

Subject: Inclusion of Aircraft Financing & Leasing as a financial product in the IFSCA Act

It is brought to the notice of the Authority that on peer review conducted by the IFSCA, it is observed that similar jurisdictions offer aircraft leasing, including operating lease as financial product and the majority of the business on this front as on date is being handled by IFSC Dublin. At the same time, it is to be understood that the Indian aviation industry mostly depends on these foreign jurisdictions to cater to the demands on aircraft leasing, mainly operating leases and hence it is desirable to get back this business to GIFT IFSC.

2. Over a period of time, GIFT IFSC could also emerge as a aircraft leasing centre for the sub-region/region. Besides, gradually it would also promote the related Maintenance, Repair & Overhaul (MRO) business in India. As per the data available India is able to cater to only 1% of the global MRO market worth 45 Bn \$ today where as it is already the third largest domestic aviation market in the world and a need is felt to augment the domestic capacities to garner a larger share of the international business.

3. A working group constituted by the Ministry of Civil Aviation to study the potential of Aircraft leasing business submitted its report titled 'Project Rupee Raftaar: Development of Aircraft Financing & Leasing in India' recommending setting up of a structure for aircraft financing and leasing in GIFT IFSC. The report recommends facilitation of aircraft financing and leasing through Banks, NBFC's and Alternate Investment Funds.

4. Taking note of the huge potential such businesses bring to the ecosystem and the synergies it could create for fast tracking the development of GIFT IFSC in to a global hub for aircraft financing and leasing. A detailed note in this regard is attached separately to this agenda as **Annexure** for the reference of the members.

5. Though aircraft leasing and financing activity is broadly covered under 'Credit Arrangements' as mentioned in S.3(1) (d) (iv), removal of the ambiguity by specifically mentioning aircraft leasing including operating lease as a financial product would go a long way in improving the ease of doing business within the

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IFSC. In view of the same, we hereby recommend that the following be approved by the Authority;

- a.) Recommending to the Government for inclusion of Aircraft financing and leasing, including operating lease, as a Financial Product under S.3(1)(d) of the IFSCAA by virtue of powers granted to it under S.12(2)(b) & (c) of the same Act.**
- b.) Recommending to the RBI that operational guidelines for NBFCs to participate in IFSC should include aircraft financing and leasing, including operating lease, as a permissible activity.**

6. The same is submitted for the consideration and approval of the Authority.

AIRCRAFT FINANCING AND LEASING BY NON-BANKING FINANCIAL COMPANIES IN THE INTERNATIONAL FINANCIAL SERVICES CENTRE

1. Background

- 1.1 The aircraft financing and leasing industry has developed significantly over a period of time worldwide. Countries like Ireland, USA, China, Singapore and Hong Kong have become global hubs for this industry by setting up an effective regulatory environment to facilitate aircraft lease and financing. The Indian domestic airline industry operates more than 80% of its aircrafts on lease, which is significantly greater than the global share of 53%.¹ India has become the third largest domestic passenger market in the world and is expected to overtake the United Kingdom to become the third largest in the combined domestic and international passenger market by 2024, from its current seventh position.² Further, the rising demand in the sector has pushed the number of aircrafts operating in the sector which is expected to reach 1100 aircrafts by 2027.³ As per a study⁴, the aircraft leasing market size is estimated to increase to USD 62 Billion by 2023 recording a compound annual growth rate of 4.7% from 2017 to 2023.
- 1.2 So far, India has participated as a *consumer* of international financial services for financing its acquisition of aircrafts on a lease basis. There is an immense business opportunity in Indian in terms of financing and leasing aircrafts as financiers and lessors through the GIFT International Financial Services Centre (“**IFSC**”), and it appears that the time is ripe to align India’s regime with other global leaders in this area. In order to tap this massive potential of the Indian aviation industry, the Government of India is considering developing an effective

¹ Centre for Aviation, “*Aircraft Leasing in India, opportunity knocks for the Indian lessor*”, September 2018, available at: <<https://centreforaviation.com/analysis/reports/aircraft-leasing-in-india-opportunity-knocks-for-an-indian-lessor-443995>> last accessed 28 August 2020

² India Brand Equity Foundation, “*Indian Aviation Industry Report*”, July 2020, available at: <<https://www.ibef.org/industry/indian-aviation.aspx>> last accessed 28 August 2020

³ Ibid.

⁴ Market Research Future, *Global Aircraft Leasing Industry to Continue its Growth in a Vertical Manner*, Globe Newswire, 5 September 2018, available at: <<https://www.globenewswire.com/news-release/2018/09/05/1565395/0/en/Aircraft-Leasing-Market-Size-to-Soar-to-62-221-8-Mn-by-2023-at-4-75-CAGR-Global-Aircraft-Leasing-Industry-to-Continue-its-Growth-in-a-Vertical-Manner.html#:~:text=The%20global%20aircraft%20leasing%20market%20size%20is%20anticipated%20to%20touch,demand%20over%20the%20forecast%20period>> last accessed 28 August 2020

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regulatory mechanism to enable aircraft financing and leasing in India.⁵ It is proposed that the IFSC may be a key enabler for this purpose, by providing the required regulatory framework and a competitive tax regime to compete with other global hubs in this industry.

- 13 In 2018, a Working Group constituted by the Ministry of Civil Aviation to study the development and potential of aircraft financing and leasing in India prepared a report titled the “*Project Rupee Raftaar: Development of Aircraft Financing and Leasing in India*” (“**Rupee Raftaar Report**”) recommending the setting up of a structure for aircraft financing and leasing in GIFT IFSC. The Report recommends facilitation of aircraft financing through various institutions in the IFSC including Banks, Non-Banking Financial Companies (“NBFCs”), Alternative Investment Funds (“AIFs”) etc. In light of the above, this note intends to briefly cover certain issues that may require being considered for development of this industry in the IFSC. Since the IFSCA intends to develop the aircraft leasing industry in the IFSC primarily through NBFCs, and hence, the scope of this note is limited to examining the issues relating to developing such industry through NBFCs in the IFSC.

2. Aircraft Financing and Leasing by NBFCs

- 21 Section 45-I(c)(i) of the Reserve Bank of India Act, 1934 (“**RBI Act**”) permits NBFCs to engage in financing, whether by way of making loans or advances or otherwise, of any activity other than its own. However, an exception in terms of industrial activity is provided, wherein an NBFC which carries on an ‘industrial activity’ as its principal business is not covered under the definition of an NBFC.⁶ The term ‘industrial activity’ as defined under the Industrial Development Bank Act, 1964 (and incorporated by reference in the RBI Act) includes *‘leasing, sub-leasing or giving on hire or hire purchase of industrial plants, equipment, machinery or other assets including vehicles, ships and aircraft.’* Therefore, a concern may arise as to whether an aircraft leasing entity which meets the eligibility criteria for an NBFC qualifies as an NBFC due to the above-mentioned exception.

- 22 It is pertinent to note that the activity of ‘equipment leasing’ was expressly classified as a permissible activity for NBFCs under Chapter V of the Finance Act, 1994⁷ (upto 30 June

⁵ Working Group, Ministry of Civil Aviation, Government of India, *Project Rupee Raftaar: Development of Aircraft Financing and Leasing in India*”, 10 January 2019, available at: <<https://www.globalaviationsummit.in/documents/PROJECTRUPEERAFTAAR.pdf>> last accessed 28 August 2020

⁶ Proviso (as) to Section 3(c), The RBI Act

⁷ Section 65(12), The Finance Act 1994: “banking and other financial services” means –(a) the following services provided by a banking company or a financial institution including a non-banking financial company or any other body corporate [or commercial concern], namely: (i) financial leasing services *including equipment leasing and hire-purchase*. Please note that Chapter V of the Finance Act, 1994 was **withdrawn w.e.f 1.7.2012 vide Notification no. 18/2012 ST dated 1.6.2012 read with Notification no. 20/2012 ST dated 5.6.2012**.

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2012) as well as under the extant RBI regulations.⁸ However, with the re-categorisation of NBFCs from four categories (i) equipment leasing, (ii) hire-purchase, (iii) investment companies and (iv) loan companies, to three categories (i) asset finance companies⁹, (ii) investment companies, and (iii) loan companies¹⁰ and now into one combined category called Investment and Credit Company¹¹, it may be inferred that the activity may still be permissible, albeit implicitly.¹² As per the Rupee Raftaar Report, various leasing entities have obtained registration as NBFCs with RBI.¹³ While the term “Equipment Lease” is not statutorily defined in India, paragraph 37(e) of Indian Accounting Standard – 16 (**Ind AS**

⁸ RBI Master Circular on Para-Banking Activities, 1 July 2015, para 8.2(g), available at: <https://www.rbi.org.in/scripts/BS_ViewMasCirculardetails.aspx?id=9837> ; RBI Circular on Reclassification of NBFCs, December 2006, available at: <https://www.rbi.org.in/scripts/BS_CircularIndexDisplay.aspx?Id=3200>

⁹ The Master Circular – “Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998” (which has now been superseded) defined “equipment leasing company” to mean any company which is a financial institution carrying on as its principal business, the activity of leasing of equipment. In the Annual Return to be filed by NBFCs under the said directions, under the details on assets and liabilities, in part 7, the nature of equipment on lease appears to be categorized into *plant & machinery, data processing / office equipment, vehicles and others*. (emphasis supplied) Further, the 2006 RBI circular re-categorising equipment leasing company and hire-purchase company into asset finance company defined asset finance companies as “*any company which is a financial institution carrying on as its principal business the financing of physical assets supporting productive / economic activity, such as automobiles, tractors, lathe machines, generator sets, earth moving and material handling equipments, moving on own power and general purpose industrial machines.*” (emphasis supplied). It appears that the ambit of equipment leasing under the 1998 Master Directions, and the ambit of asset finance companies under the 2006 RBI circular is broad and is not intended to be exhaustive. See, RBI Circular on Reclassification of NBFCs, December 2006, available at: <https://www.rbi.org.in/scripts/BS_CircularIndexDisplay.aspx?Id=3200>

¹⁰ Reserve Bank of India, *RBI Circular on Re-classification of NBFCs*, December 2006, available at: <https://www.rbi.org.in/scripts/BS_CircularIndexDisplay.aspx?Id=3200>

¹¹ Reserve Bank of India, *RBI Circular on Harmonization of Different Categories of NBFCs*, 22 February 2019 available at: <<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11483&Mode=0>> last accessed 28 August 2020

¹² Please note that Annex IV of Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 specifically provides for provision of operating and financial lease under the head of “Asset Financing” in the draft Balance Sheet for NBFCs. This may imply that offering operating and financial lease is within the scope of NBFCs, RBI Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016, available at: <https://www.rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=10586>; Also, See similar provision in RBI Master Direction - Non-Banking Financial Company – Non-Systemically Important Non-Deposit taking Company (Reserve Bank) Directions, 2016, available at: <https://www.rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=10585> last accessed 28 August 2020

¹³ Working Group, Ministry of Civil Aviation, Government of India, *Project Rupee Raftaar: Development of Aircraft Financing and Leasing in India*, 10 January 2019; available at: <<https://www.globalaviationsummit.in/documents/PROJECTRUPEERAFTAR.pdf>> last accessed 28 August 2020

16) on Property, Plant and Equipment¹⁴ explicitly includes aircrafts within the purview of property, plant and equipment, thereby indicating that ‘equipment leasing may possibly include aircraft leasing.

From the above, it appears that for abundant caution, a *clarification* in terms of permitting aircraft financing and leasing as a permitted activity of NBFCs in IFSC may be provided, to enable building an unambiguous regulatory environment for such industry.

3. Aircraft Financing and Leasing in IFSCs

31 The International Financial Services Centres Authorities Act, 2019 (the “IFSCA Act”) empowers the IFSCA to regulate financial services, financial products and financial institutions in the IFSC. The definition of financial products under Section 3(1)(d) includes “credit arrangements”. While the term by itself has not been defined in the IFSCA Act, the report of the Financial Sector Legislative Reports Commission (“FSLRC Report”), which formed the basis of the IFSCA Act, defines credit arrangements to include credit facilities (secured or unsecured loans) and credit transactions.¹⁵ Credit transactions are further defined to include *lease* transactions and secured loans.¹⁶ Thus, it may be reasonably inferred that a similar interpretation may be given to Section 3(1)(d) in the IFSCA Act, and an aircraft lease/finance may fall within the scope of “financial products” under the IFSCA Act by virtue of being in the nature of a credit arrangement.

32 Leasing of aircrafts usually occurs through either of the two modes i.e. (i) Operational Lease or (ii) Financial Lease. In case of a finance lease, all the risks and rewards incidental to ownership are transferred to the lessee, and in most cases, the title is also eventually transferred to the lessee. In other words, in case of “finance lease”, the lessee may use the asset for its entire economic life and thereby acquires risks and rewards incidental to the ownership of such assets. It is in the nature of a financial loan.¹⁷ On the other hand, a lease

¹⁴ Ministry of Corporate Affairs, “Indian Accounting Standard 16- Prescribing the accounting treatment for property, plant and equipment”, available at: <<https://mca.gov.in/Ministry/pdf/INDAS16.pdf>> last accessed 28 August 2020

¹⁵ Section 2(43), Draft of the Indian Financial Code, 2013; *Volume II: Report of the Financial Sector Legislative Reforms Commission*, available at: <https://dea.gov.in/sites/default/files/fslrc_report_vol2_1.pdf> last accessed 28 August 2020

¹⁶ Section 2(46), Draft of the Indian Financial Code, 2013: “credit transaction” means an arrangement, irrespective of its form, which is – (a) a lease; (b) a mortgage agreement or secured loan; (c) an instalment agreement; or (d) any other agreement other than a credit facility or credit guarantee, in terms of which payment of an amount owed by one person to another is deferred thereby attracting a liability to pay a charge, fee or interest to the credit provider in respect of – (i) the agreement; or (ii) the amount that has been deferred, *Volume II: Report of the Financial Sector Legislative Reforms Commission*, available at: <https://dea.gov.in/sites/default/files/fslrc_report_vol2_1.pdf>

¹⁷ See, *Association of Leasing and Finance Companies v. Union of India*, (2011) 2 SCC 352; Para 20

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is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.¹⁸ Operating leases are usually resorted to when the use of an asset is for a particular period which is shorter than the economic life of the asset. This makes operating leases more attractive than finance leases for aircraft leasing. A pure operating lease provides the lessee with the use of an aircraft for the prescribed term in consideration for payment of rent. At the expiry of the prescribed term, the lessee is obliged to return the aircraft to the lessor and has no further legal or economic interest in the residual value of that aircraft. It is expected that approximately half of all aircrafts worldwide will be under an operating lease in the next decade.¹⁹ As per the Rupee Raftaar Report, in India, over 70% of the aircraft acquisitions over the last decade have been on an operating lease basis and the trend is expected to continue in the future.²⁰

33 An aircraft lease (whether operating or finance lease) is more often than not, given effect to through a Sale-and-Leaseback model (SLB), wherein an airline acquires the aircraft, sells the same to the lessor and leases it back for its own use. The SLB model provides a method of financing, frees up equity tied in the aircraft (for the lessee) and is also beneficial for the purpose of controlling tax consequences, and is therefore the preferred model when it comes to aircraft financing. Low-cost carriers (LCC) in India, such as Indigo airlines, usually procure aircrafts through SLB backed operating leases.²¹

34 We have been given to understand that the nature of operating leases may raise a concern as to whether they can be classified as a financial service/ financial product under the IFSCA Act. The Foreign Direct Investment Policy, 2012 (“**FDI Policy**”) specifically indicated that the activity of leasing and finance in the context of foreign investment in NBFCs includes only finance lease and not operating leases.²²

¹⁸ Ministry of Corporate Affairs, *Indian Accounting Standard- 116*, Para 62, available at: <https://www.mca.gov.in/Ministry/pdf/RuleIndAsEng_30032019.pdf> last accessed 28 August 2020

¹⁹ International Air Transport Association: *Guidance Material and Best Practices for Aircraft Leases, International Air Transport Association*, 4th Edition, May 2017, available at: <<https://www.iata.org/contentassets/bf8ca67c8bcd4358b3d004b0d6d0916f/ac-leases-4th-edition.pdf>> last accessed 28 August 2020

²⁰ Working Group, Ministry of Civil Aviation, Government of India, *Project Rupee Raftaar: Development of Aircraft Financing and Leasing in India*”, 10 January 2019, available at: <<https://www.globalaviationsummit.in/documents/PROJECTRUPEERAFTAAR.pdf>> last accessed 28 August 2020

²¹ Satyendra Pandey, “Why sale and leaseback is the centerpiece of IndiGo’s massive aircraft orders”, CNBC TV-18, October 31, 2017, available at: <<https://www.cnbc18.com/aviation/why-sale-and-leaseback-is-the-centerpiece-of-indigos-airbus-300massive-aircraft-orders-4617661.htm>> last accessed 28 August 2020

²² Department of Industrial Policy and Promotion, Ministry of Commerce and Industry, Government of India, Consolidated FDI Policy (Circular 1 of 2012), para 6.2.24.2 available at: <https://dipp.gov.in/sites/default/files/FDI_Circular_01_2012%20%203_0.pdf>; Please note that the FDI Policy of 2017 does not refer to leasing & finance operations and do not make any reference to operating and finance leases.

35 The aforesaid issue pertaining to operating and finance leases is pertinent in the current context because financial institutions (including NBFCs) are permitted to offer only financial services in respect of financial products in an IFSC as per the IFSCA Act.²³ For this aspect, the following sections of the note delve into the international and Indian perspective.

4. International and Indian Perspective: Operational v. Finance Lease

A. Commercial Law

41 On a review of the commercial laws of certain jurisdictions, it appears that they do not differentiate between financial and operating leases. Under the commercial law in Singapore, there is no concept of a financial lease as understood under the Indian regime. In fact, a finance lease is defined as a contractual arrangement where the owner leases goods to usually one hirer (who pays rent for the use of the goods) for the estimated working life of the goods²⁴. Unlike a hire-purchase, no option to purchase is conferred upon the hirer by the lease agreement. Thus, a conventional operating lease (wherein the property in the leased goods never passes to the lessee) is covered within the scope of a financial lease under the commercial law of Singapore. Furthermore, finance companies in Singapore, established under the Finance Companies Act (Cap. 108) are authorized to provide credit facilities by way of such a lease.²⁵ Apart from Singapore, even the Irish commercial law also does not make any distinction between an operating and a financial lease.²⁶

42 On the other hand, a perusal of the laws pertaining to Dubai Financial Services Centre (“DFSC”) indicate that only financial leases are recognized as financial products in the DFSC. As per the General Module of the Dubai Financial Service Authority (DFSA) Rulebook, a financial product includes a credit facility²⁷, which in turn, includes any loan or

²³ Section 3(c), The IFSC Act: “*financial institution*” means a unit set up in an International Financial Services Centre and which is engaged in rendering financial services in respect of any financial product.

²⁴ Commercial Law of Singapore, *Law of Credit and Security*, Chapter 11, Section 5, available at: <<https://www.singaporelawwatch.sg/About-Singapore-Law/Commercial-Law/ch-11-the-law-of-credit-and-security>> last accessed 28 August 2020

²⁵ See, Finance Companies Act (Chapter 108); Also see, Commercial Law of Singapore, *Law of Credit and Security*, Chapter 11, Section 5, available at: <<https://www.singaporelawwatch.sg/About-Singapore-Law/Commercial-Law/ch-11-the-law-of-credit-and-security>> last accessed 28 August 2020

²⁶ Deloitte Touche Tohmatsu Limited, “*Report on Aircraft Leasing in Ireland Crossing Borders*”, 2014, available at: <<https://www2.deloitte.com/content/dam/Deloitte/ie/Documents/Tax/crossing%20boarders%20.pdf>> last accessed 28 August 2020

²⁷ See Rule 2A, The DFSA Rulebook, General Module, available at: <https://dfsae.thomsonreuters.com/sites/default/files/net_file_store/DFSA1547_1843_VER500.pdf> last accessed 27 August 2020

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syndicated loan, mortgage, overdraft, *financial lease*, letter of credit, transaction finance etc.²⁸ (emphasis supplied). However, the term ‘financial lease’ is not defined further and therefore it is not clear if the same includes an operational lease.

- 43 The definition of financial products under Section 3(1)(d) of the IFSCA Act includes “credit arrangements”. As indicated earlier, the FSLRC report defines credit arrangements to include credit transactions, which in turn includes leases and loans. Unlike the DFSC laws, the FSLRC definition does not restrict credit transactions only to financial leases. This may be interpreted to imply that all types of leases, without any categorization into operational and financial lease, may possibly be included within the definition of credit arrangements under the IFSCA Act.

B. Accounting Treatment

- 44 The Ministry of Corporate Affairs (“MCA”) notified new accounting standards for leases on 30 March 2019 i.e. Ind AS 116²⁹ which are largely based on the International Financial Reporting Standard 16 (**FIRS 16**). The IFRS 16 for lease accounting was introduced by the International Accounting Standards Board (IASB) and globally came into force on January 1, 2019. The Ind AS 116 is applicable for annual reporting periods beginning on or after 1 April 2019.³⁰ With regard to NBFCs, in accordance with the MCA notification dated 30 March 2016, all NBFCs, apart from NBFCs with a net worth below INR 250 Crore, are required to comply with the Ind AS from April 1, 2019. Accordingly, NBFCs are required to comply with all rules of accounting as specified in the Ind AS, including Ind As 116.

- 45 The IFRS 16 takes a new approach to accounting for leases, called the ‘right-of-use’ model. As per paragraph 9 of IFRS 16 “*A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration*’ The Ind AS 116 dilutes the difference between operating and finance leases by adopting the ‘right-of-use’ model as prescribed in IFRS 16. This means that if a company has control over, or right to use, an asset they are renting, it is classified as a lease for accounting purposes and, under the new rules, must be recognized on the company’s balance sheet.

²⁸ The DFSA Rulebook, Glossary Module, available at: <https://dfsae.thomsonreuters.com/sites/default/files/net_file_store/DFSA1547_5717_VER510.pdf> last accessed 27 August 2020

²⁹ Ministry of Corporate Affairs, *Indian Accounting Standard- 116*, available at: <https://www.mca.gov.in/Ministry/pdf/RuleIndAsEng_30032019.pdf> last accessed 27 August 2020

³⁰ Scheduled Commercial Banks (SCBs) excluding Regional Rural Banks (RRBs) were initially required to implement Ind AS from 1 April 2018. However, RBI vide a press release dated 5 April 2018, deferred the implementation of Ind AS by one year. Thereafter, the RBI through a notification dated 22 March 2019, has further deferred the Ind AS implementation till further notice. Please see <<http://www.caparivaar.in/wp-content/uploads/2019/03/RBI-Notification-dated-March-22-2019.pdf>>

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This essentially eliminates the distinction between operating and financial leases in so far as accounting treatment is concerned. In other words, significant financial liabilities can no longer be held off-balance sheet, as permitted previously for operating leases (under Ind AS 17)³¹. However, it may be noted that the harmonization of operating and financial leases for the purpose of accounting treatment is made only in the books of the lessee and not the lessor.³²

46 Broadly, the definition of a financial product as provided under the IFSCA Act which may be interpreted to include ‘leases’, coupled with the gradual dilution of the distinction between operating and financial leases for the purpose of accounting, may indicate that an operating lease may be classified as a financial product in the context of the Indian regulatory regime. Moreover, as indicated earlier, most global hubs for aviation finance and leasing such as Singapore and Ireland do not differentiate between operational and finance leases under their commercial laws. This ensures smoother facilitation of aircraft leasing and financing. As the Indian government intends to develop India as a global hub for aircraft leasing/finance through IFSCs, it may be beneficial to recognize all kinds of aircraft leasing structures as financial products, to the extent possible, so as to facilitate entities in the IFSCs to leverage India’s potential in this industry. The Union Finance Minister in her Budget speech 2019 stated that the time is ripe for India to enter into aircraft financing and leasing.

5. Recommendations

Based on the aforesaid justification and in order to remove any sort of ambiguity with respect to the subject matter, it is recommended that Government may specifically add aircraft financing & leasing activity, including operating lease, as a Financial Product in IFSC, by exercising the powers vested with it in terms of Section 3 (1) (d) (e) and 12 (2) (b) and (c) of the IFSCA Act. Further, in consonance with the proposed notifications under the IFSCA Act, the RBI in its operating guidelines for NBFCs to participate in IFSC may also clarify that aircraft leasing, including operating lease, is a permissible activity for NBFCs in IFSC.

³¹Ministry of Corporate Affairs, *Indian Accounting Standard- 17*, available at: <<https://mca.gov.in/Ministry/pdf/INDAS17.pdf>> last accessed 27 August 2020

³² Please note that in so far as aircraft leasing is concerned, Banks and NBFCs are usually in the position of the lessor. The Ind AS 116 has implications on the accounting of lessees, and not lessors and this aspect may require further examination.