

Ministry of Finance

IFSC Authority gives consent to International Financial Services Centres Authority (Banking) Regulations, 2020

November 11, 2020

Relevant to all Mahindra Businesses

Background of IFSCA

- Gujarat-headquartered IFSCA has been authorised to regulate all financial services at IFSCs. The IFSCA was established on April 27 this year with its head office in Gandhinagar.
- In December 2019, Parliament passed a bill to set up a unified authority for regulating all financial activities at IFSCs in the country.

The salient aspects of the Banking Regulations include:

- Laying down the requirements for setting up IFSC Banking Units (IBUs)
- Permitting persons resident outside India (having net worth not less than USD 1 Million) to open foreign currency accounts in any freely convertible currency at IFSC Banking Units (IBUs)
- Permitting persons resident in India (having net worth not less than USD 1 Million) to open foreign currency accounts in any freely convertible currency at IFSC Banking Units (IBUs) to undertake any permissible current account or capital account transaction or any combination thereof under the Liberalised Remittance Scheme (LRS) of the Reserve Bank of India.
- Laying down the permissible activities of IBUs including credit enhancement, credit insurance, and sale , purchase of portfolios, engage in factoring and forfaiting of export receivables and undertake equipment leasing, including aircraft leasing
- Permitting the Authority to determine business that a Banking Unit may be permitted to conduct in INR with persons resident in India and persons resident outside India, subject to settlement of the financial transaction in relation to such business in freely convertible foreign currency.

For Further Reading

1. <https://www.pib.gov.in/PressReleasePage.aspx?PRID=1672049>
2. <https://www.outlookindia.com/outlookmoney/banking/ifscaproves-draft-banking-regulations-for-international-financial-services-centres-5503>
3. <https://www.teamleasecompliance.com/updates/article/11760/international-financial-services-centres-authority-banking-regulations/>