

## **Consultation paper on draft IFSCA (Payment Services) Regulations, 2023**

### **Objective:**

1. The objective of this consultation paper is to seek comments/views/suggestions from the public on the proposed International Financial Services Authority (Payment Services) Regulations, 2023 (“the regulations”).

### **Background:**

1. The International Financial Services Centres Authority (IFSCA) is the unified regulator for the development and regulation of financial products, financial services and financial institutions in the International Financial Service Centres (IFSC). Section 3(1)(d)(xi) of the IFSCA Act, 2019 (“the act”) lists “providing payment services” as a financial service under the act.
2. IFSCA had issued the draft IFSCA (Payment Services) Regulations, 2023 on June 13, 2023 for seeking public comments. Based on the public comments received, the draft regulations have been substantially redrafted. Therefore, it has been decided to issue the updated draft for public comments.
3. The updated regulations *inter alia* provide for:

(i) **Clear specification of activities included under the definition of “payment services” and those that are excluded from the definition of “payment services”**

- (a) The regulations clearly specify the services that are included within the definition of payment services and those that are excluded from the definition.
- (b) The regulations also specify the entities providing one or more payment service/s which are exempted from the requirement of authorisation.

(ii) **Authorisation and associated requirements**

Applicants will be able to provide all eligible payment services on the basis of a single authorisation. Applicants will be required to set up a Company with registered office in IFSC and satisfy the net worth requirement specified in the regulations before applying for an authorisation under these regulations.

(iii) **Authorisation criteria**

Criteria that shall be used by the Authority to evaluate the applications received by the Authority has been laid down in the regulations.

(iv) **Revocation and surrender of authorisation**

Procedure for revocation of authorisation by the Authority and surrender of authorisation by the payment service provider has been clearly spelt out

(v) **Governance arrangements**

Governance arrangements for the payment service providers including management of service relationships have been clearly laid down.

4. The draft regulations are placed on the website of the IFSCA at <https://ifsca.gov.in/PublicConsultation>. General public and stakeholders are requested to forward their comments/suggestions through e-mail to Mr. Supriyo Bhattacharjee at [supriyo.b@ifsca.gov.in](mailto:supriyo.b@ifsca.gov.in) and Mr. Vaibhav Sattavan at [vaibhav.sattavan@ifsca.gov.in](mailto:vaibhav.sattavan@ifsca.gov.in) on or before November 10, 2023 in the attached format. The comments may be provided in MS Word or MS Excel format only.

**Format for providing comments / suggestions**

**IFSCA (Payment Services) Regulations, 2023**

<b>Name, Designation of the person</b>				
<b>Contact No.</b>				
<b>Name of Organisation</b>				
<b>Page No. of Draft Regulation</b>	<b>Reg. No.</b>	<b>Sub-Regulation No/Para No.</b>	<b>Comments/Suggestions/ Suggested modifications</b>	<b>Rationale</b>

## DRAFT

### International Financial Services Centres Authority (Payment Services) Regulations, 2023

*In exercise of the powers conferred by sub-section (1) of Section 12 read with sub-section 1 of section 28 of the International Financial Services Centres Authority Act, 2019 (50 of 2019), the International Financial Services Centres Authority hereby makes the following regulations namely: -*

#### Chapter I Preliminary

##### Short title and commencement

1. (1) These regulations may be called the International Financial Services Centres Authority (Payment Services) Regulations, 2023.

(2) They shall come into force on the date of their publication in the Official Gazette.

##### Definitions

2. (1) In these regulations, unless the context otherwise requires, the terms defined herein shall bear the meanings as assigned to them below, and their cognate expressions shall be construed accordingly -

(a) “account issuance service” means any of the following services:

- i. the service of issuing a payment account to a payment service user;
- ii. any service relating to any operation required for operating a payment account, including:
  - a) any service (other than a cross-border money transfer service) that enables money to be placed in a payment account; or
  - b) any service (other than a cross-border money transfer service) that enables money to be withdrawn from a payment account;

(b) “act” means the International Financial Services Centres Authority Act, 2019 (50 of 2019);

(c) “agent” means any person that carries on a business of acting as an authorised agent for another person, for the purposes of negotiating or concluding the sale or purchase of goods or services on behalf of that other person;

(d) “applicable funds” means-

- i. funds received by the Payment Service Provider from, or for the benefit of, a payment service user for the execution of a payment transaction;

- ii. sums received from a Payment Service Provider for the execution of a payment transaction on behalf of a payment service user.
- (e) “authority” means the International Financial Services Centres Authority established under sub-section (1) of Section 4 of the Act;
- (f) “branch” means a place of business, other than the head office;
- (g) “certificate of authorisation” means the certificate containing the details of the authorisation granted by the Authority to a Payment Service Provider under regulation 11;
- (h) “company” means a company as defined in sub-section 20 of section 2 of the Companies Act, 2013 (18 of 2013);
- (i) “control” means control as defined in sub-section 27 of section 2 of the Companies Act, 2013 (18 of 2013)
- (j) “cross-border money transfer service” means either of the following services:
  - i. any service of accepting money from a person in IFSC, whether as principal or agent, for the purpose of transmitting, or arranging for the transmission of, the money to any person outside IFSC;
  - ii. any service of receiving any money from a person outside IFSC for, or arranging for the receipt of any money from a person outside IFSC by, any person in IFSC, whether as principal or as agent;
- (k) “digital payment token” means any digital representation of value (other than an excluded digital representation of value prescribed by the Authority) that —
  - i. is expressed as a unit;
  - ii. is not denominated in any currency, and is not pegged by its issuer to any currency;
  - iii. is, or is intended to be, a medium of exchange accepted by the public, or a section of the public, as payment for goods or services or for the discharge of a debt;
  - iv. can be transferred, stored or traded electronically; and
  - v. satisfies such other characteristics as the Authority may prescribe;
- (l) “e-money” means any electronically stored monetary value that —
  - i. is denominated in any specified foreign currency;
  - ii. has been paid for in advance to enable the making of payment transactions through the use of a payment account;
  - iii. is accepted by a person other than its issuer; and
  - iv. represents a claim on its issuerbut does not include any deposit accepted in or outside IFSC, from any person in or outside IFSC, and does not include a digital payment token (DPT);
- (m) “e-money issuance service” means the service of issuing e-money to a Payment Service User for the purpose of allowing a Payment Service User to make payment transactions;

- (n) “escrow service” means the service provided by a Payment Service Provider under an agreement, whereby an asset or money is held by such Payment Service Provider in an escrow account on behalf of two parties that are in the process of completing a transaction.
- (o) “holding company”, means a company as defined in sub-section 46 of section 2 of the Companies Act, 2013 (18 of 2013);
- (p) “International Financial Services Centre” shall have the meaning assigned to it in clause (g) of sub-section (1) of section 3 of the Act;
- (q) “key managerial personnel” shall have the meaning assigned to it in subsection 50 of section 2 of the Companies Act, 2013 (as amended) and any other person whom the Payment Service Provider may declare as a key managerial personnel;
- (r) “merchant acquisition service” means any service of accepting and processing a payment transaction for a merchant under a contract between the Payment Service Provider and the merchant, which results in a transfer of money to the merchant pursuant to the payment transaction, regardless of whether the Payment Service Provider comes into possession of any money in respect of the payment transaction;
- (s) “nth-party service provider” means a service provider that is part of a Service Provider’s supply chain and supports the ultimate delivery of services to one or more Payment Service Providers;
- (t) “payment account” means an account held with a Payment Service Provider in the name of one or more Payment Service Users which is used for the execution of payment transactions;
- (u) “payment instrument” means any personalised device or set of procedures through which a Payment Services User initiates a payment order;
- (v) “payment order” means any instruction by a Payment Service User to the Payment Service Provider requesting the execution of a payment transaction;
- (w) “payment services” means any of the activities or services that is specified in Part A of Schedule 1 of these regulations when carried out as a regular business activity but does not include activities/services specified in Part B of Schedule I of these regulations;
- (x) “payment service provider” means any person that provides one or more of the Payment Services listed in Part A of Schedule 1 as a regular business activity and who has been duly authorised by the Authority as a Regular Payment Service Provider or a Significant Payment Service Provider to provide such Payment Services;
- (y) “payment service user” means any person, in IFSC or outside IFSC, that makes use of a Payment Service provided by a Payment Service Provider in the capacity of a payer or a payee, or of both;
- (z) “payment system” shall have the meaning assigned to it in clause (i) of sub-section (1) of section 2 of Payment and Settlement Systems Act, 2007 (51 of 2007) (as amended).

- (aa) “payment transaction” means an act initiated by the payer or payee, or on behalf of the payer, of placing, transferring or withdrawing funds, with or without any underlying obligations between the payer and payee;
- (ab) “principal executive” means an employee designated by a Payment Service Provider who is responsible for the overall activities of the Payment Service Provider in the IFSC;
- (ac) “regular payment service provider” means any Payment Service Provider, authorised under regulation 11 of these regulations, other than “significant payment service provider”
- (ad) “safeguarding institution” means an IFSC Banking Unit (IBU) or an IFSC Banking Company (IBC) as defined in clause (ec) and (eb), respectively, of sub-regulation (1) of regulation 2 of the International Financial Services Centres Act (Banking) Regulations, 2020;
- (ae) “service provider” means any person that provides services to one or more Payment Service Provider either directly or indirectly (e.g., as part of the supply chain of another service provider);
- (af) “significant payment service provider” means any Payment Service Provider, who is authorised under regulation 11 of these regulations and satisfies the conditions mentioned in Part C of Schedule I of these regulations;
- (ag) “specified foreign currency” means the currencies specified in the First Schedule of the International Financial Services Centres Authority (Banking) Regulations, 2020;
- (ah) “subsidiary” means a company as defined in sub-section 87 of section 2 of the Companies Act, 2013 (18 of 2013);
- (ai) “service relationship” means a formal arrangement for the provision of one or more services, or parts thereof, in the form of activities, functions, processes and tasks, to a Payment Service Provider by a service provider including:
  - a) arrangements for the provision of services to a Payment Service Provider by an intra-group service provider;
  - b) services supporting transactions between a Payment Service Provider with their employees, customers or counterparties (e.g., compliance or back-office functions).

(2) Words and expressions used and not defined in these regulations but defined in the Act or Acts mentioned in the First Schedule to the Act, or the Companies Act, 2013, or any rules or regulations made thereunder shall have the same meanings respectively assigned to them in those Acts, rules or regulations or any statutory modification or re-enactment thereto, as the case may be.

## Chapter II

### Authorisation to Payment Service Providers

#### Requirement of authorisation for commencing or carrying on a Payment Service

3. Any person seeking to provide Payment Services in or from International Financial Services Centre ('IFSC') shall require authorisation from the Authority under these regulations.

#### Application for authorisation for providing Payment Services

4. (1) Any person desirous of providing Payment Services in or from an International Financial Services Centre (hereinafter referred to as 'Applicant') shall submit an application to the Authority, for grant of authorisation as a Payment Service Provider in the format specified in Schedule II of these regulations;

Provided that the persons specified in Schedule V of these regulations are exempted from the requirement of obtaining authorisation under these regulations.

(2) The application under sub-regulation (1) shall be accompanied by a non-refundable application fee as may be specified by the Authority and paid in such manner as may be specified by the Authority.

(3) A person authorised as a Payment Service Provider may provide one or more of Payment Services as specified in Part A of the Schedule I to these regulations.

(4) Notwithstanding sub-regulation (3), a person must have in force an authorisation for SPSP if in addition to satisfying the condition of sub-regulation (3), he satisfies one or more conditions in Part C of Schedule I to these regulations.

#### Activities that are not Payment Services

5. Activities listed in Part B of Schedule I shall not be considered as Payment Services for the purpose of these regulations.

#### Legal form of the applicant

6. An applicant for authorisation under regulation 4 shall be required to be incorporated as a company with its registered office in IFSC before submitting the application to the Authority under these regulations.

#### Net worth requirement

7. (1) A Payment Service Provider shall comply with the net worth requirements, as specified in Schedule VI of these regulations, on an ongoing basis.

(2) The net worth requirements of an applicant or a Payment Service Provider shall be reviewed by the Authority from time to time.

(3) Requirement of additional net worth, if any, as a result of the review undertaken under sub-regulation (2), will have to be satisfied:

(a) by an applicant, at the time of application or, if the application has already been submitted, before the grant of authorisation.

(b) by a Payment Service Provider, within 180 days from the date of communication by the Authority about the additional net worth requirement.



## **Fit and Proper requirement**

8. (1) An Applicant or a Payment Service Provider shall ensure that its Principal Executive, directors, Key Managerial Personnel and persons exercising control over the Applicant or a Payment Service Provider (hereinafter referred to as “Relevant Persons”) satisfy the “fit and proper requirements” (FPR) specified in Schedule III of these regulations at all times.

(2) The Authority may undertake an evaluation of any Relevant Person/s under the FPR criteria during the time of processing the request for authorisation as a Payment Service Provider or any time thereafter.

(3) In case of any difference in the outcome of the evaluation under the FPR undertaken by an Applicant or a Payment Service Provider and that undertaken by the Authority, the outcome of the evaluation undertaken by the Authority shall prevail.

## **Authorisation requirements**

9. While evaluating an application under sub-regulation (1) of regulation 4, the Authority shall take into account all matters which it deems relevant for grant of authorisation, including, whether:

- a. Principal Executive, directors, Key Managerial Personnel of the Applicant or its associated company have adequate experience, including an existing authorisation to provide similar services in any other jurisdiction, in the activities that it seeks to provide as a Payment Service Provider;
- b. the Applicant possesses the necessary infrastructure like adequate office space, equipment, communication facilities and manpower to effectively discharge its activities;
- c. the Applicant satisfies the net worth requirement as specified in these regulations;
- d. the financial soundness of the Applicant;
- e. the Applicant and its Principal Executive, directors, Key Managerial Personnel and persons exercising control over the applicant satisfy the “fit and proper” requirements;
- f. the Applicant, its group entities or any of its associates have in the past been refused certificate by the Authority and if so, the ground for such refusal;
- g. the Applicant or its Principal Executive, directors, Key Managerial Personnel is subject to any proceeding for breach of law by the Authority; and
- h. the interests of Payment Services Users, including the terms and conditions governing their relationship with a Payment Service Provider.

## **Issuance of in-principle approval**

10. (1) After considering an application for authorisation, if the Authority is satisfied that the said application, prima facie, satisfies the conditions for granting authorisation, the Authority shall issue an “in-principle approval” letter to the Applicant and may require the Applicant to satisfy such conditions as may be specified by the Authority in the “in-principle approval” letter.

(2) Grant of authorisation to an Applicant who has been issued “in-principle approval” shall be at the sole discretion of the Authority and the issue of “in-principle approval” by the Authority shall not automatically entitle the Applicant to be granted an authorisation under regulation 11.

(3) The Applicant shall intimate to the Authority about any change of ownership or control of the Applicant during the period when an “in-principle approval” is in force.

(4) The Authority, after receipt of intimation under sub-regulation (3) or when it otherwise becomes aware of any change of control of the applicant to whom an “in-principle approval” has been issued, shall undertake a review of its decision to grant “in-principle approval” to the applicant.

(5) The outcome of the review undertaken at sub-regulation (4) shall be communicated to the applicant.

(6) If as a result of the review under sub-regulation (4), the Authority proposes to revoke the “in-principle approval” granted to the applicant, the Authority shall communicate its desire to do so to the Applicant and provide the Applicant a reasonable opportunity of being heard before taking a final decision in the matter.

### **Grant of authorisation**

11. (1) The Authority may, on being satisfied that the Applicant has complied with the conditions laid down in these regulations and is eligible to act as a Regular Payment Service Provider or Standard Payment Service Provider, grant Certificate of Authorisation to the Applicant subject to the conditions as the Authority may deem fit.

(2) The Certificate of Authorisation granted under sub-regulation (1) shall be valid till the same is revoked by the Authority or surrendered by the Payment Service Provider.

(3) Every Significant Payment Service Provider shall maintain security deposit of a prescribed amount (or its equivalent in a specified foreign currency) with the Authority, for the due performance of its obligation to every Payment Service User who is a customer of the Significant Payment Service Provider.

(4) The prescribed amount of security deposit (or its equivalent in specified foreign currency) shall be as follows:

- i. \$100000 – where the total value of all payment transactions per month is less than or equal to \$6 million
- ii. \$200000 – where the total value of all payment transactions per month is more than \$6 million

(5) The security deposit mentioned in sub-regulation (3) shall be —

- (a) in the form of a bank guarantee that satisfies such requirements as the Authority may specify by notice in writing; or
- (b) in such other form as the Authority may, in any particular case, allow.

(6) The Payment Service Provider shall, at any time after the grant of authorisation under sub-regulation (1), intimate to the Authority of any material change in the information or particulars previously furnished along with the application.

### **Refusal of Authorisation: -**

12. (1) If the Authority is of the opinion that the authorisation cannot be granted, it shall communicate the deficiencies to the Applicant giving it thirty (30) days time to rectify them.

(2) If the Applicant fails to rectify such deficiencies within the specified time, the Authority shall refuse to grant authorisation and shall communicate the same to the Applicant, giving reasons for such refusal.

Provided that no such refusal shall be made without giving the Applicant a reasonable opportunity of being heard.

(3) The application filed under sub-regulation (1) of regulation 4 may be withdrawn by the Applicant at any time before the grant of authorisation without refund of fees paid, if any, to the Authority.

(4) The Applicant whose application is refused under sub-regulation (2) or withdrawn under sub-regulation (3) may submit a fresh application for authorisation after a period of six months from the date of communication of refusal of the application by the Authority under sub-regulation (2).

### **Revocation of authorisation**

13. (1) If the Authority is satisfied that a Payment Service Provider has failed to comply with any of the conditions of the authorisation, provision/s of these regulations, orders or directions of the Authority, violation of fit and proper criteria or that the activity of the Payment Service Provider is being carried on in a manner prejudicial to the interests of the Payment Service Users, it may revoke the authorisation granted to such Payment Service Provider and cancel the Certificate of Authorisation .

(2) The order for revocation of the authorisation and cancellation of the Certificate of Authorisation shall be issued after giving the concerned Payment Service Provider, a reasonable opportunity of being heard.

### **Surrender of Authorisation**

14. (1) A Payment Service Provider may file an application with the Authority, in compliance with the conditions and in the format provided in Schedule IV, for surrender of its the authorisation granted to it.

(2) On perusal of the application and on being satisfied that the surrender of authorisation is unlikely to cause any material adverse effect to the financial ecosystem of the IFSC or the interests of the Payment Service Users, the Authority may permit surrender of such authorisation subject to such conditions as it may think fit.

(3) The Authority may, by an order in writing, specify the date from which the authorisation shall cease to have effect.

### **Application of security deposit on revocation or surrender of authorisation**

15. (1) Where a Significant Payment Service Provider has surrendered its authorisation or the authorisation of a Significant Payment Service Provider has been revoked by the Authority, the Authority may apply the security deposit, if any, mentioned in sub-regulation (3) of regulation

11, to pay any sums outstanding and claimed by Payment Service Users who are customers of the Significant Payment Service Provider.

(2) Where a Significant Payment Service Provider has surrendered its authorisation or the authorisation of a Significant Payment Service Provider has been revoked by the Authority, the Authority shall release the security deposit, if any, mentioned in sub-regulation (3) of regulation 11 or any balance thereof if it is satisfied that:

(a) there is no outstanding claim by any Payment Service User who is a customer of the Significant Payment Service Provider; and

(b) the Significant Payment Service Provider has satisfied all conditions for surrender of authorisation under these regulations.

### **Chapter III**

#### **Commencement of operations**

16. (1) The Payment Service Provider shall commence its operations within six months from the date of issue of Certificate of Authorisation.

(2) The Payment Service Provider shall submit any request for extension of time for commencing operations at least 3 months before the date of commencement of operations in sub-regulation (1).

(3) The application under sub-regulation (2) shall include complete details of the reasons behind the request for extension, duration of extension sought, steps being undertaken to overcome the delay and any other information which, in the opinion of the Payment Service Provider, is relevant to the request for extension.

(4) The Authority shall consider a request under sub-regulation (2), either accept or refuse the same and communicate its decision to the Payment Service Provider.

### **Chapter IV**

#### **Governance**

##### **Governance arrangements**

17. (1) A Payment Service Provider shall document its governance arrangements i.e., the framework under which its Board and Management of such operates, comprehensively and clearly.

(2) The governance arrangements to be documented in sub-regulation (1) should, at minimum, include the following components namely:

- a. role and composition of the Board and any board committees;
- b. senior management structure;
- c. reporting lines between management and the board;
- d. ownership structure;
- e. internal governance policy;
- f. design of risk management and internal controls;

- g. procedures for the appointment of board members and senior management;
- h. processes for ensuring performance accountability;

(3) A Payment Service Provider shall not undertake activities other than providing Payment Services without the prior permission of the Authority and subject to such conditions as may be specified by the Authority

(4) A Payment Service Provider shall devise clear and comprehensive rules and procedures for the Payment Services provided by it and shall provide sufficient information to enable Payment Service Users to have an accurate understanding of the risks, fees, and other material costs they incur by availing such Payment Service/s.

18. (1) A Payment Service Provider shall develop a framework for management of risks including risk-management policies, procedures, and systems that enable it to identify, measure, monitor, and manage the range of risks that arise in or are borne by it while providing payment service/s. Such risk-management frameworks shall be subject to periodic review by the Board of the Payment Service Provider.

(2) A Payment Service Provider shall establish a robust operational risk-management framework with appropriate systems, policies, procedures, and controls to identify, monitor, and manage operational risks.

(3) A Payment Service Provider that establishes a link with one or more Payment Systems shall identify, monitor, and manage link-related risks.

## **Chapter V**

### **Risk management of service relationships**

#### **Identification of critical services and assessment of criticality**

19. (1) A Payment Service Provider shall put in place a risk-based framework to assess the criticality of services that they receive or plan to receive from a Service Provider. Such assessment shall be undertaken at the time of commencement of operations and at regular intervals thereafter.

(2) The framework in sub-regulation (1) shall consider various factors relevant to identifying a service as “critical” including:

- a. the financial, operational and strategic importance of the service to the Payment Service Provider.
- b. the level of tolerance for disruption acceptable to the Payment Service Provider regarding critical business operations that rely or plan to rely on the Service Provider.
- c. the nature of any data or information shared by the Payment Service Provider with the Service Provider under a Service Relationship.
- d. the ease of substitutability of a service or lack thereof.

#### **Onboarding and ongoing monitoring of Service Providers**

20. (1) A Payment Service Provider shall conduct appropriate planning and due diligence before entering into a Service Relationship arrangement for a critical service. The level of due

diligence shall be proportional to the criticality of the relevant service as required to be identified in sub-regulation (1) of regulation 19.

(2) Factors that are to be considered in the due diligence process may include:

- a. Operational and technical capability and track record, including (if applicable) drawing on any prior engagement between the Payment Service Provider and the Service Provider (in general or in connection with the service to be provided);
- b. Financial soundness insofar as it can affect the delivery of its services;
- c. Internal controls and risk management, including its ability to manage ICT, cyber security and other operational risks;
- d. Management of supply chain risks, including use and oversight of nth-party service providers;
- e. Geographic dependencies and management of related risks;
- f. Key personnel involved in the delivery of the relevant service and their competency;
- g. Potential conflicts of interest;
- h. Existence of any recent or pending relevant complaints, investigations or litigation against the Service Provider and (if relevant) nth-party service provider;
- i. Ability to deliver the critical service in a way that allows the financial institution to comply with its legal and regulatory obligations;
- j. Ability to support the financial institution's business strategy and plans;
- k. Level of substitutability of the service and Service Provider.

(3) The services being received by a Payment Service Provider shall be procured through legally binding arrangements between the Payment Service Provider and a Service Provider, including clear contractual provisions setting out the respective rights and obligations of a Payment Service Provider and a Service Provider.

(4) The legal arrangements in sub-regulation (3) must include a provision of sharing of information by the service provider with the Authority.

(5) A Payment Service Provider shall establish processes for ongoing monitoring of the Service Provider's ability to deliver the critical services in line with its contractual obligations.

### **Exit strategies**

21. (1) A Payment Service Provider shall identify, document and to the extent practically feasible, test their strategy for exiting Service Relationship involving critical services.

(2) Such strategy shall cover a range of scenarios including planned migration of services but also include adverse events like:

- (a) Significant or persistent breach of applicable laws, regulations or contractual terms;

(b) Deterioration in the quality of the services provided;

(c) Weaknesses in the Service Provider's governance, financial condition, resilience or risk management that have impacted or could reasonably impact the delivery of critical services;

(d) Extended disruption to critical services that cannot be managed through other business continuity measures.

### **Reporting of incidents**

22. The Payment Service Provider shall require the Service Providers to have clearly defined processes for identifying, investigating, remediating and notifying Payment Service Provider in a timely manner of incidents that impact the Service Provider's ability to deliver agreed-upon services.

### **Record of third-party service relationships**

23. The Payment Service Provider shall maintain complete, up-to-date records of their Service Relationship that identify the criticality of different services.

## **Chapter VI**

### **Duties of the Payment Service Provider**

#### **Duty to protect Applicable Funds:**

24. (1) It shall be the duty of the Payment Service Provider to safeguard Applicable Funds by following the directions specified in Schedule VII.

(2) The Payment Service Provider must, at all times, keep Applicable Funds segregated from any other types of funds that it holds.

#### **Duty to comply with Know Your Customer/ Anti Money Laundering/ Combating the Financing of Terrorism Guidelines**

25. (1) The Payment Service Provider shall ensure compliance with International Financial Services Centres Authority (Anti Money Laundering, Counter-Terrorist Financing and Know Your Customer) Guidelines, 2022, and other provisions of Prevention of Money Laundering Act, 2002 and the Rules made thereunder including any statutory modification(s) or re-enactment thereof for the time being in force.

(2) The Payment Service Provider using agents for the provision of their services shall :

a) maintain an up-to-date list of such agents

b) include such agents in their AML/CFT programmes and monitor them for compliance with these programmes

(3) A Payment Service Provider shall be responsible and accountable for the transactions/actions undertaken by their authorised agents, retail outlets and merchants.

### **Duty to comply with laws**

26. The Payment Service Provider shall comply with all applicable laws in India as well all applicable laws of any jurisdictions outside India where it provides services or where the Payment Service Users are based.

### **Duty of co-operation with the Authority**

27. A Payment Service Provider must deal with the Authority in an open and co-operative manner. A Payment Service Provider shall keep the Authority duly informed of any significant event(s) relating to the Payment Service Provider.

### **Duty towards Payment Service Users**

28. A Payment Service Provider shall ensure that due regard is given to protecting the interests of Payment Service Users and the relevant information is communicated to them in a clear and fair manner that minimises the possibility of them getting misled.

### **Redressal of grievances**

29. (1) A Payment Service Provider shall put in place a framework for redressal of grievances of the Payment Service Users.

(2) A Payment Service Provider shall maintain records regarding grievances received by it and redressal of such grievances.

(3) A Payment Service Provider must depute adequate staff at its permanent place of business or registered office in IFSC to address any queries or complaints from any payment service user that uses any payment service.

## **Chapter VII**

### **Place of business or registered office: -**

30. (1) A Payment Service Provider who wants to carry on some activities of a payment service from a place of business other than from IFSC shall seek prior approval from the Authority.

(2) The Authority may permit a Payment Service Provider to offer payment service from a place of business other than IFSC, subject to such conditions as the Authority may think fit.

## **Chapter VIII**

### **Returns, Documents and Other Information**

#### **Submission of returns, documents or other information etc.**

31. (1) Every Payment Service Provider shall be required to submit information in the format and the manner as specified by the Authority.

#### **Furnishing of accounts and Balance Sheet**

32. Every Payment Services Provider shall submit to the Authority, a copy of the audited financial statements, which includes Balance-sheet, Profit and Loss statement, Cash/Fund flow



statement along-with the auditor's report thereon within three months from the date of its finalisation to the Authority, along with the remarks or observations of the auditor, if any, on the conduct of the business, state of accounts, etc., and a suitable explanation on auditor's observations/remarks.

Provided that the Authority may, on an application made by the Payment Services Provider, extend the said period of three months for furnishing of returns by a further period not exceeding one month.

### **Maintenance of books of accounts, records and other documents**

33. Every Payment Service Provider shall maintain and preserve the following books of accounts, records and documents, in a format suitable for electronic retrieval, for a minimum of ten years from the date of commencement of operations, namely: -

- (a) a copy of the balance sheet at the end of each accounting period;
- (b) a copy of profit and loss account for each accounting period;
- (c) a copy of the auditor's report on the accounts for each accounting period;
- (d) a statement of net worth for each quarter;
- (e) documentation relating to compliance with AML and CFT guidelines;
- (f) documents relating to account opening of each client and any power of attorney or signature authority forms of the clients;
- (g) relevant records and documents relating to its activities in capital markets;
- (h) such other books of accounts, records and documents as may be specified by the Authority from time to time.

## **Schedule I**

### **Payment Services, Thresholds and Conditions**

[See Section 12 of the Act and regulation 4(4) and 4(5)]

#### **Part A**

##### **Activities which are Payment Services**

1. The following activities, except the activities specified in Part B, are Payment Services for the purposes of these regulations :
  - a) account issuance service (including e-money account issuance service);
  - b) e-money issuance service;
  - c) escrow service;
  - d) cross border money transfer service;
  - e) merchant acquisition service.

#### **Part B**

##### **Activities which are not Payment Services**

2. The following activities are not Payment Services for the purposes of these regulations –
  - a) payment transactions on behalf of the payer or the payee, if performed by an agent authorised to negotiate or conclude the sale or purchase of goods or services on behalf of the payer or the payee, as the case may be;
  - b) payment transactions based on any of the following documents, each being a document drawn on a person with a view to placing money at the disposal of the payee;
    - (i) cheque, cashier's order, drawing voucher, dividend warrant, demand draft, remittance receipt, traveller's cheque or gift cheque;
    - (ii) paper postal order;
  - c) payment transactions carried out within a payment or securities settlement system between payment service providers and settlement agents, central counterparties, clearing houses, central banks or other participants in the system;
  - d) payment transactions related to securities asset servicing, including dividends, income or other distributions, or redemption or sale, carried out by persons referred to in sub-paragraph (c);

- e) payment transactions carried out between payment service providers, or their agents or branches, for their own account;
- f) payment transactions and related services between a holding company and its subsidiary or between subsidiaries of the same holding company, without any intermediary intervention by a payment service provider other than a company belonging to the same group;
- g) transporting currency, including the collection, processing and delivery of the currency, where the service is carried on as a business;
- h) services provided by technical service providers, being an entity that supports the provision of payment services, without being in possession of the funds to be transferred at any time, including the services of:
  - (i) processing and storage of data;
  - (ii) trust and privacy protection services;
  - (iii) data and entity authentication;
  - (iv) information technology;
  - (v) communication network provision; and
  - (vi) provision and maintenance of terminals and devices used for payment services;
- i) services based on specific payment instruments that can be used only in a limited way and meet one of the following conditions:
  - (i) allow the holder to acquire goods or services only in the premises of the issuer of the payment instrument;
  - (ii) are issued by an issuer and allow the holder to acquire goods or services only within a limited network of service providers which have direct commercial agreements with the user;
  - (iii) may be used only to acquire a very limited range of goods or services;

### **Part C**

#### **Thresholds and Conditions required for Authorisation as a Significant Payment Service Provider**

3. The following are the thresholds and conditions to be met by an applicant or a Regular Payment Service Provider to be eligible for authorisation as a Significant Payment Service Provider –

- a) if the applicant or the Regular Payment Service Provider intends to carry or carries on a business of providing one or more of the payment services (other than e-money account issuance service) mentioned in Part A of this schedule:
  - (i) the monthly average, over a calendar year, of the total value of all payment transactions that are accepted, processed, executed or intended to be accepted, processed, executed exceeds –
    - A) \$2 million (or its equivalent in a specified foreign currency), for any one of the payment services (other than e-money account issuance service) mentioned in Part A of this schedule or;
    - B) \$4 million (or its equivalent in a specified foreign currency), for two or more of the payment services (other than e-money account issuance service) mentioned in Part A of this schedule;
- b) if the applicant or the Regular Payment Service Provider intends to carry or carries on a business of providing an e-money account issuance service:
  - (i) the average daily value, over a calendar year, of all e-money that is stored in any payment account intended to be issued or issued by the applicant or the Regular Payment Service Provider exceeds \$3 million (or its equivalent in a specified foreign currency);
- c) if the applicant or the Regular Payment Service Provider intends to carry or carries on a business of providing an e-money issuance service:
  - (i) the average daily value, over a calendar year, of the total value in one day of all e-money that is intended to be issued or issued by the applicant or the Regular Payment Service Provider exceeds \$3 million (or its equivalent in a specified foreign currency);

**Schedule II**  
**Application form**

[See Section 12 of the Act and regulation 4(1)]

<b>Section A :General Information to be filled by applicants</b>		
<b>S. No.</b>	<b>Particulars</b>	<b>Comments / Remarks (for IFSCA use)</b>
1.	IFSCA Regulations/Framework/Circulars under which Application is being made by the Applicant	
2.	Name of the Applicant	
3.	Legal form of the Applicant along with Registration/ Identification No. and documentary proof.  For example, in case of a company provide the Certificate of Incorporation, Memorandum of Association and Articles of Association.	
4.	Date of incorporation of the Applicant	
5.	Name and Address of Head/ Corporate Office of the Applicant's Parent Entity(ies) (also provide FAX no(if available), Email ID and Website)	
	Address of Registered Office of the Applicant's Parent Entity(ies) (also provide FAX no(if available), Email ID and Website)	
	Address of principal place of Business of the Applicant's Parent Entity(ies) (also provide FAX no(if available), Email ID and Website)	

6.	Provisional address of the Applicant's proposed IFSC Unit. Attach copy of Provisional Letter of Allotment.	
7.	Details of Person Authorised with respect to this application (Name, Designation, Email, Phone, Address)	
8.	<p>i) If Applicant's parent entity(ies) is regulated by Financial Sector Regulator(s) provide the following details: Name of Regulator, Name of Country, Type of Activity, License/ Registration No., Date of Registration and Validity &amp; No Objection Certificate (NOC) from home country regulator, if required as per IFSCA regulations.</p> <p>ii) If any of the Applicant's group<sup>1</sup> entities are regulated by Financial Sector Regulator(s) provide the following details: Name of Regulator, Name of Country, Type of Activity, License/ Registration No., Date of Registration and Validity</p> <p><i><sup>1</sup>for the purpose of this question, the term group shall include: JV's/ Subsidiaries / Associates / Promoter / Body Corporate operating under common brand name</i></p>	
9.	<p>Whether Applicant's Parent Entity, including all promoters/controlling shareholders/ senior management/ founders are from a country identified in the latest public statement of Financial Action Task Force as:</p> <p>a) High-risk jurisdiction subject to a call for Action; or (Yes/No)</p> <p>b) a Jurisdiction under Increased Monitoring. (Yes/No)</p> <p>If yes to any of the above, provide further details.</p>	

10.	<p>Whether Applicant's group<sup>2</sup> entities, having transactions/ commercial engagements with applicant entity are from a country identified in the latest public statement of Financial Action Task Force as:</p> <p>a) a High-risk jurisdiction subject to a call for action; or (Yes/No)  b) a Jurisdiction under Increased monitoring. (Yes/No)</p> <p>If Yes to any of the above, provide further details.</p> <p><i><sup>2</sup>for the purpose of this question, the term group shall include JVs/ Subsidiaries / Associates / Promoter / Body Corporate operating under common brand name</i></p>	
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<b>Section B: Corporate Information</b>		
11.	<p>Copy of the Resolution passed by the Applicant authorizing its Director(s)/Partner(s)/ Authorized Person(s) as applicable, for enabling the Applicant to:</p> <ul style="list-style-type: none"> <li>• make an application to IFSCA, and thereby executing, or providing necessary documents on behalf of the Applicant to IFSCA.</li> <li>• to incorporate/ setup unit in IFSC</li> <li>• in case applicant wants to pursue business activities different from the ones for which the applicant is licensed (if applicable)</li> </ul> <p>Attach copy/copies</p>	
12.	Provide details of 'Information on Management' as per given format in Section F.	
13.	<p>Shareholding pattern / List of major shareholders<sup>3</sup> (for all holding 10% or more of shares or voting rights or distributable dividend) / Persons exercising Control<sup>4</sup> of Applicant.</p> <p>a) Authorised Capital:  b) Paid up Capital / Partners Capital contribution:  c) Subscribed Capital and Issued Capital:  d) Face value of shares:  e) Details of the Shareholding or partnership structure as below:</p>	

Instrument	Name of the Shareholder or Investor	Nationality of Individual shareholders/ Country of Registration for Institutional Investors	Amount Invested (incl. Currency)	% Direct Holding in Applicant entity (as on _____)	% Indirect Holding in Applicant entity (as on _____)	Holding in entity
Equity Shares/ Capital Contribution						
Others (Preference /Convertible etc.)						
<b>TOTAL</b>						
<p><sup>3</sup>The intent of this question is to identify the Ultimate Beneficial Owner (UBO) of the Applicant. In case the shareholding is not held directly by the shareholder mentioned in table above in Q12, provide ownership structure chart of the applicant clearly bringing out the vertical group structure and ownership percentages at all levels.</p> <p><sup>4</sup>Control shall include the right to appoint majority of the directors or to control the management or policy decisions exercisable by a person or persons acting individually or in concert, directly or indirectly, including by virtue of their shareholding or management rights or shareholders' agreements or voting agreements or in any other manner.</p>						
14.	<p>In respect of the shareholders disclosed in Q12 above:</p> <p>If the direct shareholder is a Natural person then: provide Net Worth Certificate<sup>5</sup> along with the last three years Personal Tax Returns.</p> <p>If the shareholder is a body-corporate then: provide audited financial statements (Balance sheet, P&amp;L and Cash flow statement) for the last three years.</p> <p><sup>5</sup>Net worth Certificate should not be older than six months as on the date of application (As certified by CA/CS or their equivalent in foreign jurisdiction). (Mention figures in space provided and Attach copy)</p>					



14A	Please provide the Net Worth Certificate <sup>6</sup> of the Applicant.	
	Enter the figures in the space provided and upload the document.	
	<sup>6</sup> Net worth Certificate should not be older than six months as on the date of application (As certified by CA/CS or their equivalent in foreign jurisdiction).	

<b>Section C: Information on Business Plan for the IFSC Unit</b>		
<b>S.No.</b>	<b>Particulars</b>	<b>Comments/ Remarks (for IFSCA use)</b>
15.	Briefly describe the Applicant (including <i>existing activities carried out, revenue from these activities, key client jurisdictions, no. of employees etc.</i> ). Also, provide group's experience in providing regulated financial services in India or any other jurisdictions.	
15.A	Provide the Applicant's Business Plan, highlighting their proposed business activities to be carried out in IFSC as per relevant regulations/framework.	
16.	Has the Applicant previously submitted an application form or a regulatory business plan to any other financial services authority to carry out regulated activities?  If "yes," when was the most recent submission made, and to which regulator?  If the answer is "yes," what happened with that submission?	
17.	Describe the procedures and measures that will be taken to ensure that the client's assets and/or funds are adequately protected.	
18.	Provide answers to the following: i) Immediate and Future markets being targeted ii) Types of clients (whether institutional/ retail/ any other) iii) Projected number of clients at the end of Year-1  Describe the Applicant's prior experience serving retail clients (if applicable), including that of its Senior Management. Briefly explain measures in place, in terms	

	of client agreements, marketing materials, etc. to safeguard retail clients.	
<b>Organisation structure and corporate governance</b>		
19.	Describe any intra-Group business ties and transactions (such as guarantees, loans, cash flows, or services)	
20.	Briefly describe the scope of interactions of IFSC Unit with other regulators/supervisors, if any.	
21.	Describe the detailed organizational structure of the IFSC Unit outlining the roles and reporting lines of key personnel (including to its Parent Entity)	
22.	For each Board and Management Committee, provide the following details: i) Mandate ii) Composition iii) Reporting Lines	
23.	Describe any conflicts of interest envisaged and how the Applicant's corporate governance structure and mechanisms will reduce or resolve them.	
<b>Human resources in the IFSC</b>		
24.	Provide details of the Applicant's proposed human resource deployment in IFSC. Also describe various business activities (including front and back-office operations) to be carried out in the IFSC.	
25.	Identify any key-person risk for the Applicant and describe the measures in place (such as succession planning or retention policies) for tackling them.	
<b>Business support activities proposed to be conducted from outside the IFSC</b>		
26.	What activities will be conducted from outside IFSC? And Why?	
27.	Where will these activities be conducted from?	
28.	What are the Inherent risks of conducting these activities from outside IFSC? How these risks will be mitigated?	
<b>IT System</b>		

29.	<p>Describe (functions, capability, location etc.) the IT systems (Hardware, Software and Network) that the Applicant will use to support its business activities regarding:</p> <p>Risk management, Compliance monitoring, financial accounting, Suspicious transactions surveillance and reporting, Recordkeeping of customer information and execution of transactions, Data back-up and redundancy, IT security and other cyber-related risks.</p>	
<b>Risk management</b>		
30.	<p>Describe the key internal and external risks that the applicant's planned business will face, as well as how it plans to mitigate those risks. Indicate the policies that will be implemented to identify and reduce these risks.</p>	
31.	<p>Indicate if risk management will be the responsibility of a specified person. Describe that person's training and experience for the position, as well as whether they are a part of senior management.</p>	
32.	<p>Will there be a board or management committee specifically charged with handling risk-related matters, and if so, what will its mandate be?</p>	
33.	<p>How often do senior management and the Governing Body propose to receive risk reports?</p>	
34.	<p>In the event of a disruptive occurrence, describe the business continuity and disaster recovery plan.</p>	
<b>Compliance arrangements</b>		
35.	<p>Describe the Applicant's compliance functions. Indicate the persons responsible and their interactions with risk management, internal audit, and group compliance functions.</p>	
36.	<p>How will the Applicant establish a culture of compliance within the organisation?</p>	
37.	<p>Describe the scope and periodicity of compliance audits.</p>	
38.	<p>Provide an overview of the compliance monitoring framework.</p>	
39.	<p>Describe measures proposed to be adopted for resolving complaints.</p>	

40.	How will the Applicant ensure that competence and training are ingrained into its business culture?	
<b>Anti-Money Laundering and Counter and Combating the Financing of Terrorism (AML/CFT)</b>		
41.	Briefly explain the applicant's risk-based approach to AML/CFT compliance. Also, provide details of how the applicant will track, identify, and report suspicious customers, activities, and transactions.	
42.	Will the applicant have any third parties arrangements to conduct one or more elements of customer due diligence?	
43.	Describe the scope and frequency of AML/CFT reviews or audits.	
44.	Briefly explain the policies and processes in place to ensure that employees are informed of their legal obligations with regard to AML/CFT and the repercussions of non-compliance.	
<b>Internal audit</b>		
45.	Describe the internal audit function's scope, organizational structure, reporting lines and staffing. Illustrate independence and the separation of functions. If the applicant is a member of a group, describe how the group's internal audit function interacts with the applicant's internal audit function.	
46.	If the internal audit process is outsourced, provide details on the selection procedure and due diligence for their appointment.	
<b>Financial projections</b>		
47.	Applicant is required to provide annual financial projections (including assumptions made) for a 5-year period. Please provide the following:	
	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Profit &amp; Loss statement</li> <li>• Cash flow statement</li> <li>• Provide source of capital</li> </ul>	

Section D: SEZ Specific Information														
S. No.	Particulars	Comments / Remarks (for SEZ use)												
<b>Details of Applicant</b>														
1.	Name of Bank with Address & Account No.													
2.	Digital Signature Identifier number													
3.	Income Tax PAN (Attach copy)													
<b>Investment</b>														
4.	Office Equipment such as computers, servers, office furniture													
	<table border="1"> <thead> <tr> <th></th> <th>(Rs. In Lakhs)</th> </tr> </thead> <tbody> <tr> <td>(a) Indigenous</td> <td></td> </tr> <tr> <td>(b) Import CIF value</td> <td></td> </tr> <tr> <td>(c) Total (a) + (b)</td> <td></td> </tr> </tbody> </table>		(Rs. In Lakhs)	(a) Indigenous		(b) Import CIF value		(c) Total (a) + (b)						
	(Rs. In Lakhs)													
(a) Indigenous														
(b) Import CIF value														
(c) Total (a) + (b)														
5.	Details of source(s) of finance													
<b>Infrastructure Requirements</b>														
6.	Requirement of land/Office Space (Area in sq. mtrs.)													
<b>Employment</b>														
7.	Men													
8.	Women													
9.	Transgenders													
<b>Shareholding of IFSC Unit</b>														
10.	Equity Capital including Foreign Investment													
	<table border="1"> <thead> <tr> <th></th> <th>(\$ in thousand)</th> <th>(Rs. In lakhs)</th> </tr> </thead> <tbody> <tr> <td>(a) Authorised</td> <td></td> <td></td> </tr> <tr> <td>(b) Subscribed</td> <td></td> <td></td> </tr> <tr> <td>(c) Paid up Capital</td> <td></td> <td></td> </tr> </tbody> </table> <p>Note: If it is an existing company, give the break up of existing and proposed capital structure</p>		(\$ in thousand)	(Rs. In lakhs)	(a) Authorised			(b) Subscribed			(c) Paid up Capital			
	(\$ in thousand)	(Rs. In lakhs)												
(a) Authorised														
(b) Subscribed														
(c) Paid up Capital														
11.	Shareholding Pattern													
	<table border="1"> <thead> <tr> <th></th> <th>(\$ in thousand)</th> <th>(Rs. In lakhs)</th> </tr> </thead> <tbody> <tr> <td></td> <td></td> <td></td> </tr> </tbody> </table>		(\$ in thousand)	(Rs. In lakhs)										
	(\$ in thousand)	(Rs. In lakhs)												

	(a) Foreign holding				
	(b) Indian holding				
	(c) IFSC holding				
	Total Equity				

**Other Information**

12. Whether the applicant has been issued any Industrial license or LOI/LOA under EOU/SEZ/STP/EHTP scheme. If so, give full particulars, namely reference number, date of issue, items of manufacture and progress of implementation of each project.

13. Whether the applicant or any of the partner/Director who are also partners/ Directors of another company or firms its associate concerns are being proceeded against or have been debarred from getting any License/Letter of Intent/ Letter of Permission under Foreign Trade (Development and Regulation) Act, 1992 or Foreign Exchange Management Act, 1999 or Customs Act, 1962 or Central Excise Act, 1944.

Place: Signature of the Applicant  
Date: Name in Block Letters  
Designation  
Tel. No.  
E-mail  
Official Seal/Stamp Web-Site, if any  
Full Residential Address

**UNDERTAKING**

I/We hereby declare that the above statements are true and correct to the best of my/our knowledge and belief. I/We shall abide by any other condition, which may be stipulated by the Development Commissioner.

I/We fully understand that any Permission Letter/Approval granted to me/us on the basis of the statement furnished is liable to cancellation or any other action that may be taken having regard to the circumstances of the case if it is found that any of the statements or facts therein furnished are incorrect or false.

An affidavit duly sworn in support of the above information is enclosed.

Place: Signature of the Applicant  
Date: Name in Block Letters  
Designation

Seal/Stamp	Official Full Official address
	Tel. No.
	E-mail Address
	Web Site Address
	Full Residential address
	Tel. No

**Section E: Declaration by Authorized Signatory of the Applicant**

A Declaration cum undertaking containing following details on the letter head of the applicant stating that:

- a) We hereby declare that the information supplied in this application, including the attachment sheets, is complete, authentic and true, and nothing has been concealed therein.
- b) The activities proposed in the IFSC are in line with the object clause of the applicant as provided in the MoA/Prospectus.
- c) The applicant and its promoters/principal officers/founders/ directors/ partners/ designated partners, key managerial personnel and controlling shareholders are fit and proper persons (please refer Section H).
- d) We shall ringfence the operations of branch(es) from other operations of the applicant (applicable in case of branch)
- e) We shall notify IFSCA immediately of any material change in the information provided in the application.
- f) We declare that any funds / capital in operation with respect to our business operations in IFSC are not from the proceeds of crime.
- g) We shall ensure that the key activities of Investment decision, portfolio management and grievance handling shall be undertaken from IFSC (applicable only for Fund Management entities)
- h) We further undertake to comply with, and be bound by the International Financial Services Centres Authority Act, 2019, and the regulations, circulars, guidelines, rules, etc. and instructions thereunder as may be applicable from time to time [including any modifications or re-enactments thereof]
- i) We further agree that as a condition of registration, we shall at all times abide by such operational instructions/directives as may be issued by the IFSCA from time to time.
- j) We shall, to the satisfaction of IFSCA, furnish any other information as may be sought by IFSCA.

For and on behalf of (Please insert name of the applicant)  
 Authorised signatory  
 (Name)(Signature)  
 (With seal / stamp of the Applicant)

Date:

Place:

## Section F: Information on Management (IOM)

Instructions:

0. This section is to be filled by the applicants who are willing to establish a unit in the IFSC in an incorporated form.
1. This section is not applicable for the applicants who are willing to establish its office in an unincorporated form such as place of business or branch office etc. provided the applicant entity is regulated by a Financial Sector Regulator in its home country.
2. This section is only to be filled by Natural persons and not by body-corporates i.e to include all persons acting in the capacity of Promoters/ Key Managerial Personnel/ Founders/ Shareholder(s) holding 10% & above shares and/or voting rights and/or distributable dividend/ Designated Partners/ Authorised Representatives/ Directors/ Principal Officer/Persons in control, of the Applicant, a separate self-attested form shall be submitted.

Sr. No.	Particulars	Remarks by IFSCA
1)	Name	
2)	Director / Designated Partner Identification Number (DIN / DPIN) if any	
3)	Designation in company/ Legal Form	
4)	Nationality	
	Country	
	Passport Number, if any	
5)	Date of Birth (DD\MM\YYYY)	



	Sex	
6)	Business Address (along with Phone, Fax and Email)	
7)	Residential Address (along with Phone, Fax and Email) with supporting document	
8)	Permanent Account Number (PAN) under Income Tax Act / Tax Identification No. / Tax Residency No.	
9)	Date of Appointment to current post	
10)	Key functions and responsibilities in the IFSC unit.	
11)	Position in the organizational hierarchy of the Applicant (in case of branch, also include reporting relationships to the parent entity)	
12)	No. of Shares / % of Shareholding in the Applicant	
13)	Detailed Resume outlining qualifications and experience.	
14)	Is the promoter/director/founder associated with any other entity in any capacity?  If yes, please furnish the name(s) of other organizations or entities or associations or unincorporated entities in which the person has held the post of Chairman or Managing Director or Director or Chief Executive Officer or associated with the above entities in any other capacity indicating the activity of the company and regulators, if any.	

## Section G: Fit and Proper Criteria

For the purpose of Fit and proper criteria as given here, the term ‘functionaries’ include (but are not limited to) the following officials of the applicant. Separate form should be submitted by each functionary. For, all the questions below, provide details for the past 8 years.

- Promoters
- Founders
- Directors
- Key Managerial Personnel
- Principal Officers
- Persons /Shareholders having 10% and above share/voting rights/ distributable dividend
- Authorised Representatives
- Any other person, as maybe specified.

Sr. No.	Particulars	Comments/Remarks (For IFSCA Use)
<b>0</b>	<p>Whether any of the functionaries or any of the entities associated with<sup>1</sup> the functionary have been refused a Registration/ Authorization/ License by the IFSCA or any other regulatory authority or their Registration/ Authorization/ License has been suspended at any time prior to this application.</p> <p>(If Yes, provide details. If No, enclose a declaration to that effect).</p> <p><sup>1</sup>for this Section, a person is said to be ‘associated with’ an entity if he/she is/ was a functionary of the entity</p>	
<b>1</b>	<p>Whether the functionary or any of the companies/ entities in which the functionary is/ was associated with<sup>1</sup>, is in default or have defaulted in the past in respect of credit facilities obtained from any entity or bank?</p> <p>(If yes, please furnish information about the default and the name of the lending institution)</p>	
<b>2</b>	<p>Whether any of the functionaries have been disqualified to act as promoter/ director/ key</p>	

	<p>managerial personnel under any law in any jurisdiction where the applicant entity or the group companies of the applicant entity are operating?</p> <p>If yes, please furnish details.</p>	
<b>3</b>	<p>Name/s of the companies, firms, partnership firms, in which any of the functionaries hold substantial interest. (An enterprise is considered to have a substantial interest in another enterprise if that enterprise owns, directly or indirectly, 20 per cent or more interest in the voting power of the other enterprise. Similarly, an individual is considered to have a substantial interest in an enterprise, if that individual owns, directly or indirectly, 20 per cent or more interest in the voting power of the enterprise.)</p>	
<b>4</b>	<p>Whether the Applicant/Group or any of the functionaries are/ were undergoing/ involved in any investigation/ disciplinary action/ legal or regulatory violations/ criminal case by any law enforcement/ regulatory agencies?</p> <p>If yes, please furnish details.</p>	
<b>5</b>	<p>Whether any order has been passed by any bankruptcy/ resolution authority against any company/ entity with which any of the functionaries are/ were associated<sup>9</sup>?</p> <p>If yes, please furnish details.</p>	
<b>6</b>	<p>Whether any of the functionaries have been convicted by a court for any offence involving moral turpitude or any economic offence or any offence against securities laws?</p> <p>If yes, please furnish details.</p>	

<b>7</b>	<p>Whether a recovery proceeding has been initiated against any of the functionaries by a financial regulatory authority and is pending?</p> <p>If yes, please furnish details.</p>	
<b>8</b>	<p>Whether an order for winding up has been passed against any of the functionaries for malfeasance?</p> <p>If yes, please furnish details.</p>	
<b>9</b>	<p>Whether an order restraining, prohibiting or debarring any of the functionaries from accessing or dealing in financial products or financial services, has been passed by any regulatory authority/ courts, and a period of five years from the date of the expiry of the period specified in the order has not elapsed?</p> <p>If yes, please furnish details.</p>	
<b>10</b>	<p>Whether any other order against any of the functionaries, which has a bearing on the securities market, has been passed by any regulatory authority, and a period of five years from the date of the order has not elapsed?</p> <p>If yes, please furnish details.</p>	
<b>11</b>	<p>Whether any of the functionaries</p> <p>i) have been declared insolvent and not discharged?</p> <p>If yes, please furnish details.</p>	

	ii) have been found to be of unsound mind by a court of competent jurisdiction and the finding is in force?  If yes, please furnish details.	
	iii) are financially not sound or have been categorized as a wilful defaulter?  If yes, please furnish details.	
	iv) have been declared a fugitive economic offender?  If yes, please furnish details.	
We declare that all the functionaries have a record of fairness and integrity, including but not limited to financial integrity, good reputation, character and honesty.		
We undertake to bring to the notice of IFSCA within one week, if any of the above actions is initiated against any of the functionaries in future.		
	<b>Signature:</b>	
	<b>Name:</b>	
	<b>Designation</b>	
	<b>Seal / Stamp</b>	
	<b>Date:</b>	<b>Place:</b>

**Section H: Document Checklist to be attached with application form**

(Please provide all documents of all concerned as may be applicable)

<b>Sr. No.</b>	<b>Supporting Documents Attached</b>	<b>Specify Yes/No, as applicable</b>
<b>0.</b>	Certificate of Incorporation / Registration / equivalent certificate (A2)	
<b>1.</b>	Articles of Association (AOA) (A2)	
<b>2.</b>	Memorandum of Association (MOA) (A12)	
<b>3.</b>	Provisional Letter of Allotment (A5)	
<b>4.</b>	NOC from Home Regulator (A7)	
<b>5.</b>	Board Resolution(s) (B.10)	
<b>6.</b>	Ownership and Group Structure Chart (to ascertain UBOs) (B.12)	
<b>7.</b>	Last 3 years Audited Financial Statements (Balance Sheet, P&L Statement, Income Statement). In case of branch, provide above details of Parent entity. (B.13)	
<b>8.</b>	Net Worth Certificate and Personal Tax Returns (B.13)	
<b>9.</b>	Business Plan (C.14 A)	
<b>10.</b>	Financial Projections for next 5 years (C.46)	
<b>11.</b>	Permanent Account Number (PAN) or any other tax identification no. (D.2)	
<b>12.</b>	Affidavit as required in Undertaking in Section D	
<b>13.</b>	Declaration on the letter head of the company duly signed by the authorized signatory (Section E)	
<b>14.</b>	Information on Management (Section F)	
<b>15.</b>	Director /Designated Partner Identification Number (DIN/DPIN) (F.1)	
<b>16.</b>	Passport (F.3)	
<b>17.</b>	Detailed Resume/CV (F.12)	
<b>18.</b>	Copy of proof of payment of application fees (Specify SWIFT MT 103 or UTR No.)	

## SCHEDULE III

[See Section 12 of the Act and regulation 8(1)]

### FIT AND PROPER REQUIREMENTS

1. This schedule sets out the fit and proper criteria applicable to all relevant persons. IFSCA expects a relevant person to be competent, honest, to have integrity and to be of sound financial standing.
2. The criteria provided in this schedule are not meant to be exhaustive or a substitute for any legal provisions. They should be read in conjunction with any applicable legislation and any written instructions, notifications, standards, and additional guidelines that the Authority may issue from time to time.
3. A Payment Service Provider shall establish effective systems and controls to ensure that all the relevant persons meet the 'fit and proper' criteria.
4. A Payment Service Provider must carry out 'fit and proper' evaluation, in the format specified in the annex, to this schedule of all relevant persons, both at the time of their appointment and at reasonably regular frequency thereafter.
5. A relevant person shall be deemed to be a fit and proper person if, based on the evaluation undertaken under 3 or any other information available with it, a Payment Service Provider is satisfied -
  - (a) such person has a record of fairness and integrity, including but not limited to:
    - (i) financial integrity;
    - (ii) good reputation and character; and
    - (iii) honesty.
  - (b) such person has not incurred any of the following disqualifications –
    - (i) the person has been convicted by a court for any offence involving moral turpitude or any economic offence or any offence against securities laws;
    - (ii) a recovery proceeding has been initiated against the person by a financial regulatory authority and is pending;
    - (iii) an order for winding up has been passed against the person for malfeasance;
    - (iv) the person has not been declared an undischarged insolvent
    - (v) an order, restraining, prohibiting or debarring the person from accessing, providing or dealing in financial products or financial services, has been passed

by any regulatory authority, and a period of three years from the date of the expiry of the period specified in the order has not elapsed;

(vi) any other order against the person, has been passed by the Authority or any other regulatory authority, and a period of three years from the date of the order has not elapsed;

(vii) the person has been found to be of unsound mind by a court of competent jurisdiction and the finding is in force;

(viii) the person is financially not sound or has been categorised as a wilful defaulter;

(ix) the person has been declared a fugitive economic offender; or

(x) any other disqualification as may be specified by the Authority



<b>Sr. No.</b>	<b>Particulars</b>
1	<p>Whether any of the functionaries or any of the entities associated with<sup>1</sup> the functionary have been refused a Registration/ Authorization/ License by the IFSCA or any other regulatory authority or their Registration/ Authorization/ License has been suspended at any time prior to this application.</p> <p>(If Yes, provide details. If No, enclose a declaration to that effect).</p> <p><sup>1</sup>for this Section, a person is said to be 'associated with' an entity if he/she is/ was a functionary of the entity</p>
2	<p>Whether the functionary or any of the companies/ entities in which the functionary is/ was associated with<sup>1</sup>, is in default or have defaulted in the past in respect of credit facilities obtained from any entity or bank?</p> <p>(If yes, please furnish information about the default and the name of the lending institution)</p>
3	<p>Whether any of the functionaries have been disqualified to act as promoter/ director/ key managerial personnel under any law in any jurisdiction where the applicant entity or the group companies of the applicant entity are operating?</p> <p>If yes, please furnish details.</p>
4	<p>Name/s of the companies, firms, partnership firms, in which any of the functionaries hold substantial interest.</p>
5	<p>Whether the Applicant/Group or any of the functionaries are/ were undergoing/ involved in any investigation/ disciplinary action/ legal or regulatory violations/ criminal case by any law enforcement/ regulatory agencies?</p> <p>If yes, please furnish details.</p>

<b>6</b>	<p>Whether any order has been passed by any bankruptcy/ resolution authority against any company/ entity with which any of the functionaries are/ were associated<sup>1</sup>?</p> <p>If yes, please furnish details.</p>
<b>7</b>	<p>Whether any of the functionaries have been convicted by a court for any offence involving moral turpitude or any economic offence or any offence against securities laws?</p> <p>If yes, please furnish details.</p>
<b>8</b>	<p>Whether a recovery proceeding has been initiated against any of the functionaries by a financial regulatory authority and is pending?</p> <p>If yes, please furnish details.</p>
<b>9</b>	<p>Whether an order for winding up has been passed against any of the functionaries for malfeasance?</p> <p>If yes, please furnish details.</p>
<b>10</b>	<p>Whether an order restraining, prohibiting or debarring any of the functionaries from accessing or dealing in financial products or financial services, has been passed by any regulatory authority/ courts, and a period of five years from the date of the expiry of the period specified in the order has not elapsed?</p> <p>If yes, please furnish details.</p>
<b>11</b>	<p>Whether any other order against any of the functionaries, which has a bearing on the securities market, has been passed by any regulatory authority, and a period of five years from the date of the order has not elapsed?</p> <p>If yes, please furnish details.</p>

<b>12</b>	<p>Whether any of the functionaries i) have been declared insolvent and not discharged?  If yes, please furnish details.</p>
	<p>ii) have been found to be of unsound mind by a court of competent jurisdiction and the finding is in force?  If yes, please furnish details.</p>
	<p>iii) are financially not sound or have been categorized as a wilful defaulter?  If yes, please furnish details.</p>
	<p>iv) have been declared a fugitive economic offender?  If yes, please furnish details.</p>

## **SCHEDULE IV**

[See Section 12 of the Act and regulation 14(1)]

### **SURRENDER OF AUTHORISATION**

#### **For a Payment Service Provider that has commenced operations**

1. A Payment Service Provider that has commenced operations and wishes to surrender the authorisation issued to it shall submit the following documents to the Authority:
  - a. A request in writing by its authorised signatory along with a copy of the resolution of its Board of Directors approving a proposal to surrender such authorisation along with the reason for and intent behind such surrender.
  - b. A certificate from its Chartered Accountant about the number of customer accounts and amounts held in such accounts as on the date of the resolution in 1(a). Such statement should also indicate the name of its Escrow account details, outstanding Escrow amount, and liabilities
  - c. A note outlining the process proposed to be followed by the Payment Service Provider and the timeline for extinguishing/ repaying the liabilities to the Payment service users, merchants or any other parties.
  - d. An undertaking duly signed, by its authorised signatory, and clearly stating that it would not incur any fresh liability during the process of surrender of authorisation and closing down the business.
2. A request for surrender of authorisation shall be considered by the Authority on the merits of the request.
3. The Authority shall process such a request communicate its decision to the Payment Service Provider.
4. The Authority may advise the Payment Service Provider to initiate certain actions including:
  - a. Issue a public notice in English, Hindi and a vernacular language, in print/visual media, on 3 different occasions, informing the payment service users / merchants about its intent to surrender its payment services provider operations. Such public notice shall, inter alia, indicate:
    - i. That the Payment Service users may either use the balances in their e-wallets or obtain refund, by credit to a bank account, within a stipulated period by making a request to the Payment Service Provider.
    - ii. The manner of sending of such requests for redemption.

- iii. Name, contact address, phone number and email id of a Nodal officer of the Payment Service Provider to whom such requests are to be sent by the customer.
    - iv. Time period within which the company would redeem the balance after receipt of request from the customer.
  - b. Submit a monthly progress report on the progress in extinguishing the liabilities of the payment service users/merchants.
5. On completing the process of extinguishing the liability to the payment service users /merchants the Payment Service Provider shall submit a 'No liability' certificate from its Chartered Accountant.
6. The Payment Service Provider shall submit the original Certificate of Authorisation to the Authority for cancellation.

### **For a Payment Service Provider that has yet to commence operations**

1. A Payment Service Provider that is yet to commence operations and wishes to surrender the authorisation issued to it shall submit the following documents to the Authority:
  - a. A request in writing by its authorised signatory along with a copy of the resolution of its Board of Directors approving a proposal to surrender such authorisation along with the reason for and intent behind such surrender.
  - b. A certificate from a Chartered Accountant to the effect that the Payment Service Provider has not commenced operations for which its had received authorisation from the Authority
  - c. Copy of the latest audited balance sheet of the Payment Service Provider.
2. Request for surrender of authorisation shall be considered by the Authority on the merits of the request.
3. The Authority shall process such a request and communicate its decision to the Payment Service Provider.
4. The Payment Service Provider shall submit the original Authorisation certificate to the Authority for cancellation.

## **SCHEDULE V**

[See Section 12 of the Act and regulation 4]

### **PERSONS EXEMPTED FROM AUTHORISATION**

1. An IFSC Banking Company (IBC) or an IFSC Banking Unit (IBU) licensed or permitted under the Banking Regulation Act, 1949 (as amended).
2. A person licensed to carry on the business of issuing credit cards or charge cards in IFSC.
3. Any other person or class of persons that may be prescribed.

## **SCHEDULE VI**

[See regulation 7(1)]

### **NET WORTH REQUIREMENTS**

1. A Regular Payment Service Provider must have a net-worth of USD 1 million (or equivalent in a specified foreign currency) on the date of commencement of operations. A Regular Payment Service Provider must achieve a net-worth of USD 2 million (or equivalent in a specified foreign currency) by the end of the third financial year (i.e., March 31) from the year of commencement of operations
2. A Significant Payment Service Provider must have a net-worth of USD 2 million (or equivalent in a specified foreign currency) on the date of commencement of operations. A Significant Payment Service Provider must achieve a net-worth of USD 4 million (or equivalent in a specified foreign currency) by the end of the third financial year (i.e., March 31) from the year of commencement of operations
3. Net-worth shall consist of paid-up equity capital, preference shares that are compulsorily convertible to equity, free reserves, balance in share premium account and capital reserves representing surplus arising out of sale proceeds of assets but not reserves created by revaluation of assets adjusted for accumulated loss balance, book value of intangible assets and deferred revenue expenditure, if any. Compulsorily convertible preference shares can be either non-cumulative or cumulative, and they should be compulsorily convertible into equity shares and the shareholder agreements should specifically prohibit any withdrawal of this preference capital at any time.

## **SCHEDULE VII**

### **Safeguarding of money received from Payment Service User**

[See Section 12 of the Act and regulation 24(1)]

(1) The directions in sub-section (2) shall apply to every Significant Payment Service Provider that carries on a business of providing any of the following payment services:

- (a) a cross-border money transfer service;
- (b) a merchant acquisition service;
- (c) any other payment service that may be prescribed.

(2) A Significant Payment Service Provider mentioned in sub-section (1) must ensure that no later than the next business day after any applicable funds is received from, or on account of, a payment service user, the whole or such part, as may be prescribed, of the applicable funds, is safeguarded through one of the following means :

- (a) by an undertaking, from a safeguarding institution, to be fully liable to the customer for the applicable funds ;
- (b) by a guarantee given by a safeguarding institution for the amount of the applicable funds ;
- (c) by depositing the relevant money in a trust account maintained with a safeguarding institution;
- (d) in such other manner as may be prescribed.

(3) The directions in section (4) shall apply to every Significant Payment Service Provider that carries on a business of providing either of the following payment services:

- (a) an e-money issuance service;
- (b) any other payment service that may be prescribed.

(4) A Significant Payment Service Provider mentioned in section (3) must ensure that from the time any applicable fund is received from, or on account of, a customer, the whole or such part, as may be prescribed, of the relevant money is safeguarded in one of the following manners:

- (a) by an undertaking, from a safeguarding institution, to be fully liable to the customer for the relevant money;
- (b) by a guarantee given by a safeguarding institution for the amount of the relevant money;
- (c) by depositing the relevant money in a trust account maintained with a safeguarding institution;
- (d) in such other manner as may be prescribed.