

**CONSULTATION PAPER ON PROPOSED
IFSCA (Book-keeping, Accounting, Taxation and Financial Crime Compliance
Services) Regulations, 2024**

Objective

The objective of this consultation paper is to seek comments /views / suggestions from the public on the proposed International Financial Services Centres Authority (Book-keeping, Accounting, Taxation and Financial Crime Compliance Services) Regulations, 2024.

Background

Ministry of Finance vide gazette notification dated 18th January, 2024 notified the following services as ‘financial services’ under Section 3(1)(e)(xiv), namely: -

1. book-keeping services;
2. accounting services;
3. taxation services; and
4. financial crime compliance services

Subsequently, International Financial Services Centres Authority (IFSCA), had constituted an Expert Committee for developing GIFT IFSC as a “Global Finance and Accounting Hub” to recommend the regulatory regime for undertaking book-keeping, accounting, taxation and financial crime compliance services. The Expert Committee submitted its preliminary report to Chairman, IFSCA.

Now, IFSCA has framed the draft IFSCA (Book-keeping, Accounting, Taxation and Financial Crime Compliance Services) Regulations, 2024 which provides a regulatory regime for undertaking book-keeping, accounting, taxation and financial crime compliance services from IFSC.

Public Comments

In view of the above, comments and suggestions from the public are invited on the proposed IFSCA (Book-keeping, Accounting, Taxation and Financial Crime Compliance Services) Regulations, 2024 contained in Annexure – I to this paper.

Comments may be sent by email to Mr. Kalpesh Mehta, AGM at kalpesh.mehta@ifsc.gov.in with a copy to Mr. Sathyaraj C M, GM at sathyaraj.cm@ifsc.gov.in latest by April 16, 2024 with a subject line **Comments on DRAFT IFSCA (BATF) Regulations, 2024**. The comments should be in the following format (**MS Word or MS Excel format only**):

Name and Details of the Person / Entity (Organisation name (If applicable), Contact No and Email address)				
Sr. No.	Regulation No.	Sub- Regulation	Comments/ Suggestions	Detailed Rationale

International Financial Services Centres Authority (Book-keeping, Accounting, Taxation and Financial Crime Compliance Services) Regulations, 2024

In exercise of the powers conferred by sub-section (1) of Section 28, read with sub-section (1) of Section 12 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 (Book-keeping, Accounting, Taxation and Financial Crime Compliance Services) Regulations, 2024.
- (2) These regulations shall come into force from the date of their publication in the Official Gazette.

2. Objective

These regulations aim to put in place the regulatory framework relating to registration and operations of Book-keeping, Accounting, Taxation and Financial Crime Compliance Services from International Financial Services Centres.

3. Definitions

- (1) In these regulations, unless the context otherwise requires, -
 - a) “Act” means the International Financial Services Centres Authority Act, 2019 (50 of 2019);
 - b) “accounting services” includes:

- (i) reviewing annual and interim financial statements or other accounting information;
- (ii) compilation of financial statements from information provided by the client, without giving any assurances regarding the accuracy of the resulting statements;
- (iii) preparation of business tax returns, along with preparation of financial statements;
- (iv) compilation of income statements, balance sheets or other financial information;
- (v) analysis of financial statements;
- (vi) other related accounting support services in relation to the above including valuation support services.

Explanation: Accounting services do not include financial auditing services, book-keeping services or tax preparation services;

c) “Authority” means the International Financial Services Centres Authority established under sub-section (1) of section 4 of the Act;

d) “book-keeping services” means and includes:

classifying and recording business transactions including payroll ledgers in terms of money or any other unit of measurement in the books of account and other related documents.

Explanation: book-keeping services do not include payroll and tax returns services;

e) “financial crime compliance services” includes services rendered in relation to compliances of Anti-Money Laundering (AML) / Countering the Financing of Terrorism (CFT) measures and Financial Action Task Force (FATF) recommendations, and other related activities;

f) “group entities” means an arrangement involving two or more entities related to each other through any of the following relationships: (i) parent- subsidiary (as per Ind-AS 110/AS 21); (ii) joint venture (as per Ind-AS 28/AS 27); (iii) associate (as per

Ind-AS 28/AS 23); (iv) common brand name; or (v) investment in equity shares of 20 per cent and above;

- g) “BATF Service Provider” shall mean the entity registered under these regulations to undertake all or any of the following services:
- (i) book-keeping;
 - (ii) accounting;
 - (iii) taxation;
 - (iv) financial crime compliance services.
- h) “International Financial Services Centre” or “IFSC” shall have the same meaning as assigned to it under clause (g) of sub-section (1) of Section 3 of the Act;
- i) “Non-resident” means a person resident outside India as defined under Section 2 of The Foreign Exchange Management Act, 1999 (42 of 1999) and shall also include Units in International Financial Service Centre;
- j) “BATF Services” shall, for the purpose of these regulations, mean book-keeping, accounting, taxation and financial crime compliance services;
- k) “specified foreign currency” means the currencies specified in the First Schedule of the International Financial Services Centres Authority (Banking) Regulations, 2020 or any other regulation issued by the Authority;
- l) “Taxation Services” includes tax consulting, preparation services and planning services which includes providing advice and guidance concerning taxes as well as preparing and filing of tax returns of all kinds.

***Explanation** – For the purpose of this definition ‘Taxes’ shall include all forms of direct or indirect taxes, cess, duties or levies.*

- (2) Words and expressions used and not defined in these regulations but defined in the Act or Acts mentioned in the First Schedule to the Act or Companies Act, 2013 (18 of 2013) or any rules or regulations made thereunder shall have the same meanings

respectively assigned to them in those Acts, rules or regulations or any statutory modification or re-enactment thereto, as the case may be.

CHAPTER II

SETTING UP OF A BATF SERVICE PROVIDER

4. Registration Requirement

An applicant desirous to provide all or any of the BATF Services shall require a certificate of registration from the Authority.

Provided that an existing Ancillary Services Unit providing Book-keeping, Accounting and Taxation services under Framework dated February 10, 2021, for enabling Ancillary services at International Financial Services Centres (hereinafter referred to as Ancillary Services Framework) shall not be required to seek registration for undertaking BATF services.

5. Application for registration for providing BATF Services

- (1) An applicant desirous of providing all or any of the BATF Services shall submit an application to the Authority, for grant of certificate of registration, in the format and in the manner as may be specified by the Authority.
- (2) The application under sub-regulation (1) shall be accompanied by a non-refundable application fee as may be specified by the Authority.
- (3) An application which is not complete in all respects shall be liable to be rejected as specified under these regulations.
- (4) The applicant desirous of providing BATF Services shall be required to be set up in IFSC either in the form of a Company or Limited Liability Partnership or in any other form, as may be specified by the Authority.
- (5) The promoters of the applicant entity shall be from a jurisdiction which has not been

identified in the public statement of Financial Action Task Force (FATF) as “High Risk Jurisdiction- subject to call for action”.

6. Procedure for grant of certificate of registration

- (1) After considering the application made under regulation 5, if the Authority is satisfied that the terms and conditions as specified in these regulations have been complied with, it may grant certificate of registration to the applicant, in such form and subject to such conditions, as may be specified.

Provided that on a request received from an applicant, if the Authority is satisfied that the applicant may be given more time to comply with certain conditions for grant of registration, it may, for the reasons to be recorded in writing, consider grant of provisional registration giving additional time to the applicant, subject to such conditions, as it may deem necessary:

Provided further that the provisional registration can be withdrawn by the Authority if the Authority is satisfied that the applicant is unable to comply with any of the conditions under which the provisional registration was granted.

- (2) The certificate of registration granted to BATF Service Provider under this regulation shall be valid unless revoked by the Authority or surrendered by the BATF Service Provider.
- (3) The BATF Service Provider shall keep the Authority informed of any material change in the information or particulars previously furnished.

7. Refusal and revocation of certificate of registration

- (1) After considering the application, if the Authority is of the opinion that the certificate of registration cannot be granted due to certain deficiencies, it shall communicate the same to the applicant advising it to rectify those within thirty days from the date of communication.
- (2) If the Applicant fails to rectify such deficiencies within the specified time, the

Authority shall refuse to grant certificate of registration and communicate the same to the applicant.

Provided that no such refusal shall be made without giving the Applicant a reasonable opportunity of being heard.

- (3) If the Authority is satisfied that BATF Service Provider has failed to comply with any of the conditions of the certificate of registration, any provisions of these regulations, orders or directions of the Authority, it may revoke the registration granted to such BATF Service Provider.
- (4) The order for revocation of the registration shall be issued after giving a reasonable opportunity of hearing to the concerned BATF Service Provider.

CHAPTER III FIT AND PROPER REQUIREMENTS

8. Fit and Proper Requirements

- (1) The BATF Service Provider shall ensure that the entity and its principal officer, directors/ partners/ designated partners, key managerial personnel and controlling shareholders are fit and proper persons, at all times.
- (2) For the purpose of sub-regulation (1), a person shall be deemed to be a fit and proper person if such a person has a record of fairness and integrity, including but not limited to-
 - a) financial integrity;
 - b) good reputation and character; and
 - c) honesty.

CHAPTER IV SAFEGUARDING CONDITIONS

9. The applicant shall ensure that their business in IFSC is not set up either by –
- (1) splitting up of business already in existence in India;
 - (2) reconstructing of business already in existence in India; or
 - (3) reorganising of a business already in existence in India.

Explanation: For the purpose of determination of splitting up, reconstruction and reorganization of any business already in existence in India, the applicant shall adhere to the requirements specified in PART-A of First schedule.

10. The BATF Service Provider shall not offer BATF Services by way of transferring or receiving of existing contracts or work arrangements from their group entities in India.

Explanation: For the purpose of this regulation, the interpretation of “transferring or receiving of existing contracts or work arrangements from their group entities in India” shall be as per PART-B of First schedule.

CHAPTER V

SERVICE RECIPIENT

11. Service Recipients

The BATF Service Provider shall ensure that the recipient is a Non-Resident and is not from a jurisdiction which has been identified in the public statement of Financial Action Task Force as “High Risk Jurisdiction- subject to call for action”.

CHAPTER VI
KEY MANAGERIAL PERSONNEL

12. Appointment of Principal Officer and Compliance Officer

- (1) The BATF Service Provider shall designate a principal officer who shall be responsible for overall activities of the entity in IFSC.
- (2) The BATF Service Provider shall also designate a compliance officer who shall be responsible for reporting to the board of directors or head of the organization, as the case maybe, for compliance of policies, procedures, maintenance of records and the implementation of the requirements as specified under these regulations.
- (3) The BATF Service Provider shall ensure that the principal officer and compliance officer shall be based out of IFSC and meet the following requirements:
 - a) A professional qualification to practice as Chartered Accountant (CA), Company Secretary (CS), Cost and Management Accountant (CMA), Certified Public Accountant (CPA), Chartered Financial Analyst (CFA) or any other equivalent qualifications from foreign professional bodies or institutes or a post-graduate degree in finance, law, accountancy, business management, commerce, economics, taxation from a university or an institution recognized by the UGC or AICTE or equivalent authority in foreign jurisdiction.

Provided that for financial crimes compliance services, the principal officer is also required to hold relevant qualification from a reputed foreign or domestic institution in financial crimes compliances.

- b) the Principal Officer shall have an experience of at least five (5) years in relevant field; and the Compliance officer shall have a relevant experience of at least three (3) years.

CHAPTER VII
MISCELLANEOUS

13. Minimum office space criteria:

The entity shall ensure office space in IFSC of minimum built up area computed at 60 sq. ft. per employee.

14. Currency of Operations

- (1) The BATF Service Provider shall carry out its operation in any specified foreign currency.
- (2) The BATF Service Provider shall be permitted to have an INR account to defray their administrative and statutory expenses and for such other purposes as may be specified by the Authority.
- (3) Every BATF Service Provider shall maintain its balance sheet in any Specified Foreign Currency.

15. Reporting Requirements

- (1) The BATF Service Provider shall furnish information relating to its operations to the Authority, in such manner, interval and form, as may be specified by the Authority.
- (2) Any Financial reporting by the BATF Service Provider to the Authority shall be in US Dollar, unless otherwise specified by the Authority.
- (3) BATF Service Provider shall submit a certificate, issued by independent third party practicing professional (CA, CS and CMA), certifying compliance of the requirements specified in these regulations including regulation 9 and 10 requirements within 90 days from the closure of each financial year.

16. Power to specify norms, procedures, issue clarifications and remove difficulties

- (1) For the purposes of implementation of these regulations and matters incidental thereto, the Authority may specify norms, procedures, processes, additional requirements, etc. by way of circulars or guidelines or directions to BATF Services Providers under these regulations.
- (2) In order to remove any difficulties in the interpretation or application of the provisions of these regulations, the Authority shall have the power to issue directions through guidance notes or circulars.

17. Payment of Fees

BATF Service Provider shall pay registration fee, annual fee or such other fee or charges as may be specified by the Authority from time to time.

18. Action in Case of Default

The Authority may initiate appropriate enforcement action in case a BATF Service Provider contravenes any of the provisions of these regulations, direction or order made thereunder.

19. Repeals and savings:

- (1) On and from the commencement of these regulations, reference to Accounting, Book-keeping and Taxation Services in clause C (ii) and Point 2 of Annexure I of the Ancillary Services Framework shall stand omitted.
- (2) Notwithstanding anything contained in these regulations, an entity already authorized under the Ancillary Services Framework may continue to provide accounting, book-keeping and taxation services under these regulations, subject to the conditions specified in the Second Schedule.

FIRST SCHEDULE
SAFEGUARDING CONDITIONS
(Regulation 9)

PART- A

1. While complying with conditions on splitting up, reconstruction and reorganization of any business already in existence in India, the applicant shall adhere to the following requirements:

(i) **Workforce Requirement:** The number of employees transferred/relocated from group entities in India as at the end of the financial year should not exceed 20% of the total employees actually engaged in BATF Service Provider in IFSC.

Note:

- a) An employee shall be considered as a new employee if he/she was not employed by any of the group entities in India for a period of 12 months immediately preceding his/her joining date.
 - b) The condition(s) specified above shall be complied with every year for ten consecutive financial years from the date of issuance of certificate of registration.
 - c) The compliance of the aforesaid requirement shall be examined at the end of the first full financial year.
- (ii) **Asset Requirement:** There should not be any transfer of assets from any of the group entities in India to the BATF Service Provider.

PART-B
(Regulation 10)

2. Contracts or work arrangement between a BATF Service Provider with its service recipients shall be construed as “transferring or receiving of existing contracts or work arrangements from their group entities in India”, in the following scenarios: -
- a) Transferring of existing contract or work arrangements in India: When an existing contract or work arrangement, by whatever name called, between any of the group entities of BATF Service Provider in India with its non-resident client is shifted or transferred to the BATF Service Provider during the subsistence of such contract or work arrangement.
 - b) Termination of existing contract or work arrangements in India: When an existing contract or work arrangement, by whatever name called, between any of the group entities of BATF Service Provider in India with its non-resident client is prematurely terminated and a new contract or a work arrangement is signed between BATF Service Provider and the same service recipient, directly or indirectly.
 - c) Other scenarios as may be specified by IFSCA, from time to time.

SECOND SCHEDULE

Conditions for entities under Ancillary Services Framework

(Regulation 19)

1. An entity already authorized under the Ancillary Services Framework for providing accounting, book-keeping and taxation services may continue to do so in their existing legal form for a period of 3 years from the date of notification of these regulations. All such Ancillary Services Units shall conform to Regulation 5(4) and seek fresh registration under these regulations within a period of three years, failing which they shall not be permitted to undertake BATF Services from IFSC.
2. These Ancillary Services Units shall ring-fence their BATF Service operations from their existing operations in IFSC.
3. The conditions specified in regulation 9, 10 and 15 shall be applicable to the BATF Services being provided by such Ancillary Services Unit.

Provided that the manpower and asset requirements specified in regulation 9 shall apply only to the manpower and assets deployed at such Ancillary Services Unit for providing BATF services after commencement of these regulations.

Provided that regulation 9 and 10 shall not apply at the time of migration of BATF Services from such Ancillary Services Unit to the newly incorporated entity formed by such Ancillary Services Unit for compliance with Regulation 5 (4).

4. The conditions specified in regulation 12 and 13 shall be complied by the Ancillary Services Unit providing BATF services within a period of 6 months from the date of commencement of this regulation.
5. The Ancillary services Unit providing BATF services shall in addition to the fee payable under Ancillary Services Framework shall also be liable to pay fee applicable under these regulations.

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