

## International Financial Services Centres Authority

### Twentieth Authority Meeting held on 27.06.2024

#### Gist of Agenda Item: International Financial Services Centres Authority (Listing) Regulations, 2024

##### 1. Introduction

- 1.1. IFSCA has issued the IFSCA (Issuance and Listing of Securities) Regulations, 2021 (“ILS Regulations”) providing a unified regulatory framework for listing of various securities by issuers incorporated in the IFSC, India and foreign jurisdictions<sup>1</sup>.
- 1.2. The Hon’ble Union Minister of Finance and Corporate Affairs of India on July 28, 2023, announced the decision of Government of India to allow direct listing of equity shares of public Indian Companies on the international exchanges in the IFSC (“Direct Listing”).
- 1.3. Subsequent to the announcement, a working group was constituted under the chairmanship of Shri Praveen Trivedi, ED, IFSCA in August 2023. The Working Group had participations from Department of Economic Affairs, Ministry of Corporate Affairs, Securities and Exchange Board of India and other market participants including stock exchanges, clearing corporations, depository, law firms, consultants etc. The objective of this Working Group was *inter alia* to make recommendations for operationalizing the direct listing of listed Indian companies in IFSC. The Working Group submitted its [report](#) in December 2023.
- 1.4. The Ministry of Corporate Affairs issued a notification on October 30, 2023 for commencement of following section 23 (3) and 23 (4) of the Companies Act, 2013:  
  
*“(3) Such class of public companies may issue such class of securities for the purposes of listing on permitted stock exchanges in permissible foreign jurisdictions or such other jurisdictions, as may be prescribed.*

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<sup>1</sup> As defined in the ILS regulations

*(4) The Central Government may, by notification, exempt any class or classes of public companies referred to in sub-section (3) from any of the provisions of this Chapter, Chapter IV, section 89, section 90 or section 127 and a copy of every such notification shall, as soon as may be after it is issued, be laid before both Houses of Parliament.”*

1.5. Subsequently, the Government of India has on January 24, 2024 notified the [Foreign Exchange Management \(Non-debt Instruments\) Amendment Rules, 2024](#) and the [Companies \(Listing of Equity Shares in Permissible Jurisdictions\) Rules, 2024](#) enabling direct listing of equity shares of public Indian companies on the international exchanges in the IFSC. Additionally, the Government of India has also released [FAQs](#) on the Direct Listing Scheme. The Direct Listing Scheme provides an overarching framework for issuance and listing of equity shares of public Indian companies on international exchanges.

1.6. Subsequently, the Reserve Bank of India (“RBI”) has notified the necessary amendments in the [Foreign Exchange Management \(Foreign Currency Accounts by a person resident in India\) Regulations, 2015](#) and the [Foreign Exchange Management \(Mode of Payment and Reporting of Non-Debt Instruments\) Regulations, 2019](#), providing the necessary enablers, *inter alia*, for maintaining foreign currency account by Indian issuers in the IFSC and remittance of proceeds of the issue from IFSC to India.

## **2. Proposal**

2.1. The Agenda note seeks the approval of the Authority to notify the International Financial Services Centres Authority (Listing) Regulations, 2024 (“Listing Regulations”).

## **3. Statement of Object and Reasons (SOR) of the proposed regulations**

3.1. The purpose of the proposed Listing Regulations is to provide the revised regulatory framework for issue and listing of various financial products (including specified securities, debt securities and other permitted financial products) on the recognised stock exchanges in the international financial services centres (“IFSCs”) in India.

3.2. Further, the proposed Listing Regulations aim to facilitate raising of capital through the stock exchanges in the IFSCs, taking into consideration the global standards specified by the International Organization of Securities Commissions (“IOSCO”), and benchmarking with the best practices followed in other jurisdictions.

#### **4. Standing Committee on Primary Markets**

4.1. To develop a robust ecosystem for primary markets in the IFSC and to align the IFSCA regulations with global best practices, IFSCA issued a press release on January 24, 2024 inviting suggestions from public and regulated entities for reviewing the ILS Regulations. Further, IFSCA held roundtables and outreach programs with various stakeholders for seeking their suggestions and comments on the regulations. IFSCA received suggestions for amendments in the ILS Regulations from various market participants including law firms, market infrastructure institutions, consultancy firms, bank, Global Legal Entity Identifier Foundation (GLEIF), credit rating agency etc.

4.2. IFSCA also constituted a Standing Committee on Primary Markets on February 23, 2024 under the chairmanship of Shri T. V. Mohandas Pai. The committee has participation from various stakeholders such as investment bankers, law firms, issuers, stock exchanges, clearing corporations, depository etc.

4.3. The SCOP was constituted to advise IFSCA on:

- i. Various policy and regulatory matters on a periodic basis to facilitate the development of a vibrant and robust ecosystem for primary markets in the IFSC
- ii. Roadmap and strategy for successful implementation of direct listing of public Indian companies on the stock exchanges in the IFSC
- iii. Introduction of new financial instruments for facilitating capital raising in the primary markets in the IFSC
- iv. Scaling up global debt market in the IFSC
- v. Matters relating to development and regulation of primary markets in the IFSC

4.4. The comments received from the public including market participants on the ILS Regulations were discussed in the first meeting of the SCOP held on April 01, 2024.

The SCOP suggested that a comprehensive review of the ILS Regulations may be carried out based on comments received from stakeholders and benchmarking with the best practices followed in other international centres such as USA, UK, Singapore, Hong Kong etc.

- 4.5. A sub-committee of the SCOP co-chaired by Shri Amitabh Malhotra, Head of Global Banking, HSBC and Shri Sunil Sanghai, Founder & CEO, NovaaOne Capital Pvt. Ltd. and Chairman, Capital Markets, FICCI was constituted for detailed deliberations on the proposed changes to the Listing Regulations. The sub-group studied the best practices followed in other jurisdictions while proposing amendments in the new regulations, including offer documents filed internationally for offers. The sub-group made recommendations on various regulatory issues such as initial public offer, minimum public offer, filing of offer document, use of accounting standards, debt listing, disclosures, etc.
- 4.6. Considering that there were several changes proposed in the ILS Regulations, it was proposed by IFSCA that we may replace the existing ILS Regulations with new regulations for listing of securities and other permitted financial products on the recognised stock exchanges in the IFSC. The SCOP is also of the same view.

## **5. Benchmarking with international best practices**

- 5.1. The proposed Listing Regulations have been prepared, taking into consideration Principles relating to the issuer (Principles 16 - 18) of the IOSCO Objectives and Principles of Securities Regulation (“IOSCO Principles”), as mentioned below:
- a) *Principle 16 - There should be full, accurate and timely disclosure of financial results, risk and other information which is material to investors’ decisions;*
  - b) *Principle 17 - Holders of securities in a company should be treated in a fair and equitable manner; and*
  - c) *Principle 18 - Accounting standards used by issuers to prepare financial statements should be of a high and internationally acceptable quality.*

5.2. The best practices followed in other jurisdictions including USA<sup>2</sup>, UK<sup>3</sup>, Hong Kong<sup>4</sup> and Singapore<sup>5</sup> have been studied while proposing amendments in the new regulations. Based on the international best practices in these jurisdictions, the SCOP sub-committee recommended the proposed amendments to be made in the regulations which were also discussed in the 2<sup>nd</sup> Meeting of SCOP held on June 10, 2024. The changes suggested by SCOP have been incorporated in the proposed draft Listing Regulations.

## 6. Consultations with Stakeholders and outcome

6.1. The draft Listing Regulations have been proposed after taking into comments obtained from two public consultations (January 2024 and May 2024). In January 2024, the suggestions from public were invited on the ILS Regulations as part of the process of reviewing the listing regulations. The details of consultation in January 2024 are already mentioned above.

6.2. Further, in accordance with the process laid down under the IFSCA (Procedure for making Regulations) Regulations, 2021, a consultation paper was issued by IFSCA on the proposed on May 03, 2024 seeking comments from public on the draft IFSCA (Listing) Regulations, 2024. The consultation paper issued by IFSCA is available [here](#).

6.3. The comments were received from six stakeholders consisting of stock exchanges, a depository, a credit rating agency, a law firm, an issuer, and The Institute of Company Secretaries of India. A compilation of the comments received along with our analysis is attached at **Annexure - 1**.

6.4. The comments received during the consultation process were discussed in the 2<sup>nd</sup> meeting of SCOP held on June 10, 2024. Based on discussion in the SCOP meeting, the draft regulations have been modified accordingly. The SCOP has recommended that the proposed IFSCA (Listing) Regulations, 2024 may be considered by IFSCA.

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<sup>2</sup> [Rules | The Nasdaq Stock Market](#)

<sup>3</sup> <https://www.handbook.fca.org.uk/handbook/LR.pdf>

<sup>4</sup> <https://en-rules.hkex.com.hk/rulebook/main-board-listing-rules>

<sup>5</sup> <https://rulebook.sgx.com/rulebook/mainboard-rules>

## **7. Proposed IFSCA (Listing) Regulations**

7.1. The key features of the proposed IFSCA (Listing) Regulations, 2024 are as follows:

### **A. IPOs**

#### ***i. Eligibility Criteria***

An issuer shall be eligible to make an initial public offer only if:

- (a) the issuer has an operating revenue, based on consolidated audited accounts, of at least USD twenty million in the last financial year or averaged over the last three financial years; or
- (b) the issuer has a pre-tax profit, based on consolidated audited accounts, of at least USD one million in the last financial year or averaged over the last three financial years; or
- (c) The issuer has a post issue market capitalization of at least USD twenty-five million; or
- (d) Any other eligibility criteria specified by the Authority.

#### ***ii. Filing of Offer Document***

The issuers shall be required to file offer document with the IFSCA for observations. Issuers with proposed issue size of USD 100 million or less shall be exempted from the requirement to seek observation letter from IFSCA.

#### ***iii. Offer Timing***

The offer shall be made by the issuers within a period of not more than eighteen months from the date of issuance of observation letter by IFSCA. In case the offer is not made within this period, the issuer will be required to file a fresh offer document with IFSCA.

#### ***iv. Disclosures in Offer Document***

- a. The offer document shall contain all material disclosures which are true, correct and adequate to enable the investors to take an informed investment decision. The list of mandatory disclosures has been provided in the regulations.
- b. In accordance with international practices for financial information in offer documents, the financial information of the issuers shall not be older than 135 days.
- c. The issuer shall prepare its financial statements in accordance with IFRS or US GAAP or Ind AS or accounting standards as applicable in its jurisdiction of incorporation. However, in case an issuer prepares financial statements as per the accounting standards of its home jurisdiction (other than IFRS, US GAAP and Ind AS), it shall be required to reconcile the same with IFRS.

**v. *Pricing***

The issuer shall determine pricing in consultation with the lead manager(s) and may be through a fixed price mechanism or through book building mechanism and the same shall be suitably disclosed in the offer document. Further, in case of listing of equity shares by a public Indian company, the issuer shall also comply with the requirements prescribed under schedule XI of the Foreign Exchange Management (Non-debt Instruments) Rules, 2019.

**vi. *Offer Period***

The initial public offer shall be kept open for at least one working day and not more than ten working days.

**vii. *Minimum public offer***

The minimum public offer shall not be less than 10% of the post issue paid-up capital of the issuer or USD 50 million, whichever is lower.

**viii. Anchor Investor**

The issuer may offer a portion of the issue size for subscription by anchor investors, subject to disclosures made in the offer document such as details of anchor investors, proposed maximum limit of allotment to anchor investors, lock-up (if any), pricing etc.

**ix. Underwriting**

A public issue of specified securities may be underwritten by an underwriter and in such a case, adequate disclosures regarding underwriting arrangements shall be disclosed in the offer document.

**x. Monitoring Agency**

An issuer may choose to appoint a credit rating agency registered with IFSCA as a monitoring agency for monitoring the use of proceeds of the issue. Report of such monitoring agency needs to be uploaded on the website within forty five days from the end of the quarter.

**xi. Lockup**

The pre-issue shareholding of promoters and controlling shareholders of the issuer shall be locked up for a period of 180 days from the date of allotment in the initial public offer.

**B. Listing of Debt Securities**

The extant regulatory framework for listing of debt securities provided in the ILS Regulations have largely been retained in the proposed new Listing Regulations, particularly considering that there have been several listing of debt securities on the stock exchanges in the IFSC. As on March 31, 2024, the cumulative amount of debt securities listed on the stock exchanges in the IFSC was USD 56.41 billion.<sup>6</sup>

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<sup>6</sup> [https://ifsc.gov.in/Document/Legal/IFSCA\\_Listing\\_Brochure.pdf](https://ifsc.gov.in/Document/Legal/IFSCA_Listing_Brochure.pdf)

The following are the key amendments proposed in the new Listing Regulations for listing of debt securities:

**i. Credit Rating**

Credit ratings are a necessary part of the ecosystem in any financial market, particularly for debt securities. Enabling ratings on the listed issuances would enable a sound, safe, and transparent development of the entire ecosystem at the IFSC. Presently, more than 90% of the debt securities listed on the international exchanges in the IFSC are credit rated even though it is not mandatory, which implies that issuers see value in credit rating. Therefore, it has been proposed that credit rating may be made mandatory for issuers of debt securities listed on IFSC exchanges.

Post the global financial crisis, IOSCO has also stressed upon the importance of regulating Credit Rating Agencies (“CRA”). Accordingly, the following Principle on regulating CRAs were introduced:

*“Credit rating agencies should be subject to adequate levels of oversight. The regulatory system should ensure that credit rating agencies whose ratings are used for regulatory purposes are subject to registration and ongoing supervision.”*

IFSCA has laid down regulatory framework for registration and supervision of CRAs under the IFSCA (Capital Market Intermediaries) Regulations, 2021.

In order to build the necessary ecosystem for CRAs in the IFSC, going forward, the issuers may be mandated to have at least one rating from a CRA registered with IFSCA. The issuer may at its discretion, obtain an additional credit rating from any globally recognised rating agency. However, there may be a need to provide a transition period for implementation of this requirement. Accordingly, it has been proposed that the mandatory requirement to obtain rating from a CRA registered with IFSCA may be applicable from April 01, 2025 or such other date as may be specified by IFSCA.

## **ii. Private Placement**

The minimum subscription amount for an investor in case of private placement may be disclosed in the offer document in respect of debt securities listed on a recognised stock exchange.

## **C. Continuous Obligations and Disclosure Requirements (Post Listing)**

The detailed requirements for continuous obligations and post-listing disclosure requirements have been specified in the regulations. The following are the key amendments in the proposed new Listing Regulations:

### **i. Sustainability Reporting**

The listed entities will have the option to provide sustainability reporting based on: (a) internationally accepted reporting frameworks such as Global Reporting Initiative, International Sustainability Standards Board, Task Force on Climate-related Financial Disclosures; (b) SEBI's Business Responsibility and Sustainability Reporting requirements; or (c) any other standards that may be specified by IFSCA.

### **ii. Whistleblower Mechanism**

The listed entities will be required to establish a whistle-blower mechanism for directors, employees and others to report genuine concerns. The whistleblower mechanism shall provide for adequate safeguards against victimisation of persons.

### **iii. Disclosure of financial statements**

The timeline for disclosure of audited standalone and consolidated financial statements for the full financial year has been proposed to be reduced from six months to three months.

#### **iv. Accounting Standards**

The listed entity shall prepare financial statements in accordance with IFRS or US GAAP or Ind AS or accounting standards as applicable in its jurisdiction of incorporation. However, in case a listed entity is preparing financial statements as per the accounting standards of its home jurisdiction (other than IFRS, US GAAP and Ind AS), it shall be required to reconcile the same with IFRS.

#### **D. Concept of Controlling Shareholder**

Globally, the concept of controlling shareholder is more prevalent than the term 'promoter'. Accordingly, the new regulations have been proposed to be amended to consider 'promoter' only in respect of Indian companies, whereas the concept of controlling shareholder has been made applicable for foreign companies.

#### **E. Listing of other financial products**

The applicability of the new Listing regulations has been proposed to be expanded to cover other financial products such as Commercial Paper, Certificate of Deposits and other financial products as may be specified by IFSCA.

### **8. Expected Regulatory Impact**

8.1. The policy decision by Government of India to enable direct listing of equity shares of Indian companies on the stock exchanges in the IFSC, will allow the Indian companies (including startups) to access global capital and contribute towards growth of the Indian economy. This initiative will also benefit Indian companies having global ambitions and looking for raising foreign capital to expand their presence in other markets. GIFT IFSC is therefore well positioned to act as the gateway for attracting untapped foreign capital into India; and integrating India with the global financial system.

8.2. Further, the aim of these regulations is to also enable foreign issuers to access capital through issue and listing of securities on the stock exchanges in the IFSC. Accordingly, the proposed new IFSCA (Listing) Regulations, 2024 is expected to promote ease of doing business for the issuers, both domestic and foreign, to access capital market

through listing of securities on the stock exchanges in the IFSC. The issuers will be able to access capital with greater flexibility and efficiency.

8.3. The regulations are expected to give a fillip to the primary market activities in the IFSC, across various financial instruments. A robust and vibrant primary market is essential for the overall development of the capital market ecosystem.

8.4. Further, the regulatory objective is to ensure that capital raising by the issuers in the IFSC is in a fair, orderly, efficient and transparent manner. The regulations aim to protect the interests of investors by ensuring that there is full disclosure of material information that are required for decision making by the investors. The proposed regulations are expected to reduce any systemic risk in the primary market activities in the IFSC.

## **9. Proposal to / decision sought from the Authority**

9.1. The Approval of the Authority is sought for notifying the draft International Financial Services Centres Authority (Listing) Regulations, 2024 (**Annexure - 2**) in the Official Gazette, after carrying out changes, if any, of drafting and consequential nature. The Authority is further requested to authorize the Chairperson to make such necessary, consequential and incidental steps to operationalize the Listing Regulations.

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