



**Understanding the International
Financial Services Centres
Authority's Informal Guidance
Scheme 2024: Simplifying
Regulations for Financial Services**

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Understanding the International Financial Services Centres Authority's (IFSCA) Informal Guidance Scheme 2024: Simplifying Regulations for Financial Services

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The **International Financial Services Centres Authority (IFSCA)** has introduced the **Informal Guidance Scheme, 2024**, to help businesses and individuals navigate regulatory framework of the International Financial Services Centres (IFSCs) in India. Effective from **January 1, 2025**, this scheme aims to provide clarity on legal and regulatory issues, enabling better decision-making and encouraging confidence among stakeholders. This article breaks down the key elements of the scheme, its context, and its significance in simple terms.

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What is IFSCA and Why Was it Established?

The **International Financial Services Centres Authority (IFSCA)** is a statutory body created under the **IFSCA Act, 2019** to regulate and develop the IFSCs in India. IFSCs are zones that cater to global financial transactions, offering services like banking, insurance, and capital markets. These zones aim to provide a competitive environment for businesses by simplifying regulations and offering tax benefits.

Statutory Provisions Underpinning the IFSCA

1. **IFSCA Act, 2019:**
 - **Section 4:** Establishes the IFSCA as the regulatory authority for IFSCs.
 - **Sections 12 and 13:** Empower IFSCA to issue regulations, guidelines, and circulars to oversee financial services within these centres.
2. The IFSCA works to simplify processes, reduce uncertainties, and create an environment conducive to global investments and innovation.

What is the Informal Guidance Scheme, 2024?

The **Informal Guidance Scheme** is designed to provide businesses and individuals with advice on regulatory matters. It simplifies understanding and interpretation of laws, helping stakeholders comply with IFSCA regulations without unnecessary delays or confusion. This scheme supports:

- Financial institutions operating in IFSCs.
- Individuals planning to start businesses in IFSCs.
- Entities seeking clarity on regulatory requirements for financial products or services.

Why Was the Scheme Introduced?

The financial services market within IFSCs operates under unique regulatory frameworks, which may lead to challenges in interpreting legal provisions. Recognizing this, the IFSCA developed the Informal Guidance Scheme to:

- Provide clarity on regulations.
- Help stakeholders make informed decisions.
- Enhance compliance with existing laws.

Key Features of the Scheme

1. Who Can Apply?

The scheme is open to the following:

- Entities licensed, registered, or authorized by the IFSCA.
- Individuals intending to conduct transactions involving financial products or services regulated by the IFSCA.
- Businesses planning to establish units in IFSCs.
- Other stakeholders specified by the IFSCA.

2. Types of Guidance Offered

The scheme provides two main types of guidance:

- **No-Action Letters:**
 - These indicate whether the IFSCA would take enforcement action if a specific business activity or transaction is carried out.
- **Interpretive Letters:**
 - These offer interpretations of legal provisions, regulations, or guidelines under IFSCA's jurisdiction.
 - Guidance may also extend to rules issued by regulatory bodies like RBI, SEBI, IRDAI, or PFRDA before the establishment of the IFSCA, provided these rules are now administered by the IFSCA.

3. Application Process

To request informal guidance, applicants must:

- File applications electronically through the IFSCA's **Single Window IT System (SWITS)**. Until this system is operational, applications can be sent via email.
- Pay a fee of **USD 1,000**, of which 75% is allocated as guidance fees and 25% as processing fees.
- Include detailed information about their query, relevant legal provisions, and the connection between the query and their business activity.

4. Review and Resolution Timeline

- Upon receiving the application, the relevant IFSCA department reviews it. Additional clarifications may be requested.
- The IFSCA aims to resolve applications within **30 days**, excluding delays caused by the applicant.

5. Situations Where Guidance May Not Be Provided

The IFSCA may reject applications if:

- The query is too general or hypothetical.
- The applicant fails to disclose sufficient facts.
- A similar guidance letter has already been issued.
- Legal or enforcement actions are pending, or the matter is sub-judice.
- Policy concerns prevent a response.

6. Confidentiality and Publication

- Guidance issued under the scheme will be published on the IFSCA's website to ensure transparency.
- Applicants can request confidentiality for sensitive business information for up to **90 days**. Redactions may be applied before publication upon request.

Limitations of the Guidance Provided

- Informal guidance letters are non-binding and do not represent final legal decisions by the IFSCA.
- The IFSCA may take a different stance in the future, and applicants cannot appeal guidance letters.
- The IFSCA is not liable for any losses resulting from reliance on the guidance.

Penalties for Misrepresentation

If guidance is obtained through fraud or misrepresentation, the IFSCA may declare it void.

Impact of the Scheme

1. Benefits for Businesses

- **Clarity and Compliance:** Businesses can gain better understanding of regulatory requirements, reducing the risk of violations.
- **Informed Decisions:** Guidance helps stakeholders align their operations with regulatory expectations, encouraging confidence.

2. Boosting Global Competitiveness

- The scheme aligns India's financial services ecosystem with international best practices, attracting foreign investments.
- By simplifying regulations, it encourages innovation and participation in IFSCs.

3. Transparency and Accountability

- The publication of guidance letters ensures accountability and is a valuable resource for future applicants.
- Confidentiality provisions protect sensitive business information.

Conclusion

The **IFSCA (Informal Guidance) Scheme, 2024** is a significant step toward simplifying the regulatory framework for financial services in IFSCs. By offering structured mechanisms for seeking guidance, the scheme empowers businesses to operate with confidence, encourages compliance, and encourages a transparent and investor-friendly environment. As the scheme comes into effect on January 1, 2025, it is poised to strengthen India's position as a global financial hub, providing a strong framework for businesses to thrive while maintaining regulatory integrity.

This initiative highlights the IFSCA's commitment to supporting innovation and growth within IFSCs, ensuring that India remains at the forefront of international financial services.

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