident in India having a net worth of at least US Dollar one million during the preceding financial year who is eligible under FEMA to invest funds offshore, to the extent allowed in the Liberalized Remittance Scheme of Reserve Bank of India:
Provided that clients referred to in clauses (ii) to (iv) may be provided services, subject to guidelines of Reserve Bank of India.
- 4) A portfolio manager operating in IFSC shall be permitted to invest in the following:
 - a) Securities which are listed in IFSC;
 - b) Securities issued by companies incorporated in IFSC;
 - c) Securities issued by companies belonging to foreign jurisdiction.

CHAPTER IV ISSUE OF CAPITAL

Raising capital

- 10. 1) Domestic companies intending to raise capital, in a currency other than Indian Rupee, in an IFSC shall comply with the provisions of Foreign Currency Depository Receipts Scheme, 2014 notified vide F. No. 9/1/2013-ECB by Government of India on October 21, 2014.
- 2) Companies of foreign jurisdiction, intending to raise capital, in a currency other than Indian Rupee, in an IFSC shall comply with the provisions of the Companies Act, 2013 and relevant provisions of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 as if the securities are being issued under Chapter X and XA of the said regulations, as may be applicable.

Listing and trading.

11. Companies, domestic or of foreign jurisdiction, may list and trade their securities as per norms specified by the Board.

CHAPTER V ISSUE OF DEBT SECURITIES

Eligible issuers

12. 1) No issuer shall be eligible to issue debt securities, unless the following criteria are complied with:
- a) The issuer is eligible to issue debt securities as per its constitution;
 - b) The issuer should not have been debarred by any regulatory authority in its home jurisdiction or any other jurisdiction, where it is operating or has raised any capital;
 - c) The issuer or its directors should not be convicted of any economic offence in its home jurisdiction or any other jurisdiction where it is operating or has raised any capital;
 - d) Any other criteria as may be specified by the Board.

Minimum subscription in case of private placement

13. The minimum subscription amount in case of private placement per investor shall not be less than US Dollar hundred thousand or equivalent or such amount as may be specified by Board from time to time. Mandatory listing.
14. An issuer desirous of issuing debt securities shall make an application for listing of such debt securities to one or more stock exchanges set up in IFSC.

General requirements

15. The requirements such as appointment of trustee, creation of debenture redemption reserve etc. shall be as specified by the Board from time to time.

Advertisement for public issue.

16. Advertisement for debt issues within IFSC may be made in any print media.

Credit rating requirement

17. For debt issues within IFSC, the credit rating may be obtained either from a recognized credit rating agency registered with the Board or from any other credit rating agency registered in a foreign jurisdiction.

Agreement with depository or custodian

18. 1) An issuer of debt securities shall enter into an agreement with a depository or custodian eligible to operate in IFSC for issue of the debt securities, for the pur-

pose of holding and safekeeping of such securities and also to facilitate transfer, redemption and other corporate actions in respect of such debt securities.

- 2) Necessary disclosure regarding appointment of depository or custodian shall be made in the information memorandum:

Provided, where the issuer has a registered office or branch office in IFSC, it may service investors from such office and need not appoint depository or custodian.

Reporting of financial statements

19. The issuer of debt securities in IFSC shall prepare its statement of accounts in accordance with Companies Act, 2013 as applicable in IFSC.

Relaxation from listing agreement

20. The issuer shall comply with the continuous listing requirements including corporate governance and such other conditions as specified in the listing agreement, entered into between the issuer and the stock exchange where such debt securities are sought to be listed:

Provided, where the securities of the issuer are already listed on another stock exchange whether foreign or domestic, and it complies with listing agreement in respect of such securities, the Board may modify or relax certain conditions or requirements with regard to listing agreement in respect of debt securities issued under these Guidelines.

Trading of debt securities

21. The debt securities listed in stock exchanges shall be traded on the platform of the stock exchange and such trades shall be cleared and settled through clearing corporation set up in IFSC as specified.

CHAPTER VI FUNDS

Conditions on investment

22. 1) In order to make an investment in an alternative investment fund or a mutual fund operating in IFSC, the investor shall be:

- i) a person resident outside India;
- ii) a non-resident Indian;
- iii) institutional investor resident in India who is eligible under FEMA to invest funds offshore, to the extent of outward investment permitted;
- iv) person resident in India having a net worth of at least US Dollar one million during the preceding financial year who is eligible under FEMA to invest funds offshore, to the extent allowed in the Liberalized Remittance Scheme of Reserve Bank of India:

Provided that investors referred to in clauses (ii) to (iv) may make an

- investment in an alternative investment fund or a mutual fund operating in IFSC, subject to guidelines of Reserve Bank of India.
- 2) Any alternative investment fund or mutual fund operating in IFSC shall accept money from eligible investors only in foreign currency.
 - 3) Any alternative investment fund or mutual fund operating in IFSC shall be permitted to invest in the following:
 - a) Securities which are listed in IFSC;
 - b) Securities issued by companies incorporated in IFSC;
 - c) Securities issued by companies belonging to foreign jurisdiction.
 - 4) An asset management company of a mutual fund operating in IFSC shall have a net worth of not less than USD two million which shall be increased to USD ten million within three years of commencement of business in IFSC.
 - 5) The requirements such as appointment of trustee, custodian, manager, etc., shall be as specified by the Board.
 - 6) The requirements regarding raising of funds in foreign currency such as minimum investment amount, minimum corpus of fund, disclosures, investment conditions, valuations, types of schemes, professional qualifications, etc., shall be as specified by the Board.

CHAPTER VII MISCELLANEOUS

Maintenance of books, records and documents

23. Every issuer, domestic company or a company of foreign jurisdiction or financial institution or intermediary, as the case may be, to whom these guidelines apply, shall maintain the books, records and documents as per the applicable regulations notified by the Board.

Sanction for violations

24. Any contravention of these guidelines shall be dealt with by the Board in accordance with the securities laws.

Power to specify procedures, etc. and issue clarifications

25. For the purposes of implementation of these guidelines and matters incidental thereto, or in order to facilitate and regulate financial services relating to securities market in an IFSC, the Board may specify norms, procedures, processes, manners or provide relaxations, by way of guidance notes or circulars.

Power to remove difficulties

26. In order to remove any difficulties in the interpretation or application of the provisions of these guidelines, or in order to facilitate and regulate financial services relating to securities market in an IFSC, the Board shall have the power to issue clarifications through guidance notes or circulars. ■



EXPORT PROMOTION COUNCIL FOR EOUs & SEZs

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