



International Financial Services Centres Authority (IFSCA)

CIRCULAR

F.No.110/IFSCA/Banking Regulation/2020-21/1

December 4, 2020

To All Banking Units

Dear Sir/Madam,

Subject : IFSC(Banking) Regulation,2020 – Directions for implementation

As you are aware, consequent to the notification by the Government of India (Gazette Id CG-DL-E-29092020-222097 dated September 29, 2020 of Part II Section 3 Sub-section (ii) of the Extra Ordinary Gazette) the provisions of section 13 and section 33 of the International Financial Services Centres Authority Act, 2019 (the Act) have come into effect from October 1, 2020.

2. The International Financial Services Centres Authority (the Authority) has now notified the International Financial Services Centres Authority (Banking) Regulations, 2020 (the Regulations) (vide Gazette I dCG-GJ-E-20112020-223204 dated November 18, 2020) for banking and investment activities in the International Financial Services Centres.

3. In exercise of the powers section 4 of the Regulations, the Authority hereby adopts the directions/circulars/guidelines issued by the Reserve Bank of India under various statutes, as listed in the Annex to this circular, to be applicable for the Banking Units (BUs).

4. Such directions/circulars/guidelines shall apply to the BUs, *mutatis mutandis*, for activities permitted to be undertaken by the BUs under the Regulations and to the extent that they are not in conflict with the Regulations. In case of conflict between the provisions of the Regulations and circulars issued under the Regulations and the directions/circulars/guidelines listed in the Annex, the provisions of the Regulations and circulars issued under the Regulations shall be applicable.

5. BUs operating at IFSC on the basis of license issued by the Reserve Bank of India before the date of issue of this circular, shall be deemed to have satisfied the requirements of Section 3(1) of the IFSC (Banking) Regulations, 2020. ¹
6. BUs shall provide adequate resources, including in infrastructure and manpower, on an ongoing basis, commensurate with the size and nature of their operations being conducted at IFSCs.²
7. The Authority recognises that the diversity of organisational structure and operational arrangements of BUs (and its parent bank) would warrant the assessment of the adequacy of such resource deployment on an individual BU basis. Accordingly, the Authority shall engage with the BUs on an ongoing basis to satisfy itself that the operations of the BUs are adequately resourced.³
8. Parent Bank shall provide a minimum capital of USD 20 million or such other amount as may be specified by the Authority, or equivalent in any foreign currency to its Banking Unit, for the purposes of starting operations, that shall be maintained on unimpaired basis, at all times.
9. BUs may borrow funds, including in foreign currency, from its parent, domestic branches of Indian banks, overseas branches of Indian banks and a person resident outside India (including other BUs). Borrowings from persons resident in India shall be subject to the provisions of FEMA, 1999.
10. BUs may accept deposits from persons residents in India and persons residents outside India as per the provisions of the IFSCA (Deposit) Directions, 2020. Acceptance of deposits from persons resident in India shall be subject to the provisions of FEMA, 1999.
11. BUs may deploy funds with persons resident in India as well as persons not resident in India. Deployment of funds with persons resident in India shall be subject to the provisions of FEMA, 1999.
12. Bank Units (BUs) may, in addition to deploying funds as mentioned in para 11, may also act as lenders in INR denominated loans, in any form, to persons resident in India and persons resident outside India. Deployment of INR denominated loans to persons resident in India shall be subject to the provisions of FEMA, 1999

¹ See para 1 of Annex to circular no.F.No.110/IFSCA/Banking Regulation/2020-21/ 7 dated December 24, 2020

² Amended by para 10 of Annex to circular no. F.No.110/IFSCA/Banking Regulation/2020-21/ 7 dated December 24, 2020

³ Amended by para 10 of Annex to circular no. F.No.110/IFSCA/Banking Regulation/2020-21/ 7 dated December 24, 2020

13. BUs shall maintain their balance sheet only in United States dollars (USD). BUs shall ensure that accounts pertaining to its transactions are kept distinct from that of its parent bank.

14. BUs are directed to ensure compliance to the directions this circular.

15. A copy (in soft form) of all reports / returns / information required to be submitted to the Reserve Bank of India under such directions/circulars/guidelines may also be submitted to the Authority from the date of this Circular (only by email) to **ibu-reports@ifsc.gov.in**.

Yours faithfully

(Supriyo Bhattacharjee)
General Manager
supriyo.b@ifsc.gov.in

Statute	Name of direction/regulations/guidelines
Banking Regulation Act, 1949	<ol style="list-style-type: none"> 1. Reserve Bank of India (Financial Services Provided by Banks) Directions, 2016 dated May 26, 2016 (as amended) 2. RBI (Interest Rate on Advances) Directions, 2016 dated May 3, 2016 (as amended) - withdrawn⁴ 3. Master direction on Frauds - Classification and Reporting by Commercial Banks and Select FIs dated July 1, 2016 (as amended) 4. Master Circular – Basel III Capital Regulations dated July 1, 2015 (as amended) 5. Master Circular – Exposure Norms dated July 1, 2015 (as amended)⁵ 6. Master Circular - Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances dated July 1, 2015 (as amended) 7. Master Circular on Guarantees & Co-acceptances dated July 1, 2015 (as amended) 8. Master Circular- Loans and Advances – Statutory and Other Restrictions dated July 1, 2015 (as amended) 9. Master Circular – Rupee / Foreign Currency Export Credit and Customer Service to Exporters dated July 1, 2015 (as amended) 10. Master Circular – Know Your Customer norms / Anti-Money Laundering standards / Combating Financing of Terrorism / Obligation of banks and financial institutions under the

⁴ See para 9 of Annex to circular no. F.No.110/IFSCA/Banking Regulation/2020-21/7 dated December 24, 2020

⁵ See para 15 of Annex to circular no. F.No.110/IFSCA/Banking Regulation/2020-21/7 dated December 24, 2020

	<p>Prevention of Money Laundering Act, 2002 dated July 1,2015 (as amended)</p> <ol style="list-style-type: none"> 11. Master Direction - Know Your Customer (KYC) Directions, 2016 dated February 25,2016 (as amended) 12. Basel III Framework on Liquidity Standards – Liquidity Coverage Ratio (LCR), Liquidity Risk Monitoring Tools and LCR Disclosure Standards dated June 9,2014 (as amended) 13. Basel III Framework on Liquidity Standards – Liquidity Coverage Ratio (LCR) dated April 17,2020 (as amended). 14. Basel III Framework on Liquidity Standards – Net Stable Funding Ratio (NSFR) – Final Guidelines dated May 17, 2018 (as amended) 15. Prudential Framework for Resolution of Stressed Assets dated June 7,2019 (as amended) 16. Master Circular – Para-banking Activities dated July 1, 2015 (as amended) 17. Guidelines on Partial Credit Enhancement to Corporate Bonds dated September 24,2015 (as amended) 18. Revisions to the Guidelines on Securitisation Transactions and Direct Assignment of Cash Flows dated May 7,2012 (as amended)
Reserve Bank of India Act,1934	<ol style="list-style-type: none"> 1. Legal Entity Identifier Code for participation in non-derivative markets dated November 29,2018 (as amended) 2. Currency Futures in International Financial Services Centre (Reserve Bank) Directions, 2020 dated January 20, 2020. 3. Currency Options in International Financial Services Centre (Reserve Bank) Directions, 2020

	<p>dated January 20,2020</p> <ol style="list-style-type: none"> 4. Repurchase Transactions (Repo) (Reserve Bank) Directions, 2018 dated July 24, 2018 (as amended) 5. Rupee Interest Rate Derivatives (Reserve Bank) Directions, 2019 dated June 26, 2019(as amended)⁶ 6. The Electronic Trading Platforms (Reserve Bank) Directions, 2018 dated October 5,2018 (as amended from time to time) 7. Introduction of Legal Entity Identifier for OTC derivatives markets dated June 1,2017 (as amended)
<p>Foreign Exchange Management Act,1999</p>	<ol style="list-style-type: none"> 1. Foreign Exchange Management (International Financial Services Centre) Regulations, 2015 dated March 2,2015 (as amended) 2. Master Direction – Compounding of contraventions under FEMA,1999 dated January 1, 2016 (as amended) 3. Master Direction – Miscellaneous dated January 1,2016 (as amended) 4. Master Direction – Export of Goods and Services dated January 1,2016 (as amended)

⁶ See para 21 of Annex to circular no. F.No.110/IFSCA/Banking Regulation/2020-21/7 dated December 24, 2020