



PRESS RELEASE

Invitation for public comments on draft 'IFSCA Guidance framework on Sustainable and Sustainability linked lending by financial institutions in IFSCs'

The International Financial Services Centres Authority (IFSCA) has been established as a unified regulator to develop and regulate financial products, financial services and financial institutions in the International Financial Services Centres (IFSCs) in India.

2. As the climate crisis deepens, economies across the globe are transitioning towards sustainable and low-carbon growth. This transition is fueled by their commitment to meet the Paris Agreement and the Sustainable Development Goals (SDG's). Banks and financial institutions are one of the key players who can support this transition by directing financial flows to sustainable and climate friendly solutions via lending or by raising capital for sustainable and sustainability-linked projects. However, there is a need for banks and financial institutions to have a policy to ensure transparency in this process to avoid concerns like greenwashing.
3. In view of the above, the draft guidance framework, intends to encourage the IFSC Banking Units (IBU) and Finance Companies/Finance Units (FC/FUs) (undertaking lending activities from IFSCs) to internally develop a comprehensive Board approved policy on green/social/sustainable/sustainability linked lending. The guidance intends to provide a broad framework for adoption of principles aligned with the existing international standards viz. Green/Social Loan Principles developed by Loan Market Association (LMA), Bond Principles developed by International Capital Markets Association (ICMA), Climate Bond Standards by Climate Bonds Initiative and any other similar recognized standards.
4. IFSCA proposes to direct the IBUs and FC/FUs (undertaking lending activities from IFSCs) registered with it to develop a Board approved policy on sustainable lending within a time period of 9 months from the date of issuance of the final framework. Further, such entities shall have at least 10 per cent of their loan assets in the form of lending to green/social/sustainable/sustainability-linked sectors/facilities, from the financial year beginning April 2023 /calendar year beginning January 2023. In case, if the IBU or FC/FU is unable to meet the above targets, it shall report to the Authority explaining reasons for non-compliance of the same.
5. The core components of such policy on lending shall cover aspects such as:
 - (i) Borrower assessment process,
 - (ii) Assessing the use of proceeds and appropriately describing it in the legal documentation of the loan facility,
 - (iii) Process to be adopted for project evaluation and selection, management of proceeds,
 - (iv) Reporting mechanism,
 - (v) Monitoring either internally or through external reviewer, and;
 - (vi) De-classification of lending facilities.
6. The Draft further provides *an illustrative list* of eligible green projects, social projects and certain industry green standards based on which labelling or classification of a facility can be carried out.

7. The Draft guidance is uploaded on the IFSCA website at the URL <https://www.ifsc.gov.in/PublicConsultation>.
8. The comments / suggestions are invited from general public and stakeholders on the draft framework, so as to reach us on or before March 22, 2022 (i.e. within 21 days from the date of press release).

Gandhinagar
March 02, 2022
