



CIRCULAR

F. No. 224/IFSCA/CMD-DMIIT/CUST/2021/2

September 15, 2021

To,

All Stock Exchanges in the International Financial Services Centre (IFSC)

All Clearing Corporations in the International Financial Services Centre (IFSC)

All Depositories in the International Financial Services Centre (IFSC)

All intermediaries in the International Financial Services Centre (IFSC)

Dear Sir/Madam,

Sub: Clearing Membership for non-bank Custodians

1. The Authority has already permitted foreign entities to operate as a clearing member in GIFT-IFSC through a branch office, vide circular no. 113/IFSCA/CMD-TMCM/2020-21 dated December 11, 2020. In order to facilitate a vibrant ecosystem for custodial services in GIFT-IFSC and also to ensure a level playing field in line with global jurisdictions, it has been decided to permit an IFSCA recognized non-bank custodian, operating in GIFT-IFSC through branch mode, to acquire clearing membership in GIFT-IFSC.

Non-Bank Entity recognised as a custodian by IFSCA

2. Any non-bank entity recognised as a custodian of assets/securities by IFSCA through the branch structure, shall be permitted to become a Clearing Member of a Clearing Corporation in GIFT-IFSC. For this purpose, the entity shall comply with the following conditions:
 - a) The entity can clear and settle trades only of its custodial clients
 - b) The entity should be ring fenced financially, technologically, and operationally from its parent company and its functions, as a clearing member, shall be limited only to clearing and settlement services of its custodial clients.
 - c) The entity shall ensure financial segregation by allocating funds to the tune of USD 1,500,000 (USD 1.5 mn) towards its clearing and settlement operations. The entity shall submit a declaration to the Authority in this regard.



- d) The entity shall participate in the Settlement Guarantee Fund contribution (SGF), as decided by the clearing corporation from time to time.
- e) The total exposure which the entity shall take on behalf of its registered clients shall be determined by its Board.

Additional requirements

- 3. All the other fees applicable to a clearing member in GIFT-IFSC shall be applicable to such an entity.
- 4. The entity shall comply with all the necessary rules, bye-laws and guidelines prescribed by the clearing corporation with which it is registered as a clearing member and the Authority from time to time.
- 5. The entity shall have adequate mechanisms for the purposes of reviewing, monitoring, and evaluating the controls, systems, procedures and safeguards.

This circular is issued in exercise of powers conferred by section 12 of the International Financial Services Centres Authority Act, 2019 to develop and regulate the financial products, financial services and financial institutions in the International Financial Services Centres.

A copy of this circular is available on the website of the International Financial Services Centres Authority at www.ifsc.gov.in

Yours faithfully,

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