



Press Release

IFSCA issues the IFSCA Banking Handbook

1. The International Financial Services Centres Authority (IFSCA) has taken many measures as part of its endeavour to adopt the international best practices for development, regulation and supervision of the banking business in the Gujarat International Finance Tec-City International Financial Services Centre (GIFT IFSC), after assuming the regulatory powers under the IFSCA Act from October 1, 2020.
2. The IFSCA Banking regulations notified in November 2020 and directions / guidelines issued thereunder were aimed at enabling and facilitating various banking activities generally carried out by internationally active banks in international financial centres across the globe while ensuring a smooth transition from the RBI guidelines that were applicable prior to the IFSCA Banking Regulations.
3. In keeping with the recent evolution in global perspectives on international banking, the IFSCA Banking Regulations were amended to enable the IBUs to carry out additional activities such as investment advisory services and portfolio management (wealth management) services, under the respective guidelines / frameworks. With the last amendment in the IFSCA Banking Regulations (notified on July 6, 2021), the IBUs have been allowed to undertake any activity that a financial institution is permitted under the IFSCA Act, 2019 – except those (such as insurance business) expressly prohibited for banking entities. The IFSCA Banking Regulations have also clarified that the minimum capital adequacy and the leverage ratio for the IBU – which is a branch of the parent bank, may be maintained at the parent bank (legal entity) level. Under the amended IFSCA Banking Regulations, the IBUs are required to follow the prudential guidelines issued by the respective Home Regulator as applicable on their parent bank, unless otherwise specified by the Authority.
4. With a view to further enhancing 'ease of doing banking business' in GIFT IFSC, the Authority has now issued the IFSCA Banking Handbook ('Handbook') which will act as a compendium of all the detailed directions of the Authority to the IBUs operating in GIFT IFSC, as branch of a Banking Company incorporated in India or outside India. The Handbook prepared on the lines of international best practices followed for banking business in global /

regional international financial centres, provides a single comprehensive source of all the instructions / directions governing banking operations in IFSC aligned with the amended regulations.

5. The IFSCA Banking Handbook consists of the following three components which are further segregated into modules which communicate the Authority's regulatory expectations with greater clarity and transparency on the various aspects under the IFSCA (Banking) Regulations:

(a) General directions (GEN)- deals with licencing of IBUs, defines the 'controlled' and 'designated' functions and the requirements from 'approved / authorised individuals' who can carry out such functions. It also lays out the broad principles for banking business and provide information about the IFSCA's supervisory powers, functions and approach.

(b) Conduct of Business directions (COB)- aims at ensuring that IBUs (and other financial institutions operating in the IFSC, wherever made applicable) meet the minimum standards of conduct expected, particularly with regard to the treatment of their clients, their dealings with counterparties and other market participants, contribute to fostering and maintaining the integrity of financial markets in the IFSC

(c) Prudential directions (PRU)-The extant IFSCA Banking Regulations permit an IBU to be set up and operate only as a branch of a Banking Company that is regulated by its Home Regulator. The non-qualitative prudential requirements applicable on the Banking Company under the respective Home Regulations have been made applicable in respect of the IBU, unless the Authority prescribes any directions on any aspect.

As the IBUs need to be provided sufficient time for the transition from the extant framework, the directions of the Handbook would come into effect from January 1,2022.

The IFSCA Banking Handbook has been uploaded on the IFSCA website at the URL:

<https://ifsca.gov.in/Viewer/Index/217>

<https://ifsca.gov.in/Viewer/Index/214>

<https://ifsca.gov.in/Viewer/Index/215>

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Gandhinagar

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