



## **Frequently Asked Questions (FAQs)**

**on**

### **Registration of a Fund Management Entity (FME) and Authorisation of a Scheme or Fund under IFSCA (Fund Management) Regulations, 2022**



**Disclaimer:** These FAQs are not the interpretation of law but provide only a simplistic explanation of operations / processes / issues / terms / concepts related to IFSCA (Fund Management) Regulations, 2022. The information has been updated till October 31, 2023. For full particulars of laws governing fund management in IFSCs, please refer to the Acts / Regulations/ Guidelines / Circulars appearing under the 'Legal' section of IFSCA website, i.e., <https://ifsca.gov.in>.

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# FAQs on Registration of a Fund Management Entity (FME) and Authorisation of a Scheme or Fund with IFSCA under the IFSCA (Fund Management) Regulations, 2022

[Link for IFSCA \(Fund Management\) Regulations, 2022](#)

## General information

A. Filing of the FME/Scheme application documents.

1. **Where can one locate the application form for registration of FME and authorisation of Scheme or Fund?**

Response: The respective application forms can be accessed from the Application Process tab of IFSCA Website- <https://ifsca.gov.in/Pages/Contents/ApplicationProcess>.

2. **What is the preferred form/mode of filing the application documents with IFSCA?**

Response: Application documents should be submitted in a digital format that is both readable and searchable.

3. **To which email address the application form (s) and the annexures thereunder be sent?**

Response: Application Form (s) and the annexures thereunder should be sent electronically at [applications@ifsca.gov.in](mailto:applications@ifsca.gov.in), with copies marked to [mihir.upadhyay@ifsca.gov.in](mailto:mihir.upadhyay@ifsca.gov.in), [singh.jasmeet@ifsca.gov.in](mailto:singh.jasmeet@ifsca.gov.in), [singh.kanika@ifsca.gov.in](mailto:singh.kanika@ifsca.gov.in), and [jain.p@ifsca.gov.in](mailto:jain.p@ifsca.gov.in).

4. **What are the documents that need to be submitted along with the Application Form (s) for registration of FME and authorisation of Scheme or Fund with IFSCA?**

The checklists for registration of FME and authorisation of Scheme or Fund are enclosed herewith as [Annexure 01](#) and [Annexure 02](#) respectively.

5. **What conditions must be met for the application to be considered complete?**

Response: The application will be considered complete only upon submission of all the documents listed in the respective checklists under [Annexure 01](#) and [Annexure 02](#). Kindly note that an incomplete application submitted to IFSCA will not be processed.

6. **What is the expected time frame for the applicant to respond to the queries raised by IFSCA regarding the application?**

Response: The applicant is required to address any inquiries or provide information requested by IFSCA within 15 working days. A reminder will be sent if there is no response

within this period. Failure to respond within 7 working days after the reminder may result in the rejection of the application by IFSCA.

## **Part I: FAQs on Registration of a FME**

### **B. List of registration documents to be submitted along with FME Application.**

#### **7. What are the registration documents that need to be submitted as part of the FME application?**

Response: The registration documents vary based on the type of entity. The following registration documents are required:

- a) In case of Company-
  - i. Certificate of Incorporation (Col)
  - ii. Memorandum of Association (MoA)
  - iii. Articles of Association (AoA)
- b) In case of LLP-
  - i. Certificate of Incorporation (Col)
  - ii. LLP agreement<sup>1</sup>
- c) In case of Trust-
  - i. Indenture of Trust

#### **8. What details must the applicant submit with respect to existing registrations with IFSCA or other Financial Sectoral Regulators in India or Foreign Jurisdictions?**

Response: The applicant/ associate entities/ controlling partners/ controlling shareholders must submit the details of registration with IFSCA/ Financial sector regulators in India/ foreign jurisdictions in the format as prescribed under [Annexure 04](#).

### **C. Details of Key Executives for FME Application.**

#### **9. What are the requirements for providing details of Key Executives (KMPs) in the FME application?**

Response: The details of Key Executives must, inter-alia, include details about the KMPs i.e. Principal Officer and Compliance Officer for the IFSC Office.

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<sup>1</sup> The LLP agreement, among other things, should include the following:

- IFSCA Act/ rules/ guidelines in the Governing law clause of the LLP Agreement.
- AIF/Fund management/Asset management, etc. as one of the objectives in the Object/ Business clause of the LLP.

#### **10. What information should be included in the detailed profile of Key Executives?**

Response: The detailed profile should encompass essential information such as the educational qualification, certifications, and professional experience, to be provided in the format enclosed herewith as [Annexure 03](#). The information helps assess the competence and expertise of the Key Executives.

#### **11. When it comes to appointing Principal Officers and other Key Management Personnel (KMPs), what constitutes the requirement of a minimum of five (5) years of experience in related activities in the securities market or financial products?**

Response: For the role of Principal Officer, a minimum of 5 years' experience in financial services, involving third-party fund management, is expected. For the other KMPs, this requirement encompasses 5 years of experience in compliance functions within financial services. It's important to note that 'financial services' includes all the services offered by entities registered, licensed, regulated or authorised by any of the financial regulators, either in India or abroad.

### **D. Financial Statements Submission.**

#### **12. What financial documents are required for the FME application?**

Response: One is required to submit the previous three (3) years' consolidated/standalone audited financial statements of the applicant. These financial statements should clearly indicate the total revenue, profit from operations, and net worth details.

#### **13. What documents should be provided if the applicant is a newly incorporated entity with less than one year of incorporation?**

Response: In case the applicant is a newly incorporated entity with less than one year of incorporation, one may submit the previous three (3) years' Income Tax Returns (ITRs) and the Income Tax Return Acknowledgements of the Partners/Promoters of the applicant in lieu of financial statements. If the promoter(s) or partner(s) are non-resident or foreign citizens, they can submit a declaration from a Chartered Accountant (or equivalent) or their bankers confirming that they meet the required Net-Worth criteria.

### **E. Net Worth Certificate.**

#### **14. What is the requirement for a net worth certificate in the FME application process?**

Response: The entities seeking to obtain registration from IFSCA must furnish a Net Worth Certificate to meet the Net Worth requirements as mandated by Regulation 8 read with Schedule 2 of IFSCA (Fund Management) Regulations, 2022. The Net Worth Certificate to be submitted must not be older than 6 months on the date of filing of the application. The specific requirements for net worth certificates depend on the nature of the applicant:

- If the applicant is in the form of a branch, the net worth may be declared at the parent entity level. A net worth certificate of the parent entity should be submitted

along with a separate declaration stating that the requisite net worth capital shall be allocated/ earmarked for the Branch at the parent level.

- If the applicant is a subsidiary or a standalone entity, the net worth certificate for the applicant needs to be provided upfront in the application set. The requisite net worth capital is required to be infused into the entity once the in-principle approval is accorded. The maximum period within which the FME applicant must infuse the net worth capital is **30 days from the date of in-principle approval**.
- If the entity is newly incorporated, the previous three (3) years' Income Tax Returns (ITRs) and the Income Tax Return Acknowledgements of the promoters/partners should be furnished in lieu of the net worth certificate of the applicant entity. This applies when the applicant has been in existence for less than one year from the date of incorporation.

#### F. Shareholding and Capital Structure Details.

##### 15. What details must be provided in the FME application concerning share ownership and the structure of capital?

Response: The applicant must submit detailed information related to shareholding and capital structure, including details of Ultimate Beneficial Owners (UBOs)<sup>2</sup> and Controlling Shareholders.

##### 16. Who are considered Ultimate Beneficial Owners (UBOs)?

Response: The natural person(s) who ultimately owns or controls a customer and/or the natural person on whose behalf a transaction is being conducted. It also includes those natural persons who exercise ultimate effective control over a legal person.

##### 17. What details should be provided for UBOs?

Response: For UBOs, their details, along with self-attested Know Your Customer (KYC)<sup>3</sup> documents, must be submitted.

##### 18. Who are the Controlling Shareholders?

Response: Controlling Shareholders are individuals with significant influence over the entity, typically those holding more than 5% of the shareholding.

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<sup>2</sup> The UBOs list is to be submitted on the applicant's letterhead duly signed by the CEO/Partner of the applicant. Additionally, for better clarity and comprehension, a visual chart or representation of the shareholdings be included.

<sup>3</sup> KYC documents as defined under the IFSCA (Anti-Money Laundering, Counter Terrorist-Financing and Know Your Customer) Guidelines, 2022.



## G. Business Profile and Business Plan Requirements for FME Application.

### 19. What should be included in the detailed business profile?

Response: The detailed business profile should encompass information about the applicant's history, industry presence, market position, and any other relevant details that provide insights into the business's operations and objectives.

### 20. Why is a Detailed Business Plan required, and what should it include?

Response: A Detailed Business Plan is necessary to outline the applicant's proposed activities within the IFSC under FME. It should include specifics on the categories of schemes or funds to be launched from GIFT IFSC, providing a clear roadmap for their implementation.

## Part II: FAQs on Authorisation of a Scheme or Fund

## H. Borrowing and Leverage for Schemes or Funds.

### 21. Is it permissible for a scheme or fund to borrow funds or engage in leveraging activities?

Response: Yes, schemes or funds are allowed to borrow funds or engage in leveraging activities in accordance with IFSCA (Fund Management) Regulations, 2022<sup>4</sup>.

### 22. Are there any conditions or limitations when it comes to borrowing or leveraging?

Response: Yes. The maximum amount of leverage that a scheme or fund can undertake must be disclosed in the placement memorandum.

### 23. What additional information must be provided regarding borrowing or leveraging?

Response: In addition to specifying the maximum leverage amount, the methodology used for calculating leverage should also be disclosed in the placement memorandum. This ensures transparency and clarity regarding the fund's borrowing and leveraging activities.

## I. Table of Contents for Placement Memorandum (PPM).

### 24. What are some of the essential sections, clauses, and points that should be incorporated into the Private Placement Memorandum (PPM) of a scheme or fund?

Response: The PPM of a scheme or fund should, among other things, must encompass the following elements:

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<sup>4</sup> Kindly refer to Regulation 25, 37 and 49 of IFSCA (Fund Management) Regulations, 2022.

- Visual representation of the Fund's structure.
- Disclosure of any disciplinary history concerning the Fund Management Entity (FME) and the Trustee (in cases where the fund is established as a trust).
- Illustration of the distribution waterfall.
- Inclusion of the FME Contribution clause and any exemptions claimed.
- Comprehensive details regarding the Custodian.
- Clear and precise definitions of the initial offer period (initial closings), final closings, and the commitment/investment period.
- Information on any warehousing of investments, including complete details and the intended duration of warehousing by the scheme or fund.
- A clause outlining the process for grievance resolution and redressal<sup>5</sup>.

### **Part III: Accounting Standards for FMEs and Schemes under IFSCA (Fund Management) Regulations, 2022**

**25. What are the requirements for maintaining books of account, records, and documents for Fund Management Entities (FMEs) under IFSCA (Fund Management) Regulations, 2022?**

Response: FMEs are required to maintain and preserve books of accounts, records, and documents in electronic retrieval form for a minimum of ten years, as mandated by Regulation 119.

**26. When should the annual report of accounts for schemes be prepared and submitted by FMEs?**

Response: FMEs must prepare the annual report of accounts for schemes, including an abridged summary, for each financial year. This report should be submitted to the IFSCA not later than four months from the end of the financial year, as per Regulation 134(1).

**27. Are there specific accounting standards that FMEs and Schemes need to follow for bookkeeping?**

Response: FMEs and schemes may adopt either Indian GAAP or IND AS or IFRS or US GAAP or such other accounting standard as permitted under applicable law.

### **Part IV: Miscellaneous**

**28. What are the various kinds of payments to be made by the applicant towards Registration of FMEs and Authorisation of Scheme/Funds?**

Response: Kindly refer to the circular dated May 17, 2023, with subsequent amendments up to July 05, 2023, as detailed in F. No. 865/IFSCA/Banking/Fee Revision/2022-23. The same can be accessed [here](#).

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<sup>5</sup> The Grievance redressal clause must also include an option for the investors to approach IFSCA..

**29. What are the various payment details to be used for making payments towards the Registration of FMEs and Authorisation of Scheme/Funds?**

Response: Kindly refer to the circular dated May 17, 2023, with subsequent amendments up to July 05, 2023, as detailed in F. No. 865/IFSCA/Banking/Fee Revision/2022-23. The same can be accessed [here](#).

**30. What reference rate must be employed if the payment is being made in INR?**

Response: Pursuant to the [circular](#) dated May 17, 2023, with subsequent amendments up to July 05, 2023, as detailed in F. No. 865/IFSCA/Banking/Fee Revision/2022-23 for entities making fee remittances in INR, the applicable RBI reference rate for the specific day of fee remittance, as accessible at <https://www.rbi.org.in/scripts/ReferenceRateArchive.aspx>, will be applicable.



## Part V: Annexures

### ANNEXURE 01

SUBMISSION CHECKLIST <sup>6</sup> - REGISTRATION OF FUND MANAGEMENT ENTITY		
S. No.	Items	Remarks
1.	Searchable & Readable Soft Copy of the Application	
2.	Certificate of Incorporation	
3.	MOA & AOA (In case of company)	
4.	LLP Agreement (In case of LLP)	
5.	Indenture of Trust (In case of Trust)	
6.	Tax Identification document of the applicant	
7.	GSTN (If available)	
8.	Legal Entity Identifier (LEI) number of the applicant (if available)	
9.	Previous three (3) years consolidated/ standalone audited financial statements of the applicant	
10.	Net Worth Certificate of the applicant	
11.	Previous three (3) years ITR and ITR Acknowledgement of Promoters (In case of newly formed entity, in lieu of item 9 and item 10 of the checklist)	
12.	Detailed Business plan including categories of schemes/funds to be launched from GIFT-IFSC	
13.	Details of Shareholding/partnership structure up till the point of Ultimate Beneficiary Owners (include a visual representation/flowchart)	
14.	Detailed profile of the Controlling Shareholders (> 5% of shareholding) / Designated Partners /Partners / Directors	
15.	Details of Key Executives including the KMPs	
16.	Detailed CV of KMPs (Principal officer, Compliance officer and Additional KMP in case of retail category)	
17.	Supporting educational documents of the KMPs (Principal officer, compliance officer and additional KMP in case of retail category)	
18.	Self-attested KYC <sup>7</sup> of shareholders/partners	
19.	Self-attested KYC of directors (If applicable)	
20.	Self-attested KYC of KMPs	
21.	SEZ Letter of Approval	
22.	Copy of the proof of payment towards application fees (SWIFT MT103, if applicable)	

<sup>6</sup> Note:

1. The application will be considered complete once all the required information and documents listed in the provided checklist have been submitted. Incomplete application will not be processed.
2. Kindly attach the stated checklist with the application at the time of submission to IFSCA.
3. All the documents stated in the checklist to be submitted in the PDF format.

<sup>7</sup> KYC documents as defined under the IFSCA (Anti-Money Laundering, Counter Terrorist-Financing and Know Your Customer) Guidelines, 2022.

<b>23.</b>	Details of RBI Reference Rate employed towards payment of application fees (If payment made in INR)	
<b>24.</b>	Certified true copy of the Board Resolution/ Authorisation Letter	
<b>25.</b>	In case of Branch- Declaration stating that the Net Worth will be earmarked at the parent level	
<b>26.</b>	Declaration under item 6.2 of the application form	
<b>27.</b>	Declaration under item 6.3 of the application form	
<b>28.</b>	Confirmations and Declarations under item 7 of the application form	



## ANNEXURE 02

SUBMISSION CHECKLIST <sup>8</sup> - AUTHORISATION OF SCHEME/FUND		
S. No.	Items	Remarks
1.	Searchable & Readable soft copy of the Application Form	
2.	Searchable copy of the Private Placement Memorandum	
3.	Trust Deed/ LLP Agreement (As applicable)	
4.	FME Certificate of Registration from IFSCA	
5.	Profile of directors and UBOs (Ultimate Beneficiary Owners) of the Trustee	
6.	Self-attested KYC <sup>9</sup> of the trustee and its directors	
7.	Self-attested KYC of the Investment team and directors of the FME.	
8.	SEZ Letter of Approval for the Applicant	
9.	PAN of the Applicant	
10.	GSTN of the Applicant (If available)	
11.	Copy of the proof of payment towards registration fees (SWIFT MT103, if applicable)	
12.	Details of RBI Reference Rate employed towards payment of registration fees (If payment made in INR)	
13.	Commitment Letter under item 4.2 of the Application Form	
14.	Declaration under item 6.1 of the application form for: <ul style="list-style-type: none"> <li>FME &amp; Associate(s) of FME</li> <li>Trustee</li> </ul>	
15.	Declaration under item 6.2 of the application form for: <ul style="list-style-type: none"> <li>FME &amp; Associate(s) of FME</li> <li>Trustee</li> </ul>	
16.	In case of availing exemption under Regulation 40(4)(a) and 40(4)(b) under IFSCA (Fund Management) Regulations, 2022- Corresponding Declaration <sup>10</sup> under item 7.1 of the application form	
17.	Declaration under item 7.2 of the application form	
18.	Declaration under item 8 of the application form	

<sup>8</sup> a. The application will be considered complete once all the required information and documents listed in the provided checklist have been submitted.

b. Kindly attach the stated checklist with the application at the time of submission to IFSCA.

<sup>9</sup> KYC documents as defined under the IFSCA (Anti-Money Laundering, Counter Terrorist-Financing and Know Your Customer) Guidelines, 2022.

<sup>10</sup> Declaration stating that:

1. The FME will seek waiver from 2/3<sup>rd</sup> of the investors in relation to the FME contribution, as permissible under IFSCA (Fund Management) Regulations, 2022.
2. In case the said waiver is not secured from the investors, then the FME shall make requisite contribution in the scheme/fund in accordance with the IFSCA (Fund Management) Regulations, 2022.

**PRIOR WORK EXPERIENCE OF THE KEY EXECUTIVES**

<b>Name and Place of Organization</b>	<b>Details of registration of the organization with any Financial Regulator</b>	<b>Position Held</b>	<b>Period From-To (DD-MM-YYYY)</b>	<b>Detailed Description of Job</b>

**EDUCATIONAL QUALIFICATION OF THE KEY EXECUTIVES**

<b>Education (Degree/ Diploma/ certificate)</b>	<b>Period From-To (DD-MM-YYYY)</b>	<b>Name of the Institution</b>	<b>Major Specialization</b>

## ANNEXURE 04

**Details of Registrations with IFSCA/ Financial Sectoral Regulators in India or Foreign Jurisdictions, if any (Category of Registration, Registration Number, Date of Registration and Validity, Details for applicant/controlling shareholders) of the Applicant and its Controlling Partner(s)/ Shareholder(s)**

S. No.	Name of Entity	Type of License/ Registration & Nature of business	Registration Number	Date of Registration	Validity of Registration

