Overview of Fintech and Service Providers in IFSC

Lesson 9

KEY CONCEPTS

■ TechFin ■ FinTech entity ■ FinTech Regulatory Sandbox ■ FinTech Innovation Sandbox ■ Inter-Operable Regulatory Sandbox ■ FinTech Incentive Scheme ■ Ancillary Service Providers ■ Payment Service Providers ■ Global In-House Centre ■ Permissible Activities

Learning Objectives

To understand the:

- legal structure and prerequisites for setting up a FinTech entity in GIFT IFSC.
- eligible categories of FinTech, TechFin applicants and understand permissible activities under the FE Framework.
- authorisation process and requirements for establishing a FinTech Entity in IFSC.
- purpose, eligibility, and functioning of the FinTech Regulatory Sandbox (FRS), Innovation Sandbox (FIS), and Inter-Operable Regulatory Sandbox (IoRS).
- key provisions of the IFSCA FinTech Incentive Scheme, 2022, including eligibility and types of grants.
- framework for Ancillary Service Providers and list the permissible ancillary activities in IFSC.
- business opportunities for Payment Service Providers (PSPs) and the authorisation process under Payment Services Regulations.
- concept, salient features, and benefits of setting up a Global In-House Centre (GIC) in IFSC.

Lesson Outline

- Legal Structure and Pre-requisites for Fintech in GIFT IFSC
- FinTech/ TechFin Entities — Who can apply
- Permissible Activities for FinTech Entities under FE Framework
- Process for set-up FinTech Entities
- Sandbox Process
- IFSCA Fintech Incentive Scheme, 2022
- Ancillary Service Providers - Framework at glance and permissible activities
- Payment Services Providers - Key Business Opportunities -Process Flow for Authorisation
- Global in House Centre (GIC) - GIC IN IFSC
- Salient Features -Key Benefits for GIC In IFSC
- Lesson Round-Up
- Glossary
- Test Yourself
- List of Further Readings

LEGAL STRUCTURE AND PRE-REQUISITES FOR FINTECH IN GIFT IFSC

To operate as a FinTech Entity (FE) or offer any regulated fintech/financial activity in the International Financial Services Centre (IFSC) at GIFT City, an applicant must establish a proper legal entity within IFSC. IFSCA requires a formal and identifiable corporate structure so that the authority can regulate, supervise, and enforce compliance.

Permitted Legal Structure

A FinTech applicant must establish its presence in IFSC through any one of the following:

- A Company Incorporated in IFSC
- A Branch of an Existing Indian or Foreign Entity
- A Subsidiary of an Indian or Foreign Company
- Other Approved Forms (For Ancillary/Tech Service Providers)

Pre-Requisites for Setting Up a FinTech Entity in GIFT IFSC

IFSCA has defined a structured framework for FinTech Entities (FEs). Before an applicant can test or operate in IFSC whether through the Regulatory Sandbox, Innovation Sandbox, or full Authorisation it must satisfy key pre-conditions.

(1) Eligibility of the Applicant

The entity must be:

- An Indian or foreign incorporated entity from an FATF-compliant jurisdiction
- A company, branch, or subsidiary established in IFSC
- Engaged in providing or intending to provide fintech solutions related to financial products or services regulated by IFSCA
- Capable of meeting compliance and reporting requirements of IFSCA

(2) Genuine FinTech Innovation

The applicant must demonstrate:

- A unique or innovative solution that adds value to the financial ecosystem in IFSC
- A business model aligned with financial products/services regulated by IFSCA
- Clear differentiation from conventional services available in the market

(3) Readiness for Testing/Deployment

Before seeking entry into IFSCA's FinTech ecosystem (FRS/FIS/IoRS), the solution must show:

- Limited prior testing or proof-of-concept
- Technical readiness
- Clear testing objectives and expected outcomes
- Adequate resources—technology, manpower, and financial capacity

(4) Robust Risk Management

The fintech solution must not pose risks to:

- Financial stability
- Consumer protection
- Market integrity

Applicants must submit:

- Safeguards to mitigate operational, cyber, and technology risks
- Measures to manage potential failures during testing

(5) Fit & Proper Management

Key managerial personnel and promoters must meet fit and proper criteria, including:

- Integrity and reputation
- Financial soundness
- Absence of regulatory violations
- Competence and experience in financial/technical domains

(6) Compliance Capability

FinTech entities must demonstrate the ability to comply with:

- IFSCA regulations
- Reporting and disclosure norms
- Data protection requirements
- AML/CFT guidelines (if applicable)
- Any sector-specific rules (payment systems, capital markets, insurance, fund management, etc.)

(7) Use of Freely Convertible Foreign Currency

Business carried out in IFSC is generally conducted in freely convertible foreign currency.

- INR usage is restricted only to administrative expenses or as permitted by the regulations.
- This supports IFSC's global financial orientation.

(8) Intention and Ability for Broader Deployment

Beyond testing, the fintech must show:

- Capability to deploy the solution at a larger scale
- A transition and exit strategy from the sandbox
- A clear business roadmap for operations from IFSC

FINTECH/ TECHFIN ENTITIES — WHO CAN APPLY

Under the Framework for FinTech Entity in the IFSCs (FE Framework) issued by IFSCA

FinTech refers to entities providing financial-technology solutions that result in new business models, process, applications or products in financial services regulated by IFSCA.

TechFin refers to entities providing advanced/emerging technology solution(s) which aid and assist activities in relation to financial products or financial institutions or financial services (but may not themselves be financial institutions) e.g. technology vendors, infrastructure providers.

Eligible applicants (for Indian and foreign entities)

The entity shall satisfy the following conditions:

1. In case Applicant is from India:
   i) An entity registered with DPIIT as a start-up related to FinTech; or
   ii) A company or LLP incorporated in India; or
   iii) Branch of an Indian Company or LLP in IFSC; or
   iv) An entity working directly or indirectly in the ecosystem regulated by RBI / SEBI/ IRDAI/ PFRDA
2. In case Applicant is from Outside India:
   i) An entity from any jurisdictions except those jurisdictions which are identified in the public statement of FATF as "High-Risk Jurisdictions subject to a Call for Action" (i.e. black list)
   ii) The entity shall undertake one of the activities under the permissible areas/ activities of FE Framework.

Other pre-requisites:

1. The entity must undertake one or more of the "permissible activities" under FE Framework.
2. For full "Authorization" (as opposed to limited-use/sandbox), a revenue-earning track record in at least one of the last three financial years is mandatory.

PERMISSIBLE ACTIVITIES FOR FINTECH ENTITIES UNDER FE FRAMEWORK

The FE Framework defines a broad set of permissible areas / activities for FinTech entities. These include (but are not limited to) technologies and solutions across banking, capital markets, insurance, funds, etc.

Some of the typical activities include:

- FinTech products or services that lead to new business models, applications, processes or financial products.

  List of permissible FinTech areas/activities linked to financial services regulated by IFSCA is given below:

Banking Sector	Capital Markets and Funds Management	Insurance sector
1. Remittance and payments	1. Crowd funding	1. InsurTech
2. Digital lending	2. Personal finance	2. Innovative technologies for insurance life cycle (underwriting, claims management of life/health products etc.)

Banking Sector	Capital Markets and Funds Management	Insurance sector
3. Buy Now Pay Later	3. Wealth Tech	3. Digital innovation for global health insurance cover
4. Crowd Lending	4. Robo Advisory	4. Innovation in commercial insurance
5. Digital Bank (Neo Banking/ Challenger bank)	5. Sustainable Finance products	5. Digital platform for settlement of balances between insurance companies
6. Open banking	6. Alternate trading platforms	6. Open insurance
		7. Embedded insurance
		8. Cyber insurance

- Activities spanning across banking, capital markets, insurance, fund management, and other financial services regulated by IFSCA.

PROCESS FOR SET-UP FINTECH ENTITIES

The IFSCA may, after examining the application and on being satisfied that the applicant has fulfilled the eligibility criteria, grant Authorization to the Applicant as a 'FinTech Entity', subject to the conditions that the Applicant:

(a) separately incorporates an entity in the IFSC; or

(b) establishes a branch or a subsidiary of an Indian or foreign incorporated entity in IFSC.

In case the IFSCA is of the opinion that the Authorization under Framework for FinTech Entity in the International Financial Services Centres (IFSCs) cannot be granted, it shall communicate the deficiencies to the Applicant giving it thirty days' time to rectify them.

If the Applicant fails to rectify such deficiencies to the satisfaction of the IFSCA within the specified time, the IFSCA may refuse to grant Authorization.

SANDBOX PROCESS

Permissible Activities under the sandbox process

An Applicant shall be permitted to undertake one or more of the following activities under Framework for FinTech Entity in the International Financial Services Centres (IFSCs) subject to fulfilment of the following requirements:

(a) Test FinTech ideas or solutions in IFSCA FinTech Regulatory Sandbox (FRS); or

(b) Develop and test FinTech ideas or solutions in IFSCA FinTech Innovation Sandbox (FIS); or

(c) Test FinTech ideas or solutions in Inter-Operable Regulatory Sandbox (IoRS); or

(d) Provide FinTech ideas or solutions in the Overseas Regulatory Referral mechanism/FinTech Bridge offered by IFSCA.

IFSCA FinTech Regulatory Sandbox (FRS)

Eligibility

An Applicant who satisfies any of the following conditions shall be eligible to make an application to IFSCA:

1. In case the Applicant is from India:

   i) An entity registered with Department for Promotion of Industry and Internal Trade (DPIIT) as a start-up related to FinTech; or

   ii) A company or LLP incorporated in India; or

   iii) Branch of an Indian Company or LLP in IFSC; or

   iv) An entity working directly or indirectly in the ecosystem regulated by domestic financial sector regulator, such as RBI / SEBI/ IRDAI/ PFRDA.

2. In case the Applicant is from Outside India:

   An incorporated entity or a branch of an incorporated entity from FATF compliant countries/jurisdictions.

3. The Applicant proposes to use innovative technology in its core product or service, business model, distribution model or methodology to provide financial services that are or likely to be regulated by the IFSCA.

Eligibility Criteria for the Proposed Solution

The proposed solution by the applicant must exhibit following:

(a) **Genuineness of innovation** - The idea or solution should be innovative enough to add significant value to the existing offering related to financial service or financial product regulated by IFSCA.

(b) **Genuine need to test** - The applicant should have a genuine need for live testing the solution on real customers/investors. Further, the applicant should demonstrate that the idea or solution cannot be developed/deployed without relaxing certain regulatory requirements, if any, being sought.

(c) **Limited prior testing** - Before applying for testing in sandbox, limited offline testing of the idea or solution should have been carried out by the applicant.

(d) **Direct benefits to users** - The idea or solution should offer identifiable benefits (direct or indirect) to the customers/investors or entities or to the Banking, Capital Market, Funds Management, Insurance sector etc at large.

(e) **No risks to the financial system** - The idea or solution should have proper risk management strategy to incorporate appropriate safeguards to mitigate and control potential risks to any market participants/ users that may arise from the testing of the idea or solution and shall propose appropriate safeguards to manage the risks and contain the consequences of failure.

(f) **Testing readiness of the solution** - The Applicant should have the necessary resources to support testing in the sandbox and must demonstrate well developed testing plans/scenarios and expected outcomes with clear objectives, parameters and success criteria.

(g) **Deployment post-testing** - The Applicant should demonstrate the intention and ability to deploy the idea or solution on a broader scale. To this effect the applicant should share a proposed sandbox exit and transition strategy.

Application Process for IFSCA FinTech Regulatory Sandbox (FRS)

1. **Submitting the Application**

   An Applicant meeting the eligibility criteria under the Framework for FinTech Entity in the International Financial Services Centres (IFSCs) shall apply to the IFSCA by way of an application.

2. **Authorized Signatory Requirement**

   The application form must be signed by a person who is officially authorized to represent the entity. This ensures accountability and confirms that the application has been approved at the organizational level.

3. **Submission Through Email**

   The completed application in all aspects must be submitted via electronic mail.

4. **Screening of the Application**

   Once the application is received, IFSCA conducts a detailed screening to assess the potential suitability for the sandbox.

   - Within 30 working days, the Authority informs the applicant about the likelihood of admission into the sandbox.
   - During this screening stage, IFSCA may reach out for clarifications, additional information, or risk-related insights.
   - The Authority may also issue guidance according to the specific characteristics and risks associated with the proposed solution.

5. **Possible Relaxation for Participants of IFSCA Cohorts**

   Applicants who have already taken part in IFSCA's supported Cohorts or Special Programmes may receive certain relaxations from such stages of the application screening process as may be deemed fit by the IFSCA provided the applicant fulfils the eligibility criteria.

6. **Handling Deficiencies in the Application**

   If any part of the application is incomplete or deficient:

   - IFSCA will communicate the deficiencies to the Applicant.
   - The applicant will be given 30 days to rectify the deficiencies.
   - If the applicant does not correct the issues within the given timeframe or if the corrections are not satisfactory the application may be rejected.

Approval Process in the IFSCA FinTech Regulatory Sandbox

Before a FinTech innovation can be tested in the IFSCA Sandbox, it must go through a structured approval process. This ensures that only eligible, safe, and well-designed solutions enter the testing environment.

1. **Assigning a Contact Person**

   The applicant must appoint a contact person who will serve as the main point of communication with a designated IFSCA officer.

   This helps ensure smooth and timely coordination during the approval process.

2. **Evaluation Stage**

   During this stage, the evaluation committee works closely with the applicant to determine the specific regulatory requirements and conditions (including test parameters and control boundaries) to be applied to the proposed solution.

The time required to fully assess the application is dependent on its completeness and complexity, and the specific legal and regulatory requirements involved.

If the applicant is able and willing to meet all proposed regulatory requirements and conditions, IFSCA grants permission to proceed with developing and testing the FinTech innovation(s) in the sandbox.

3. **Limited Use Authorisation**

   IFSCA may then provide Limited Use Authorization as a FinTech Entity (FE) to develop and test the proposed solution in the IFSCA FinTech Regulatory Sandbox.

4. **Moving to the Testing Stage**

   Once authorised as an FE by the IFSCA, it enters the Testing Stage.

   During this stage, the FE must:

   - Clearly disclose to all users that the solution is being tested under the sandbox,
   - Inform users about the potential risks associated with the solution,
   - Obtain user's acknowledgement confirming they understand these risks.

   This ensures transparency and user protection.

5. **Approval for Material Changes**

   If the FE wants to make any material change to the solution during testing, such as altering features, processes, or risk controls, it must first get prior approval from IFSCA.

6. **Duration of the Testing Stage**

   The standard testing period is a maximum of twelve months. The FE may request an extension of up to six additional months, and IFSCA may grant it if justified.

7. **Rejection of an Application**

   IFSCA may reject an application at any stage.

   Common reasons for rejection include:

   - The proposal does not meet the objectives of the sandbox,
   - The applicant fails to meet the eligibility criteria,

   If rejected, the applicant is informed of the decision. The FE may re-apply once it is able to meet the requirements, after completing a cooling-off period set by IFSCA.

Regulatory Exemptions in the IFSCA FinTech Sandbox

When a FinTech innovation is tested in the IFSCA Regulatory Sandbox, the IFSCA may allow certain regulatory rules to be relaxed to support experimentation. However, these relaxations come with important limits to ensure safety and compliance.

1. **Types of Exemptions Allowed**

   IFSCA may grant exemptions/ relaxations which could be in the form of exemption from certain regulatory requirements depending on the specific needs of the FinTech solution to be tested.

These relaxations help innovators in testing, without facing the full regulatory burden initially.

However, certain rules can never be relaxed, especially those related to:

- Customer or investor protection requirements
- Know-Your-Customer (KYC) requirements
- Anti-Money Laundering (AML) Rules

These safeguards are essential for ensuring user security and preventing financial crime, even during testing.

2. **Requesting Exemptions**

   If a FinTech Entity needs any regulatory relaxation from a certain provision, it must include these details during the sandbox application process.

   IFSCA will only consider exemptions that are properly documented and justified.

3. **Granting of Regulatory Relaxations**

   IFSCA evaluates each sandbox application individually.

   Regulatory relaxations may be approved only after a careful review of:

   - The nature of the innovation,
   - The potential risks involved,
   - The testing plan submitted by the applicant.

Only those exemptions that do not compromise user safety or market integrity will be granted.

Extending or Exiting the IFSCA FinTech Regulatory Sandbox

When a FinTech Entity (FE) tests its innovative product or service inside the IFSCA Sandbox, it does so for a limited period and under relaxed rules. At the end of this period, certain decisions must be made about continuing, expanding, or ending the experiment. The following are the key points for extending or the exiting Regulatory Sandbox.

1. **End of the Testing Period**

   Once the approved testing period finishes, the Limited Use Authorization given to the FinTech Entity automatically ends.

   This also means that any legal or regulatory relaxations granted during the test period no longer apply.

2. **What Happens After Testing?**

   After the testing is completed, the IFSCA decides whether to permit the FinTech innovation to be introduced in the market on a wider scale.

   Conditions to Scale Up

   If the innovation performs well and poses manageable risk, the FE may continue in one of two ways:

   i) **Operate as a Fully Regulated Business**

      The FE must obtain the required licence, registration, or recognition under applicable IFSCA regulations.

ii) **Operate With Modified Regulatory Dispensation**

If the solution proves reliable and shows that internal controls address key risks, the IFSCA may allow the FE to continue business with specific regulatory modification.

If the Innovation is Not Allowed to Scale Up

If IFSCA decides the innovation cannot be introduced on a wider scale, the FE has two options:

- Exit the sandbox using an exit strategy, or
- Request an extension to continue testing for a longer period (if granted by the IFSCA).

3. **Voluntary Exit from the Sandbox**

The FE can choose to exit the sandbox at any time by giving IFSCA a written notice at least 30 working days in advance.

4. **Obligations Before Exiting**

Before leaving or discontinuing the sandbox test, the FE must fully meet all commitments made to the users of the FinTech innovation(s) in the sandbox.

5. **Record-Keeping After Exit**

The FE must keep records showing that all users have acknowledged that the FE has met its obligations towards them. These records must be stored by FE for five years from the date of exit from the sandbox.

Revocation of Approval

Participation in the IFSCA FinTech Regulatory Sandbox is a privilege that comes with serious responsibilities. If a FinTech Entity (FE) violates the rules, creates risks, or fails to maintain expected standards, IFSCA has the authority to revoke its approval. The revocation process is designed to protect users, preserve market integrity, and maintain the credibility of the sandbox environment.

1. **Reasons for Revocation**

IFSCA may revoke the approval to participate in the sandbox at any time before the end of the testing period, if the FE:

i) Fails to put in place risk mitigating measures.

ii) Submits false, misleading or inaccurate information, or has concealed or failed to disclose material facts in the application

iii) Contravenes any law which adversely affects its functioning in IFSC.

iv) Suffers a loss of reputation that is likely to impact the engagement of the users with the product or solution.

v) Order for initiation of insolvency or liquidation process has been passed against it or its parent.

vi) Compromises the digital security and integrity of the service or product or elevates the risk of a cyber-security attack.

vii) Carries on business in a manner detrimental to users or the public at large.

viii) Fails to effectively address any technical defects, flaws or vulnerabilities in the product, service or solution which gives rise to recurring service disruptions or fraudulent activities.

ix) Fails to implement any directions given by the IFSCA.

Before revoking the approval to participate in the sandbox, the IFSCA shall:

i) Give the FE prior notice of its intention to revoke the approval

ii) Provide an opportunity to the FE to file written submissions to the IFSCA on the grounds for the proposed revocation.

Upon revocation of an approval, the FE must:

i) Immediately implement its exit plan and discontinue the usage of the product, process, service or solution by all users

ii) Notify its users about the cessation and their rights of grievance redressal

iii) Comply with obligations imposed by the IFSCA to dispose of all confidential information including user's personal information collected over the duration of the testing

iv) Submit a report to IFSCA on the actions taken within thirty days from the revocation

v) Comply with any other directions given by the IFSCA.

Authorization as FinTech Entity (FE)

1. Upon successful exit from the Sandbox, the FE who desires to carry out its business as FinTech under any existing or the modified regulatory dispensation specified by the IFSCA, shall be Authorized as "FinTech Entity" to operate under the appropriate regulatory regime.

2. The Applicant authorised by IFSCA as "FinTech Entity" shall:

    i) Separately incorporate an entity in the IFSC

    ii) Establish a branch or a subsidiary of an Indian or Foreign incorporated entity in IFSC

IFSCA FinTech Innovation Sandbox (FIS)

The FinTech Innovation Sandbox (FIS) is a controlled, safe testing environment created by IFSCA to support early-stage innovation. It allows FinTech firms to experiment with their ideas using real market data, without interacting with the live financial markets or real customers. This gives innovators the freedom to develop and refine their solutions before seeking regulatory permissions.

1. Purpose and Nature of the Innovation Sandbox

The FIS enables FinTech firms to test their concepts in isolation from the live market. This means the testing environment is completely separate from actual market operations, reducing risks and allowing firms to focus on development.

- Firms can experiment using market-related data provided by regulated entities in the IFSC.
- Since the testing does not involve real users or live market activity, the environment supports safer early-stage experimentation.

2. Role of Regulated Entities in IFSC

All regulated entities operating in the IFSC such as exchanges, banks, or intermediaries must put in place the necessary systems and infrastructure for operationalizing the Innovation Sandbox.

3. Eligibility and Application Process

The eligibility criteria for the Applicant, proposed solution, application and screening process for the FIS are the same as those for the FinTech Regulatory Sandbox (FRS).

However, two important differences apply:

- No regulatory exemptions are granted, since testing does not involve real customers.
- Obligations toward users do not apply, because the testing is data-driven and not customer-facing.

This makes the FIS a suitable option for firms in the early stages of product development.

4. **Grant of Limited Use Authorisation**

   If the IFSCA is satisfied with the application and the proposed solution, it grants the applicant a "Limited Use Authorization" as a FinTech Entity. This authorization allows the firm to develop and test its solution within the IFSCA FinTech Innovation Sandbox.

   It does not permit live deployment or real customer interaction. At the end of the testing period, the Limited Use Authorisation as FinTech Entity granted to the applicant shall expire.

5. **Post-Testing Outcome**

   After completing testing in the FIS:

   - The Limited Use Authorization expires, and
   - The applicant becomes eligible to apply for the IFSCA FinTech Regulatory Sandbox (FRS), where live testing with real users can occur (subject to regulatory approval).

   This creates a structured innovation pipeline—from early-stage testing in FIS to market-ready testing in FRS.

6. **Voluntary Exit by the FinTech Entity**

   A FinTech Entity may exit the Innovation Sandbox voluntarily at any time.

   The FE may exit the sandbox on its own by giving prior notice of 30 working days to IFSCA, in writing, of its intention to exit the sandbox.

7. **Revocation of Approval**

   The rules for revocation of approval in the Innovation Sandbox are identical to those in the FinTech Regulatory Sandbox (FRS).

Inter-operable Regulatory Sandbox (IoRS) with IFSCA as Principal Regulator

The Inter-operable Regulatory Sandbox (IoRS) is a unique framework designed for innovations that span across multiple financial sectors and therefore require oversight from more than one regulator. When the IFSCA acts as the *Principal Regulator*, it coordinates the entire process while working closely with other domestic regulators.

This sandbox is especially relevant for foreign FinTech firms that want to enter the Indian market with hybrid or cross-sector financial solutions.

1. **Eligibility for Foreign FinTechs**

   Foreign FinTech entities may be allowed to participate in the IoRS if:

   - Their financial technology product, service whose business models, activities or features fall under the jurisdiction of more than one domestic financial sector regulator in India.
   - These domestic regulators become Associate Regulators under the IoRS framework.

2. Application and Screening Process

Applications submitted to IFSCA either directly from domestic regulators or through the IoRS Coordination Group go through the same application and screening process as that used in the IFSCA FinTech Regulatory Sandbox (FRS).

IFSCA may seek clarifications, additional data, or risk-mitigation details during the screening.

3. Decision-Making by IFSCA (as Principal Regulator)

As the Principal Regulator, IFSCA leads the evaluation process. However, it works in consultation with Associate Regulators to determine:

- Whether the proposed hybrid product/solution/innovation falls within the scope of the IoRS
- Whether it aligns with the IFSCA FinTech Regulatory Sandbox Framework
- Whether it should be admitted into the sandbox

Based on the joint assessment, IFSCA communicates the decision to the applicant.

4. Post-Testing Requirements

After FinTech entity successfully exits the IoRS, it must approach IFSCA and the Associate Regulators to:

- Obtain the necessary authorisation, and
- Seek any regulatory dispensation before launching the product in the market market.

This ensures that the product enters the market with full regulatory approval across all relevant sectors.

5. Compliance with the Standard Operating Procedure (SoP)

The entire process from application to testing to exit must comply with the Standard Operating Procedure (SoP) developed by the IoRS Coordination Group, which functions under the Inter-Regulatory Technical Group on FinTech.

Overseas Regulatory Referral Mechanism /FinTech Bridges of IFSCA

To support global collaboration and cross-border innovation, the IFSCA operates FinTech Bridges and Overseas Regulatory Referral Mechanisms. These frameworks help FinTech firms smoothly interact with foreign regulators when they wish to expand internationally or test cross-border financial solutions.

What Are FinTech Bridges and Referral Mechanisms?

A FinTech Bridge is a formal partnership between IFSCA and an overseas financial sector regulator.

It allows FinTech firms in both jurisdictions to:

- Access to each other's regulatory ecosystems
- Share knowledge and best practices
- Explore opportunities for cross-border testing or expansion
- Receive regulatory support during international entry

The Overseas Regulatory Referral Mechanism is a structured process through which IFSCA can refer an Indian/IFSC-based FinTech to a foreign regulator or receive referrals from abroad for smoother regulatory engagement.

Eligibility and Governance

Any applicant seeking to use these cross-border mechanisms will be governed strictly by the terms of:

- The Memorandum of Understanding (MoU), or
- Any collaboration,
- Special arrangement

that exists between IFSCA and the corresponding overseas Financial Sector Regulator(s).

This means that each FinTech Bridge has its own rules, conditions, obligations, and benefits, depending on what was mutually agreed between the authorities.

Key Features

1. **Cross-border regulatory support**

   Firms can receive guidance and smoother access to foreign regulatory frameworks.

2. **Structured cooperation**

   Regulators share data, insights, and information as allowed under the MoU.

3. **Reduced friction for international expansion**

   FinTech avoids repeated or conflicting regulatory procedures.

4. **Enhanced global innovation**

   Firms can test or deploy financial solutions in multiple jurisdictions more easily.

5. **Mutual recognition (in some cases)**

   Certain approvals, test results, or sandbox outcomes may be acknowledged across borders—depending on the MoU.

Why Is This Important?

FinTech innovations often have global applications, such as payments, blockchain solutions, digital identity, and cross-border transaction platforms.

The FinTech Bridges of IFSCA help:

- Reduce entry barriers
- Promote international cooperation
- Encourage global competitiveness
- Support safe and responsible innovation
- Strengthen India's presence in global FinTech ecosystems

IFSCA FINTECH INCENTIVE SCHEME, 2022

Objective

1. The principal objective of the scheme is to promote the establishment of a world class FinTech Hub, comparable with those located in advanced International Financial Centers (IFCs) across jurisdictions, at International Financial Services Centre (IFSC) in India by providing financial support to FinTech activities

in the form of specific grant(s) as specified in the scheme, based on their eligibility and fulfilment of terms and conditions as may be specified.

2. This scheme shall be open to –
   i) Domestic FinTechs seeking access to overseas markets
   ii) Domestic FinTechs seeking listing on IFSCA recognised stock exchanges
   iii) Foreign FinTechs seeking market access to IFSCs in India and work within the Authority's regulatory framework
   iv) Foreign FinTechs seeking access to domestic market under Inter-Operable Regulatory Sandbox (IORS) framework
   v) Domestic FinTechs extending business to the IFSCs either by way of authorisation or registration or through the regulatory sandbox

Eligibility

1. An Applicant, satisfying any of the conditions mentioned below, shall be eligible to make an application for availing incentive under this Scheme:
   i) Where the Applicant is from India:
      a) An entity registered with DPIIT (Department for Promotion of Industry and Internal Trade) as a start-up entity relating to FinTech
      b) A company or LLP incorporated in India
      c) Branch of an Indian Company or LLP in IFSC
      d) An Individual who is a resident citizen
      e) An entity working directly or indirectly in the ecosystem regulated by RBI, SEBI, IRDAI or PFRDA
   ii) Where the Applicant is from Outside India:

      A Non-resident Individual or an entity from FATF compliant countries/jurisdictions provided that where the applicant is a body corporate incorporated outside India, the shareholding of non-resident Individuals in the applicant, shall, at all times, be more than 51%.
2. The Applicant undertakes to use technology in its core product or service, business model, distribution model or methodology to solve the problem being targeted.
3. An entity who has received any grant earlier from the Central or State Government schemes for the same project scope and activities shall not be eligible to apply under this Scheme. Also, the prize money from competitions and grand-challenges, founder monthly allowance, etc. shall not be considered as grant received earlier.
4. Applicant shall be required to submit separate proposals, in case there is more than one projects or innovative components each of which fits into the qualifying criteria and they shall be treated as separate projects and be evaluated and incentivised separately.

Types of Incentives for eligible applicants subject to meeting the terms and conditions as may be specified

1. **FinTech Start-up grant**- This grant shall be utilized for developing a product or a service and related 'goto-market' initiatives for a start-up with a novel FinTech idea or solution. An eligible FE may receive up to Rs. 15 lacs under this scheme. The grant is expected to meet expenses towards product development, manpower costs, IT costs, etc. At this stage the focus is on converting the idea into an MVP.

2. **Proof of Concept (PoC) grant**- This grant shall be utilized for the purpose of conducting a PoC by an early or mature FE in domestic market or overseas. An amount of up to Rs. 50 lacs may be provided to an eligible FE for the purpose of conducting a PoC either in Indian markets or overseas and shall cover expenses towards manpower costs, IT costs, marketing, prototyping costs etc.

3. **Sand-box grant-** This grant shall be utilized by FEs to experiment with innovative products or services in a sandbox. An amount of upto Rs. 30 lacs may be provided to an eligible FE to cover the costs of developing a software, prototyping, manpower costs, consulting, tech related, IT related, admin costs, etc.

4. **Green FinTech Grant-** This grant shall be utilized towards developing solutions facilitating sustainable finance and sustainability linked finance, including 'Environmental, Social and Governance (ESG)' investments. An amount of up to Rs. 75 lacs of grant may be provided to an eligible FE focussed on sustainable finance.

5. **Accelerator Grant-** This grant shall be utilized for supporting accelerators at the IFSC. An amount of up to Rs. 10 lacs of grant may be provided to an eligible Accelerator applicant for capacity building, build capabilities around mentors, bringing investors, bringing more projects or PoC, tie ups, etc.

6. **Listing Support Grant -** The grant shall be utilized for supporting Domestic FEs aspiring to go for listing on stock exchanges recognised by the Authority. An amount of up to Rs. 15 lacs may be provided to an eligible Domestic FE for meeting expenses pertaining to road shows, international travel and listing requirements, etc.

Execution of the Scheme

1. **Process for sanction of grant**

   i) The Applicant shall make the application in the form and manner, containing such particulars and accompanied by such documents and fees, as may be specified by the IFSCA.

   ii) On receipt of application, the IFSCA shall scrutinize the application and conduct due diligence with respect to eligibility, compliance with regulatory requirements including KYC-AML guidelines, disclosure norms, corporate governance norms and any other criteria as may be specified by the IFSCA.

   iii) The application shall be evaluated by an Evaluation Committee which shall submit its recommendation along with comments and observations, to the IFSCA.

   iv) The IFSCA on being satisfied with the recommendations of the Evaluation Committee, may issue a sanction letter containing specific terms & conditions of the grant, requiring the FE to enter into such agreements, with such terms and conditions, as may be specified by the IFSCA.

   v) The Internal Committee shall monitor pre and post disbursement conditions, compliance, end use of grant, progress, milestone achievements and shall perform any other function as specified by the IFSCA.

   vi) Disbursement shall be made subject to the satisfactory compliance of the terms and conditions mentioned in the sanction letter and achieving requisite milestones.

2. **Conditions for Sanction of grant**

   i) FE shall need proper authorisation and delegation of power in favour of its representative who shall be interacting with the IFSCA. The FE shall ensure compliance with regulatory requirements and be responsible for all the acts of omission or commission of its representative.

ii) The FE or its project team or its implementation team shall operate from IFSC during the sandbox or accelerator period.

iii) On successful completion of the Sandbox/accelerator/cohort/special program, the FE shall incorporate an entity at IFSC and seek registration/license/authorisation etc. under the Act, if applicable.

iv) The FE shall undertake not to implement a successful solution using the grant under this scheme in any other jurisdiction for a period of 3 years.

v) If the FE fails to meet any conditions of the sanction of a grant, the FE shall undertake to return the grant to the IFSCA along with simple interest at the rate of 8% per annum.

3. Disbursement of Grants

i) Disbursement of the grant shall be linked to milestones set for the FE. The milestones shall be decided in consultation with the Internal Committee.

ii) The disbursement shall be done on 'reimbursement' basis after submission of necessary documents, invoices, technical reports, etc. The Authority shall normally release the disbursement within 30 working days of submission of all the documents.

iii) Advance under the scheme may be considered only under exceptional circumstances.

ANCILLARY SERVICE PROVIDERS – FRAMEWORK AT GLANCE

Considering the importance of professional and other service providers for the development of financial products, financial services and financial institutions in the International Financial Services Centres (IFSC), a framework for enabling ancillary services has been provided by IFSCA.

Ancillary services shall mean those services which directly or indirectly aid, help, assist or strengthen or are attendant upon or connected with the services.

Permissible ancillary services

The service providers may engage in any one or more of the following activities:

i) Legal, Compliance and Secretarial

ii) Auditing, Accounting, Bookkeeping and Taxation Services

iii) Professional & Management Consulting Services

iv) Administration, Assets Management Support Services and Trusteeship Services

v) Any other services as approved by IFSCA from time to time

Legal services, Compliance & Secretarial Services:

1. Legal Services

- **Legal advisory services:** Legal advisory services shall include tendering legal opinions, drafting legal documents including pleadings, representing before IFSCA or entities regulated by it. It shall also include research and other work for the preparation of a non-judicial case (e.g. researching legal documentation, reviewing reports), and the execution of post-litigation work.
- **Legal documentation and certification services:** Preparation, drawing up and certification services of legal documents. These services comprise of related legal services including the

provision of advice and the execution of various tasks necessary for the drawing up or certification of documents including commercial contracts, business charters, etc.

- **Other legal advisory and information services:** Advisory services to clients related to their legal rights and obligations, and providing information on legal matters not classified elsewhere. This includes services such as escrow and settlement services.

2. **Compliance & Secretarial Services**

   a) Compliance Services means providing advice, consultancy, assistance or other related services, for fulfilling legal obligations/compliances under various laws for the time being in force

   b) Secretarial services in relation to any applicable law including laws of foreign jurisdictions.

Accounting, Auditing, Bookkeeping & Taxation Services

1. **Accounting and auditing services:**

   - **Financial auditing services:** Examination of the accounting records and other supporting evidence of an organization for the purpose of expressing an opinion as to whether financial statements of the organisation present its financial and operational position fairly on a given date, in accordance with generally accepted accounting principles.
   - **Accounting review services:** Reviewing services of annual and interim financial statements and other accounting information. The scope of a review is less than that of an audit and therefore, the level of assurance provided is lower.
   - **Compilation of financial statements services:** This includes compilation of financial statements from information provided by the client. No assurances regarding the accuracy of the resulting statements are provided. This service shall also include the preparation services of business tax returns, when provided as a bundle with the preparation of financial statements for a single fee.
   - **Other accounting services:** Other accounting services such as attestations, valuations, preparation services of pro forma statements, etc.

2. **Bookkeeping services, except tax returns:**

   Bookkeeping services consisting of classifying and recording business transactions in terms of money or some unit of measurement in the books of account.

3. **Taxation Services:**

   - **Business Tax Planning and Consulting Services:** Advisory services to enterprises to do tax planning.
   - **Business Tax Preparation and Review Services:** Services consisting of preparing or reviewing various returns and reports required for compliance with the income tax laws and regulations and representing before the tax authorities. This may also include tax planning and control.
   - **Other Tax Related Services:** Services consisting of assisting entities in tax planning and preparing all documentation required by law.

Professional and Management Consulting Services

1. **Professional Services:**

   Professional Services provided by any of the service provider in relation to the following:

   a) Advisory Services to entities within IFSC in relation to a financial product or any other advisory services as required in connection with their business in IFSC or their business with an Indian company or an overseas company

b) Advisory Services to companies/entities outside India in relation to their business or investment activity including in India or in IFSC

c) Advisory Services to companies/entities in India in relation to their business or investment activities outside India or in IFSC.

2. **Management Consulting Services:**

- **General management consulting services:** Advisory, guidance and operational assistance services concerning business policy and strategy and the overall planning, structuring and control of an organization. More specifically, general management consulting assignments may deal with one or a combination of policy formulation, determination of the organizational structure (decision-making system) that will most effectively meet the objectives of the organization, legal organization, strategic business plans, defining a management information system, development of management reports and controls, business turnaround plans, management audits, development of profit improvement programs and other matters which are of particular interest to the higher management of an organization.

- **Financial management consulting services (except business tax):** Advisory, guidance and operational assistance services concerning decision areas which are financial in nature, such as working capital and liquidity management, determination of an appropriate capital structure, analysis of capital investment proposals, development of accounting systems and budgetary controls, business valuations prior to mergers and/or acquisitions, etc.

- **Marketing management consulting services:** Advisory, guidance and operational assistance services concerning the marketing strategy and marketing operation of an organization. Marketing consulting assignments may deal with one or a combination of analysis and formulation of a marketing strategy, formulation of customer service and pricing policies, sales management and staff training, organization of distribution channels (sell to wholesalers or directly to retailers, direct mail, franchise, etc.), organization of the distribution process, package design and other matters related to the marketing strategy and operations of an organization.

Administration, Assets Management Support Services and Trusteeship Services:

1. **Administration Services:**

   Offering support services in relation to safeguarding and administering assets consisting of financial products, belonging to another person, or agreeing to do so.

2. **Assets Management Support Services:**

   Offering support services to Asset Management Companies. Providing services for maintenance of various physical assets belonging to another person / used by other person.

3. **Trusteeship Services:**

   Trusteeship services in relation to debenture, bonds, management of private trust, external commercial borrowing, facility and escrow agent, safe keeping and other related financial services.

Eligibility Conditions for Ancillary Services Provider

The following entities are eligible to act as a service provider so as to provide permissible ancillary services pertaining to activities in relation to financial products, financial services and financial institutions in the IFSC:

i) Any existing or newly incorporated entity set up in the IFSC or

ii) Any Indian or foreign incorporated entity by establishing a branch or a subsidiary

Service Recipients

Service providers can provide permissible services to any one or more of the following:

i) Entity(ies) set up in the IFSC

ii) Financial services entities from foreign jurisdictions for various activities in the IFSCs in India or other related activities overseas

iii) Indian entities who propose to open, set up or carry out operations in IFSCs or foreign jurisdiction, provided consideration is received in freely convertible foreign currency

Application Process

An applicant desirous to act as a service provider and eligible under this framework to provide permissible ancillary services shall apply to IFSCA in the application form.

Currency for conduct of business

Service providers shall transact in freely convertible foreign currency only. However, the service providers may defray their administrative expenses in INR by maintaining an INR account.

Maintenance of Books of Accounts, Records and Documents

Every service provider shall maintain its books of accounts, records, and documents in such foreign currency, as may be declared at the time of making an application.

Submissions of Report / Information

i) Every service provider shall furnish the following information to the IFSCA:

   a) Annual financial statements for the entity registered.

   b) Confirmation of compliance with the regulations, circulars, guidelines and/or directions as issued by the International Financial Services Centres Authority from time to time.

   c) Details of material regulatory action, if any

ii) Every service provider authorized by the IFSCA shall submit the financial information to the IFSCA in US Dollar, unless otherwise specified by the IFSCA.

iii) The IFSCA from time to time may call for any information, documents, or records as it may deem necessary from the service provider.

Compliance with other requirements

The service providers shall comply with all the applicable and relevant regulatory obligations, standards, policies and guidelines as issued by any other competent authority(ies).

Action in case of default

If a service provider fails to comply with any of the requirement under this framework and/or other directions and guidelines issued from time to time, the IFSCA may take appropriate action as it deems fit, after giving a reasonable opportunity to make its written submissions.

PAYMENT SERVICES PROVIDERS – PROCESS FLOW FOR AUTHORISATION

The International Financial Services Centres Authority (IFSCA) regulates all Payment Service Providers (PSPs) operating in or from an International Financial Services Centre (IFSC). Any entity wishing to provide payment services such as e-money issuance, merchant acquisition, escrow services, or cross-border transfer must first obtain a Certificate of Authorisation from IFSCA.

The authorisation process is systematic and ensures that only financially sound, well-governed, and fit-and-proper entities can operate in the IFSC ecosystem.

1. **Requirement for Authorisation**

   Any person/entity that wants to provide Payment Services in or from IFSC must hold a valid Certificate of Authorisation issued under the IFSCA (Payment Services) Regulations, 2024.

2. **Submission of Application**

   - The applicant must submit an application to IFSCA in the prescribed form and manner.
   - The application must be accompanied by a non-refundable application fee.
   - Once authorised, a PSP can offer one or more payment services such as account issuance service (including e-money account issuance service), e-money issuance service, escrow service, cross border money transfer service and merchant acquisition service.
   - An IFSC Banking Company (IBC) or an IFSC Banking Unit (IBU), a person licensed to carry on the business of issuing credit cards in IFSC, any other person or class of persons, as may be specified by the IFSCA, are exempted.

3. **Legal Form Requirement**

   The applicant must be incorporated as a Company with its registered office in IFSC. Foreign entities or domestic companies must set up an IFSC-incorporated company for this purpose.

4. **Meeting Minimum Net Worth Requirements**

   The regular PSP must have a minimum net-worth of USD 100,000 (or equivalent in a Specified Foreign Currency) on the date of commencement of operations and a minimum net-worth of USD 200,000 (or equivalent in a Specified Foreign Currency) by the end of the third financial year (i.e., March 31) from the year of commencement of operations.

   A significant PSP must have a minimum net-worth of USD 250,000 (or equivalent in a Specified Foreign Currency) within ninety days of the date of being so designated by the IFSCA and a minimum net-worth of USD 500,000 (or equivalent in a Specified Foreign Currency) by the end of the third financial year (i.e., March 31) from the year of designation as a significant PSP.

5. **Fit and Proper Requirements**

   The applicant or a PSP must ensure that all its Directors, Key Managerial Personnel and Persons exercising control over it must meet the Fit and Proper Criteria.

6. **Detailed Evaluation of the Application**

   During evaluation, IFSCA examines whether:

   - Relevant persons of the Applicant possess adequate experience, including an existing authorisation to provide similar services in any other jurisdiction, in the activities that it seeks to provide as a Payment Service Provider.

- the applicant possesses the necessary infrastructure like adequate office space, equipment, communication facilities and manpower to effectively discharge its activities
- Net worth and financial soundness requirements are fulfilled
- the Applicant and Relevant Persons satisfy the fit and proper requirements
- the Applicant or its Group Entities have in the past been refused authorisation by the IFSCA and if so, the ground for such refusal
- the Applicant or the Relevant Persons are not subject to any proceeding for breach of law by the IFSCA
- the interests of Payment Services Users, including the terms and conditions governing their relationship with a Payment Service Provider, shall be adequately protected if such authorisation is granted

7. Issuance of In-Principle Approval

After considering an application for authorisation, if the IFSCA is satisfied that the said application, prima facie, satisfies the conditions for granting authorisation, the IFSCA may issue an "in-principle approval" letter to the Applicant and shall require the Applicant to satisfy such conditions as may be specified by the IFSCA in the "in-principle approval" letter before grant of authorisation.

8. Grant of Certificate of Authorisation

The IFSCA may, on being satisfied that the Applicant has complied with the conditions laid down in these regulations and is eligible to act as a Payment Service Provider, grant a Certificate of Authorisation to the Applicant subject to such conditions as the IFSCA may deem fit.

Key points:

- Authorisation remains valid unless revoked or surrendered.
- IFSCA aims to process the application within six months from the date of filing.
- IFSCA may require the PSP to maintain a security deposit.
- The PSP must identify an IFSC Banking Unit/Company as its Nodal Bank.
- Any material change in earlier submitted information must be reported to IFSCA.
- IFSCA may modify authorisation conditions even after approval.

9. Refusal of Authorisation

IFSCA may refuse authorisation if deficiencies exist.

Procedure:

1. IFSCA notifies the applicant of deficiencies.
2. Applicant gets 30 days to rectify these.
3. If not rectified IFSCA refuses authorisation after giving a reasonable opportunity of being heard.
4. A fresh application can be filed after six months from the date of refusal or withdrawal.

Key Business Opportunities

1. Cross-Border Money Transfer Services

PSPs can offer inbound and outbound cross-border remittances for individuals and businesses.

This is one of the strongest opportunities due to:

- Large global diaspora
- High cross-border trade flows
- Demand for faster, cheaper, more transparent international transfers

PSPs can build models similar to international money transfer operators (IMTOs), digital remittance platforms, or blockchain-based transfer networks.

2. **Merchant Acquisition & Payment Facilitation**

Businesses can provide services enabling merchants to accept payments using:

- Cards
- e-money wallets
- UPI-like rails (when permitted)
- QR-based systems
- Online/digital payment gateways

This opens opportunities for:

- Global merchant acquirers
- Payment gateway operators
- Cross-border e-commerce payment processors
- Aggregator and sub-aggregator models

3. **Issuance of E-Money (e-wallets)**

PSPs can issue e-money wallets backed by freely convertible foreign currency.

This supports:

- Global prepaid wallets
- Multi-currency travel wallets
- Corporate spending wallets
- Digital stored-value instruments

E-money issuance can transform IFSC into a hub for international digital wallet innovation.

4. **Operation of Payment Accounts (Non-Bank Payment Accounts)**

PSPs can offer payment accounts for holding funds and executing payment transactions.

Opportunities include:

- Business accounts for global start-ups
- Forex-linked payment accounts
- Multi-currency settlement accounts
- Accounts for cross-border digital platforms

This elevates IFSC as a base for global digital financial operations.

5. **Escrow Services (Digital & Non-bank Escrow Operations)**

PSPs can provide escrow account services, enabling secure payments between parties.

Examples:

- E-commerce escrow
- Marketplace settlement accounts
- Trade transaction escrows
- Investment/real estate escrows
- Platform-based escrow for fintechs

This is a high-value institutional business model.

6. **Payment Initiation Services**

This allows entities to initiate payment instructions on behalf of customers without holding their funds.

Business opportunities:

- Account-to-account payment apps
- Payment initiation API providers
- FinTechs offering global payment routing

This aligns with open banking and API-led payment infrastructure.

7. **Account Information Services**

AIS providers can aggregate customer financial data (with consent) and provide insights to:

- Banks
- Investment managers
- Insurers
- FinTech platforms

This opens opportunities for:

- Cross-border credit scoring
- Personal finance management tools
- Data aggregation platforms
- Embedded finance solutions

8. **Payment Switching / Routing Infrastructure**

Entities can operate payment switching systems, enabling:

- Transaction routing
- Authorisation
- Clearing and processing

This is a major opportunity for building:

- Cross-border card networks

- Payment platforms
- International payment rails
- FinTech switching services

9. **Payment Clearing & Settlement Services**

   Non-bank entities can operate systems for clearing and settling payment instructions.

   This can support:

   - International settlement hubs
   - Blockchain-based clearing
   - Multilateral netting platforms
   - Trade and remittance clearing
   - FX settlement systems

10. **FX Payment Services**

    PSPs may provide payment services involving foreign exchange, including:

    - FX conversions linked to payment transactions
    - Multi-currency wallets
    - Cross-border payment FX rails

    This enables innovative multi-currency payment experiences.

11. **Technology & Infrastructure-Based Payment Support**

    The regulations indirectly encourage tech-led models such as:

    - Blockchain / DLT-based payment rails
    - Tokenised value transfers
    - AI-based payment fraud analytics
    - Cloud-based payment processing
    - RegTech for PSP compliance

These enable global FinTech firms to operate from IFSC.

GLOBAL IN HOUSE CENTRE (GIC) – GIC IN IFSC

"Global-In-House Centre (GIC)" means a service provided by a GIC Unit for delivering services relating to financial products and financial services to a Financial Institution Group;

A Global In-House Centre (GIC) is a business unit established within an International Financial Services Centre (IFSC), such as GIFT City, to provide support services to non-resident entities belonging to the same financial services group. These services support or enable the delivery of financial services or activities relating to financial products (such as banking, insurance, investment, or capital markets).

The GIC can serve group entities like:

- Banks
- Non-banking financial companies (NBFCs)

- Insurance/reinsurance companies
- Funds
- Stock exchanges, depositories, custodians
- Financial intermediaries, brokers, actuaries, etc.

GICs are regulated by the International Financial Services Centres Authority (IFSCA) under the IFSCA Act, 2019. The IFSCA has issued a dedicated regulatory framework to enable, supervise, and promote GICs in IFSC.

"Global-In-House Centre Unit (GIC Unit)" means a unit set up in International Financial Services Centre by an entity of a Financial Institution Group, either directly or through a third party service provider, and registered under these regulations for undertaking the activities of Global In-House Centres under any of the operating models, viz Captive Centre, Build-Operate-Transfer, Joint Venture, Hybrid or any other model as may be permitted by the IFSCA.

Eligibility

Any entity that:

- Belongs to a financial services group regulated in a jurisdiction compliant with the Financial Action Task Force (FATF)
- Intends to offer support services related to financial services in respect of financial product.
- Plans to serve only non-resident entities
- Complies with the SEZ rules and obtains required approvals

Eligibility ensures that only serious, well-regulated groups operate within IFSC, maintaining a high standard of governance.

Salient Features of GICs in IFSC

The following are the important characteristics and regulatory features of GICs:

1. A Global In-House Centre provides services to non-resident entities only.
2. Relocation of employees from an existing entity in the domestic area in India shall be permissible with respect to supervisory personnel only, which may be allowed with prior approval of the IFSCA up to a maximum of twenty percent of the strength in such category.
3. A Global In-House Centre deals in freely convertible foreign currency only. It may defray its administrative expenses in INR by maintaining an INR account as may be specified by the IFSCA.
4. A Global In-House Centre may conduct its business in any mode permitted by the IFSCA, including branch mode.

Key Benefits of Setting Up a GIC in IFSC

1. **Access to International Markets and Clients**

   Since a GIC in IFSC can only serve non-resident group entities, it becomes a global delivery hub for multinational financial groups. This allows firms to centralize their international operations in a competitive jurisdiction while being geographically located in India.

2. **Advantage of Operating in Foreign Currency**

   GICs deal exclusively in freely convertible foreign currency, offering the benefit of smoother global transactions, reduced currency conversion risk, and easier integration with international financial systems.

3. **Flexible Operational Structures**

IFSCA allows GICs to operate in various modes including branch mode giving financial groups complete flexibility to structure their global support operations according to business needs. This enhances efficiency and reduces administrative barriers.

4. **Ability to Relocate Key Personnel**

The regulations permit relocation of up to 20% supervisory staff from the domestic unit to the IFSC GIC with prior approval. This enables continuity of leadership, smooth transition, and knowledge transfer when establishing or scaling the GIC.

5. **Regulatory Clarity and Supportive Framework**

IFSCA provides a well-defined regulatory framework, single-window approvals, and a globally benchmarked compliance environment. This supports efficient operations and enhances the credibility of GICs set up in the IFSC.

6. **Strategic Presence in a Global Financial Hub**

Operating from GIFT IFSC places the GIC within a rapidly growing financial ecosystem with world-class infrastructure, global market access, and supportive government policies. This strengthens the group's global operating footprint.

7. **Cost Efficiency and Business Enablers**

The IFSC framework offers several cost advantages such as:

- Lower operating costs compared to other international hubs
- Reduced compliance burden (due to a single unified regulator)
- Operational savings through centralized processes

These benefits make IFSC an attractive location for global capability centres.

8. **Enhanced Data, Control, and Standardization**

Centralizing support services in a GIC within IFSC helps financial groups achieve:

- Better process standardization
- Improved oversight and governance
- Stronger data management and analytical capabilities

This leads to better global coordination across the financial services group.

LESSON ROUNDUP

- IFSC provides a dedicated and globally aligned regulatory ecosystem for FinTech, service providers, and financial innovation under IFSCA.
- FinTech entities must be set up in IFSC through approved legal structures and meet eligibility, compliance, and fit-and-proper requirements.

- The FE Framework recognises both FinTech and TechFin entities and allows participation by Indian and foreign applicants from FATF-compliant jurisdictions.
- A wide range of technology-driven financial activities across banking, capital markets, insurance, payments, funds, and sustainable finance are permitted.
- IFSCA enables innovation through multiple sandbox mechanisms including Regulatory Sandbox, Innovation Sandbox, and Inter-operable Regulatory Sandbox.
- Sandbox participation allows controlled testing of innovative financial solutions with defined safeguards, timelines, and exit conditions.
- Successful sandbox participants may scale operations through full authorisation under applicable IFSCA regulations.
- The IFSCA FinTech Incentive Scheme, 2022 supports FinTech development through targeted grants for innovation, sandbox testing, sustainable finance, and market expansion.
- Ancillary Service Providers play a supporting role in IFSC by offering legal, compliance, accounting, consulting, administration, and trusteeship services.
- Payment Service Providers in IFSC operate under a separate authorisation framework with defined net worth, governance, and consumer protection requirements.
- IFSC offers significant business opportunities in cross-border payments, e-money, escrow services, payment infrastructure, and FX-linked services.
- Global In-House Centres (GICs) in IFSC enable financial groups to centralise global support services for non-resident entities in a foreign-currency environment.

GLOSSARY

Ancillary Service Providers: Entities authorised by IFSCA to provide support services such as legal, compliance, accounting, consulting, and trusteeship services in IFSC.

FinTech: Technology-driven innovation that results in new or improved financial products, services, processes, or business models regulated by IFSCA.

FinTech Innovation Sandbox (FIS): A controlled testing environment allowing FinTech firms to test innovations using market data without live customers or real market transactions.

FinTech Regulatory Sandbox (FRS): A framework that allows live testing of innovative FinTech solutions on real users under regulatory supervision and limited relaxations.

Freely Convertible Foreign Currency: A foreign currency that can be freely exchanged on international markets and is generally used for conducting business in IFSC.

Global In-House Centre (GIC): A unit set up in IFSC to provide support services to non-resident group entities of a financial services group.

IFSCA FinTech Incentive Scheme, 2022: A scheme providing financial grants to eligible FinTech entities to promote innovation and development of FinTech ecosystem in IFSC.

Inter-operable Regulatory Sandbox (IoRS): A sandbox framework for FinTech innovations that fall under the jurisdiction of more than one financial sector regulator.

Limited Use Authorisation: Temporary permission granted by IFSCA to a FinTech entity to test its innovation within a sandbox environment.

Payment Service Provider (PSP): An entity authorised by IFSCA to provide payment services such as e-money issuance, cross-border transfers, escrow services, and merchant acquisition.

Permissible Activities: Approved financial or FinTech activities that an entity is allowed to undertake under IFSCA regulations.

Regulatory Relaxation: Temporary exemption from certain regulatory requirements granted by IFSCA during sandbox testing, excluding core safeguards like KYC and AML.

Sandbox Exit Strategy: A planned approach submitted by a FinTech entity outlining how it will discontinue testing or transition to full-scale operations after sandbox completion.

TechFin: Technology-focused entities that provide advanced or emerging technological solutions supporting financial services without directly offering financial products.

Overseas Regulatory Referral Mechanism / FinTech Bridge: A framework facilitating cooperation between IFSCA and foreign regulators to support cross-border FinTech innovation.

TEST YOURSELF

(These are meant for recapitulation only. Answer to these questions are not to be submitted for evaluation.)

A. Very Short Answer Questions

1. What is meant by a FinTech Entity under the IFSCA framework?
2. Who regulates FinTech activities in the IFSC?
3. Name any one legal structure through which a FinTech entity can be set up in IFSC.
4. What currency is generally used for conducting business in IFSC?
5. What is meant by TechFin?
6. State one objective of the IFSCA FinTech Incentive Scheme, 2022.
7. What is a FinTech Regulatory Sandbox (FRS)?
8. Who can be the service recipients of Ancillary Service Providers in IFSC?
9. What does GIC stand for?

B. Short Answer Questions

1. State the basic eligibility requirements for setting up a FinTech entity in GIFT IFSC.
2. Differentiate between FinTech and TechFin entities.
3. List any four permissible activities for FinTech entities under the FE Framework.
4. What is the purpose of the FinTech Innovation Sandbox (FIS)?
5. What is meant by Limited Use Authorisation in the sandbox framework?
6. Mention any three types of grants available under the IFSCA FinTech Incentive Scheme, 2022.
7. What are Ancillary Services in IFSC? Give two examples.
8. State any two salient features of a Global In-House Centre (GIC) in IFSC.

C. Long Questions

1. Explain the pre-requisites for setting up a FinTech entity in GIFT IFSC.
2. Describe the process for authorisation of a FinTech entity under the FE Framework.
3. Discuss the objectives and significance of the IFSCA FinTech Regulatory Sandbox.
4. Explain the stages involved in testing and exiting the FinTech Regulatory Sandbox.
5. Describe the key features of the IFSCA FinTech Incentive Scheme, 2022.
6. Explain the framework for Ancillary Service Providers in IFSC.
7. Discuss the authorisation process for Payment Service Providers in IFSC.
8. Explain the key business opportunities available to Payment Service Providers in IFSC.
9. Describe the concept and regulatory features of a Global In-House Centre (GIC) in IFSC.

LIST OF FURTHER READING

- FinTech Incentive Scheme, 2022
- Circular on Framework for FinTech Entity in the International Financial Services Centres (IFSCs) dated April 27, 2022
- Circular on Framework for enabling Ancillary services at International Financial Services Centres dated February 10, 2021
- Guidelines for implementation of the IFSCA (FinTech Incentive) Scheme, 2022
- IFSCA (Payment Services) Regulations, 2024
- IFSCA (Global In-House Centres) Regulations, 2025
- www.ifsca.gov.in