



PRESS RELEASE

Committee on positioning IFSC as a hub for offshore trading in INR submits its report to IFSCA

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The Committee on positioning IFSC as a hub for offshore trading in INR, chaired by Shri G. Padmanabhan, former Chairman, Bank of India/ former Executive Director, Reserve Bank of India, was appointed by International Financial Services Centres Authority (IFSCA) on February 5, 2021 with a mandate to:

- i. determine the regulatory and infrastructural requirements necessary to create the necessary conditions for development of IFSC as a hub for offshore trading in INR.
- ii. assess the current regulatory and infrastructural facilities at IFSCs in light of the requirements determined.
- iii. recommend specific measures to bridge the identified gaps between (i) and (ii) in the form of a report to Chairman, IFSCA.

The Committee could also examine and make recommendations on other issues of importance not specifically mentioned in the above terms of reference.

In its report, submitted on June 18, 2021 to the Chairman, IFSCA, the Committee stressed the need for IFSCA to adopt international best practices and policies with regard to the following components of a financial market namely:

- i. Participants
- ii. Products
- iii. Infrastructure
- iv. Regulation

It also laid stress on alignment of the Legal and Tax frameworks underpinning the above components to international standards.

Shri Injeti Srinivas, Chairman IFSCA said " The development of financial markets in IFSC in general and the market for offshore INR in particular is one of the cornerstones of IFSC achieving its objective to serve as an external driver of the Indian economy. The implementation of the recommendations of the Committee will, I believe, create the necessary ecosystem for this."

Shri Padmanabhan, Chairman of the Committee, said "Alignment with international norms and best practices is a primary requirement for IFSC to attract the attention of



global players. Instead of laying down specific dos and don'ts, the Committee's report has sought to lay stress on a principle-based approach towards developing and implementing rules for financial markets in IFSC.”

The recommendations of the Committee is available at www.ifsc.gov.in

Some of the Key recommendations of the Committee are as follows :

1. Participants:

- IFSCA should implement the globally accepted regulatory regime for trading and clearing OTC derivatives
- IFSC's regulatory framework should be geared towards encouraging widest possible client participation subject to satisfaction of KYC/AML norms
- Recognition of Omnibus Account structure for participants in IFSC with necessary checks and balances

2. Products:

- Adopt an outcome oriented, principle-based approach for derivative products in IFSC.
- Permit all category of products at IFSC without any restriction as long as the underlying product is not liable to be used as a surrogate for money laundering
- Allow derivatives to be undertaken for the purposes of risk management, risk transformation, yield enhancement or trading/speculation.
- Request the Government to make necessary amendments to the Securities Contract Regulation Act, 1956 to permit offshore derivative instruments (ODIs) on Indian securities to be issued out of IFSC.

3. Infrastructure:

- IFSCA to create enabling provisions to recognise and regulate Prime Brokerage arrangements
- IFSCA should permit its regulated entities the use of any settlement infrastructure (including outside its jurisdiction) subject to such an infrastructure being appropriately regulated.
- IFSCA should permit IBUs and foreign entities to comply with the margining guidelines through full substituted compliance
- IFSCA should permit re-use of collateral in both bilateral as well as tripartite settlement structures.
- IFSCA should, wherever possible and feasible, encourage alternate settlement infrastructure using technologies such as Blockchain



4. Regulations

- Exchanges in IFSC be allowed to introduce derivative contracts in new currency pairs for widening the range of FX offerings in IFSC
- IFSCA should actively encourage Indian banks to shift the part of their treasury operations, focused on raising foreign exchange resources and hedging their foreign exchange positions, to their IBUs
- Regulatory sandbox scheme of IFSCA should encourage fintech platforms operating in areas such as cross border remittances and handling of digital assets.

Gandhinagar

June 21,2021