



International Financial Services Centres Authority (IFSCA)

F.No.110/IFSCA/Banking Regulation/2020-21/4

December 4, 2020

To

All Authorised Dealer Category-I banks having Banking Units (BUs)

Madam/Sir,

Directons on business in foreign currency at International Financial Services Centres(IFSCs)

Attention of Authorised Dealer Category-I (AD Category-I) banks having Banking Units (BUs) is invited to the Foreign Exchange Management (International Financial Services Centres) Regulations, 2015 (the Regulations) notified vide Notification No. FEMA.339/2015-RB dated March 2, 2015, as amended from time to time.

2. In exercise of the powers conferred under section 4 of the Regulations, the International Financial Services Centres Authority (the Authority) gives the following directions.

3. Definitions :

(i) In these directions, unless the context otherwise requires, -

(a) 'Financial institution' means a unit set up in an International Financial Services Centre and which is engaged in rendering financial services in respect of any financial product

(b) 'Banking Unit' means a financial institution under clause (c) of sub-section (1) of Section 3 of the International Financial Services Centres Authority Act,2019 that is licensed by the International Financial Services Centres Authority (IFSCA) to undertake permissible activities.

(ii) Words and expressions used and not defined in these regulations but defined in the Foreign Exchange Management Act, 1999 or in the International Financial Centres Authority Act, 2019 or in the acts mentioned in the First Schedule to the International Financial Centres Authority Act, 2019 or any rules or regulations made thereunder shall have the same meanings respectively assigned to them in those Acts, rules or regulations or any statutory modification or re-enactment thereto, as the case may be.

4. All transactions in IFSCs shall be undertaken in a freely convertible foreign currency and only via bank transfers.

5. BUs shall maintain separate nostro accounts with correspondent banks which would be distinct from nostro accounts maintained by other branches of the same bank.

6. The following derivatives involving Indian Rupee (INR) or INR interest rates, to be settled in any freely convertible foreign currency, may be undertaken by Financial Institutions, subject to terms and conditions issued by the Authority :

(i) Non-deliverable derivative contracts (NDDCs)

(ii) Interest Rate Swap (IRS) (including Overnight Indexed Swaps (OIS))

(iii) Forward Rate Agreement (FRA)

7. (i) A financial institution may undertake capital account transactions, excluding acceptance of deposits, with a person resident in India or a person resident outside India or another financial institution in any freely convertible foreign currency, subject to the directions, if any, issued by the Authority from time to time

provided that the financial institution shall satisfy itself prior to undertaking a capital account transaction with a person resident in India that such transaction is in compliance with the regulations or directions or guidelines issued by the Reserve Bank of India regarding permissible capital account transactions by a person resident in India.

(ii) A Banking Unit (BU) may accept deposits from a person resident in India or a person resident outside India or any other financial institution, in any freely convertible foreign currency, subject to the directions, if any, issued by the Authority, from time to time,

provided that the BU shall satisfy itself prior to accepting deposits from a person resident in India that such transaction is in compliance with the regulations or directions or guidelines issued by the Reserve Bank of India regarding placement of deposits outside India in foreign currency by a person resident in India.

8. A Banking Unit (BU) may also act as lender in INR denominated loans, in any form, to persons resident in India and persons resident outside India. Deployment of funds with persons resident in India shall be subject to the provisions of FEMA, 1999

9. A financial institution may undertake current account transactions with a person resident in India or with a person resident outside India or with other financial institution in any freely convertible foreign currency, subject to the rules issued by the Central Government in respect of current account transactions.

10. Any contravention by any person under section 13 of the Foreign Exchange Management Act, 1999, in connection with a transaction in an IFSC, may on an application, be

compounded by the International Financial Services Centres Authority in terms of the Foreign Exchange (Compounding Proceedings) Rules, 2000 or any such rules that may be specified by the Central Government for this purpose.

Yours faithfully

(Supriyo Bhattacharjee)

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