



International Financial Services Centres Authority

F.No.110/IFSCA/Banking Regulation/2023-24/1

July 10, 2023

To,

All Banking Units

Dear Sir/Madam,

Amendments and additions to the IFSCA Banking Handbook

1. Based on the feedback received from IBUs and to give effect to amendments to the IFSCA (Banking) Regulations, 2020 certain further amendments/additions have been carried out to the contents of the Handbook. The list of such amendments/additions is enclosed in the annexure to this circular.

2. The abovementioned amendments/additions shall be effective from the date of this circular.

3. With effect from the date of this circular the applicable Banking Handbooks are : :

- i. General (GEN) directions v 4.0
- ii. Conduct of Business (COB) directions v 5.0
- iii. Prudential Directions (PRU) directions v 4.0

4. IBUs are directed to ensure compliance to the directions this circular.

Yours faithfully

(Supriyo Bhattacharjee)
Chief General Manager
Department of Banking Regulation and Development

Annexure

GENERAL DIRECTIONS				
No.	Module no.	Module Name	Section	Amendment/addition
1		Interpretation	1	New para added clarifying the requirement of Statutory Audit under laws applicable to the IBUs
2	2	Governance Directions (GOV)	2(4) Definitions	The term "Internal controls and assurance <i>function</i> " replaced by "Internal controls and assurance <i>framework</i> " for uniformity with rest of the document.
3	2	Governance Directions (GOV)	4(1) Principles of Governance	Sub paras (d) and (e) added to the sub-section on "Role of Governing Body"
4	5	Systems and Controls (SYSCO)	3 Outsourcing	In subsection (i), Responsibility for compliance, new para "aa" inserted and existing para "b" amended
5	5	Systems and Controls (SYSCO)	3 Outsourcing	In subsection (iv), Notification of Authority of material outsourcing arrangements, existing para "a" amended
6	5	Systems and Controls (SYSCO)	3 Outsourcing	In subsection (v), Material outsourcing arrangements, sub para (a) amended.
7	5	Systems and Controls (SYSCO)	3 Outsourcing	New subsections (viii) "Maintenance of records" and (ix) "Audit requirements" added

CONDUCT OF BUSINESS DIRECTIONS				
No.	Module No.	Module Name	Section/ Module	Amendment/addition
8	1	Activities of Banking Units (ACBU)	2 Definitions	Definition of “ Specified foreign currencies” inserted as clause (iv)(a).
9	1	Activities of Banking Units (ACBU)	4 Permitted activities	Name of the subsection (ii) changed to “Borrowing from and lending to” and the contents of the section amended.
10	1	Activities of Banking Units (ACBU)	4 Permitted activities	Para (b) of subsection (xi) “Acting as a portfolio manager”, amended
11	1	Activities of Banking Units (ACBU)	4 Permitted activities	Para (b) of subsection (xii) “Providing Investment Advisory service”, amended.
12	1	Activities of Banking Units (ACBU)	4 Permitted activities	In subsection (xix) (“Undertaking foreign exchange transactions”) reference to “freely convertible currencies” replaced with “specified foreign currencies”.
13	1	Activities of Banking Units (ACBU)	4 Permitted activities	The following subsections inserted : (xxix) “Distribution of capital market products” (xxx) “Participating in an authorised payment system” (xxxi) “Offering payment services”
14	1	Activities of Banking Units (ACBU)	6 Compliance with AML standards and CFT guidelines	Contents of the section amended to replace reference to RBI KYC guidelines with IFSCA KYC Guidelines .

15	2	Undertaking Business in Foreign currency (BIFC)	3 Permissible business in foreign currency	Reference to “freely convertible currencies” replaced with “specified foreign currencies” in sub-sections (a), (b), (c) and (g).
16	2	Undertaking Business in Foreign currency (BIFC)	6 Nostro account in Indian Rupee (INR)	New section on “ Nostro account in Indian Rupee (INR)” added
17	3	Client classification (CLIC)	2 Client classification	In sub-section (i) “Obligation to classify clients”, existing para (a) amended and a new para (b) inserted
18	11	Accepting Deposits (ACDE)	3,6 and 7 Permissible Deposits, Certificate of Deposit , Maintenance of RDRR	Reference to “freely convertible currencies” replaced with “specified foreign currencies” sub-sections 3(i), 3(ii), 3(iii), 6(i), 6(ii) and 7(i).
19	11	Accepting Deposits (ACDE)	4 Interest rate framework and other requirements	Sub-section (viii) has been amended to specify that Individual clients classified as “professional” may be permitted to be offered deposits without premature withdrawal facility.
20	12	Representative Office (REPO)	9 Adherence to AML standards and CFT guidelines	Content of the section has been amended to replace reference to RBI KYC guidelines with IFSCA KYC Guidelines
21	13	OTC Derivatives (OTDE)	3 Participants	Section 3(iv)(b) updated to specify that persons resident in India shall be treated as clients only if

				IBUs are specifically permitted to offer OTC derivatives to them
22	13	OTC Derivatives (OTDE)	5 Products	Subsection (iii) added to specify that market makers shall not offer OTC derivatives to persons resident in India unless specifically permitted.
23	13	OTC Derivatives (OTDE)	6 Suitability obligations of market makers	Subsection (viii) added to require IBUs to exercise due care to ensure that products offered by them are not being used to circumvent or violate laws or regulations pertaining to investments into India by persons resident outside India.
24	13	OTC Derivatives (OTDE)	9 Exchange of Margin	Reference to “freely convertible currencies” replaced with “specified foreign currencies” in sub-sections iv(a) and iv(b).
25	13	OTC Derivatives (OTDE)	15 Substituted compliance	The term “cross-border”, while referring to derivative transactions eligible for substituted compliance in subsections (i) and (ii) , deleted.
26	13	OTC Derivatives (OTDE)	Annex 2	Subsection (c) (ODIs on securities) inserted to permit ODI on “securities” as listed u/s section 2(h)(i) of the Securities Contract (Regulation) Act, 1956 (as amended) ¹
27	13	OTC Derivatives (OTDE)	Annex 6	Correction in para (a) to remove reference to ISDA while reference to WGMR and added footnote about formation of WGMR

¹ In consequence of the amendment to the Securities Contract Regulation Act, 1956 carried out through the Finance Act, 2023

28	13	OTC Derivatives (OTDE)	Annex 7	List of specified derivatives updated on account of discontinuance of derivatives linked to LIBOR and addition of derivatives linked to new benchmark rates like Euro Short Term Rate (€ STR) and Fed Secured Overnight Financing Rate (SOFR)
29	15	Referral Services (REFRS)	1 Application	Definition of Referral Services updated to align with the definition of the term in the IFSCA (Banking) Regulation, 2020 (as amended).
30	16	Providing Credit (PRCR)	3 General conditions on providing credit	Reference to “freely convertible currencies” replaced with “specified foreign currencies” subsection (i).
31	16	Providing Credit (PRCR)	3 General conditions on providing credit	Requirement for compliance with the “Guidance framework on sustainable and sustainability linked lending by financial institutions” dated April 26, 2022” inserted as subsection (v)
32	17	Global Administrative Office (GAO)	10 Adherence to AML standards and CFT guidelines	New section 10 inserted to mandate compliance with the IFSCA (Anti Money Laundering, Counter-Terrorist Financing and Know Your Customer) Guidelines, 2022.
33	18	Providing services to designated entities without risk participation (PRSE)	New module	New module on “Providing services to designated entities without risk participation” inserted as Module 18

PRUDENTIAL DIRECTIONS				
S.N.	Module No.	Module Name	Section	Amendment/addition
34	1	General Principles (GENPRU)	5 Stress testing	Direction on Stress testing and guidance for undertaking stress testing amended
35	3	Prudential reporting, disclosure and supervision (PRDS)	1 Prudential reporting requirements	Guidance inserted for IBUs of foreign banks on the provision of section 29 of the Banking Regulation Act, 1949
36	3	Prudential reporting, disclosure and supervision (PRDS)	1 Prudential reporting requirements	Reference to list of prudential returns in Annex 1 deleted . Annex 1 deleted.