

**Securities and Exchange Board of India
International Financial Services Centre (IFSC)
Regulations & Guidelines**

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Government of India
Ministry of Commerce and Industry
(Department of Commerce)

NOTIFICATION

New Delhi, the 8th April, 2015

S.O. ____ (E) :- In exercise of the powers conferred by sub-section (2) of section 18 of the Special Economic Zones Act, 2005 (28 of 2005), the Central Government hereby notifies that Units in an International Financial Services Centre in Special Economic Zones may be set up and approved in accordance with the Special Economic Zones Rules, 2006, read with Notification S.O 870(E) dated 27th March, 2015, and Insurance Regulatory and Development Authority of India (Regulation of Insurance Business in Special Economic Zone) Rules, 2015, as amended from time to time, subject to the guidelines or regulations framed and notified in this regard by the Reserve Bank of India, the Securities and Exchange Board of India and the Insurance Regulatory and Development Authority of India, namely:-

- i. Insurance Regulatory and Development Authority of India (International Financial Service Centre) Guidelines, 2015 [Dated 6th April, 2015].
 - ii. Foreign Exchange Management (International Financial Services Centre) Regulations, 2015 [G.S.R 218(E) dated 2nd March, 2015]
 - iii. Scheme for setting up of IFSC Banking Units (IBU) by Indian Banks [Dated April 1, 2015]
 - iv. Securities and Exchange Board of India (International Financial Services Centres) Guidelines, 2015 [Dated 27th March, 2015]
2. The units in International Financial Services Centre shall conform to the provisions of the Special Economic Zones Act, 2005 and the Special Economic Zones Rules, 2006 and the regulations made thereunder.

[F.No. D.12/25/2009-SEZ]

Sd/-
(Bhupinder S. Bhalla)
Joint Secretary to the Government of India

No. D.12/25/2009-SEZ
Government of India
Ministry of Commerce & Industry
Department of Commerce
(SEZ Division)

Udyog Bhawan, New Delhi
Dated: 8th April, 2015

To:
All Development Commissioners
Special Economic Zones

Subject: Procedure for Setting up an International Finance Service Centre (IFSC) unit in SEZs- regarding.

Sir/Madam.

Please refer to the Notification issued vide S.O.....(E) dated 8th April, 2015 under Section 18(2) of the Special Economic Zones Act, 2005, which may be viewed at <http://sezindia.nic.in/latest-updates.asp> [SEZ Gazette Notification, 2015 Gazette copy]. In order to facilitate setting up of an International Financial Services Centre Unit in SEZ, entrepreneurs are required to submit application to the concerned Development Commissioner in Form-F (prescribed under Rule 17) in the modified format as enclosed.

2. Any difficulty or suggestion in this regard may be brought to the notice of the Director, SEZ Division, Department of Commerce, Udyog Bhawan, New Delhi. You are requested to bring this to the notice of all concerned stakeholders.

Encl. As above.

Yours faithfully,
Sd/-
(Sanjeet Singh)
Director
Tel. 2306 2109
E-mail: sanjeet@nic.in

Copy to :

1. Department of Revenue (CBDT/CBEC), Govt. of India
2. DG, EPCES

FORM-F

**Consolidated Application Form For Setting Up
Services Unit in Special Economic Zone**

[Refer rule 17]

1. Setting up of units in Special Economic Zone;
2. Annual permission for sub-contracting;
3. Allotment of Importer Exporter Code Number;
4. Allotment of land/industrial sheds in the Special Economic Zone;
5. Water Connection;
6. Registration-cum-Membership Certificate;
7. Small Scale Industries Registration;
8. Registration with Central Pollution Control Board;
9. Power connection;
10. Building approval plan;
11. Sales Tax registration;
12. Approval from Inspectorate of factories;
13. Pollution control clearance, wherever required;
14. Any other approval as may be required from the State Government.

The application should be submitted to the Development Commissioner of the concerned Special Economic Zone in 5 copies alongwith a crossed Demand Draft of rupees five thousand drawn in favour of The Pay & Accounts Officer of the concerned Special Economic Zone together with a project report giving details of activities proposed.

For Official Use only

Application No.

Date :

Details of Bank Draft

Amount Rs.

Draft No.

Draft date

Drawn on

(Name of the Bank)

Payable at

PART-I

- I. Name and full address of
applicant firm/company
(in block letters)
Registered Office in case of limited company and
.....
Head Office for others)
Pin Code
Tel. No.
Fax No.
Permanent E-Mail Address
Web-Site, if any
Passport No., if any
Name of Bank with Address & Account No.
.....
Digital Signature
Income Tax PAN (attach copy)

- II. Constitution of the applicant firm: Public Ltd. Company
[Tick () the appropriate entry]: Private Limited Company
 Partnership
 Proprietorship
 Others (please specify)

(Attach copy of Certificate of Incorporation alongwith Articles of Association and Memorandum of Association in case of companies and partnership deed in case of partnership firms).

- III. Name and complete address of each of the Directors/Partners/ Proprietor, as the case may be, with Telephone numbers

IV. ITEM(S) OF SERVICE ACTIVITY:

(If necessary, additional sheets may be attached)

Item(s) Description

- (i)
- (ii)
- (iii)

V. INVESTMENT:

(RS. IN LAKHS)

- a) Capital Investment
- Indigenous
- Import CIF value
- Total (i) + (ii)
- b) Details of source(s) of finance

VI. Import and indigenous requirement of materials and other inputs:

(Value in Rupees)

- Import
- Indigenous
- a) Capital Goods
- b) Other inputs
-
- TOTAL:
-

VII. INFRASTRUCTURE REQUIREMENTS

- 1. Requirement of land:— Area in sq. mtrs.)
 - i) Work space & offices
 - ii) Storage
 - iii) Others, specify
- 2. Requirement of built-up area
- 3. Requirement of Water (in Kilo Liters)
- 4. Effluent Treatment
Specify whether own Effluent Treatment Plant (ETP) will be created
(please indicate ETP capacity)
- 5. Requirement of Power (in KVA)

VIII. EMPLOYMENT

Men	Women
.....

IX. WHETHER FOREIGN COLLABORATION AGREEMENT IS ENVISAGED

(Tick () the appropriate entry)

Yes..... No.....

- i) Name and Full Address of foreign collaborator
- ii) Nature of Collaboration
 1. Equity Participation including Foreign Investment
- i) (\$ in thousand)(Rs. in lakhs)
 - a) Authorised
 - b) Subscribed
 - c) Paid-up Capital

Note : If it is an existing company, give the break up of existing and proposed capital structure

- ii) Pattern of share holding in the paid-up capital (Amount in Rupees)
(Rs. in lakhs) (US \$ Thousand)
 - a) Foreign holding
 - b) Non Resident Indian company/Individual holding
 - i) Repatriable
 - ii) Non-repatriable
 - c) Resident holding
 - d) Total Equity
 - e) External Commercial
Borrowing (give details)
2. Marketing collaboration (furnish details in project report)

X. Foreign Exchange Balance sheet

1st	2nd	Total 3rd	Total 4th	5th(5 yrs)
				Rs. In lakhs/\$ in thousand

1. FOB value of exports in first five years
2. Foreign Exchange outgo on for the first five years
3. Net Foreign Exchange earnings for the first five years (1)-(2)

XI. OTHER INFORMATION

- i) Whether the applicant has been issued any LOI/LOA under EOU/SEZ/STP/EHTP scheme. If so, give full particulars, namely reference number, date of issue and progress of implementation of each project etc.
- ii) Whether the applicant or any of the partner/Director who are also partners/Directors of another company or firms its associate concerns are being proceeded against or have been debarred from getting any Licence/Letter of Intent/Letter of Permission under Foreign Trade (Development and Regulation) Act, 1992 or Foreign Exchange Management Act, 1999 or Customs Act, 1962 or Central Excise Act, 1944.

Place: Signature of the Applicant

Date: Name in Block Letters

Designation

Official Seal/Stamp

Tel. No.

E-mail

Web-Site, if any

Full Residential Address

UNDERTAKING

I/We hereby declare that the above statements are true and correct to the best of my/our knowledge and belief. I/We shall abide by any other condition, which may be stipulated by the Development Commissioner. I/We fully understand that any Permission Letter/Approval granted to me/us on the basis of the statement furnished is liable to cancellation or any other action that may be taken having regard to the circumstances of the case if it is found that any of the statements or facts therein are incorrect or false. An affidavit duly sworn in support of the above information is enclosed.

Place: Signature of the Applicant

Date: Name in Block Letters

Designation

Official Seal/Stamp

Tel. No.

E-mail

Web-Site, if any

Full Residential Address

Note : Formats of application not given herein may be obtained from the Development Commissioner.

**SECURITIES AND EXCHANGE BOARD OF INDIA
(INTERNATIONAL FINANCIAL SERVICES CENTRES)
GUIDELINES, 2015**

Dated: March 27th, 2015.

In exercise of the powers conferred by section 11(1) of the Securities and Exchange Board of India Act, 1992 and sections 4 and 8A of the Securities Contracts (Regulation) Act, 1956 read with Section 18(2) of the Special Economic Zones Act, 2005, the Securities and Exchange Board of India hereby makes the following guidelines to facilitate and regulate financial services relating to securities market in an International Financial Services Centre set up under Section 18(1) of Special Economic Zones Act, 2005 and matters connected therewith or incidental thereto, namely:—

**CHAPTER I
PRELIMINARY**

Short title and commencement

- 1) These guidelines may be called the Securities and Exchange Board of India (International Financial Services Centres) Guidelines, 2015.
- 2) They shall come into force on April 01, 2015.

Definitions

- 1) In these guidelines, unless the context otherwise requires, the terms defined herein shall bear the meanings assigned to them below, and their cognate expressions shall be construed accordingly,—
 - a) "Act" means the Securities and Exchange Board of India Act 1992;
 - b) "Board" means the Securities and Exchange Board of India established under the provisions of section 3 of the Securities and Exchange Board of India Act, 1992 (15 of 1992);
 - c) "domestic company" means a company and includes a body corporate or corporation established under a Central or State legislation for the time being in force;
 - d) "financial institution" shall include:
 - i) a company;
 - ii) a firm;
 - iii) an association of persons or a body of individuals, whether incorporated or not; or
 - iv) any artificial juridical person, not falling within any of the preceding categories engaged in rendering financial services in securities market or dealing in securities market in any manner.

Explanation.- For the purpose of this clause and without prejudice to the generality of the foregoing, the expression financial institution

shall include stock brokers and sub-brokers, merchant banks, mutual funds, alternative investment funds, stock exchanges, clearing corporations, investment advisers, portfolio managers, or any other entity that may be specified by the Board.

- e) "financial services" shall mean activities a financial institution is allowed to carry out as specified in the respective Act of the Parliament or by the Government of India or by any regulatory authority empowered to regulate the concerned financial institution;
- f) "foreign jurisdiction" means a country, other than India, whose securities market regulator is a signatory to International Organization of Securities Commission's Multilateral Memorandum of Understanding (IOSCO's MMOU) (Appendix A signatories) or a signatory to bilateral Memorandum of Understanding with the Board, and which is not identified in the public statement of Financial Action Task Force as:
 - i) a jurisdiction having a strategic Anti-Money Laundering or Combating the Financing of Terrorism deficiencies to which counter measures apply; or
 - ii) a jurisdiction that has not made sufficient progress in addressing the deficiencies or has not committed to an action plan developed with the Financial Action Task Force to address the deficiencies;
- g) "intermediary" means and includes a stock broker, a merchant banker, a banker to an issue, a trustee of trust deed, a registrars to an issue, a share transfer agent, an underwriter, an investment adviser, a portfolio manager, a depositary participant, a custodian of securities, a foreign portfolio investor, a credit rating agency, or any other intermediary or any person associated with the securities market, as may be specified by the Board from time to time;
- h) "International Financial Services Centre" or "IFSC" shall have the same meaning as assigned to it in clause (q) of section 2 of the Special Economic Zones Act, 2005;
- i) ["issuer" shall mean
 - i) any entity incorporated in India seeking to raise capital in foreign currency other than Indian rupee which has obtained requisite approval under Foreign Exchange Management Act, 1999 (FEMA) or exchange control regulations as may be applicable; or
 - ii) an entity incorporated in a foreign jurisdiction, provided such entity is permitted to issue securities outside the country of its incorporation or establishment or place of business as per the laws and regulations of its country of incorporation, jurisdiction or its constitution; or
 - iii) any supranational, multilateral or statutory organization/ institution /agency provided such organization/institution/agency is permitted to issue securities as per its constitution.]¹

¹ SEBI Circular: SEBI/HO/MRD/DRMNP/CIR/P/2017/120. Dated: November 14, 2017

- b) "recognised entity" means any intermediary which is registered with the Board or registered or recognised with a regulator of a foreign jurisdiction: Provided that such entities shall comply with fit and proper norms specified by the Board;
 - c) "securities laws" means the Act, the Securities Contracts (Regulation) Act, 1956 (42 of 1956), the Depositories Act, 1996 (22 of 1996), provisions of Companies Act, 2013 administered by the Board and the rules, regulations, circulars, clarifications issued thereunder;
- 2) Words and expressions used and not defined in these guidelines but defined in the Act, the Securities Contracts (Regulation) Act, 1956, the Depositories Act, 1996, Companies Act, 2013, the Special Economic Zones Act, 2005 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.

Applicability and scope.

- 3. 1) Any entity desirous of organising or assisting in organising any stock exchange or clearing corporation or depository, or desirous of undertaking any other financial services relating to securities market, shall be a recognised entity and such an entity shall seek permission of the Board in accordance with the norms specified herein or as may be specified by the Board, from time to time.
- 2) Any entity desirous of operating in an IFSC for rendering financial services relating to securities market, shall comply with the provisions relating to registration or recognition, as the case may be, of applicable regulations of the Board: Provided that certain entities shall be permitted to operate in IFSC subject to these guidelines.
- 3) Save as otherwise provided in these Guidelines or as specified by the Board from time to time, all provisions of securities laws shall apply to a financial institution operating in an IFSC.
- 4) These Guidelines shall be subject to the guidelines of Government of India on foreign investment.

CHAPTER II STOCK EXCHANGES, CLEARING CORPORATIONS AND DEPOSITORIES

Eligibility and shareholding.

- 4. **[1] Eligibility and shareholding limit for stock exchanges desirous of operating in IFSC :** Any Indian recognised stock exchange or any stock recognised exchange of a foreign jurisdiction may form a subsidiary to provide the services of stock exchange in IFSC wherein at least fifty one per cent. of paid up equity share capital shall be held by such stock exchange and the remaining share capital shall be held by the following:

- i) any other stock exchange,
- ii) a depository,
- iii) a banking company,
- iv) an insurance company,
- v) commodity derivatives exchange,

whether Indian or of foreign jurisdiction and

- vi) a public financial institution of Indian jurisdiction,

provided that any one of the aforesaid entities may acquire or hold, either directly or indirectly, either individually or together with persons acting in concert, upto fifteen per cent of the paid up equity share capital of such stock exchange.]²

- 2) **[Eligibility and shareholding limit for clearing corporations desirous of operating in IFSC :** Any Indian recognised stock exchange or clearing corporation, or any recognised stock exchange or clearing corporation of a foreign jurisdiction shall form a subsidiary to provide the services of clearing corporation in IFSC wherein at least fifty one per cent. of paid up equity share capital shall be held by such stock exchange or clearing corporation, and remaining share capital shall be held by the following:

- i) any other stock exchange,
- ii) a clearing corporation,
- iii) a depository,
- iv) a banking company,
- v) an insurance company,

whether Indian or foreign jurisdiction and

- vi) a public financial institution of Indian jurisdiction,

provided that any one of the aforesaid entities may acquire or hold, either directly or indirectly, either individually or together with persons acting in concert, upto fifteen per cent. of the paid up equity share capital of such clearing corporation.]³

- 3) **[(a) Eligibility and shareholding limit for foreign depositories desirous of operating in IFSC:** Any regulated depository of a foreign jurisdiction shall form a subsidiary to provide the depository services in IFSC where atleast fifty one per cent of paid up capital is held by such depository or recognised stock exchange or clearing corporation, whether Indian or of

² SEBI Circular: SEBI/HO/CIR/P/2017/85. Dated July 27, 2017.

³ SEBI Circular: SEBI/HO/CIR/P/2017/85. Dated July 27, 2017.

foreign jurisdiction.

(b) Setting up of IFSC Depositories Services by Indian registered depositories: Any Indian registered depository may set up a branch – IFSC Depository Services (IDS) at IFSC. The interested depositories shall be required to obtain prior approval of the Board for setting up an IDS. Such Indian depository shall be required to ring fence its domestic operations, financially, operationally, and technologically, from its operations at IFSC.]⁴

- 4) Every person who acquires equity shares of a recognised stock exchange or recognised clearing corporation or registered depository in IFSC shall inform the Board within fifteen days of such acquisition.

Net worth requirement of a permitted stock exchange, clearing corporation and depository.

5. 1) Every permitted stock exchange shall have a minimum net worth equivalent of twenty five crore rupees initially and it shall enhance its net worth to a minimum equivalent of one hundred crore rupees over the period of three years from the date of approval.
- 2) Every permitted clearing corporation shall have a minimum net worth equivalent of fifty crore rupees initially and it shall enhance its net worth to a minimum equivalent of three hundred crore rupees over the period of three years from the date of approval.
- 3) Every permitted depository shall have a minimum net worth of twenty five crore rupees and it shall enhance its net worth to a minimum equivalent of one hundred crore rupees over the period of three years from the date of approval.

Certain provisions not to apply.

6. 1) The provision of Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 that every recognised stock exchange shall credit twenty five per cent. of its profits every year to the Fund, of the recognised clearing corporation(s) which clears and settles trades executed on that stock exchange shall not be applicable to the stock exchanges operating in IFSC.
- 2) The provision of Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996 that every depository shall credit twenty five per cent. of profits every year to the investor protection fund shall not be applicable to the depositories operating in IFSC.
- 3) All the transitory provisions or relaxations that were provided to the stock exchanges and clearing corporations to comply with Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 shall not be applicable to stock exchanges and clearing corporations operating in IFSC.
- 4) [Provisions of Chapter IIA of Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996 and Chapter V of Securities

⁴ Ibid

Contracts (Regulation) (Stock Exchanges And Clearing Corporations) Regulations 2012 shall not apply to depositories, stock exchanges, clearing corporations in IFSC, as the case may be:

Provided that depositories, stock exchanges, clearing corporations operating in IFSC shall adopt the broader principles of governance prescribed by International Organization of Securities Commissions (IOSCO) and principles for Financial Market Infrastructures (FMI) and such other governance norms as may be specified by the Board, from time to time. Further the parent depository/stock exchange/clearing corporation shall be responsible for the governance of such depository, stock exchange and clearing corporations in IFSC at all times.]⁵

Permissible securities.

7. The stock exchanges operating in IFSC may permit dealing in following types of securities and products in such securities in any currency other than Indian rupee, with a specified trading lot size on their trading platform subject to prior approval of the Board:
 - i) Equity shares of a company incorporated outside India;
 - ii) Depository receipt(s);
 - iii) Debt securities issued by eligible issuers;
 - iv) Currency and interest rate derivatives;
 - v) Index based derivatives;
 - vi) Commodity Derivatives;⁶
 - vii) Derivatives on Equity shares;⁷
 - viii) Such other securities as may be specified by the Board.

CHAPTER III INTERMEDIARIES

Approval.

8. [1] Any SEBI-registered intermediary (except trading member or clearing member) or its international associates in collaboration with such SEBI – registered intermediary may provide financial services relating to securities market, in IFSC, without forming a separate company, subject to the prior approval of the Board.]⁸
- (2) [Any entity based in India or in a foreign jurisdiction may form a company in IFSC to act as a trading member of a stock exchange and/or clearing member of a clearing corporation in IFSC.]⁹

⁵ SEBI Circular: SEBI/HO/CIR/P/2017/85. Dated July 27, 2017

⁶ SEBI Circular: CIR/MRD/DSA/41/2016. Dated: March 17, 2016

⁷ SEBI Circular: SEBI/HO/MRD/DRMNP/CIR/P/2017/31. Dated: April 13, 2017

⁸ SEBI Circular: SEBI/HO/CIR/P/2017/85. Dated: July 27, 2017.

⁹ SEBI Circular: SEBI/HO/MRD/DSA/CIR/P/2017/17. Dated: October, 17, 2017

Nature of clients.

9. 1) Any intermediary permitted by the Board for operating within the IFSC shall provide financial services to the following categories of clients:
 - i) a person not resident in India;
 - ii) a non-resident Indian;
 - iii) a financial institution resident in India who is eligible under FEMA to invest funds offshore, to the extent of outward investment permitted;
 - iv) [a portfolio manager operating in IFSC shall be permitted to invest in the following:
 - a Securities which are listed in IFSC
 - b Securities issued by companies incorporated in IFSC;
 - c Securities issued by companies incorporated in India or companies belonging to foreign jurisdiction.subject to such conditions or guidelines that may be stipulated or issued by the Reserve Bank of India and Government of India from time to time]¹⁰
Provided that clients referred to in clauses (ii) to (iv) may be provided services, subject to guidelines of Reserve Bank of India.
- 2) Any intermediary permitted by the Board for operating within the IFSC shall, for the purpose of enforcing compliance with regulatory requirements, appoint a senior management person as “Designated Officer”.
- 3) In order to avail investment advisory or portfolio management services in IFSC, the client shall be:
 - i) a person resident outside India;
 - ii) a non-resident Indian;
 - iii) a financial institution resident in India who is eligible under FEMA to invest funds offshore, to the extent of outward investment permitted;
 - iv) a person resident in India having a net worth of at least US Dollar one million during the preceding financial year who is eligible under FEMA to invest funds offshore, to the extent allowed in the Liberalized Remittance Scheme of Reserve Bank of India:
Provided that clients referred to in clauses (ii) to (iv) may be provided services, subject to guidelines of Reserve Bank of India.
- 4) A portfolio manager operating in IFSC shall be permitted to invest in the following:
 - a) Securities which are listed in IFSC;
 - b) Securities issued by companies incorporated in IFSC;
 - c) Securities issued by companies belonging to foreign jurisdiction.

¹⁰ SEBI Circular: SEBI/HO/MRD/DSA/CIR/P/2017/45. Dated: May 23, 2017

CHAPTER IV ISSUE OF CAPITAL

Raising capital

10. 1) Domestic companies intending to raise capital, in a currency other than Indian Rupee, in an IFSC shall comply with the provisions of Foreign Currency Depository Receipts Scheme, 2014 notified vide F. No. 9/1/2013-ECB by Government of India on October 21, 2014.
- 2) Companies of foreign jurisdiction, intending to raise capital, in a currency other than Indian Rupee, in an IFSC shall comply with the provisions of the Companies Act, 2013 and relevant provisions of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 as if the securities are being issued under Chapter X and XA of the said regulations, as may be applicable.

Listing and trading.

11. Companies, domestic or of foreign jurisdiction, may list and trade their securities as per norms specified by the Board.

CHAPTER V ISSUE OF DEBT SECURITIES

Eligible issuers

12. 1) No issuer shall be eligible to issue debt securities, unless the following criteria are complied with:
 - a) The issuer is eligible to issue debt securities as per its constitution;
 - b) The issuer should not have been debarred by any regulatory authority in its home jurisdiction or any other jurisdiction, where it is operating or has raised any capital;
 - c) The issuer or its directors should not be convicted of any economic offence in its home jurisdiction or any other jurisdiction where it is operating or has raised any capital;
 - d) Any other criteria as may be specified by the Board.

Minimum subscription in case of private placement

13. The minimum subscription amount in case of private placement per investor shall not be less than US Dollar hundred thousand or equivalent or such amount as may be specified by Board from time to time. Mandatory listing.
14. An issuer desirous of issuing debt securities shall make an application for listing of such debt securities to one or more stock exchanges set up in IFSC.

General requirements

15. The requirements such as appointment of trustee, creation of debenture redemption reserve etc. shall be as specified by the Board from time to time.

Advertisement for public issue.

16. Advertisement for debt issues within IFSC may be made in any print media.

Credit rating requirement

17. [For debt securities listed on stock exchanges in IFSC, the credit rating shall be obtained either from a credit rating agency registered with the Board or from any other credit rating agency registered in a Financial Action Task Force (FATF) member jurisdiction.]¹¹

Agreement with depository or custodian

18. [1) An issuer of debt securities shall enter into an agreement with a depository or custodian, registered in a Financial Action Task Force (FATF) jurisdiction, for issue of debt securities, for the purpose of holding and safekeeping of such securities and also to facilitate transfer, redemption and other corporate actions in respect of such debt securities.
2) Necessary disclosure regarding appointment of depository or custodian shall be made in the information memorandum.]¹²

Reporting of financial statements

19. [The entities issuing and/or listing their debt securities in IFSC shall prepare their statement of accounts in accordance with IFRS/US GAAP or accounting standards as applicable to them in their place of incorporation. In case an entity does not prepare its statement of accounts in accordance with IFRS/US GAAP, a quantitative summary of significant differences between national accounting standards and IFRS shall be prepared by such entity and incorporated in the relevant disclosure documents to be filed with the exchange.]¹³

Relaxation from listing agreement

20. The issuer shall comply with the continuous listing requirements including corporate governance and such other conditions as specified in the listing agreement, entered into between the issuer and the stock exchange where such debt securities are sought to be listed:
Provided, where the securities of the issuer are already listed on another stock exchange whether foreign or domestic, and it complies with listing agreement in respect of such

¹¹ SEBI Circular: SEBI/HO/MRD/DRMNP/CIR/P/2017/97. Dated: August 31, 2017

¹² SEBI Circular: SEBI/HO/MRD/DRMNP/CIR/P/2017/97. Dated: August 31, 2017

¹³ SEBI Circular: SEBI/HO/MRD/DRMNP/CIR/P/2017/97. Dated: August 31, 2017

securities, the Board may modify or relax certain conditions or requirements with regard to listing agreement in respect of debt securities issued under these Guidelines.

Trading of debt securities

21. The debt securities listed in stock exchanges shall be traded on the platform of the stock exchange and such trades shall be cleared and settled through clearing corporation set up in IFSC as specified.

CHAPTER VI FUNDS

Conditions on investment

22. 1) In order to make an investment in an alternative investment fund or a mutual fund operating in IFSC, the investor shall be:
- i) a person resident outside India;
 - ii) a non-resident Indian;
 - iii) institutional investor resident in India who is eligible under FEMA to invest funds offshore, to the extent of outward investment permitted;
 - iv) person resident in India having a net worth of at least US Dollar one million during the preceding financial year who is eligible under FEMA to invest funds offshore, to the extent allowed in the Liberalized Remittance Scheme of Reserve Bank of India:

Provided that investors referred to in clauses (ii) to (iv) may make an investment in an alternative investment fund or a mutual fund operating in IFSC, subject to guidelines of Reserve Bank of India.

- 2) Any alternative investment fund or mutual fund operating in IFSC shall accept money from eligible investors only in foreign currency.
- 3) Any alternative investment fund or mutual fund operating in IFSC shall be permitted to invest in the following:
 - a) Securities which are listed in IFSC;
 - b) Securities issued by companies incorporated in IFSC;
 - c) Securities issued by [companies incorporated in India or]¹⁴ companies belonging to foreign jurisdiction.

[subject to such conditions or guidelines that may be stipulated or issued by the Reserve Bank of India and Government of India from time to time.]¹⁵

- 4) An asset management company of a mutual fund operating in IFSC shall have a net worth of not less than USD two million which shall be increased to USD ten million within three years of commencement of business in IFSC.
- 5) The requirements such as appointment of trustee, custodian, manager, etc., shall be as specified by the Board.

¹⁴ SEBI Circular: SEBI/HO/MRD/DSA/CIR/P/2017/45. Dated: May 23, 2017

¹⁵ Ibid

- 6) The requirements regarding raising of funds in foreign currency such as minimum investment amount, minimum corpus of fund, disclosures, investment conditions, valuations, types of schemes, professional qualifications, etc., shall be as specified by the Board.

CHAPTER VII MISCELLANEOUS

Maintenance of books, records and documents

1. Every issuer, domestic company or a company of foreign jurisdiction or financial institution or intermediary, as the case may be, to whom these guidelines apply, shall maintain the books, records and documents as per the applicable regulations notified by the Board.

Sanction for violations

2. Any contravention of these guidelines shall be dealt with by the Board in accordance with the securities laws.

Power to specify procedures, etc. and issue clarifications

3. For the purposes of implementation of these guidelines and matters incidental thereto, or in order to facilitate and regulate financial services relating to securities market in an IFSC, the Board may specify norms, procedures, processes, manners or provide relaxations, by way of guidance notes or circulars.

Power to remove difficulties

4. In order to remove any difficulties in the interpretation or application of the provisions of these guidelines, or in order to facilitate and regulate financial services relating to securities market in an IFSC, the Board shall have the power to issue clarifications through guidance notes or circulars.



CIRCULAR

SEBI/HO/MRD/DSA/CIR/P/2016/12

5

November 28, 2016

All Stock Exchanges and Clearing Corporations in International
Financial Services Centre

Dear Sir/Madam

**Guidelines for functioning of Stock Exchanges and Clearing Corporations in International
Financial Services Centre (IFSC)**

1. Pursuant to announcement in the Union Budget 2015-16 on Gujarat International Finance Tec-City (GIFT), SEBI (International Financial Services Centre) Guidelines, 2015 ('IFSC Guidelines') were issued on March 27, 2015 for facilitating and regulating financial services relating to securities market in an IFSC set up under section 18(1) of Special Economic Zones Act, 2005.

2. Based on representations received from the market participants on the proposed market structure and risk management framework and subsequent to deliberations in Secondary Market Advisory Committee (SMAC) and Risk Management Review Committee (RMRC), it has been decided to put in place the broad framework for functioning of stock exchanges and clearing corporations in IFSC as under:

2.1. Market Structure: There shall be a single market structure to achieve synergies in terms of various operations and to facilitate ease of doing business.

2.2. Trading Hours and Settlement: The trading hours for all product categories shall be as decided by the stock exchanges in IFSC based on cost-benefit analysis, but not exceeding 23 hours and 30 minutes in a day and settlement shall be done at least twice a day. The stock exchanges and clearing corporations in IFSC shall ensure that the risk management system and infrastructure are commensurate to the trading hours at all

times.

2.3.Product Category: All categories of exchange-traded products as available for trading in stock exchanges in FATF/IOSCO compliant jurisdictions shall be eligible for trading, subject to prior approval of SEBI. However, with respect to commodity derivatives, only non-agri commodity derivatives shall be eligible for trading.

2.4.Position Limits: Stock exchanges in IFSC shall evolve a detailed framework for the applicable position limits for each product to be traded.

2.5.Trading in Rupee denominated bonds issued overseas (Masala Bonds): Masala Bonds shall be eligible for trading in stock exchanges in IFSC, provided such bonds are listed on stock exchanges in FATF/IOSCO compliant jurisdictions.

2.6.Risk Management Framework: Prior to commencement of their operations, stock exchanges in IFSC shall tie-up with Clearing Corporations for clearing and settlement of their trades. The Clearing Corporations desirous of providing clearing and settlement services in IFSC shall evolve a robust risk management framework in line with the CPMI IOSCO Principles for Financial Market Infrastructures (PFMIs), in addition to adherence to the following:

2.6.1. Margining framework: Clearing Corporations in IFSC shall evolve a margining framework based on the best practices prevailing in the Clearing Corporations globally. However, Clearing Corporations shall be required to conduct stress tests, reverse stress tests, back testing, liquidity stress testing, etc. to ensure the robustness of risk management framework. Further, Clearing Corporations shall ensure that the margining framework is compliant with CPMI IOSCO PFMIs at all times.

2.6.2. Ring-fencing: Any Indian recognized stock exchange or clearing corporation forming a clearing corporation in IFSC shall take into consideration the following:

- a) Clearing Corporations at IFSC shall be ring fenced down to the lowest level and their functions shall be limited only to clearing and settlement, and risk management.
- b) The capital of clearing corporations in IFSC shall not form part of the net worth of their holding companies. Additionally, holding companies shall not be allowed to extend any financial help to Clearing Corporations operating in IFSC, if such Clearing Corporations become financially distressed.

2.6.3. [Eligible collateral: Clearing corporations in IFSC shall be permitted to accept cash and cash equivalents (which shall include major foreign currencies as may be decided by the clearing corporation from time to time, term deposit receipts, and bank guarantees issued by bank branches located in IFSC), Indian securities held with foreign depositories, foreign securities including units of liquid mutual funds and gold, as eligible collateral for trades in all product categories. However, cash and cash equivalents shall form at least 50% of the total liquid assets at all times.]¹⁶

2.6.4. Fund to guarantee settlement of trades: Clearing corporations in IFSC shall establish and maintain a Fund to guarantee the settlement of trades executed in the stock exchanges in IFSC. To begin with, such Fund shall have a corpus equivalent to at least 10% of the net worth of the clearing corporation. Clearing corporations shall evolve a detailed framework for the Fund, subject to approval of SEBI.

2.7. Dispute Resolution Mechanism: Market participants shall avail the arbitration, mediation and other dispute resolution mechanisms offered by International Arbitration Centre in IFSC to resolve securities market-related disputes.

2.8. Business Continuity Plan (BCP) and Disaster Recovery (DR): The Disaster Recovery Site (DRS) shall be set up sufficiently away, i.e. in a different seismic zone, from Primary Data Centre (PDC) to ensure that both DRS and PDC are not affected by the same disasters. Stock exchanges and clearing corporations in IFSC shall take adequate steps in a time-bound manner to comply with all the other provisions of SEBI

¹⁶ SEBI Circular: CIR/MRD/DRMNP/41/2018. Dated: February 20, 2018

circulars on Business Continuity Plan (BCP) and Disaster Recovery (DR) viz. SEBI circular no. CIR/MRD/DMS/12/2012 dated April 13, 2012 and circular no. CIR/MRD/DMS/17/2012 dated June 22, 2012.

3. The stock exchanges and clearing corporations in IFSC shall abide by all the Rules/Regulations/Circulars/Guidelines issued by SEBI from time to time.

4. This circular is being issued in exercise of powers conferred under Section 11 (1) of the Securities and Exchange Board of India Act, 1992 to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.

Yours faithfully

Bithin Mahanta
Deputy General Manager
Market Regulation Department
Email: bithinm@sebi.gov.in



भारतीय प्रतिभूति और विनियम बोर्ड Securities and Exchange Board of India

CIRCULAR

IMD/HO/FPIC/CIR/P/ 2017/ 003

January 04, 2017

To,

1. All Stock Exchanges and Clearing Corporations in International Financial Services Centre (IFSC)
2. All Foreign Portfolio Investors ("FPIs") through their Designated Depository Participants ("DDPs")/ Custodian of Securities ("Custodians").
3. All DDPs/ Custodian of Securities.
4. The Depositories (NSDL and CDSL)

Sir/ Madam,

SUBJECT: Guidelines for participation/functioning of Eligible Foreign Investors (EFIs) and FPIs in International Financial Services Centre (IFSC).

- 1) Pursuant to announcement made in the Union Budget 2015-16 on Gujarat International Finance Tec-City (GIFT), SEBI, in consultation with stakeholders, is in process of laying down requisite regulatory framework for facilitating and regulating financial services relating to securities market in an International Financial Services Centre (IFSC). Accordingly, SEBI issued IFSC Guidelines, 2015 on March 27, 2015 and also issued further guidelines for functioning of Stock Exchanges and Clearing Corporations in IFSC on November 28, 2016.
- 2) Based on consultations held with the stakeholders on the proposed regulatory framework on participation of Eligible Foreign Investors (EFIs), in partial modification to SEBI (IFSC) Guidelines, 2015, it has been decided as follows:
 - a. SEBI registered FPIs ("FPIs"), proposing to operate in IFSC, shall be permitted, without undergoing any additional documentation and/or prior approval process.
 - b. In case of participation of FPIs in IFSC, a trading member of the recognized stock exchange in IFSC, may rely upon the due diligence process already carried out by a SEBI registered intermediary during the course of registration and account opening process in India.



- c. [In case of participation of an EFI, not registered with SEBI as an FPI, but desirous of operating in IFSC, a trading member of the recognized stock exchange in IFSC may carry out the due diligence on its own or it may rely upon the due diligence carried out by a bank, which is permitted by RBI to operate in IFSC, during the account opening process of an EFI.]¹⁷
- d. FPIs, who presently operate in Indian securities market and propose to operate in IFSC also, shall be required to ensure clear segregation of funds and securities. Custodians shall, in turn, monitor compliance of this provision for their respective FPI clients. Such FPIs shall keep their respective custodians informed about their participation in IFSC.
- e. Recognised stock exchange in IFSC shall maintain, at all times, the necessary details of EFIs, which may be called upon by SEBI/RBI or any other authority of law.
- f. EFIs shall abide by all the applicable Indian laws viz. Rules/Regulations/Circulars/Guidelines etc. in IFSC issued by the Government of India/RBI/SEBI or any other authority of law, from time to time.
- g. It has now been decided to delete the words “a foreign portfolio investor,” in the definition of the term “intermediary” in clause (g) of Guideline 2 (1) of the SEBI (IFSC) Guidelines. Accordingly, the Guidelines stand amended.
- 3) This circular is issued in exercise of powers conferred under Section 11(1) of the Securities and Exchange Board of India Act, 1992 to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.
- 4) A copy of this circular is available at the links “Legal Framework□ Circulars” and “Info for □ F.P.I” on our website www.sebi.gov.in. The DDPs/Custodians are requested to bring the contents of this circular to the notice of their FPI clients.

Yours faithfully,

ACHAL SINGH,
Deputy General
Manager Tel No.:
022-26449619
Email: achals@sebi.gov.in

¹ SEBI Circular: SEBI/HO/CIR/P/2017/79. Dated: July 11, 2017.



CIRCULAR

SEBI/HO/MRD/DRMNP/CIR/P/2017/31

April 13, 2017

All recognized Stock Exchanges and Clearing Corporations in International Financial Services Centres

Dear Sir/Madam

Inclusion of “Derivatives on Equity shares” - IFSC

Securities and Exchange Board of India (International Financial Services Centres) Guidelines, 2015 were notified by SEBI on March 27, 2015, which came into force on April 01, 2015.

2. Clause 7 of SEBI (IFSC) Guidelines, 2015 specifies the types of securities in which dealing may be permitted by stock exchanges operating in IFSC. Based on the recommendations of the Risk Management Review Committee of SEBI, it has been decided to specify “Derivatives on equity shares of a company incorporated in India” (hereinafter referred to as ‘Derivatives on equity shares’) as permissible security under sub-clause (vi) of Clause 7 of SEBI (IFSC) Guidelines, 2015. Accordingly, the recognized stock exchanges operating in IFSC may permit dealing in ‘Derivatives on equity shares’, subject to prior approval of SEBI.

3. SEBI registered Foreign Portfolio Investors (FPIs), operating in IFSC, in terms of SEBI Circular IMD/HO/FPIC/CIR/P/2017/003 dated January 04, 2017, and eligible entities which are incorporated and operating in IFSC shall be eligible to trade in ‘derivatives on equity shares’.

4. The applicable position limits for eligible participants shall be as stipulated vide SEBI circulars SMDRP/DC/CIR-10/01 dated November 02, 2001, DNPD/Cir-30-2006 dated January 20, 2006 and SEBI/HO/MRD/DP/CIR/P/2016/143 dated December 27, 2016.

5. The Market Wide Position Limit (MWPL) for ‘derivatives on equity shares’ shall be equal to ten percent of the number of shares held by non-promoters in the relevant underlying security (i.e. free-float holding). Further, the MWPL for ‘derivatives on equity shares’ in recognized stock exchanges in IFSC shall be reckoned separately from that in recognized stock exchanges in domestic market and the MWPL (in value terms), in no circumstances, shall exceed the fifty percent of the MWPL (in value terms) in recognized stock exchanges in domestic market.

6. This circular is being issued in exercise of powers conferred under Section 11 (1) of the Securities and Exchange Board of India Act, 1992 to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.

Yours faithfully

(Sanjay Puro)
Deputy General Manager
Division of Risk Management and New Products Market
Regulation Department
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CIRCULAR

SEBI/HO/MRD/DRMNP/CIR/P/2017/43

May 17, 2017

All recognized Stock Exchanges and Clearing Corporations in International Financial Services Centres

Dear Sir/Madam

Position limits for cross-currency futures and options contracts (not involving Indian Rupee) on exchanges in International Financial Services Centres (IFSC)

Securities and Exchange Board of India (International Financial Services Centres) Guidelines, 2015 were notified on March 27, 2015, which came into force on April 01, 2015 wherein currency derivatives were specified as permissible securities in which dealing may be permitted by stock exchanges in IFSC.

2. It has been decided that for cross-currency futures and options contracts (not involving Indian Rupee), the position limits for eligible market participants, per currency pair per stock exchange, shall be as follows:

- a) **Trading Members (positions on proprietary basis as well as clients' position) -**
Gross open position across all contracts not to exceed 15% of the total open interest or USD 1 billion equivalent, whichever is higher
- b) **Institutional Investors -** Gross open position across all contracts not to exceed 15% of the total open interest or USD 1 billion equivalent, whichever is higher
- c) **Eligible Foreign Investors (as referred to in SEBI Circular IMD/HO/FPIC/CIR/P/2017/003 dated January 04, 2017) –** Gross open position across all contracts not to exceed 15% of the total open interest or USD 1 billion equivalent, whichever is higher
- d) **Other Clients –** Gross open position across all contracts not to exceed 6% of the total open interest or USD 100 million equivalent, whichever is higher.

3. Stock exchanges shall impose appropriate penalties for violation of position limits by eligible market participants.

4. This circular is being issued in exercise of powers conferred under Section 11 (1) of the Securities and Exchange Board of India Act, 1992 to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.

Yours faithfully

(Sanjay Puro)
Deputy General Manager
Division of Risk Management and New Products Market
Regulation Department
Email: sanjayp@sebi.gov.in



Aug 03, 2017

PR No.: 50/2017

Products accorded approval by SEBI for trading in stock exchanges in GIFT City IFSC

Gujarat International Finance Tec-City International Financial Service Centre (GIFT City IFSC) has been set up with an objective to, inter alia, enable Indian entities to compete on an equal footing with offshore financial centres and to provide facilities and regulations comparable to other leading international financial centres in the world.

SEBI had already operationalized two stock exchanges, viz. India INX and NSE IFSC in GIFT City IFSC and advised that all categories of exchange-traded products as available for trading in stock exchanges in FATF/IOSCO compliant jurisdictions shall be eligible for trading subject to prior approval of SEBI. SEBI has now accorded approval to India INX and NSE IFSC to launch derivatives on additional 33 and 52 Indian stocks, respectively.

With the above, India INX and NSE IFSC have been permitted to offer trading in a well-diversified range of products spanning various asset classes which include Indian index derivatives, derivatives on Indian stocks, derivatives on foreign stocks, currency derivatives and commodity futures on Gold, Silver and base metals as given below:

1. India INX

- a) Index Derivatives (Futures and Options) on S&P BSE SENSEX and S&P BSE SENSEX 50
- b) Derivatives (Futures and Options) on Indian stocks
- c) Futures on Foreign Stocks
- d) Derivatives (Futures and Options) on currency pairs (not involving Indian Rupee)
- e) Commodity Futures on Gold, Silver, Copper, Zinc, Aluminium, Lead and Nickel

2. NSE IFSC

- a) Index Derivatives (Futures and Options) on NIFTY, BANKNIFTY and NIFTY IT
- b) Derivatives (Futures and Options) on Indian stocks
- c) Derivatives on Foreign stocks
- d) Derivatives (Futures and Options) on currency pairs (not involving Indian Rupee)
- e) Commodity Futures on Gold, Silver, Copper, Zinc, Aluminium, Lead and Nickel



CIRCULAR

SEBI/HO/MRD/DSA/CIR/P/2017/95

August 10, 2017

To,

All recognised Stock Exchanges/ Clearing Corporations in International Financial Services Centre (IFSC)

All recognised Stock Exchanges/ Clearing Corporations All Registered Intermediaries

Dear Sir/Madam,

Sub: Securities and Exchange Board of India (International Financial Services Centres) Guidelines, 2015-Liquidity Enhancement Scheme.

1. SEBI vide circular CIR/MRD/DP/14/2014 dated April 23, 2014 permitted stock exchanges to introduce liquidity enhancement schemes in the equity derivatives and equity cash segments to enhance liquidity in illiquid securities.
2. Clause 5 of the SEBI circular dated April 23, 2014 prescribes that the incentives under liquidity enhancement schemes shall be transparent and measurable.
3. Based on the internal discussions and consultations held with the stakeholders and given the fact that the stock exchanges at GIFT IFSC are in a nascent stage and do not have access to net profits/free reserves, it has been decided to grant an exemption to stock exchanges at IFSC from complying with clause 5.1 and 5.2 of SEBI circular dated April 23, 2014 subject to the condition that the exchange would create a reserve specifically to meet Liquidity Enhancement Schemes (LES) incentives/expenses based on the normative study of the LES in the domestic market and such reserves would not be included in the net worth calculation.

4. Further, based on the aforesaid normative study, stock exchanges at IFSC shall furnish proposal for approval.
5. This circular is being issued in exercise of powers conferred under Section 11 (1) of the Securities and Exchange Board of India Act, 1992, to protect the interests of investors in securities and to promote the development of and to regulate the securities market.
6. Other contents of the SEBI Circular No: CIR/MRD/DP/14/2014 dated April 23, 2014 will remain operative.
7. This circular is available on SEBI website at www.sebi.gov.in.

Yours faithfully,

Bithin
Mahanta Deputy General
Manager Email:
bithinm@sebi.gov.in



CIRCULAR

SEBI/HO/MRD/DRMNP/CIR/P/2017/96

August 31, 2017

All recognized Stock Exchanges and Clearing Corporations in International Financial Services Centres

Dear Sir/Madam

Issuance, listing and trading of debt securities on exchanges in International Financial Services Centres (IFSC)

In continuation of guidelines on debt securities contained in Chapter V 'Issue of Debt Securities' of SEBI (IFSC) Guidelines, 2015 and based on the representations received from stock exchanges and market participants in IFSC, it has been decided that for issuing debt securities in IFSC, stock exchanges shall evolve a detailed framework prescribing

- a) the eligibility criteria for the issuers, and
- b) the issue requirements to be complied with by such eligible issuers for issuing debt securities in IFSC.

The above framework, and the subsequent changes made thereto, if any, shall be submitted to SEBI for approval.

2. Listing: In addition to the mandatory listing of debt securities that are issued in IFSC, it has also been decided to permit listing of those debt securities on stock exchanges in IFSC, which are issued outside IFSC. However, listing of only those debt securities shall be permitted which are issued in, and by issuers resident in Financial Action Task Force (FATF) member jurisdictions. The issuer of debt securities shall enter into a listing agreement with the stock exchange(s) where such securities are intended to be listed.

Further, it has been decided that the stock exchanges in IFSC shall evolve a detailed framework prescribing the initial and continuous listing requirements including corporate governance to be complied with by the issuers whose securities are listed/proposed to be

listed on stock exchanges in IFSC. Stock exchanges shall submit the listing framework, and the subsequent changes made thereto, if any, to SEBI for approval.

3. Trading: Guideline 21 of SEBI (IFSC) Guidelines, 2015 provides that the debt securities listed in stock exchanges shall be traded on the platform of the stock exchange and such trades shall be cleared and settled through clearing corporation set up in IFSC as specified. It has now been decided to permit over the counter trading of debt securities in IFSC subject to clearing and settlement through clearing corporations in IFSC. It is advised that all OTC trades in debt securities shall be reported on the reporting platform of any one of the recognized stock exchanges in IFSC within 15 minutes of the trade. To ensure that the data is not duplicated, the trades shall be reported on reporting platform of one of the stock exchanges only. The reporting for a trade must be done by the buyer and the seller on the same platform to ensure matching of both sides of the trades.

Clearing Corporations shall submit the clearing and settlement framework, and the subsequent changes made thereto, for debt securities to SEBI for approval.

4. 'Person resident in India' shall not invest or trade in Rupee denominated bonds issued and/or listed in IFSC, except to the extent as permitted by Reserve Bank of India. Further, 'Person resident in India' shall also not invest or trade in other debt securities, issued and/or listed in IFSC, by Indian entities.

5. This circular is being issued in exercise of powers conferred under Section 11 (1) of the Securities and Exchange Board of India Act, 1992 to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.

Yours faithfully

Sanjay Puro General
Manager
Division of Risk Management and New Products Market
Regulation Department
Email: sanjayp@sebi.gov.in



CIRCULAR

SEBI/HO/MRD/DSA/CIR/P/2017/103

September 21, 2017

All recognised Stock Exchanges and Clearing Corporations in International Financial Services Centre (IFSC)

All recognised Stock Exchanges/ Clearing Corporations All registered intermediaries

Dear Sir/Madam

Clarification to SEBI (IFSC) Guidelines, 2015 - Liquidity Enhancement Scheme (LES) Circular

SEBI vide circular SEBI/HO/MRD/DSA/CIR/P/2017/95 dated August 10, 2017 has granted exemption to stock exchanges at IFSC from complying with clauses 5.1 and 5.2 of SEBI circular dated April 23, 2014 subject to certain conditions.

2. Based on discussions held with the stakeholders, it is clarified that the exemption granted to stock exchanges at IFSC for the introduction of LES shall be applicable to all the products traded in IFSC.
3. This circular is being issued in exercise of powers conferred under Section 11 (1) of the Securities and Exchange Board of India Act, 1992, to protect the interests of investors in securities and to promote the development of and to regulate the securities market.

Yours faithfully

Bithin Mahanta
Deputy General Manager Market
Regulation Department **Email:**
bithinm@sebi.gov.in

CIRCULAR

SEBI/HO/CDMRD/DMP/CIR/P/2017/106

September 26, 2017

1. All Recognized Stock Exchanges in International Financial Services Centre (IFSC)
2. All Foreign Portfolio Investors (FPIs) through their Designated Depository Participants (DDPs)/ Custodian of Securities (Custodians)
3. All DDPs/ Custodians

Dear Sir / Madam,

Sub.: Participation of Foreign Portfolio Investors (FPIs) in Commodity Derivatives in IFSC

1. [SEBI \(International Financial Services Centres\) Guidelines, 2015](#) were issued on March 27, 2015. Subsequently, vide circular [CIR/MRD/DSA/41/2016](#) dated March 17, 2016, SEBI has specified that 'Commodity Derivatives' shall be eligible as securities for trading and the stock exchanges operating in IFSC may permit dealing in commodity derivatives.
2. In this regard, based on the representations received from the exchanges operating in IFSC and after consultations with Government of India and RBI, it has been decided that FPIs shall be permitted to participate in commodity derivatives contracts traded in stock exchanges in IFSC subject to following conditions:-
 - 2.1. The participation would be limited to the derivatives contracts in non-agricultural commodities only.
 - 2.2. Contracts would be cash settled on the settlement price determined on overseas exchanges.
 - 2.3. All the transactions shall be denominated in foreign currency only.
3. The provisions of this circular shall come into effect from the date of this Circular.
4. The Exchanges are advised to:



भारतीय प्रतिभूति और विनिमय बोर्ड
Securities and Exchange Board of India

- i. take steps to make necessary amendments to the relevant bye-laws, rules and regulations for the implementation of the same.
 - ii. bring the provisions of this circular to the notice of the members of the Exchange and also to disseminate the same on their website.
5. This circular is issued in exercise of powers conferred under Section 11 (1) of the Securities and Exchange Board of India Act, 1992, to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.
6. This circular is available on SEBI website at www.sebi.gov.in under the category “Circulars”, “Info for Commodity Derivatives”

Yours faithfully,

Vikas Sukhwai
Deputy General Manager
Division of Market Policy
Commodity Derivatives Market Regulation Department
Email: vikass@sebi.gov.in



भारतीय प्रतभूत और वित्मय बोर्ड
Securities and Exchange Board of India

CIRCULAR

SEBI/HO/MRD/DRMNP/CIR/P/2018/82

May 21, 2018

All recognized Clearing Corporations in International Financial Services Centre (IFSC) Dear Sir /

Madam

**Investment of own funds (excluding funds lying in Core Settlement Guarantee Fund)
by Clearing Corporations in International Financial Services Centre (IFSC)**

SEBI vide circular SEBI/HO/MRD/DRMNP/CIR/P/2016/54 dated May 04, 2016, has specified Investment policy of a clearing corporation.

2. Currently, the clearing corporations are permitted to invest their own funds as well as funds lying in Core Settlement Guarantee Fund in Fixed Deposits/ Central Government Securities and Liquid schemes of Debt Mutual Funds.
3. Upon review of investment instruments/avenues available for Clearing Corporations in IFSC and based on the feedback received, it has been decided to permit the Clearing Corporations in IFSC to invest their own funds in AAA rated Foreign Sovereign Securities. However, the investment in such AAA rated Foreign Sovereign Securities shall not exceed a limit of ten per cent of the total investible resources, excluding funds lying in Core Settlement Guarantee Fund of the Clearing Corporation.
4. This circular is being issued in exercise of powers conferred under Section 11 (1) of the Securities and Exchange Board of India Act, 1992 to protect the interests of investors in securities and to promote the development of, and to regulate, the securities market.

Yours faithfully,

Sanjay Puroo
General Manager
Division of Risk Management and New Products
Market Regulation Department
Email: sanjayp@sebi.gov.in



CIRCULAR

SEBI/HO/MRD/ DSA/CIR/P/2017/ 45

May 23, 2017

1. All Stock Exchanges in International Financial Services Centre (IFSC)
2. All Portfolio Managers operating in IFSC
3. All Mutual Funds and Alternate Investment Funds operating in IFSC

Dear Sir / Madam,

Securities and Exchange Board of India (International Financial Services Centres) Guidelines, 2015 - Permissible investments by Portfolio Managers, Alternate Investment Funds and Mutual Funds operating in IFSC

Kindly refer to SEBI (IFSC) Guidelines, 2015 which were notified by SEBI on March 27, 2015.

2. Clause 9 (4) and Clause 22 (3) of SEBI (IFSC) Guidelines, 2015 specify the securities in which portfolio managers and alternative investment fund or mutual fund respectively, operating in IFSC are permitted to invest in. Based on the consultations held with the stakeholders, it has been decided to amend Clauses 9 (4) and 22 (3) of the Guidelines. The amended Clauses shall read as follows:

- A. Clause 9 (4) of SEBI (IFSC) Guidelines, 2015 is amended to read as follows:

"A portfolio manager operating in IFSC shall be permitted to invest in the following:

- a) Securities which are listed in IFSC;
- b) Securities issued by companies incorporated in IFSC;
- c) Securities issued by companies incorporated in India or companies belonging to foreign jurisdiction.

subject to such conditions or guidelines that may be stipulated or issued by the Reserve Bank of India and Government of India from time to time "

- B. Clause 22 (3) of SEBI (IFSC) Guidelines, 2015 is amended to read as follows:

"Any alternative investment fund or mutual fund operating in IFSC shall be permitted to invest in the following:

- a) Securities which are listed in IFSC;
- b) Securities issued by companies incorporated in IFSC;
- c) Securities issued by companies incorporated in India or companies belonging to foreign jurisdiction.

subject to such conditions or guidelines that may be stipulated or issued by the Reserve Bank of India and Government of India from time to time"

3. Further, it is clarified that such portfolio manager, alternative investment fund or mutual fund shall invest in India through the foreign portfolio investor route.
4. This circular is issued in exercise of powers conferred under Section 11 (1) of the Securities and Exchange Board of India Act, 1992, to protect the interests of investors in securities and to promote the development of, and to regulate the securities market. This circular is available on SEBI website at www.sebi.gov.in.

Yours faithfully,

Bithin Mahanta
Deputy General Manager
Ph: +912226449634
Email: bithinm@sebi.gov.in



CIRCULAR

SEBI/HO/MRD/DRMNP/CIR/P/2018/83

May 24, 2018

All recognized Stock Exchanges and recognized Clearing Corporations in IFSC

Dear Sir/Madam

Segregated Nominee Account Structure in International Financial Service Centre (IFSC)

With a view to further facilitate ease of market access for foreign investors in IFSC and based on feedback received from market participants, it has been decided to permit Segregated Nominee Account Structure in IFSC wherein orders of foreign investors may be routed through eligible Segregated Nominee Account Providers (hereinafter referred to as 'Providers'), for trading on stock exchanges in IFSC while adhering to regulatory requirements, inter alia, relating to identification of end-client, Unique Client Code, order placement at client level, client level margining and position limits.

2. The broad features of the Segregated Nominee Account Structure are given in Annexure, enclosed herewith.
3. It shall be obligatory on the stock exchanges, brokers and 'Providers' to furnish to SEBI, inter alia, information relating to trades on stock exchanges in IFSC originated by/through 'Providers', including KYC details of their end-clients, as and when requested.
4. Stock exchanges in IFSC shall ensure that the provisions of Prevention of Money Laundering Act, 2002 (PMLA) and the rules thereof, including those relating to capturing the KYC information for sharing with the Central KYC Registry (CKYCR) to the extent applicable to FPIs, are adhered to by 'Providers' for their end-clients.

5. Stock Exchanges and Clearing corporations are directed to:
 - a) take necessary steps to put in place systems for implementation of the circular, including necessary amendments to the relevant bye-laws, rules and regulations;
 - b) bring the provisions of this circular to the notice of their members and also disseminate the same on their websites; and
 - c) communicate to SEBI, the status of implementation of the provisions of this circular in the Monthly Report.

6. This circular is being issued in exercise of powers conferred under Section 11 (1) of the Securities and Exchange Board of India Act, 1992 to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.

Yours faithfully

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A. Entities eligible to offer Segregated Nominee Account Structure

- i. SEBI-registered brokers in IFSC,
- ii. SEBI registered FPIs (Category I and II), and
- iii. Trading / Clearing members of international stock exchanges / clearing corporations that are regulated by a member of Financial Action Task Force (FATF)

Such eligible entities shall be called Segregated Nominee Account Providers.

B. Registration of 'Provider'

'Providers' shall be registered with Stock Exchange / Clearing Corporation in IFSC for providing Segregated Nominee Account services to their end-clients

C. Eligibility criteria/norms for 'Providers'

Stock Exchanges shall lay down eligibility criteria/norms for 'Providers', including 'net worth', which shall not be less than that prescribed by other leading stock exchanges offering similar structures. The conditions for registration shall include clauses/provisions for obtaining information relating to the end-clients of 'Providers', as and when sought.

D. KYC of end-clients

- i. 'Providers' shall be required to ensure appropriate due diligence of end-clients as per global standards including KYC and AML compliance before on-boarding clients for offering Segregated Nominee Accounts to them.
- ii. An end-client shall open Segregated Nominee Account with only one 'Provider'. Legal Entity Identifier (LEI) code may be used to ensure that the end-client does not open Segregated Nominee Account with more than one 'Provider' and trades of an end-client are cleared and settled only through one clearing member.

- iii. Each end-client shall be assigned a Unique Client Code (UCC), which shall be unique across all end-clients of all 'Providers', by Stock exchange/clearing corporation in IFSC.

E. Order entry

Unique Client Code shall be used at the time of order entry by the 'Providers' for their end-clients.

F. Margin Computation and Reporting

- i. Margins shall be computed at the end-client level of 'Provider'.
- ii. Margins shall be grossed up at and collected from 'Provider'.
- iii. Margin reporting shall be at the level of the 'Provider'.

G. Margin Collection

- i. Margin shall be payable by the end-client to the Segregated Account Provider. However, the margins may be funded by the 'Provider' based on clearly defined bilateral agreement between 'Provider' and the end-client.
- ii. Stock Exchanges shall ensure that commercial terms and documentation / agreement entered into between 'Provider' and the end-client contains the clause regarding the aforesaid arrangement.

H. Monitoring of Position Limits

Position limits shall be monitored at end-client level by stock exchanges / clearing corporations.

I. Other Risk Management Framework

All other provisions relating to risk management as applicable in IFSC shall also be applicable to end-clients of 'Providers', unless otherwise specified.