

Public comments on proposed IFSCA (Finance Company) Regulations, 2021

Regulation	Category	Draft Regulation	Proposed/ Suggested Changes	Rationale	Our Comments
General	Applicability of regulations	Applicable to companies/units undertaking specialised, core and non-core activities	<p>Where a company/unit undertakes both core and non-core activities, then a principal test threshold (say more than 50% of the assets to be in core activities and more than 50% of income to be from core activities) to be prescribed for applicability of Capital requirements, prudential norms and other norms applicable for core/specialised activities.</p> <p>Modifying the list of non-core activities to make it an inclusive one. The non core activities need to be defined to include the ones provided in the regulations and there should be residuary point saying any other activities permitted as per the IFSC guidelines.</p>	<p>There may an entity who may be carrying on substantial non core activities and the scale of the core activity may be very small. In such a scenario, the entity will be subject to the all the stringent guidelines applicable to it due to that one core activity which may impact the non core activities as well. By adding a principal test criteria, the entity will have wider flexibility to undertake business and whenever its activity and income threshold crosses the principal test criteria, it needs to comply with all the wider finance company regulations, as applicable for specialised/core activities.</p> <p>By making the non core activity definition as an inclusive one, this would provide wider coverage of activities that are otherwise permitted to be undertaken within the IFSC. Else, for every new non core activity not covered in the list, the group will need to set-up a separate entity resulting into an administrative inconvenience.</p>	<p>The prudential requirement of capital ratio is required to be maintained in proportion to the risk weighted assets, and hence would cover only assets generated through core activities. Non-core activities are fee based services and hence would not lead to generation of assets and therefore the prudential requirements would not be applicable. Furthermore, the FC if undertaking only non-core activities are exempt from the requirement of prudential requirements. (ii) There is an enabling clause which states that the Authority can enable any other activity,</p> <p>No Modification Required</p>
Regulation 2 (1) (b)	Definition	Aircraft Lease	To be modified to include Asset management	a) "Aircraft Lease" includes operating and financial lease and any hybrid of operating and financial lease, Asset Management of aircraft or helicopter and engines of aircraft or helicopter or any parts thereof;	Asset Management has been included in the ancillary services and may not require a change in definiiton. Rather Asset management for aircraft

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					<p>can be included as a non-core activity which may require separate registration under ancillary services framework</p> <p>Add Asset Management Support Services as a non-core activity</p>
Reg 2	Definition	<p>“Leverage Ratio” means the capital measure (the numerator) divided by the exposure measure (the denominator), with this ratio expressed as a percentage</p>	To be defined appropriately	<p>Currently, the terms "capital measure" and "exposure measure" are not defined. Further, it may create a new mechanism to determine the leverage ratio which may be different from the prescribed formula of RBI. Hence, it is recommended to define the terms appropriately.</p> <p>Further, leverage ratio should not apply where capital ratio is applicable, since there is already a capital ratio which defines the proportion of minimum capital fund mandatorily required, thereby indirectly providing a threshold for maximum borrowings/leverage that the entity can have</p>	<p>Since we are not intending to apply leverage ratio and capital buffer in the initial phase, we propose to remove the reference made in the regulation for these measures, at present.</p> <p>Remove reference to Leverage Ratio and Capital Buffer</p>

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Reg 3	Registration Requirement	Capital Fund Requirement	<p>Minimum capital Fund requirement to be reduced</p> <p>For entities undertaking only non-core activities, there should be no minimum capital requirements</p>	<p>Currently, the draft regulations prescribe a minimum capital of USD 1 mn to USD 5 million (i.e. INR 7.5 crores to INR 37.5 crores). Earlier, under the FDI regulations, foreign investment in NBFCs were subject to minimum capitalisation of USD 50 mn for more than 75% stake. This resulted in significant hurdle for foreign investments in NBFCs. After re-think of the policy by the government and the various regulators, these norms were removed and now NBFCs are required to have only a minimum Net Owned Fund (NOF) of INR 20 million (i.e. USD 0.26 mn) to commence their operations in India. A requirement of having a minimum capital of USD 1 mn to USD 5mn appears to be a significant threshold. Hence, the same may need to be relooked upon.</p> <p>Also, where the entity is keen on performing only non-core activities, the minimum requirement of USD 1 mn will be a non-starter for such players to setup a finance company in IFSC since their activities are largely fee based and not fund based and hence the capital may will remain idle and hence may not make sense from a business standpoint.</p>	<p>Wherever the entity intends to undertake only non-core activities the minimum capital requirement will be aligned with that applicable for operating lease entities registered under the framework and hence will be USD 0.2 mn</p> <p>Non-core activities capital requirement brought down to USD 0.2 mn</p>
			<p>Capital requirement to be brought in phased manner</p>	<p>It may be specified that the minimum capital requirement should be brought in by the respective finance companies/units in a phased manner and should not be required to be brought upfront at the time of the application. This will avoid any unnecessary cash trap and hardships for the applicant, especially where the business does not require such huge capital in the initial stages</p>	<p>There is a provision for giving relaxation from the capital requirement inbuilt in the regulations. Furthermore, the capital requirement may be linked to commencement of business as in the case of Aircraft Leasing</p>

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						No modification required.
Reg 4	Capital Buffer	The capital buffer to be maintain by a Finance Company or a Finance Unit, as the case may be, shall be such as may be determined by the Authority.	Should be removed		In such capital intensive and competitive business, having a capital buffer may result in product offered by the finance companies/ units being expensive than other jurisdictions. Further, there are no such prudential norms in other prominent jurisdictions. The Finance company should be compared to the offshore units providing lending in India and not to the Indian NBFCs. Hence this requirement should be done away with.	Capital buffer is not envisaged at the present and hence has been removed from the regulations. Reference removed at present
Reg 4	Liquidity Coverage Ratio (LCR)	A Finance Company or a Finance Unit as the case may be, shall maintain LCR on stand-alone basis, at all times, as may be determined by the Authority. Provided that in the case of a Finance Unit, the LCR may be allowed to be maintained by the Parent entity, with specific approval of the Authority.	Should be removed		If the Finance company/unit already have to maintain the Leverage ratio and Capital ratio, then there should be not be any condition to maintain LCR by such Finance Units. Currently, non-deposit accepting Indian NBFCs do not have any requirement to maintain LCR. Further, the Offshore Funds providing ECBs lending in India are not required to maintain any LCRs. Hence, the Finance company/Units should be compared with the offshore funds and not with Indian NBFCs. Accordingly, this requirement should be done away with. If required to be kept, the IFSCA can keep this requirement for very large finance companies in	There is no direct linkage with regard to the capital ratio or leverage with LCR requirement. As LCR is just ensuring that the minimum HQLA is maintained so as to meet its liabilities getting overdue within a month. Moreover, we are not prescribing to keep any leverage requirement. No modification required.

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				size and scale where the systemic risk could be higher.	
Reg 4	Exposure Ceiling	The sum of all the exposures of a Finance Company or a Finance Unit, as the case may be, to a single counterparty or group of connected counterparties shall not exceed twenty-five per cent of their available eligible capital base, without the approval of the Authority.	Should be removed	<p>There is no such exposure ceiling for Offshore Funds providing ECB lending to entities in India. Hence, the Finance Company/Unit should be compared with the offshore funds and not with Indian NBFCs. Therefore, there should be no exposure ceiling for Finance companies/Units providing ECBs lending.</p> <p>Further, the exposure ceiling to specialised activities or core activities such as credit enhancement, finance lease, shipping lease, investment activities etc, may not make sense as as it may not be possible for such activities to maintain the exposure ceiling especially in the activities of leasing. It indicates that when an aircraft is given on a finance lease, in order to maintain the limit of 25%, the entity must have a significantly higher capital base in the form of equity funding. This may not be possible to achieve. Again when this is compared with entities outside India, there are no such exposure ceilings prescribed in</p>	<p>The upper limit for an exposure is flexible and can be enhanced beyond 25% with specific approval from the Authority. So the way capital base is defined should not act as a restriction. Furhter, it is mentioned that there will be operational guidelines specified which will cover the definition of capital base.</p> <p>No modification required.</p>

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				overseas entities. Further, the term <u>eligible capital base</u> is not defined and may create further issues for the stakeholders to determine the exposure ceilings	
Reg 5	Permissible activities	Wealth Management services	Should be replaced with Portfolio Management services	There is no defined term as wealth management services and hence, the same should be replaced with Portfolio Management services as defined in IFSC guidelines.	Accepted
Reg 5	Permissible activities		Allow funds to be deployed for asset creation for operating branches overseas	Current RBI NBFC norms permit NBFC to operate through branches. Similar flexibility could be considered to be provided for finance companies. They may be permitted to operate through branches in India, in IFSC or even overseas	Operating through branches in India will be as per the rules applicable by RBI and at present it is not allowed. The issue of opening of branches by FC/FU in overseas jurisdiction may be examined at an appropriate time (It is not expressly prohibited at present). No modification required.

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Reg 5	Permissible activities	(5)(1)(ii)(b) Undertake investments, including subscribing, acquiring, holding, or transferring securities or such other instruments, as may be permitted by the Authority, as principal	remove words 'principal'	Need to understand the relevance of the words 'principal'. It could be considered to remove the word 'principal'.	The word principal would mean on its own balance sheet and not on behalf of clients. Removal of the word 'principal' may lead to allowing them to undertake investment decisions on behalf of the client which is not the intent as carrying out such activity as an agent is anyway permitted as non-core activity. However, post internal discussion it is felt that the suggestion may be considered as it would not change the intent of the regulation Accepted
Reg 2	Definitions	a) speculative transaction b) liquidity coverage ratio c) public borrowing d) credit enhancement	These terms should be defined to avoid any ambiguity	IFSC could consider providing for specific definition of these terms so as to avoid any uncertainty/ambiguity in interpretation. Further, it should be clarified that any funds raised from shareholders (whether by way of equity or debt) will not be treated as public borrowing so long as funds raised from shareholders are own funds and not from any borrowings availed by the shareholder either directly or indirectly	The definition of Public borrowing may be restrictive hence the link has been made to deposits and customer interface. Further, the definition of credit enhancement and Liquidity Coverage Ratio may be included in the operational guidelines. Post discussions it is felt that we should not be defining the term speculative transactions

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						as it is generic in nature and it depends on the facts and circumstances of a particular case/transactions. Modified suitably
General	Approval process	Single window approval process		Single window clearance - Every entity has to comply with exchange control regulations in their home country. Accordingly, it may be considered to prescribe one single application form for taking approvals for parent entity / investing entity in home jurisdiction (wherever required) either under the FEMA, SEBI, RBI or any other regulations as well as IFSCA. Also, operating procedures could be prescribed for processing the application (including time frame at each level). Approvals, if any from other regulators in India should directly be sent to IFSCA such that each of these approval processes run in parallel from efficiency perspective.		This is a broader level issue may be covered when specific MoU between regulators is signed. No Modification required.
Reg 5	Permissible activities	Permissible core activities	(a) Can 5(ii)(a) be expanded to include INR lending as well ? (b) Can 5(1) (ii)(b) be amended to specifically provide / permit FPI investments ?	(i) This will align the permissible activities of a finance company with those of IBUs (to the extent of non banking operations). May be valuable for a non bank group to set up one entity for most, if not all, of their offshore operations from IFSC and also bring INR ECB lending onshore. (ii) Further, any investments made under FPI route to be exempted from the applicability of prudential norms and SEBI concentration norms		(i) We have not restricted INR lending. (ii) This does not require to be enabled as IFSCA is a foreign jurisdiction. No modification required.
Reg 6	Miscellaneous	Maintaining of books	Reporting under Reg 9 of Finance co regulation is mandatory in USD. To ensure uniformity and remove challenges	This will align with IBU regs (December 4, 2020 circular No 110) which state that Balance sheet should be maintained in USD.		Accepted

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			around conversion rates etc used by different players, the regulations should provide that balance sheet will be maintained in USD		
Regulation 5(3)	Permitted Activities	an FC/FU shall be allowed to participate in derivative transactions only for the purpose of hedging their underlying exposures.	FC/FU should also be allowed to deal in derivatives with foreign securities as underlying including US Treasury securities which are traded offshore, subject to compliance with host country regulations.	We would suggest that hedging restriction should not be imposed on FC/FU for dealing in derivatives at least on Primary Dealers (PDs)/ NBFCs registered with RBI who may be keen in setting up an FC/FU in IFSC. Even as per the extant regulatory framework, either hedging restriction is imposed primarily on retail users or sufficient limits are prescribed for dealing in derivatives without underlying exposure. PDs/NBFCs are not considered as retail, hence hedging restriction should not be made applicable to such participants. Further, particularly in Exchange Traded Currency Derivatives, all users are allowed to deal upto USD 100 million without having to establish existence of underlying exposure. The proposed provision in the Draft Regulations is more stringent than the existing regulations in India which should be relaxed to bring it in line with existing regulatory requirements. This shall also help bring much needed liquidity to the IFSC markets.	Allow buy and sell of Derivatives as a core activity and for those carrying out only non-core activities derivative transaction allowed only for the purpose of hedging. Modified suitably

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Regulation 5	Permitted Activities	Finance Company/Finance Unit (FC/FU) can undertake investments, including subscribing, acquiring, holding, or transferring securities or such other instruments, as may be permitted by the Authority, as principal as a permitted core activity.		we believe that any entity setup as FC/FU at IFSC would be allowed to deal not only in securities traded on IFSC Exchanges but also on securities traded in offshore markets/Exchanges, subject to compliance with FEMA regulations. This would incentivise PDs/NBFCs in India to set up a unit at IFSC as this will result in providing access to newer markets to Indian PDs/NBFCs which are otherwise not possible to access from India. We request IFSCA to insert a suitable clarification for the same.	There is no such restriction in the regulations as we have enabled deployment of funds with both resident and non-resident entities. No modification required.
Regulation 3	Registration Requirement	New Requirement	The Authority may authorise a Company Secretary in Practice (PCS) to certify the Form for processing an application for registration as a Finance Company or a Finance Unit.	PCS will certify that an applicant seeking authorisation as a Finance Company or a Finance Unit under regulation 3 has complied with the conditions laid down in regulations and is eligible for setting-up and operate a a Finance Company or a Finance Unit governed by the provisions of these regulations and any other regulations that have been formulated by the Authority. This certification in the form of a 'Certificate of Compliance' will provide assurance to the Authority about the fulfilment of conditions mentioned in the Form and will assist in early disposal of applications for registration as a Finance Company or a Finance Unit. The ICSI can provide the draft format of the Certificate of Compliance upon hearing from your good self. The introduction of the 'Certificate of Compliance' will give necessary assurance to the Authority	The scrutiny of the application received by the Authority will be an internal process. The same carried out by an outside agency will not suffice neither guarantee any comfort to the applicant for approval of the application. In turn any such mandate will make these authorised persons as agents for seeking registration with the Authority. Hence, this may not be considered.

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				during grant of authorization to an applicant seeking authorisation as a Finance Company or a Finance Unit that it fulfils are the requirements relating to company structure, capital fund and FATF compliant jurisdiction, etc.	No modification required.
Regulation 3	Registration Requirement	New Requirement	a clause should be added regarding the consequences of non-registration (or alternatively Regulation No. 11 can be expanded	Because regulation 11 as it stands right now, is only for a breach of condition mentioned regulation 3 on which license is granted, it does not for example, deal with a scenario where a company starts providing financial services without first getting the registration certificate from IFSCA. For this, clue can be taken from Singapore’s Finance Company Act (“Act”): “Article 3. (2) Any person who contravenes subsection (1) [which requires a license to be obtained] shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$20,000 or to imprisonment for a term not exceeding 3 years or to both.” One may also look at Article 5 of the said Act which deals with Examination of persons suspected of transacting financing business without a license.	This provision is already enabled in our regulation as follows: Regulation 3(1) : An entity shall commence business as a Finance Company or Finance Unit, as the case may be, in the IFSC only after obtaining a certificate of registration from the Authority for carrying out the activities specified in Schedule to these regulations. No modification required.
Regulation 3(8)	Registration Requirement	If the applicant fails to rectify such deficiencies to the satisfaction of the Authority within the specified time, the Authority may refuse to grant certificate of registration and shall communicate the same to the applicant giving reasons for such refusal.	The following words may be added: The Authority may also revoke the provisional registration if any granted in pursuance of sub-regulation 6 of regulation 3, if the required conditions are not fulfilled within stipulated time.	This is because sub regulation 6 envisages a situation where a provisional registration may be granted. But if after this provisional registration, the company fails to adhere to the requirements then the Authority should have the power to revoke the provisional registration also. Sub regulation 8 as it stands currently is silent on this issue. Moreover, the authority may consider a time limit for the provisional registration, say for example the provisional registration would last for only 6 months from issuance.]	Suitably modified

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Regulation 8	Corporate Governance and Disclosure requirement	(1) Every Finance Company and Finance Unit shall adhere to the guidelines on corporate governance and disclosure requirements to be specified by the Authority.	It is submitted that an 'Annual Corporate Governance Compliance Certificate' certified by a PCS may be introduced	with a view to strengthen the Corporate Governance and disclosure requirements to be submitted to the Authority by a Finance Company and Finance Unit within two months from the close of financial year to ensure the Compliance of Regulation 8. Compliance of Corporate governance and disclosure requirements is vital and it shall be enforced for proper functioning of a Finance Company and Finance Unit to safeguard the interest of all stakeholders.	This may be too restrictive. No modification required.
Regulation 8	Corporate Governance and Disclosure requirement	New Requirement	The draft regulation is silent about the appointment of Compliance Officer. As a Good governance measure, appointment of Compliance Officer in the Finance Company or a Finance Unit is important. Accordingly, the draft regulations may include provisions for the same.	Appointment of Compliance Officer It is requested that appointment of Company Secretary as Compliance Officer may be considered in a Finance Company or a Finance Unit having turnover of fifty crore rupees or more, who shall be responsible for monitoring the compliance of the Act and the rules and regulations made thereunder.	This may be too restrictive. No modification required.
New Regulation	Mergers and Acquisition	New Requirement		With regard to mergers, acquisitions and takeovers of Finance Companies, the IFSCA may want to include a regulation requiring prior approval from the authority for such mergers, acquisitions and takeovers of one or more finance companies with another. [Articles 9-12 of the Act may be looked at for suggestions as well as the RBI Master Circular for NBFCs.]	Accepted Suitably modified.

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New Regulation	Information of insolvency	New Requirement		A clause of the following nature may also be considered [similar to Article 34 of Act]: “Information of insolvency, etc: 34.—(1) Any finance company which is or is likely to become insolvent, which is or is likely to become unable to meet its obligations, or which has suspended or is about to suspend payments, shall immediately inform the Authority of that fact. (2) Any finance company which contravenes subsection (1) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$20,000 and, in the case of a continuing offence, to a further fine not exceeding \$2,000 for every day or part thereof during which the offence continues after conviction”	May be included under operational guidelines / circular No modification required.	
Regulation 2(1) e	Capital Fund	“Capital fund” for a Finance Company shall mean the paid-up capital and free reserves, balance in share premium account and capital reserves representing surplus arising out of sale proceeds of asset, excluding reserves created by revaluation of asset, as reduced by accumulated loss balance, book value of intangible assets and deferred	Issued and subscribed Debt capital which is listed on an IFSC Exchanges should also be considered (and not just equity capital). • Any issuance of securities (equity, debt, or hybrids), whether by a public offer or privately placed, by a Finance Company should be mandatorily be listed on the IFSC exchange(s) as a primary listing jurisdiction. • The Finance company should be allowed to establish SPVs (subsidiaries) and issue securities with the ship / vessel inventory as	(i) The Finance Companies will be able to avail of leverage opportunities by enabling this. • With such additions to the basket of investment products at the IFSC, it is likely to not only attract investors like pension and other funds, but also a wider cross section of investors who would be keen to participate and take advantage of the tax benefits at the IFSC. (ii) These instruments could also be offered as collaterals to the stock exchange/ clearing corporation towards margins etc., thereby enhancing market participation and trading volumes. It will offer flexibility to Finance Companies to switch over to more cost-effective options and better liquidity when needed. The debt securities could also serve as an efficient investment avenue to IFSC based entities for their treasury management. Allowing debt securities is likely to attract global organisations in this business to the IFSC.	(i) The intent is that the entity should have some skin in the game and hence the requirement of equity. (ii) This is a business call and may not be specified or mandated by the Authority (iii) There is no restriction on the FC setting up a subsidiary (iv) Such a requirement is not envisaged in the aircraft leasing framework. However, in case of ship lease if such a practice is seen internationally and required it may be considered to be included in the operational guidelines	

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		revenue expenditure, if any;	underlying on the lines of REITs, InvITs, etc • The parties should be able to structure the lease deal either by having the underlying ship/vessel or the deal identified in the form of listed ISIN (securities).		No modification required.
Regulation 5(1)(iii)	Permissible non-core activities		The following need to be included in the permitted non-core activities: • Merchant banking services • Segregated Nominee Account (SNA) Provider services under the SNA structure of the securities market in the IFSC • Authorised Person of a member of a stock exchange in the IFSC • Custodian services • Registrar & Transfer Agent services • Trusteeship services Market makers registered with stock exchanges in the IFSCs. • Bullion related services that of trading member, clearing member, participant, refiner,	• Finance Companies can be a key link in securities market value chain and help deepen the liquidity in the IFSC stock exchanges. • They can contribute to and offer services across the securities market at the IFSC by way of being introducing clients, in clearing and settlements, financing securities transactions, offering custody services, RTA and associated and various bullion related services as well.	These activities are being enabled with the need to carry out each non-core activity through a separately identifiable department and have Chinese walls. Also the need to have a Board approved policy for grievance redressal and customer compensation policy. Suitably modified.

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			depositor, logistic provider, vault manager and such other intermediary who may be associated with the bullion market as may be approved by and is registered with the IFSC Authority.		
Regulation 5(1)(iii)	Permissible non-core activities	Subject to a Finance Company or a Finance Unit, as the case may be, seeking a specific registration wherever applicable, permitted non-core activities shall include: (a) Function as trading and professional clearing member of exchanges set up in IFSC,	It is suggested to modify clause 5 (1) (iii) (a) as below: (a) Function as trading and clearing members or professional clearing member of exchanges and clearing corporations set up in IFSC,	<ul style="list-style-type: none"> • It will enable Finance Companies to participate in both trading as well as clearing operations in the stock exchanges and clearing corporations set up in IFSC. • The modification suggested eliminates ambiguity in the draft clause. 	<p>These activities are being enabled with the need to carry out each non-core activity through a separately identifiable department and have Chinese walls. Also the need to have a Board approved policy for grievance redressal and customer compensation policy.</p> <p>Suitably modified.</p>
Regulation 5(4)	Permissible activities	A Finance Company or a Finance Unit, as the case may be, shall not be permitted to undertake or fund any speculative transaction.	Large Finance Companies offer services across the securities market value chain. Finance Companies should be allowed to offer funding services to market participants which will deepen and offer liquidity to the securities market in the IFSC.	Globally, Finance Companies play a critical complementary role in the capital market value chain providing leverage and liquidity • Without the participation of Finance Companies, only limited leverage will be available in the capital market ecosystem at the IFSC.	<p>Any such funding activity is not restricted in the regulations.</p> <p>No modification required.</p>

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Regulation 5(5)	Source of Funds	The source of funds for Finance Company or a Finance Unit, as the case may be, shall be from non residents. However, paid-up capital can be raised from residents as permitted under the provision of FEMA.	<ul style="list-style-type: none"> Finance Companies should be allowed to source funds from Indian residents under LRS of RBI as has been recently allowed. 	<ul style="list-style-type: none"> Allowing this will align these regulations to the recent amendments in RBI/FEMA norms. Allowing LRS at IFSC will prevent export of capital and generating liquidity overseas and enable strengthening the flow of funds at the IFSC. It will offer a wider option to the residents for deployment of the LRS funds within the IFSC. 	Accepted
Regulation 2(1)(o)	Definition of Ship Lease	a) "Ship Lease" includes lease for ocean vessel(s) for a specific route(s) or duration(s), involved in commercial business of transportation, in form of a commercial structure, which conforms to the relevant accounting standards for qualifying it as a lease;	The term ship lease should encompass time chartering of vessels, along with bareboat charter and other 'financial leases' A trip time charter or time charter for fixed duration (30 days / 6 months / 12 months etc) should be an operating ship lease.	A lease transaction may be a financial lease or an operating lease. The financial lease quantum (the hire) is linked more to the capex of the leased item (ship) whereas an operating lease quantum is more linked to market conditions. Ship Leasing has to be seen as an alternative structure to financing vessels, whereas charters (other than bare boat charters) are purely commercial ventures, and a charterer may or may not take full responsibility of the vessel operation. The lessee will in all probability operate the ship technically and commercially on his own or through a manager, whereas a charterer may only provide commercial instructions to the vessels. The charterer is thus not in full possession of the ship. Is it possible to provided for a list of the specific activities that may be included while defining ship leasing. – it would probably be better to include Chartering/ owning and leasing as part of the rules. Purely from lease definitions one should look at operating Lease and finance lease. Specifically, ship leasing has to be a financial lease and one should go by the accounting interpretation of the lease, kindly	The intent of the regulation is to enable only financial lease transactions for ships. However, as commented the definition would not work for the industry. It is proposed that the operating lease transactions for ship lease may be enabled under a separate framework as in case of aircraft operating lease. Accordingly modified in the regulation. Suitably modified.

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				correct me, if it is otherwise. – looking at it as a financial definition may not work for shipping.	