



International Financial Services Centres Authority

F.No.598/IFSCA/Communication with IBUs/2022-23/1

March 31, 2023

To,

Heads of the Banking Units of Indian banks

Dear Sir/Madam,

Sensitising Authorised Dealer (AD) branches of Indian banks about facilities in IFSC

1. During a recent interaction with the officials of the IBU of an Indian AD bank it was observed that the onshore branch of the AD Bank was refusing to route a foreign exchange transaction through the IBU due to the lack of clarity by the branch on whether IBUs fall within the definition of “a foreign branch of Indian bank” as per the relevant RBI circular.
2. As you would be aware, the clients of an AD bank in India are usually serviced by an AD branch of the bank through which all their foreign exchange transactions are undertaken. Apart from handling transactions, such branches also advise the client on the procedure for undertaking the transactions and other related aspects. Therefore, lack of knowledge about IFSC and the status of IBUs at the AD branch level is likely to frustrate our efforts to make IFSC the hub for India related foreign exchange transactions. Further, this is also contrary to the primary objective of IFSCA Act, 2019 which is to bring back financial transactions and financial services carried out in offshore financial centres to India by providing best in class business and regulatory environment.
3. You are hereby directed to undertake structured sensitisation programmes for staff of the AD branches of your bank to make them aware of the legal and regulatory status of IBUs and transactions that may be routed through IBUs instead of foreign branches of Indian banks. Separate communication by the Authority to the top management of the Banks is also being sent to support this process. A quarterly report, starting from the Quarter ended June 30, 2023, should be submitted to the Authority, within 10 days of the end of the quarter, indicating the number of sensitisation programmes conducted during the quarter.

4. IBU Heads are directed to give top priority to the contents of the circular. Support, if needed, may be sought from IFSCA, in the form of participation of IFSCA officials as speakers in such programmes.

5. IBUs of Indian banks are directed to ensure compliance to the directions this circular.

Yours faithfully

(Supriyo Bhattacharjee)
General Manager
Head – Department of Banking Regulation and Development
IFSCA