



International Financial Services Centres Authority

F.No.110/IFSCA/Banking Regulation/2020-21/12

February 16, 2021

To,
All Banking Units

Dear Sir/Madam,

Subject: IFSC (Banking) Regulation, 2020- Directions for implementation – Definition of Constituent

1. Banking units (BUs) may please refer to the Annex to the circular on “IFSC (Banking) Regulation, 2020 – Directions for implementation”, dated December 4, 2020 issued by the Authority. The said circular, *inter alia*, adopted RBI Master Circular-Loans and advances- Statutory and other restrictions (as amended), dated July 1,2015 to be applicable to the BUs.

2. As per para 2.3.9.(iii) of the adopted Master Circular, negotiation of unrestricted letter of credits (LCs) of non-constituents is prohibited.

3. It is hereby clarified that, for the purpose of operation of BUs in IFSC, the term constituent shall be defined as one who has been sanctioned regular credit facility by any Indian and/or Overseas bank (or its branch) of the bank/bank group to which the BU belongs. This is subject to the condition that the said bank (or its branch) is in a Financial Action Task Force (FATF) compliant jurisdiction.

4. For this purpose, a FATF compliant jurisdiction would be one whose name does not appear in the following publications of FATF:

- a) High-Risk Jurisdictions subject to a Call for Action
- b) Jurisdictions under Increased Monitoring

5. BUs are directed to ensure compliance with the provisions of this circular.

Yours faithfully

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