



CIRCULAR

F. No. 224/IFSCA/CMD-DMIIT/CUST/2021/1

February 24, 2021

To,

All Stock Exchanges in the International Financial Services Centre (IFSC)
All Clearing Corporations in the International Financial Services Centre (IFSC)
All Depositories in the International Financial Services Centre (IFSC)
All intermediaries in the International Financial Services Centre (IFSC)

Dear Sir/Madam,

Sub: Recognition as Custodian of assets/securities

The safekeeping and servicing of an investor's assets is a very critical function in a financial ecosystem. Such a function is performed by a custodian of assets/securities. In order to facilitate a vibrant ecosystem for custodial services in GIFT-IFSC, it has been decided to enact a mechanism for recognition of a custodian of assets/securities.

Entity registered and regulated in India as a custodian

1. Any entity registered as a custodian with the Securities and Exchange Board of India (SEBI) shall be permitted to provide custodial services in GIFT-IFSC, by establishing a branch at GIFT-IFSC. The branch established shall be subject to prior approval by the Authority and shall comply with the following conditions:
 - a) The entity shall adequately ring fence the operational, technological and financial aspects of the branch in GIFT-IFSC from its domestic operations.
 - b) The entity shall ensure financial segregation by allocating funds to the tune of USD 700,000 towards its IFSC branch. The entity shall submit a declaration to the Authority in this regard.



Entity registered and regulated in overseas jurisdictions

2. Any entity regulated as a custodian in a foreign jurisdiction, shall be permitted to provide custodial services by establishing a branch at GIFT-IFSC. The branch established shall be subject to prior approval by the Authority and shall comply with the following conditions:
 - a) The entity is from a Financial Action Task Force (FATF) compliant jurisdiction
 - b) The entity is registered as a custodian and regulated by a securities market regulator in its home jurisdiction
 - c) The entity shall adequately ring fence the operational, technological and financial aspects of the branch in GIFT-IFSC from its overseas operations
 - c) The entity shall ensure financial segregation by allocating funds to the tune of USD 700,000 towards its IFSC branch. The entity shall submit a declaration to the Authority in this regard
 - d) The entity should have a minimum net worth of USD 7 million

3. Any entity regulated as a capital market intermediary in a foreign jurisdiction, shall be permitted to provide custodial services by establishing a branch at GIFT-IFSC. The branch established shall be subject to prior approval by the Authority and shall comply with the following conditions:
 - a) The entity is from a Financial Action Task Force (FATF) compliant jurisdiction
 - b) The entity is registered as a capital market intermediary and regulated by a securities market regulator in its home jurisdiction
 - c) The entity shall adequately ring fence the operational, technological and financial aspects of the branch in GIFT-IFSC from its overseas operations



- d) The entity shall ensure financial segregation by allocating funds to the tune of USD 3 million towards its IFSC branch. The entity shall submit a declaration to the Authority in this regard

- d) The entity should have a minimum net worth of USD 35 million

Entity not falling under any of the above categories

- 4. Any entity shall be permitted to provide custodial services by establishing a subsidiary at GIFT-IFSC. The subsidiary established shall be subject to prior approval by the Authority and comply with the following conditions:
 - a) The entity is from a Financial Action Task Force (FATF) compliant jurisdiction

 - b) The subsidiary should have a net worth to the tune of USD 70 million. The entity shall submit a declaration to the Authority in this regard.

Additional requirements

- 5. The entity shall obtain a certificate of recognition from the Authority prior to commencement of operations of its branch or subsidiary, whichever is applicable.

- 6. All the other fees applicable to a custodian in IFSC shall be applicable to such a branch or subsidiary of the entity.

- 7. An entity desirous of obtaining a certificate of recognition as a custodian shall submit an application form provided at **Annexure I**, along with supporting documents, to the Authority. The application shall be accompanied with an application fee of USD 1000 and a recognition fee of USD 10,000. In the event the Authority refuses to grant recognition to the applicant, the recognition fee shall be refunded to the applicant.

- 8. The certificate of recognition granted by the Authority shall be valid for a period of three years from the date of grant of recognition or its renewal.



9. The branch office shall have adequate mechanisms for the purposes of reviewing, monitoring, and evaluating the controls, systems, procedures and safeguards.
10. The branch office shall appoint a compliance officer who shall be responsible for monitoring the compliance of the Act, rules and regulations, notifications, guidelines, instructions, etc., issued by the Authority or the Central Government.
11. This circular is issued in exercise of powers conferred by section 12 of the International Financial Services Centres Authority Act, 2019 to develop and regulate the financial products, financial services and financial institutions in the International Financial Services Centres.
12. A copy of this circular is available on the website of the International Financial Services Centres Authority at www.ifsc.gov.in

Yours faithfully,

Praveen Kamat
Deputy General Manager
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Annexure 1

Application for recognition as a custodian in GIFT-IFSC

| Sr | Parameters | Comments |
|----|--|--|
| 1. | Name of the applicant | |
| 2. | Entity Type | <input type="checkbox"/> Registered and regulated in India as a custodian <input type="checkbox"/> Entity registered and regulated in overseas jurisdictions as custodian <input type="checkbox"/> Entity registered and regulated in overseas jurisdictions as other capital market intermediary <input type="checkbox"/> Entity not falling under any of the above categories |
| 3. | Address of the registered office of the applicant (in India or overseas) | |
| 4. | Date and place of incorporation or establishment and date of commencement of business (enclose certificate of incorporation, memorandum and articles of association or statutory provisions or any other constitutional documents, if any, under which incorporated or established). | |
| 5. | Details of the activities carried on by the applicant, in India or overseas. | |
| 6. | Details of registration of the applicant with the Securities and Exchange Board of India (SEBI) or with the Reserve Bank of India (RBI) or with any regulatory authority overseas of the applicant, and of its affiliates and subsidiaries operating in India. | |
| 7. | a. Date of commencement of business as custodian. | |



| Sr | Parameters | Comments |
|-----|---|----------|
| | <p>b. If registered with SEBI, please enclose SEBI's registration certificate.</p> <p>c. In case the entity is an Indian bank, please enclose copies of RBI's permission and Government of India approval (if any) for carrying out business as a custodian.</p> <p>d. In case the entity is based overseas, please enclose copies of permission/authorization/license from the relevant regulator in home jurisdiction</p> | |
| 8. | Type and number of existing clients (Financial Institutions, Mutual Funds, Foreign Institutional Investors, Depository Receipts, Portfolio Managers, Non-Banking Finance Companies, Stock Brokers, Corporates and Individuals.) | |
| 9. | Volume of assets under custody in country of incorporation | |
| 10. | Whether the applicant, director or principal officer is involved in any litigation connected with the securities market which has an adverse bearing on the business of the applicant; or has at any time been convicted for any moral turpitude or at anytime has been found guilty of any economic offence. | |
| 11. | Whether there has been any instance of violation or non-adherence to the securities laws, code of ethics/conduct, code of business rules, for which the applicant, or its parent or holding company or affiliate may have been subject to economic, or criminal liability, or suspended from carrying out its operations, or the registration revoked temporarily. | |



| Sr | Parameters | Comments |
|-----|--|----------|
| 12. | Net worth and paid-up capital as per the latest audited financial statements of the applicant (enclose audited financial statement of the past 3 years). | |
| 13. | Services that are provided to clients or are proposed to be provided to clients, as a custodian | |
| 14. | Details regarding staff involved in activities as a custodian: (i) organisation structure; (ii) experience and background of key personnel | |



Declaration

We hereby agree and declare that the information supplied in the application, including the attachment sheets, is complete and true to our knowledge.

We further agree that, we shall notify the International Financial Services Centres Authority (IFSCA) immediately of any change in the information provided in the application.

We further agree that we shall comply with, and be bound by the International Financial Services Centres Authority Act, 2019, and the regulations, circulars, guidelines and instructions thereunder as issued by IFSCA from time to time.

We further agree that as a condition of recognition, we shall abide by such instructions or directives as may be issued by IFSCA from time to time.

For and on behalf of.....(Name of the applicant)

Authorised signatory

(Name) (Signature)

Date:

Place:
