

FAQs on Registration of a Finance Company/ Finance Unit

Part 1: General information on Finance Company / Finance Unit

1. What is a 'Finance Company' (FC)?

"Finance Company" refers to a financial institution, as defined under clause (c) of sub- section (1) of section 3 of the IFSCA Act, 2019 (Act), separately incorporated in IFSC for the purpose of undertaking one or more permissible activities specified under sub- regulation (1) of regulation 5 of the FC Regulations, provided:

- (i) It does not accept public deposit from resident and non-resident, as defined in FC Regulations; and
- (ii) It is not registered with the Authority as a Banking Unit.

Note: 'Public deposit' refers to an amount raised from a resident or a non-resident, in any form which is repayable on demand or is a term deposit and includes such other amount as may be specified by the Authority from time to time.

2. What is a 'Finance Unit' (FU)?

'Finance Unit' refers to a financial institution as defined under clause (c) of sub-section (1) of section 3 of the Act, which is set up as a branch, to deal in one or more of the permissible activities specified under sub-regulation (1) of regulation 5 of FC Regulations, provided:

- (i) it does not accept public deposit from resident and non-resident as defined in these regulations; and
- (ii) It is not registered with the Authority as a Banking Unit.

Note: An applicant intending to set up as a FU for undertaking core activities shall fulfill the following conditions:

- (i) It shall be an incorporated entity in its home jurisdiction.
- (ii) It shall be engaged in the business of financial services.
- (iii) It shall be regulated by a financial sector regulator in its home jurisdiction; and
- (iv) It shall obtain a No-Objection Certificate from the home regulator for setting up a FU in the IFSCs.

The aforesaid conditions shall not apply to an applicant intending to undertake activity of a Global / Regional Corporate Treasury Centre as a Finance Unit.

3. What are the legal forms permitted for setting up of a Finance Company?

A Finance Company can be set up either as a subsidiary or a joint venture, or as a newly incorporated company under the Companies Act, 2013, or in any other form as may be specified by the Authority from time to time.

4. Is there any requirement on the jurisdiction from which the promoters or founders/directors/shareholders/ Ultimate beneficial owners, of a finance company or Finance Unit be?

Yes, the promoters/ founders/group entities/directors/shareholders/Ultimate beneficial owners (up to a natural person) shall not be from countries or jurisdiction which are identified by FATF as High-Risk Jurisdictions subject to a Call for Action (commonly referred as Blacklist). The FC/FU shall be in compliance with the requirements laid down under the Prevention of Money Laundering Act, 2002, PML rules, IFSCA (AML/CTF/KYC) Guidelines, 2022, as amended from time to time.

5. What activities a Finance Company/Finance Unit are permitted to undertake under FC Regulations?

A Finance Company/ Finance Unit may inter-alia undertake the following activities:

- (i) Lend in the form of loans, commitments and guarantees, credit enhancement, securitisation, financial lease, and sale and purchase of portfolios.
- (ii) Undertake investments, including subscribing, acquiring, holding, or transferring securities or such other instruments, as may be permitted by the Authority;
- (iii) Factoring and Forfaiting of receivables,
- (iv) Buy or Sell derivatives (as a client),
- (v) Undertaking permissible activities as a Global/ Regional Corporate Treasury Centres,
- (vi) Undertaking permissible activities as a Aircraft/Ship Lessor,
- (vii) Undertaking permissible activities as an International Trade Financing Services Platform (ITFS),
- (viii) Undertaking any other permitted activity without involving a customer interface including Holding Companies, and

Any other activity that may be permitted by the Authority under the FC Regulations from time to time.

Part 2: Permissible activities for FC/FU

6. What are the non-core activities that can be undertaken on a standalone basis?

The following non-core activities can be undertaken as a standalone business activity:

- (i) Operating lease of any products, including aircraft lease, ship lease or any other equipment as may be specified by the Authority.
- (ii) Any permissible activity without involving a customer interface (i.e. catering solely to group entities, example Holding companies);
- (iii) Setting up of International Trade Financing Services Platform.
- (iv) Undertaking to act as facilitators of permissible activities as and when permitted by the Authority.

7. What are the non-core activities that can be undertaken as an additional activity along with permitted core/ non-core activities?

These activities *inter-alia* include viz., Investment Advisory Services, Portfolio Management Services, distribution of financial products.

Explanation: For carrying out such non-core activities by a FC/FU, which is already undertaking any of the core/ non-core activities, it shall obtain separate registration under relevant activity specific regulations/ frameworks, issued or notified by the Authority.

8. Whether a Finance Company serve/act as a Holding Company under the permissible activities specified in the FC Regulations?

Yes. A FC can serve as a holding company under regulation 5(1)(iii)(m) of the FC Regulations, which includes engaging in activities without any customer interface, i.e providing permissible activities under the FC Regulations only to the group entities of the parent who is setting up the IFSC entity.

Note: 'Group Entity' is defined as an arrangement involving two or more entities related to each other through any of the relationships, viz. subsidiary – parent (defined in terms of AS 21), Joint

venture (defined in terms of AS 27), Associate (defined in terms of AS 23), a related party (defined in terms of AS 18), Common brand name and investment in equity shares (of 20% and above).

9. Can a FC/FU undertaking non-core activities also engage in ‘investment activities’ ?

Yes. A FC/FU registered for carrying out one or more non-core activities only, is permitted to undertake investment activities only for the purpose of liquidity and balance sheet management as part of its normal business operations. Such ‘investment activity’ will not be treated as core activity for the purpose of the FC Regulations.

10. Can a FC/FU undertaking non-core activities carry out derivative transactions?

Yes, the FC/FU undertaking non-core activities may carry out derivative transactions only for the purpose of hedging their underlying exposures i.e. as a ‘client/user’.

11. Can an FC/FU undertake multiple core, non-core activities, or both of them under the FC Regulations? In this context, are there any restrictions on undertaking such activities?

Yes. A FC/FU can undertake multiple permissible core, non-core activities, or both.

However, the same is subject to the applicable activity specific framework/circulars/regulations issued by the Authority, which may include seeking separate license/registration/authorisation for undertaking the envisaged activity.

For instance:

(i) Consider a Finance Company is permitted to undertake an operating lease for aircraft under the FC Regulations. However, if it intends to undertake distribution of financial products (i.e. a non-core activity under the FC Regulations), it will need to seek separate registration under either of the below mentioned IFSCA Regulations, as the case may be:

(a) the IFSCA ‘Distribution of Capital Market Products and Services under International Financial Services Centres Authority (Capital Market Intermediaries) Regulations, 2021’ – if the FC intends to undertake distribution of capital market products.

(b) the IFSCA (Insurance Products and Pricing) Regulations, 2022’ – if the FC intends to undertake distribution of insurance products.

(ii) Consider a Finance Company is permitted to undertake core activity of lending in the form of loans, and now it intends to expand the scope of its activities to undertake operating lease for aircraft (which is non-core activity). — In such case, it would require separate registration from the Authority under IFSCA Framework for Aircraft Lease for undertaking the said activity.

(iii) Consider a Finance Company that has set up a Global/Regional Treasury Centre (GRCTC) and intends to hold equity stake in the group entities of its parent company, in such a scenario, the GRCTC shall seek separate registration under regulation 5(1)(iii)(m) of FC Regulation, pertaining to undertaking any other permissible activity without customer interface.

12. Consider an entity that has obtained a certificate of registration or authorisation for a specific activity under another framework or regulations, issued or notified by the Authority, does such an entity require to seek fresh registration for carrying out the same activity, under regulation 5 of the FC Regulations?

No. An entity that has obtained a certificate of registration or authorisation for a specific activity under another framework or regulations, issued or notified by the Authority, shall not be required to seek a fresh registration under FC regulations for carrying out the same activity, even if it is a permissible activity under regulation 5 of the FC regulations.

13. If an entity is already authorised / registered / licensed to operate under any regulatory framework issued by IFSCA, can it seek registration for undertaking any other permissible activity under FC Regulations?

Yes, a registration under FC Regulations can be sought subject to seeking a No-objection certificate (NoC) from the Authority under the framework/regulation in which it currently operates. Post receipt of NoC, the entity can make a fresh application for registration as an FC for undertaking activities which are solely regulated under the FC Regulations.

14. What are the requirements for expanding the scope of activities within the FC Regulations by a FC/FU?

In addition to satisfying the requirements of clause 11, 12 and 13 above (as applicable), an FC/FU can expand its scope of activities, subject to the following:

- (i) Its Memorandum of Association should enable the FC/FU to undertake the proposed activity;
- (ii) The FC/FU shall submit an Application letter, duly signed by its authorised representative/director.
- (iii) The FC/FU shall submit Board approval for expanding the scope of activities;
- (iv) The FC/FU shall apply to the Administrator (IFSCA) for expanding its activities in the Letter of Approval (LoA) and provide the copy of the same to the Authority, as applicable;
- (v) The FC/FU shall submit revised business plan for the next three years, incorporating the assumptions and the business envisaged under the proposed activity;
- (vi) The FC/FU shall Pay the applicable fees, as expansion of scope of activities would classify as modification of terms and conditions of the Certificate of Registration (CoR) granted to the entity and shall be subject to the payment of applicable fees as per the IFSCA Fee Circular dated May 17, 2023, as amended from time to time.
- (vii) The FC/FU shall submit any other document, if sought by the Authority for the purpose of processing its request for the specific case.

Part 3: Owned Funds for FC/FU

15. What is the definition of 'owned fund,' which needs to be maintained by a FC/FU in the IFSC?

As per the regulation 2(1)(i) of the FC Regulations, the "Owned fund" for a Finance Company means the paid-up-capital and free reserves balance in share premium account and capital reserves representing surplus arising out of sale proceeds of asset, excluding reserves created by revaluation of asset, as reduced by accumulated loss balance, book value of intangible assets and deferred revenue expenditure, if any.

16. What are the minimum owned fund (MOF) requirements for FC/ FUs?

The MOF requirements vary for FC/FUs undertaking core and non-core activities. The same are specified in the Schedule to the FC Regulations and outlined below:

1. Non-Core Activities (without core activities)

- Minimum Capital Requirement:
 - The higher of USD 0.2 million, or
 - Any amount specified by the Authority for a specific non-core activity under its regulatory framework.

2. Core Activities (with or without non-core activities, excluding Global/Regional Corporate Treasury

Centres)

- Minimum Capital Requirement:
 - The higher of USD 3 million, or
 - Minimum regulatory capital as specified by the Authority for core activities, or
 - Any amount specified by the Authority for non-core activities under the relevant framework.

3. Global/Regional Corporate Treasury Centres

- Minimum Capital Requirement:
 - The higher of USD 0.2 million, or
 - Any amount specified by the Authority under the relevant regulatory framework.

Part 4: Prudential and Corporate Governance requirements

17. What are the prudential regulatory requirements for a FC/ FU?

The prudential regulatory requirements apply to a Finance Company or a Finance Unit, only for undertaking permissible core activities. As per regulation 4 of the FC Regulations, the prudential regulatory requirements, are as follows:

- (i) Capital Ratio (CR) – The FC/ FU shall maintain a minimum capital ratio at eight percent of its regulatory capital to its risk weighted assets or at such a percentage as may be specified by the Authority. The guidelines on capital ratio are specified in the IFSCA Circular titled ‘Computation of Regulatory Capital’ dated April 26, 2021.
- (ii) Liquidity Coverage Ratio (LCR) – The FC/FU shall maintain LCR on standalone basis, at all times, as may be determined by the Authority. Provided that in case of FU, the LCR may be allowed to be maintained by the parent entity with specific approval of the Authority. The guidelines on the same are specified in the IFSCA Circular titled ‘Guidelines on Liquidity Risk Management for a FC/FU’ dated June 24, 2021.
- (iii) Exposure Ceiling (EC) – The sum of all exposures of a FC/FU, as the case may be, to a single counterparty or group of connected counterparties shall not exceed twenty-five percent of its available eligible capital base without the approval of the Authority. The guidelines on the same are specified in the IFSCA Circular titled ‘Framework on Computation of Exposure Ceiling for FC/FU’ dated May 25, 2021.

All the aforementioned circulars may be accessed at below link:

18. What are the corporate governance and disclosure requirements applicable for the FC/FU?

The corporate governance and disclosure requirements are specified in the IFSCA Circular titled ‘Guidelines on Corporate Governance and Disclosure Requirements for a Finance Company’ dated August 09, 2021, and the same shall be adhered accordingly.

The said guidelines may be accessed [here](#).

19. Is there any requirement to seek approval for change in management of FC/FU?

Yes, as per regulation 8(2) of the FC Regulations any merger, acquisitions, takeovers or change in management of a Finance Company, which results in a change in control of at least twenty *per-cent* of total share capital of the FC, or of business decisions under an agreement, shall be subject to prior approval and such other requirements as may be specified by the Authority.

In case of mergers, acquisitions, takeovers or change in management in the parent of a FU,

such change shall be in compliance to its registration requirements and shall be intimated to the Authority within a period of 15 days from the date of such event.

20. Is there any relaxation provided to a FC/FU from Prudential regulations and Corporate Governance (CG) and Disclosure requirements?

Yes, entities undertaking permissible non-core activities are exempted from the requirements of regulation 4 and 8 of the FC Regulations pertaining to prudential regulations and Corporate Governance (CG) and Disclosure requirements, respectively. However, the same is subject to subject to the following:

- (i) To have a Board approved prudential policy; and
- (ii) Fit and Proper criteria set out by the Authority.

Whereas the Global/ Regional Corporate Treasury Centre (GRCTC) is exempt from the requirements of the Prudential regulations, subject to the following: (i) To have a Board approved prudential policy (ii) Fit and Proper criteria set out by the Authority

Please refer to IFSCA Circular on 'Guidelines on Corporate Governance and Disclosure Requirements for a Finance Company' dated August 09, 2021.

21. What are the additional legal frameworks applicable on a FC/FU undertaking core activities?

An FC/FU intending to undertake core activities is required to adhere to prudential regulations and the corporate governance and disclosure requirements as specified in answer to question 17 and 18 above. The other applicable guidelines are as provided in the table below:

Sr. No	Circular Name	Date of Issue
1)	Guidelines on distribution of mutual Funds and insurance products by FC/FUs	May 03, 2021
2)	Information on various guidelines/circulars/directions applicable for undertaking non-core activities by anFC/FU	May 03, 2021
3)	Guidance Framework on sustainable and sustainability linked lending by Financial Institutions	April 26, 2022

However, if an FC/FU intending to undertake core activities solely for providing services to its group entities, then the same shall be exempt from the aforementioned prudential and corporate governance guidelines which includes the exposure norms except for GRCTC which are subject to corporate governance norms.

Part 5: Application Form

22. Where can the application form for seeking registration as an FC/FU be found?

Application form can be accessed from the Application process tab of the IFSCA website.

The same may be accessed at:

<https://ifsc.gov.in/Pages/Contents/HowToApply>

The application form also provides for a checklist of documents which shall be referred to complete the set of supporting documents for the application.

23. What is the preferred mode of submission of the application documents with IFSCA?

The application form and supporting documents can be submitted either in digital or physical

format. It is preferred to have the application digitally in a readable and searchable format. Wherever applicable, the supporting documents shall be notarized or apostilled by the appropriate Authority. All documents shall be submitted in English language and requisite attested translations be provided, wherever applicable.

24. To which email address should the application form and supporting documents be sent?

The application forms and the supporting documents thereunder should be sent electronically at applications@ifsc.gov.in, with copies marked to financecomp-queries@ifsc.gov.in.

25. If the parent entity of an FC/FU, which has already established an FC in IFSC, plans to set up another FC/FU, is it required to submit a new application form?

In such a case the applicant may submit the 'Simplified Application form for Finance Company' which may be accessed at the following link:
<https://ifsc.gov.in/Pages/Contents/HowToApply>

26. What is the expected time for obtaining registration as a Finance Company/ Unit from the Authority?

As per the IFSCA circular titled 'Time limit for disposal of Applications' dated December 26, 2023, the following time limit is prescribed for processing applications:

- *Finance Company (Core) and ITFS entities:* 90 days from the date of complete application/information and the application fee.
- *Finance Company (Non-Core):* 60 days from the date of complete application/information and the application fee.

However, in general, the Authority will strive to take a final decision on all the applications within 45 days. Further, the Authority may also consider the grant of Provisional Registration (PR) to the application in order to give the applicant additional time to comply with certain conditions, if the need arises.

The said circular can be accessed [here](#).

27. Is it permissible for an entity to commence business after obtaining a provisional registration?

While the Authority may, in certain circumstances, consider the grant of Provisional Registration (PR) to the applicant in order to give the applicant additional time to comply with certain conditions, however, as per the Regulation 3(1) of the FC Regulations, the entity shall commence its business only after obtaining its Certificate of Registration from the Authority, subject to the conditions mentioned therein.

28. What is the expected timeframe for the applicant to respond to the queries raised/ clarification sought by IFSCA regarding the application?

As per the IFSCA Circular titled 'Time limit for disposal of applications', the applicant is required to address any queries / clarifications or provide information requested by IFSCA within 15 days from the date of communication. A reminder will be sent if there is no response within this time period. If the reminder also remains unanswered for another 15 days, the application shall be liable to be determined to be non-compliant. In such a case, the entity shall be required to file a new application and pay the applicable fees again for fresh consideration.

29. Is it necessary to conduct a meeting with the Authority during the application process?

No, it is not necessary to conduct a meeting with the officials from the Authority. However, based on the submissions made, it is at the sole discretion of the Authority to conduct the meeting, if found necessary, on a case-to-case basis.

30. Whether the request for exemption/relaxation from any of the provisions of the FC Regulations be submitted before making the application?

No. As a general rule, the proposed FC/FU shall follow all the applicable provisions of the regulations. However, if any relaxation is required, the same shall form part of the application, duly substantiated with the rationale for seeking such relaxation and the concurrence of their Board.

Part 5: Fee Structure

31. What are the various kinds of fees applicable for an entity intending to register as a FC/FU, and where should the fees be remitted?

The applicant is subject to three categories of fee:

- (i) Application fee to be paid along with the application.
- (ii) Registration fee to be paid within 15 days from the grant of provisional registration.
- (iii) Recurring fee to be paid within 30 days from the grant of certificate of registration.

It may kindly be noted that an applicant seeking registration for multiple activities shall provide the registration fee and the recurring fee as applicable for each activity proposed to be undertaken.

For further details, kindly refer to the IFSCA Fee Circular No. 865/IFSCA/Banking/ Fee Revision/ 2022-23, dated May 17, 2023, as updated. The same can be accessed [here](#).

32. Where shall the fee be remitted to?

As per the aforementioned IFSCA Fee Circular, the fees can be remitted in the bank account number provided in the aforementioned 'Fee Circular', via RTGS/NEFT/ cheque/Swift payment system.

33. Can the payment of such fees be made in INR?

Yes, the applicant has the option to remit the application and the registration fee in INR. However, all other applicable fees should be paid in USD only. Kindly refer to the fee circular mentioned above.

34. What reference rate must be considered for the payments made in INR?

As per the aforementioned IFSCA Fee Circular, for entities remitting the fee in INR, RBI reference rate for the date on which the remittances are being made will be applicable. The RBI reference

rate is available at

<https://www.rbi.org.in/scripts/ReferenceRateArchive.aspx>

35. If a Finance company/Unit is engaged in various activities, is it necessary to make separate payments for each activity?

Yes. In the case where an entity is engaged in multiple core/non-core activities, it must pay the fees specified for each activity according to the IFSCA Fee Circular separately.

Part 6: Information on Management (IOM)

36. Who shall submit the 'Information on Management' sought in Annex I of the application form for an FC/FU?

For an FC: the 'IOM' is to be filled only by natural persons and not by body-corporates i.e. to include all persons acting in the capacity of Promoters, Founders, Directors/Partners/Designated Partners, Key Managerial Personnel, Persons/ Shareholders having 10% and above share/voting rights/ distributable dividend (directly or indirectly), Beneficial Owners of a Trust, of the Applicant. IOM shall be self-attested form submitted separately for each such natural person as stated above.

For an FU: not applicable.

Part 7: Business Plan

37. What key elements should be included in the business plan of the entity along with the application form?

The key elements to be covered in the business plan are as follows:

- (i) The detailed business profile encompassing the information about the applicant / parent entity of applicant viz: business history, industry presence, market position, target customers/markets and any other relevant details that provide insight into the business operations of the entity.
- (ii) A brief on proposed business activity in IFSC along with relevant process flows/ roadmap for implementation and such other relevant details.
- (iii) The business projections of the applicant for upcoming three consecutive years. This should include the projected balance sheet, income statement and cash flow statement of the applicant, along with assumptions considered for computing the same.
- (iv) The proposed source for meeting the owned fund requirement for the activity intending to be undertaken.
- (v) Details on the number of officials proposed to be posted in FC/FU.

Part 8: Group structure

38. What information is required to be submitted regarding the group structure of applicant entity, as sought in the application form?

The group structure (i.e. vertical structure) should encompass a depiction of the entity's promoters along with the details of their respective shareholdings up to the ultimate beneficial owner (being a natural person). It should also specify the country of incorporation for the entities and the activities that each of the entity undertakes.

However, if the entity is setting up as a Global/ Regional Corporate Treasury Center (GRCTC) the entity shall provide the complete group structure and disclose the entities that it

intends to cater within the group structure at the time of submission of registration application. For the purposes of identifying the group entity the definition as applicable under the relevant framework may be referred to.

Part 9: Post Registration

39. Is the Certificate of Registration (CoR) granted to the FC/FU subject to annual renewal?

No, however, the entity shall continue to meet the fit and proper requirement as laid down by the Authority and shall intimate to the Authority regarding any material change in the information submitted to the Authority at the time of registration.

In case an FC/FU fails to fulfil any of the conditions subject to which the registration has been granted, the Authority may take any action as it may deem fit, including suspension, withdrawal or cancellation of registration, after giving an opportunity to the entity, of making submissions.

40. What are the compliance requirements to be adhered to post receiving registration from the Authority?

Following the receipt of registration from the Authority, the compliance obligations include:

- (i) Adherence to the conditions specified in the Certificate of Registration of the entity;
- (ii) Adherence to all other rules, laws, and regulations issued by IFSCA or any other relevant authority as applicable to the specific activity, which may be subject to but not limited to compliance with FEMA requirements, Companies Act etc;
- (iii) Adherence to the IFSCA (Anti Money Laundering, Counter Terrorist- Financing and Know Your Customer Guidelines), 2022;
- (iv) Compliance with the applicable reporting and supervisory requirements.