



CIRCULAR

F. No. 496/IFSCA/FC/SLF/2022-23/002

March 22, 2023

To,
All Finance Company / Finance Unit registered in the International Financial Services Centres Authority (IFSCs)

Subject: Amendment to the Circular titled 'Framework for Ship Leasing'

Reference may be drawn to the Circular No. 496/IFSCA/FC/SLF/2022-23/001 dated August 16, 2022 ('Circular'), issued by the International Financial Services Centres Authority (hereinafter referred to as 'IFSCA' or 'the Authority'), *inter-alia* specifying 'permissible activities under operating lease'.

2. Post issuance of the said Circular, IFSCA has received several representations from stakeholders *inter-alia* requesting enablement of voyage charter and other commercial transactions for employment of ships, as permissible activities under operating lease.
3. The matter was referred to the Directorate General of Shipping, India, which clarified that these activities are an integral part of the ecosystem and may be included as part of the shipping ecosystem in the IFSC, as at present many of the Indian players are going off-shore for availing these services.
4. Further, it has been decided that undertaking of 'Asset Management Support Services' may also be extended to 'group entities' of lessor in IFSC instead of limiting it only to the wholly owned subsidiary (ies) of the lessor and its branch set up in IFSCs in India.
5. In view of the above, Clause 3.E of the said Circular stands substituted as under:

"A lessor in IFSCs shall be permitted to undertake all or any of the following activities:

- (i) Operating lease;
- (ii) Voyage Charters, Contract of Affreightments, employment in shipping pools and all other legal commercial transactions for employment of ships;
- (iii) Asset Management Support Services for assets owned or leased out by the lessor or by any of its Group Entities set up in IFSCs in India;

Here the term 'Group Entities', shall mean an arrangement involving two or more entities related to each other through any of the relationships, viz. Subsidiary – parent (defined in terms of AS 21), Joint venture (defined in terms of AS 27), Associate (defined in terms of AS 23), a related party (defined in terms of AS 18), Common brand name and investment in equity



shares (of 20% and above).

- (iv) Sale and lease back, purchase, novation, transfer, assignment, and such other similar transactions in relation to ship lease;
- (v) any other related activity with the prior approval of the IFSCA.

Explanation: A transaction shall be classified as a lease if it is in accordance with the Indian Accounting Standards (Ind AS 116) on Leases.”

6. This circular is issued in exercise of powers conferred by section 12 of the IFSCA Act to develop and regulate the financial products, financial services and financial institutions in the IFSCs.

A copy of this circular is available on the website of the IFSCA at www.ifsc.gov.in/circular.

Yours faithfully,

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