

**Consultation paper on the proposed**  
**IFSCA (Payment Services) (Amendment) Regulations, 2024**

**Objective:**

1. The objective of this consultation paper is to seek comments/views/suggestions from the public on the proposed amendments to the International Financial Services Authority (Payment Services) Regulations, 2024.

**2. Background:**

- i. The IFSCA (Payment Services) Regulations, 2024 ( “the regulations” ) had been approved by the Authority and notified in the Public Gazette on January 30, 2024. The regulations, inter alia, specify the following activities as payment services that may be provided by the entities authorised as Payment Service Providers (PSP) under the 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.
- ii. The Section 2(1) (l) of the regulations defines the term “escrow service” as follows :

*“the service provided by a payment service provider, under an agreement, whereby money is held by such payment service provider in an escrow account with an IFSC Banking Unit (‘IBU’) or an IFSC Banking Company (‘IBC’) on behalf of two parties that are in the process of completing a transaction; “*
- iii. Post notification of the regulations, a few entities desirous of providing escrow services has communicated to Authority that the requirement of two parties in the above definition would prevent them from undertaking certain transactions in which the escrow services are required. For example :
  - a) there may be two or more than two transacting parties involved in a transaction in order to mitigate the trust gap between the transacting parties. E.g.: Importer/Exporter/Broker, profit sharing transaction between multiple business partners, sales proceed distribution between multiple co-owners of a real estate asset.

- b) platform providers like alternative investment platforms, marketplaces, online real money gaming, brokers etc. may have a single party escrow/nodal structure in place in order to derisk/off-load the balance sheet. Such entities use the escrow account to aggregate money from users/investors and deploy the funds further without taking the funds into their main bank account.
- iv. Taking the above comments into account it is proposed to amend the regulations by substituting the existing section 2(1) (l) of the regulations with the following :

*“the service provided by a payment service provider, under an agreement, whereby money is held by such payment service provider in an escrow account with an IFSC Banking Unit (‘IBU’) or an IFSC Banking Company (‘IBC’) **on behalf of one or more parties** that are in the process of completing a transaction;”*

3. The draft amendment regulations are placed in page 4 of this document. General public and stakeholders are requested to forward their comments/suggestions through e-mail to Mr. Supriyo Bhattacharjee at [supriyo.b@ifsc.gov.in](mailto:supriyo.b@ifsc.gov.in) and Mr. Vaibhav Sattavan at [vaibhav.sattavan@ifsc.gov.in](mailto:vaibhav.sattavan@ifsc.gov.in) on or before March 21, 2024 in the attached format. The comments may be provided in MS Word or MS Excel format only.

**Format for providing comments / suggestions**

**Proposed amendments to  
IFSCA (Payment Services) Amendment Regulations, 2024**

<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>

# INTERNATIONAL FINANCIAL SERVICES CENTRES AUTHORITY

## NOTIFICATION

Gandhinagar, the ....., 2024

### **International Financial Services Centres Authority (Payment Services) (Amendment) Regulations, 2024**

IFSCA/2023-24/GN/REG040\_\_. 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 further to amend the International Financial Services Centres Authority (Payment Services) Regulations, 2024, namely: -

1. (i) These regulations may be called the International Financial Services Centres Authority (Payment Services) (Amendment) Regulations, 2024.

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

2. In the International Financial Services Centres Authority (Payment Services) Regulations, 2024 (hereinafter referred to as the Principal Regulations), the existing clause (l) under sub-regulation (1) of regulation 2, shall substituted with the following, namely :

*“escrow service” means the service provided by a payment service provider, under an agreement, whereby money is held by such payment service provider in an escrow account with an IFSC Banking Unit (‘IBU’) or an IFSC Banking Company (‘IBC’) on behalf of one or more parties that are in the process of completing a transaction;*

(K.Rajaraman)  
Chairperson