

INTERNATIONAL FINANCIAL SERVICES CENTRES AUTHORITY

Twenty fifth Authority Meeting held on 22.09.2025

Gist of the Agenda item: Proposal to amend the draft International Financial Services Centres Authority (Banking) Regulations, 2020 – For approval

1. Section 20 of the IFSCA Act, 2019 provides that “every transaction of financial services in an IFSC shall be in such foreign currency as may be specified by regulations in consultation with the Central Government”. Till date 15 currencies have been specified in the first schedule of the IFSCA Banking Regulations, 2020.
2. Department of Economic Affairs, Government of India (DEA) vide their OM dated July 3, 2023 had laid down the following principles for addition of currencies to the above list :
 - i. The monetary authority issuing the currency should not prevent the ability to undertake transactions (including opening bank accounts) outside the country/countries of which it is the monetary unit.
 - ii. Convertibility of the currency to any other currency without any restriction (freely convertible)
 - iii. Financial institutions in IFSC must have expressed interest to transact in the stated currency along with a separated business case for such inclusion e.g. Attracting NRI deposits
3. Conditions (i) and (ii) relate to the currency to be specified in the regulations being a being “freely convertible” foreign currency. It is therefore proposed that, through the proposed amendment to the IFSCA (Banking) Regulations, 2020, the present definition of “specified foreign currencies” in para 2(1)(na) be replaced with “any freely convertible foreign currency”.
4. The Foreign Exchange Management (Deposit) Regulations, 2016 (as amended) notified by RBI uses the term “permissible/permitted currency” which is defined as a foreign currency that is freely convertible. The term “permissible/permitted currency” is akin to the phrase “foreign currency as may be specified by regulations” in section 20 of the Act, 2019. Therefore, the proposed amendment would align the provisions of the IFSCA (Banking) Regulations and the FEMA Regulations as far as the type of foreign currencies in which transaction may be undertaken are concerned.
5. The FEMA regulations referred to in para 4 does not define the term “freely convertible”. It is submitted that the term is well understood in the international banking industry and therefore a formal definition of the same may not be necessary. Accordingly, it is proposed to adopt the practice followed in the Foreign Exchange

Management (Deposit) Regulations, 2016 and not define the term “freely convertible foreign currency” in the proposed regulations.

6. AD banks in India are permitted to hold accounts with their correspondent banks outside India in any foreign currency for undertaking their foreign exchange business. Further, the Foreign Exchange Management (Manner of Receipt and Payment) Regulations, 2023 (as amended) dated December 21, 2023, permits receipt and payment between a person resident in India and a person resident outside India to be made in Indian Rupees or any foreign currency both for trade and non-trade transactions.
7. Peer IFCs like Singapore, Dubai or Hong Kong do not have any restrictions on the number of foreign currencies in which transactions may be undertaken therein. The ability to undertake transactions in any of the freely convertible foreign currency of its choice would be a major enabler for global financial institutions to set up their operations in IFSC. It would also serve to enhance the ease of doing business for existing financial institutions in IFSC. Further, given the recent geopolitical developments it is advisable that financial institutions in IFSC do not get overly reliant on one or two major currencies for settlement of transactions undertaken. The proposal, if approved, would encourage financial institutions in IFSC to create the necessary infrastructure with the ability to settle their transactions in multiple foreign currencies.
8. **Approval of the Authority is sought for notifying the draft International Financial Services Centres Authority (Banking) (Amendment) Regulations, 2025 in the Official Gazette, after carrying out changes, if any, of drafting and consequential nature. The Authority is further requested to authorise the Chairperson to make such necessary, consequential, and incidental steps to operationalise the said Regulation.**
