

Public Comments

The consultation paper seeking comments/views/suggestions from public on the draft IFSCA (Banking) (Amendment) Regulations, 2023 was issued by IFSCA on May 29, 2023

The following comments have been received:

Sr. No.	Page No. of Draft Regulation	Reg. No.	Comments/Suggestions/Suggested modifications	Rationale	IFSCA Comments
1	3	2	The regulation number for introducing the definition of “subsidiary company” can be considered for amendment to maintain chronology	Considering the letter “S” comes before “U”, it may be advisable to introduce the definition as clause (oa) of sub regulation (1) of regulation 2, in order to provide ease of reference. The definition of ‘support services’ shall be replaced as clause (ob)	Accepted
2	3	3	The regulation number for introducing the form of banking presence can be considered for amendment	Clause referencing as (1)(a) is used when introducing new provisions under the same clause eg (1)(a),(b),(c)... Considering that the proposed regulation is intended to be introduced as a separate clause without any reference to clause (1), it is	Accepted

				recommended to number the same as clause (1A)	
3	4	5	The regulation number for allowing withdrawal can be considered for amendment	Clause referencing as (2)(a) is used when introducing new provisions under the same clause e.g. (2)(a),(b),(c)... Considering that the proposed regulation is intended to be introduced as a separate clause without any reference to clause (2), it is recommended to number the same as clause (2A)	Accepted
4	6	14	Maintenance of leverage ratio may continue to be applicable to an IFSC Banking Unit set-up as a branch	Basis the existing regulations (and IFSC banking handbook on prudential norms), we understand that the maintenance of leverage ratio is applicable to an IFSC Banking Unit set-up as a branch. Basis the proposed amendments to the IFSCA (Banking) Regulations, 2020, it seems that the leverage ratio is required to be maintained only for an	Not accepted Although section 6 of the extant regulation empowered the Authority to specify Leverage ratio for IBU operating as branch, no such specification was made by the Authority. Following the rationale of a branch being a part of the banking company, para 2(iii) in Module 4 (Capital adequacy) of the General Directions mandated that a <i>minimum Leverage ratio (LR), as defined under the Basel</i>

				<p>IFSC Banking Unit set up as a subsidiary. This seems to be a drafting oversight; and if so, IFSCA may consider amending the same i.e., leverage ratio needs to be maintained by an IFSC Banking Unit (whether set-up as branch or subsidiary)</p>	<p><i>framework, for an IBU shall be maintained by its Banking Company at the level and subject to the regulations specified by the respective Home Regulator applicable on the Banking Company, unless otherwise specified by the Authority.</i></p> <p>With the proposed enablement of the subsidiary model. which would be a separate legal entity, Leverage ratio would now be mandated by the Authority.</p> <p>The proposed amendment to the regulation makes this point clear.</p>
5	6	15	<p>Reserve requirements may need to be complied with by an IFSC Banking Unit set up as a branch or subsidiary. Accordingly, no changes may be required to the said regulation</p>	<p>The existing regulations on reserve requirements shall (automatically) be applicable to an IFSC Banking Unit set up as branch or subsidiary.</p> <p>Basis of the Consultation paper, the regulation on reserve requirements is proposed to be replaced. However, on perusal of</p>	<p>Accepted</p>

				<p>the amended regulation, it appears that there are no changes/ amendments vis-à-vis the existing regulation.</p> <p>In other words, no changes/ amendments may be required to this regulation.</p>	
6	6	16	<p>The word 'authority' is missing. Should be updated as under: "14. Know Your Customer and Anti-Money Laundering measures applicable to a Banking Unit A Banking Unit shall follow Know Your Customer norms, combating of financing of terrorism and other anti-money laundering requirements, including reporting requirements issued by the Authority from time to time"</p>		Accepted
7	6	17 and 18	<p>The Regulation 17 and 18 shall be merged to provide that in the principal regulations, regulation 18 shall be substituted as under: "(1) There shall be no centralised deposit insurance scheme for deposits of a Banking Unit operating as a branch of the Parent bank. (2) Deposits of a Banking Unit operating as a Subsidiary company of</p>	<p>Given that in the principal regulations there is no sub regulation 1 of regulation 18, the said regulation 18 shall be substituted as recommended.</p>	Accepted

			the Parent bank shall be insured to the extent provided by the DICGC Act, 1961 and any directions issued under the said law”		
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The above comments were considered suitably and the revised draft of the IFSCA (Banking) (Amendment) Regulations, 2023 was placed before the Authority in its meeting held on June 30, 2023.