



CONSULTATION PAPER ON THE PROPOSED INTERNATIONAL FINANCIAL SERVICES CENTRES AUTHORITY (PROCEDURE FOR MAKING REGULATIONS AND SUBSIDIARY INSTRUCTION) REGULATIONS, 2025.

Objective

The objective of this consultation paper is to seek public comments on the draft International Financial Services Centres Authority (Procedure for Making Regulations and Subsidiary Instruction) Regulations, 2025.

Statement of Object and Reasons

These draft regulations aim to enhance the regulatory framework for drafting, amending, and issuing regulations and subsidiary instructions by the International Financial Services Centres Authority (IFSCA). The proposed framework seeks to further strengthen principles of transparency, stakeholder participation, and regulatory clarity.

Background

- (1) The International Financial Services Centres Authority (IFSCA) was established under the International Financial Services Centres Authority Act, 2019 to develop and regulate financial products, financial services, and financial institutions in the International Financial Services Centres (IFSCs) in India.
- (2) In order to ensure transparency in the procedure of making regulations, IFSCA had adopted the stakeholder engagement through public consultation and the same has been hardcoded in the earlier notified IFSCA (Procedure for Making Regulations) Regulations, 2021 (PMR Regulations, 2021).
- (3) The aforementioned regulations laid down the principles and process for public

consultation and regulatory making. The PMR Regulations, 2021 were a step towards adopting global best practices and encouraging a participative approach to regulation-making.

(4) It is also pertinent to note that, in the Budget Speech 2023–24 of the Hon’ble Finance Minister, stated that:

“To meet the needs of Amrit Kaal and to facilitate optimum regulation in the financial sector, public consultation, as necessary and feasible, will be brought to the process of regulation-making and issuing subsidiary directions.”

(5) Pursuant to the budget announcement and with a view to further institutionalize a participative framework for stakeholder consultation, particularly in relation to subsidiary instruments *inter-alia* in the nature of circulars and guidelines, a review of the PMR Regulations, 2021 was necessitated.

Need for IFSCA (Procedure for Making Regulations and Subsidiary Instruction) Regulations, 2025

(6) Based on the regulatory and operational experience gained, the Authority has undertaken a review of the PMR Regulations, 2021. This review highlighted the need for a comprehensive and updated regulations that:

- a) expands the scope of public consultation to include both regulations and subsidiary instructions which are in the nature of substantive policy matters;
- b) provides for structured procedures on public consultation and exploring additional avenues of stakeholder engagement; and
- c) provides exemptions for those situations requiring urgent interventions and other incidental matters;

Given the substantial nature of changes in the existing regulations, it was felt that a new regulation be notified, instead of amending the existing regulations. Thus, the IFSCA (Procedure for Making Regulations and Subsidiary Instruction) Regulations 2025 has been proposed.

Overview of the IFSCA (Procedure for Making Regulations and Subsidiary Instruction) Regulations, 2025

(7) The regulations provide a comprehensive procedural framework for drafting, amending, and reviewing regulations and subsidiary instructions issued by the Authority. Key highlights are:

I. Subsidiary Instructions

a) Inclusion of ‘Subsidiary Instruction’ under the proposed regulations;

The definition of "subsidiary instruction" has been provided to bring clarity that it includes instruments issued in the nature of circular, guideline, framework or any other instrument by whatever name called.

b) Mandatory Public Consultation Process for certain ‘Subsidiary Instruction’:

Subsidiary instructions issued in order to provide terms, conditions or requirements to be complied with, in respect of any financial product, financial service or financial institution and outline the meaning, scope, or intent of any provision, shall mandatorily undergo public consultation process for better transparency.

II. Structured procedures on public consultation

The new regulations outline the process flow for public consultation till its notification, including placing the draft regulation before the Authority in accordance with International Financial Services Centres Authority (Procedure for Authority Meetings) Regulations, 2020, post receipt of public comments.

III. Additional consultation mechanism(s)

In order to expand the gateways for seeking public consultation and engaging with stakeholders, the Authority may if required, explore new avenues of consultation mechanisms, in addition to public consultation through publishing the proposed instrument in the IFSCA website.

IV. Review of regulations

Mandatory review of all regulations shall be made every five years (or earlier if required), based on *inter-alia* relevance, effectiveness, litigation experience, and global practices.

V. Exemptions

The proposed regulations shall not be applicable to procedural or internal matters, exigencies, matters concerning market integrity where regulatory intervention may be required regulations or subsidiary instruction are required to be made in compliance with any other obligations arising out of international agreements, etc.

VI. Repeal and Savings

The proposed regulations *inter-alia* repeals the earlier notified IFSCA (Procedure for Making Regulations) Regulations, 2021. Further, all actions taken under the previous regulations have been grandfathered under the new regulations.

Regulatory Objective and expected impact

- (8) The regulatory objective of the proposed regulations is to specify the regulatory framework for making, amending regulations and subsidiary instructions.
- (9) These Regulations aim to promote the Ease of Doing Business by strengthening the principles of transparency, stakeholder participation, and regulatory clarity.

Public Comments

- (10) In view of the above, comments and suggestions from public are invited on the draft IFSCA (Procedure for Making Regulations and Subsidiary Instruction) Regulations, 2025 contained in **Annexure-I**. The comments may be sent by email to Shri Sreekar Rao, Senior Consultant at sreekara.rao@ifsc.gov.in with the subject line “**Comments on draft** IFSCA (Procedure for Making Regulations and Subsidiary Instruction) Regulations, 2025” on or before **June 11, 2025**. The draft of the said regulations is placed on the website of the IFSCA at <https://ifsc.gov.in/ReportPublication/index/sKCVtbX6J9o=>. The comments may be provided in MS Word or MS Excel format only.

- (11) The comments should be provided in the following format:

Name and Designation	
Contact No. and Email address	

Name of Organisation				
S. No.	Regulation no./Sub regulation no.	Text of the Regulation/ Sub-Regulation	Comments/ Suggestions/ Suggested modifications	Detailed Rationale

May 22, 2025
Gandhinagar

INTERNATIONAL FINANCIAL SERVICES CENTRES AUTHORITY

GAZETTE OF INDIA

EXTRAORDINARY

PART III, SECTION 4

PUBLISHED BY AUTHORITY

INTERNATIONAL FINANCIAL SERVICES CENTRES AUTHORITY

NOTIFICATION

Gandhinagar, the [●XXXXXX], 202X

No. IFSCA/2020-21/GN/REG006. --- In exercise of the powers conferred by sub-section (1) of section 28 of the International Financial Services Centres Authority Act, 2019, the International Financial Services Centres Authority hereby makes the following regulations, namely: -

CHAPTER I

PRELIMINARY

1. Short title and commencement.

- (1) These regulations may be called the International Financial Services Centres Authority (Procedure for making regulations and subsidiary instruction) Regulations, 2025.
- (2) Save as otherwise provided, these regulations shall come into force on the date of their publication in the Official Gazette.

2. Definitions.

- (1) In these regulations, unless the context otherwise requires, -
 - (a) "Act" means the International Financial Services Centres Authority Act, 2019;
 - (b) "Authority" means the International Financial Services Centres Authority established under sub-section (1) of section 4 of the Act;
 - (c) "public comments" means the comments received in response to public consultation process regarding proposed regulation(s) or subsidiary

instruction(s) or amendment(s) thereof, from any person including financial institutions, stakeholders and organizations directly or indirectly engaged in the financial services market;

- (d) “regulations” means the “regulations” made by the Authority in exercise of the powers conferred under section 28 of the Act; and
- (e) “subsidiary instruction” means an instrument approved by the Authority or such other officer to whom such power is delegated and issued in the form of circular, guideline, framework or any other instrument by whatever name called.

- (2) Words and expressions used and not defined in these regulations but defined in the Act shall have the meanings respectively assigned to them in the Act or any statutory modification or re-enactment thereto, as the case may be.

CHAPTER II

MAKING OF REGULATIONS AND SUBSIDIARY INSTRUCTION

3. Making regulations.

The Authority may make regulations for carrying out the purposes of the Act, in compliance with regulations 5 and 6 hereunder.

4. Making of Subsidiary Instruction.

- (1) Subsidiary instruction may be issued to carry out the purposes of the Act or any regulations made thereunder, including for:
 - (a) providing terms, conditions or requirements to be complied with, in respect of any financial product, financial service or financial institution;
 - (b) outlining the meaning, scope, or intent of any provision;
 - (c) providing clarification on any provision;
 - (d) laying down any procedural requirement; or
 - (e) addressing any other matter necessary for effective implementation of the Act or regulations made thereunder.
- (2) The public consultation process as contemplated under regulation 5 and 7 shall be followed, before issuing any subsidiary instruction covered under clause (a) or (b) of sub-regulation (1).

CHAPTER III

PROCEDURE OF PUBLIC CONSULTATION, APPROVAL OF REGULATIONS AND SUBSIDIARY INSTRUCTIONS

5. Publishing consultation paper of the proposed regulations or subsidiary instructions

- (1) Public comments shall be sought for making regulations or subsidiary instruction specified under sub-regulation (2) of regulation 4, by publishing the consultation paper containing the suggested changes to the policy on the website of the Authority: -, which shall include;
 - (a) A background of the global market segment, existing IFSC market and applicable regulations, current state of development of the IFSC market and the goals of development of this market segment;
 - (b) a statement carrying norms advocated by international standard setting agencies and the international regulatory best practices, if any, relevant to the proposed regulations or subsidiary instruction;
 - (c) a statement of the problem(s), if any, that the proposed regulations or subsidiary instruction seeks to address;
 - (d) a statement carrying regulatory intent and objectives of the proposed regulations or subsidiary instruction;
 - (e) the specific provision of any enactment(s) or regulations under which the Authority proposes regulations or subsidiary instruction, as the case may be;
 - (f) the draft of proposed regulations or subsidiary instruction;
 - (g) Specific questions, if any, which persons responding to the consultation paper may address as part of their comments; and
 - (h) the manner, process and timelines for receiving public comments.

6. Procedure of Public Consultation for proposed regulations

- (1) The Authority shall ordinarily provide a minimum of 21 calendar days for receiving public comments.

Provided that the Chairperson may for the reasons to be recorded in writing, reduce the time period or dispense with the process of public consultation;

Provided also that every such decision of the Chairperson shall be placed before the Authority for information.

- (2) After examining the public comments, the proposed regulations along with the agenda containing compilation of public comments or their summary with the remarks thereon, shall be placed before the Authority.
- (3) The proposed regulations may be considered by the Authority in terms of the International Financial Services Centres Authority (Procedure for Authority Meetings) Regulations, 2020.
- (4) If the Chairperson is satisfied that the proposed regulations, to be placed before the Authority, are substantially different from what was proposed in the consultation paper, he may direct to repeat the process of public consultation.
- (5) If the Authority decides to approve the regulations in a form substantially different from the proposed regulations, it may direct to repeat the process of public consultation or may explore alternative mechanism(s) for engaging with stakeholder(s), as considered appropriate, with respect to such changes.
- (6) The summary of public comments received shall be uploaded prior to the notification of regulations on the Authority's website, along with a general statement of response on the comments received.
- (7) The regulations on being approved by the Authority, with modifications, if any, shall be notified in accordance with the Act.

7. Procedure of Public Consultation for proposed subsidiary instructions

- (1) The Authority shall ordinarily provide a minimum of 21 calendar days for receiving public comments.

Provided that the Chairperson may, for the reasons to be recorded in writing, dispense with the process of public consultation or reduce the time period of it;

Provided further that every such decision of the Chairperson shall be placed before the Authority for information.
- (2) Public comments received on the proposed subsidiary instruction shall be reviewed and where necessary, modifications shall be proposed.
- (3) The modified proposed subsidiary instruction along with the compilation of public comments or their summary with the remarks thereon, shall be placed before the Authority or such other officer to whom such power may be delegated by it, as the case may be.
- (4) The proposed subsidiary instruction may be approved by the Authority or such other officer to whom such power may be delegated by it, with modifications, if any, and the same shall be issued.

- (5) The summary of the public comments received shall be uploaded on the Authority's website, along with a general statement of its response on the comments, not later than the date of issuance of subsidiary instruction.

8. Additional consultation mechanism(s) and constitution of Committee(s)

- (1) Notwithstanding anything contained above, the Authority may explore additional mechanism(s) for engaging with stakeholder(s), as considered appropriate.
- (2) Without prejudice to provisions of these regulations, the Authority may constitute and consult expert or advisory committees, as it may consider appropriate, for making recommendations in relation to drafting or reviewing of regulations and subsidiary instruction.

9. Regulations made in case of exigency.

Where the Authority is of the opinion that it is expedient in the interest of development and regulation of the financial services market that the time to be taken for public consultation process would defeat the purpose of the proposed regulations or may cause undue delay in redressing the problem or market failure, the Authority may dispense with the process of public consultation under regulation 4 of these regulations.

CHAPTER IV

**AMENDMENT AND REVIEW OF REGULATIONS AND
SUBSIDIARY INSTRUCTIONS**

10. Amendment of regulations and subsidiary instruction.

Subject to provisions of regulation 6 and 9, an amendment to existing regulations or subsidiary instructions made under sub-regulation (2) of regulation 4, shall be made in compliance with the provisions of Chapter III.

11. Review of Regulations.

- (1) Each regulation made under regulation 3 shall be reviewed every five years unless a review is warranted earlier, keeping in view:
- (a) its objectives;
 - (b) its outcome;

- (c) experience of its implementation;
 - (d) experience of its enforcement and the related litigation;
 - (e) global best practices, if any;
 - (f) its relevance in the changed environment;
 - (fa) the scope for reducing redundancies;
 - (fb) promoting ease of doing business; and
 - (g) any other factor considered relevant by the Authority.
- (2) Pursuant to the review, if amendment or repealing is warranted, the regulation shall be amended in accordance with Chapter-III.

CHAPTER-V

MISCELLANEOUS

13. Non-applicability on certain matters

- (1) Notwithstanding anything contained in these regulations, the provisions of these regulations shall not be applicable to –
- (a) the internal organizational matters of the Authority, including those governing the conduct of its meetings, administration and service conditions of its officers and employees;
 - (b) regulations and subsidiary instructions that only deal with procedural requirements or those which in the opinion of the Chairperson may not result in any substantive policy changes;
 - (c) matters where the decision is being made in coordination with other government authorities or financial sector regulators; or
 - (d) matters concerning market integrity or national security where regulatory intervention may be required, for which larger public consultation may not be warranted;
 - (e) matters where the regulations or subsidiary instruction are required to be made in compliance with any other obligations arising out of international agreements, treaties or other such arrangements and no meaningful purposes will be served by public consultation.
- (2) The Authority shall be informed of matters where the procedure laid down in these regulations are not made applicable in terms of sub-regulation (1).

14. Repeal and Savings

- (1) On and from the commencement of these regulations, the International Financial Services Centres Authority (Procedure for making regulations) Regulations, 2021 shall stand repealed.
- (2) Notwithstanding anything contained in sub-regulation (1) above, any action taken or purported to have been taken under the regulations mentioned in sub-regulation (1), prior to coming into effect of these regulations shall be deemed to have been done or taken or commenced under the corresponding provisions of these regulations.
- (3) Subsidiary instruction issued prior to coming into effect of these regulations shall be deemed to have been issued under the corresponding provisions of these regulations.
- (4) No regulations and subsidiary instruction issued prior or subsequent to the commencement of these regulations, or any action taken under the said regulations and subsidiary instruction, shall be invalid merely by reason of non-adherence to the procedure specified in these regulations.
