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GIFT IFSC NEWSLETTER

JULY 2026

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IFSCA (Finance Company) Regulations, as amended upto May 07, 2026

- The IFSCA, on July 09, 2026, issued the consolidated IFSCA (Finance Company) Regulations, 2026. The consolidated regulations are amended up to May 07, 2026.
- The amendments strengthen prudential and operational requirements, including minimum capital/owned fund norms, capital adequacy (8% CR), liquidity, and exposure limits. They also expand and clearly define permissible core and non-core activities.
- The consolidated amendments clarify that registration with the Authority is mandatory for setting up Finance Companies or Finance Units in IFSCs, unless the entity is already registered for the same permissible activity under another framework.
- Entities can establish Finance Companies in various forms (subsidiary, joint venture, or new company), while Finance Units must be entities regulated in their home jurisdiction and may require a No Objection Certificate (NOC) from their home regulator.
- The changes aim to streamline registration, broaden business activities, ensure regulatory compliance, and enhance financial stability of Finance Companies.



IFSCA Extends IBU Internet Banking Compliance Deadline to September 30, 2026

- The IFSCA, through Circular dated July 31, 2026, amended its earlier circulars dated December 29, 2025, and June 30, 2026, concerning internet banking services offered by IFSC Banking Units (IBUs).
- In view of representations from IBUs following the closure of the Reserve Bank of India's "Swap Facility for FCNR(B) Deposits" scheme, IFSCA granted a one-time extension until September 30, 2026, for compliance with the prescribed requirements.
- Accordingly, IBUs that commenced operations either before or after the issuance of the December 29, 2025 circular may continue offering liability products without meeting the specified requirements until September 30, 2026.
- However, any IBU remaining non-compliant after this date must stop onboarding new customers for the affected liability product or products with effect from October 1, 2026.
- All other provisions of the earlier circulars remain unchanged.



Amendment of Master Circular for Credit Rating Agencies in the IFSC

- IFSCA, through its circular dated July 16, 2026, amended the Master Circular for Credit Rating Agencies in the IFSC by expanding the scope of credit ratings to include ratings assigned to an “issuer” in addition to a financial instrument and clarifying that credit ratings also include credit quality ratings and similar services, by whatever name called.

- The circular also recognises Financial Strength Rating as a separate rating category and requires CRAs to maintain accurate, sufficiently detailed, and comprehensive records capable of reconstructing the credit rating process, including the material considerations, analytical reasoning, and key arguments supporting or opposing the rating decision.

- Before disseminating a rating action, CRAs must provide the issuer with the critical information and principal considerations forming the basis of the rating and allow an opportunity to clarify factual errors, omissions, or misperceptions; however, this requirement does not apply to unsolicited ratings or private credit rating assignments.

- Further, information relating to private credit rating assignments is exempt from disclosure on the CRA’s website.



Consolidated IFSCA (Registration of Insurance Business) Regulations, 2021

- The IFSCA, through the IFSCA (Registration of Insurance Business) Regulations, 2021 (as amended up to June 12 2026), has updated the regulatory framework governing the registration and operation of insurers and reinsurers in IFSC Gift City. The amendments align the Regulations with the newly notified IFSCA (Managing General Agents) Regulations, 2026.

- The amended Regulations remove Managing General Agents (MGAs) from the definition of “Applicant” eligible to seek registration under the Registration of Insurance Business Regulations, 2021.

- Consequently, the definition of “binding agreement” between an MGA and a foreign insurer or foreign reinsurer has also been omitted, as the registration and regulation of MGAs are now governed under a separate regulatory framework.

- The consolidated Regulations continue to prescribe the eligibility conditions, registration process, and operational framework for Indian insurers, foreign insurers, foreign reinsurers, Lloyd’s entities, branch offices of foreign insurers, public companies, wholly owned subsidiaries, insurance cooperative societies, and eligible foreign body corporates undertaking insurance and reinsurance business in an IFSC.



No TDS on Payments to GIFT City IFSC Units

- Through Notification S.O. 3743(E), dated July 10, 2026, India's Central Board of Direct Taxes (CBDT) has exempted specified payments made to eligible IFSC units from TDS.
- The relief applies to 14 categories of IFSC entities, including Banking Units, Finance Companies, Finance Units, Fund Management Entities, Broker Dealers, Investment Advisers, Registered Distributors, Custodians, Credit Rating Agencies, Investment Bankers, Debenture Trustees, ITFS entities, IFSC Insurance Intermediary Offices, and FinTech Entities.
- Depending on the category, the exempted payments include interest on external commercial borrowings/loans, professional and technical fees, referral fees, brokerage, commission, dividend income, insurance commission, investment advisory fees, distribution fees, and trusteeship fees.
- The IFSC unit (the payee) furnishes a "Statement-cum-Declaration" in the newly prescribed Form No. 1(N) to the payer. This form specifies the unit's registration details and, crucially, the 20-year period it has opted to claim its deduction under Section 147. Once the payer receives the declaration, TDS is not deducted on subsequent qualifying payments; the relief does not apply retrospectively.



IFSCA’s 29th Authority Meeting Unveils Major Reforms to Boost GIFT IFSC’s Global Growth

- The 29th IFSCA Authority Meeting held on 24 July 2026 approved a series of significant regulatory reforms aimed at strengthening GIFT IFSC's position as a global financial centre. Some of the key decisions include:
- Credit Rating Agencies: Withdrawal of credit ratings aligned with global standards.
- Market Abuse Regulations, 2026: Unified rules introduced to curb insider trading, fraud, and unfair market practices.
- Fund Management Regulations: Reforms introduced for easier compliance, greater flexibility, stronger disclosures, ESG integration, governance, and investor protection.
- Blended Finance Framework: Differential distribution rights permitted to support climate and development-focused investments.
- Electronic Trading Platform Regulations, 2026: Dedicated framework introduced to enhance transparency, liquidity, governance, and price discovery.
- International Branch Campuses Regulations, 2026: Eligibility, approvals, student safeguards, and operational flexibility strengthened for foreign universities in GIFT IFSC.



IFSCA Strengthens Factoring Framework with Capital Relief and Prudential Safeguards

- The IFSCA has issued a circular dated 21 July 2026 prescribing a framework on capital relief and prudential requirements for factoring transactions applicable to Finance Companies and Finance Units registered under the IFSCA (Finance Company) Regulations, 2021 undertaking factoring business in the IFSC.

- The circular permits capital relief for eligible credit insurance or guarantees from specified institutions, subject to prescribed conditions. It also provides risk-weight treatment for covered and uncovered factoring exposures, while Finance Units may claim relief only if recognised by their parent entity's home regulator.

- The circular also prescribes prudential norms for computation of exposure ceilings for recourse, non-recourse and two-factor factoring transactions, and for transactions protected by trade credit insurance.

- It provides that receivables unpaid for more than 90 days past due shall be treated as NPAs, with specified relaxations for smaller Finance Companies and Finance Units having assets below USD 150 million.

- It also requires Board-approved limits for underwriting commitments in without-recourse factoring .



REITs and InvITs

Report of the Expert Committee on Development of REITs and InvITs submitted to IFSCA

- On July 15, 2026, IFSCA released an Expert Committee report proposing Mortgage REITs, anti-greenwashing norms, and a calibrated framework for Small and Medium REITs to strengthen GIFT IFSC as a global real estate and infrastructure financing hub.
- It also proposes amendments to the IFSCA (Fund Management) Regulations, 2025, to introduce mechanisms such as Inducted Sponsors, Re-Designated Sponsors, Self-Sponsored Investment Managers, Fast-Track Rights Issues and Subordinate Units, along with the establishment of an Investor Protection Fund.
- The Committee recommends exempting IFSC REITs and InvITs from sectoral caps and the three-year lock-in requirement for investments in Indian entities. It also proposes exempting Indian sponsors from the Overseas Portfolio Investment limit and permitting SEBI-registered REITs and InvITs to access GIFT IFSC exchanges through depositary receipts or dual listings.
- Tax parity with SEBI-registered entities and exemption of foreign-sourced income of non-resident unitholders have also been recommended.



IFSCA to Establish Independent Arbitration Centre in GIFT City

- IFSCA has proposed establishing an independent International Arbitration Centre at GIFT City, Gandhinagar, to provide world-class dispute resolution services for financial and commercial transactions undertaken within the IFSC. The publication of the Expert Committee Report on the proposed centre marks a major step towards creating a specialised, efficient, and internationally credible arbitration ecosystem at GIFT IFSC.

- The proposed Arbitration Centre is expected to offer institutional arbitration, mediation, and other alternative dispute resolution (ADR) services for cross-border financial disputes, thereby improving investor confidence, reducing litigation costs, and enhancing the ease of doing business in India's IFSC ecosystem.

- While the Union Budget originally called for an International Arbitration Centre for GIFT City, the Expert Committee envisioned something broader: the Alternative Dispute Resolution Centre (ADRC).

- A primary driver for this initiative is the requirement for a faster and more specialized dispute resolution process for international firms. Currently. By creating an independent arbitration center, the government aims to lower legal hurdles and provide a framework that aligns with international standards.



IFSCA Plans Wider Distribution of Funds, to Expand Eligible Jurisdictions

- On July 17, 2026, IFSCA has issued a consultation paper on a proposal to expand the list of foreign jurisdictions for distribution of capital market products and/or services by distributors registered with IFSCA (Registered Distributors) (Consultation Paper).
- To enhance the competitiveness of IFSC, GIFT City, facilitate cross-border investments, encourage retail investor access, and align with the existing Video Customer Identification process (V-CIP) onboarding framework, IFSCA has proposed expanding the list of permissible jurisdictions to include: (a) UAE; (b) Singapore; (c) Australia; (d) European Union (excluding Croatia).
- The IFSCA (Anti Money Laundering, Counter-Terrorist Financing and Know Your Customer) Guidelines 2022 also allows onboarding of Non-Resident Indians through V-CIP if they reside in the UAE, Singapore, Australia, or European Union (excluding Croatia), in addition to the seven jurisdictions already on the identified list.
- The amendment seeks to expand distribution opportunities for registered IFSC distributors, promote regulated cross-border retail investments, and broaden access to global investment products from India.

About Us



- We are a One-Stop solution offering a wide range of corporate business services to entities operating out of GIFT City IFSC and across India.
- Our customized solutions range from business set-up, accounting, audit support, tax advisory, legal advisory, secretarial, ROC compliance, SEZ compliance, IFSCA compliance support services and other business auxiliary services.
- We are registered with IFSCA as an ancillary service provider at GIFT CITY-IFSCA.
- We harness our market-leading expertise to help your vision become a thriving reality.

OUR VISION

To work closely with clients to embrace a transformational approach aimed at benefiting all stakeholders-empowering organizations to grow, build sustainable competitive advantage, and drive positive societal impact.

OUR MISSION

To provide our client cost effective solution in time bound manner and offer them peace of mind by providing tailor made solutions as per their requirement.

We achieve this by standing out from the crowd and being innovative, proactive, and true to our core values while delivering the highest possible quality in everything we do.

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