

INTERNATIONAL FINANCIAL SERVICES CENTRES AUTHORITY

Twenty fourth Authority Meeting held on 24.06.2025

Gist of agenda item: Seeking approval of the Authority for draft IFSCA (TechFin and Ancillary Services) Regulations, 2025

1. Objective

The International Financial Services Centres Authority (IFSCA) aims to put in place a regulatory framework for TechFins and Ancillary Services Providers to aid, help, assist, strengthen, support, directly or indirectly the entities, which are engaged in carrying on any of services specified under sub clause (i) to (ix) of clause (e) of subsection (1) of Section 3 of the IFSCA Act, 2019, as well as other financial services that may be notified by the Central Government from time to time.

The presence of TechFins and Ancillary Services providers in the IFSC ecosystem will contribute to the transparency, accountability, and regulatory compliance of IFSCA regulated entities and thereby instilling confidence in investors and stakeholders.

Further, these service providers will also bring specialized knowledge, global best practices and skill sets to facilitate efficient business operations and employment generation to make GIFT-IFSC as a Regional Financial Capability Hub in short-term and as a Global financial capability hub in long term.

2. Background

In accordance with Regulation 7 of the International Financial Services Centres Authority (Procedure for Making Regulations) Regulations, 2021, and based on the objectives, outcomes, experiences from its implementation, its relevance to changed environment and feedback received from market participants and stakeholders through various interactions and representations, it is proposed to introduce a unified regulatory framework. This comprehensive regulation will encompass Ancillary Services, TechFin services, and activities permitted to be outsourced by REs of the respective financial sector regulators.

3. Overview of the Existing Framework

a) IFSCA Circular on Framework for Enabling Ancillary services in GIFT IFSC dated 10.02.2021 as amended from time to time.

Recognizing the critical role of professional and other service providers in the development of financial products, services, and institutions within International Financial Services Centres (IFSCs), the International Financial Services Centres Authority (IFSCA) issued a framework on 10th February 2021 to enable ancillary services. This framework allows professionals such as Chartered Accountants, Company Secretaries, Lawyers, Trustees, fund accounting firms, and consultancy service providers to offer specialized services from GIFT-IFSC. The goal is to support the efficient operation of IFSC entities and other BFSI (Banking, Financial Services,

and Insurance) organizations located outside India, with a mandate to bring back India centric financial services business to GIFT IFSC.

b) **Framework for FinTech Entity in the IFSC**

To facilitate the growth of fintech firms across Indian and foreign jurisdictions, IFSCA has come up with “Framework for FinTech Entity in the IFSCs” vide circular dated 27th April, 2022 aimed at fostering innovation in financial services through innovation facilitators like Regulatory/ Innovation Sandbox for FinTech activities spanning across Banking, Capital Market, insurance sector etc. and at the same time enables the pure play technology companies providing allied activities/services to BFSI sector be regulated in GIFT IFSC. Further, it covers (i) financial technology (FinTech) solutions resulting in new business models, applications, process or products in areas/activities linked to financial services regulated by IFSCA and (ii) advanced/innovative technological solutions which aid and assist activities in relation to financial products, financial services and financial institutions (TechFin).

4. **Benchmarking with global best practices**

Comparable international financial centres have adopted specific regulatory frameworks to govern ancillary services and support functions, thereby ensuring a well-regulated and transparent ecosystem.

- **Dubai International Financial Centre (DIFC):** The Dubai Financial Services Authority (DFSA) has established the *Ancillary Service Provider* module, which provides a regulatory framework for entities offering services such as legal advisory, accounting, market information services, operation of local service offices, compliance functions, and management office operations.
- **Astana International Financial Centre (AIFC):** The AIFC has implemented *AIFC General Rules* that regulate a broad range of ancillary services, including legal services, audit and accountancy services, consultancy, agent functions, fund administration, insurance intermediation, and representative office activities. The framework also extends to FinTech-related services.

These international precedents underscore the importance of a dedicated regulatory framework to govern ancillary and outsourced services in financial centres. Adopting a similar approach within GIFT-IFSC will align with global best practices and further strengthen its position as a competitive and compliant international financial jurisdiction.

5. **Consultation with Stakeholders and outcome**

With the intent to establish a streamlined and unified regulatory framework within GIFT-IFSC, the International Financial Services Centres Authority (IFSCA) has developed a

comprehensive and consolidated regulation titled ‘Draft IFSCA (TechFin and Ancillary Services) Regulations, 2025’. In line with the Authority’s commitment to transparent and participatory regulation-making, the Draft IFSCA (TechFin and Ancillary Services) Regulations, 2025 were released for public consultation on May 9, 2025. Stakeholders, including existing Ancillary Service Providers, FinTech entities, industry bodies, consulting firms, legal professionals, and international counterparts, were invited to submit their comments, suggestions, and feedback. The consultation window remained open till June 1, 2025, allowing ample time for stakeholders to review and provide inputs.

All responses received up to the deadline of June 1, 2025 have been compiled in a structured format, reviewed for relevance and materiality and presented in the form of an Excel sheet (attached at Annexure-X), which categorizes the suggestions by stakeholder type, regulation clause reference, summary of the suggestion, and Authority’s response/action taken.

6. Expected regulatory impact:

Unifying and streamlining the regulatory frameworks applicable to Ancillary Services and the TechFin component under the existing IFSCA FinTech Entity Framework. This integration seeks to eliminate redundancies, reduce regulatory fragmentation, and align with international best practices.

Establishing a comprehensive regulatory framework to govern outsourced activities currently permitted by various domestic and international financial sector regulators. The goal is to ensure consistent standards, mitigate regulatory arbitrage, and enhance supervisory oversight.

This will support operational efficiency and encourage the establishment of a broader range of financial services entities in GIFT-IFSC. Provides a structured approach for monitoring outsourced and ancillary functions, thus improving overall risk governance.

Encourages the growth of a professional services ecosystem that supports innovation, compliance, and resilience in the financial sector. Positions GIFT-IFSC as a more attractive jurisdiction for financial services by aligning with international regulatory standards and practices.

7. Any other factors considered relevant:

This regulation is expected to create meaning employment opportunities for our burgeoning youth population in GIFT-IFSC. This also expected to bring back India centric financial services business from offshore back to India.

8. Proposal to / decision sought from Authority:

Approval of the Authority is solicited for notifying draft IFSCA (TechFin and Ancillary Services) Regulations 2025 (Annexure-Y), with such changes, as may be approved by the Authority, in the official gazette. The Authority is further requested to authorize the Chairperson IFSCA to make necessary drafting and consequential changes, and to take incidental steps to operationalize the said Regulations.

Annexure X

Public comments are available on the website of International Financial Services Centres Authority www.ifsc.gov.in

Annexure Y

(The regulations shall be notified after following the due process)