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Foreign Currency Settlement System Framework Notified by IFSCA for GIFT IFSC

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Introduction

On October 3, 2025, the International Financial Services Centres Authority (IFSCA) issued a notification formalising the Rules, Bye?Laws, and Regulations for the Foreign Currency Settlement System (FCSS) in the Gujarat International Finance Tec-City (GIFT IFSC). This notification provides a clear legal and operational framework for the settlement of foreign currency transactions within the IFSC, enhancing regulatory clarity, risk management, and operational efficiency for market participants.

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Legal and Regulatory Background

The Foreign Currency Settlement System (FCSS) is established under a comprehensive legal and regulatory framework. Under Section 7 of the Payment and Settlement Systems Act, 2007 (PSS Act), the International Financial Services Centres Authority (IFSCA) has authorised CCIL IFSC Limited (CIL) to operate a payment system for the settlement of foreign currency transactions.

Further, pursuant to Section 10(1) of the PSS Act, IFSCA notifies the Bye-Laws, Rules, and Regulations prepared by CIL as legally binding instruments governing the operations of the FCSS. The framework is also supported by the International Financial Services Centres Authority Act, 2019, where Sections 12 and 13 empower IFSCA to regulate payment systems within IFSCs and ensure compliance, governance, and risk management standards.

Additionally, the International Financial Services Centres Authority (Payment and Settlement Systems) Regulations, 2024 provide specific operational guidance, with Regulation 6 authorising operators such as CIL and Regulation 9 empowering IFSCA to notify rules, bye-laws, and regulations governing payment systems. Through this statutory and regulatory framework, the FCSS is formally recognised as a regulated settlement system in GIFT IFSC, providing legal certainty and operational clarity for market participants.

Key Features of the FCSS Notification

1. **Operational Structure**: The FCSS provides a structured framework for the settlement of foreign currency transactions, enabling market participants to process cross-border payments with greater speed, reliability, and legal certainty.
2. **Risk Management and Settlement Safety**: The rules stipulate strong risk management procedures, including default management mechanisms, netting arrangements, and liquidity safeguards, designed to reduce both operational and financial risks in the settlement process.
3. **Compliance and Governance**: Participants are required to comply with strict Know Your Customer (KYC), Anti-Money Laundering (AML), and reporting obligations. The bye-laws also establish clear governance structures and accountability mechanisms for the operators and participants of the system.
4. **Transparency and Oversight**: The framework ensures that transactions are fully auditable and subject to IFSCA oversight.

Strategic Implications for GIFT IFSC

The formalisation of FCSS rules represents a strategic step to strengthen GIFT IFSC’s infrastructure and attractiveness to international financial institutions. By providing a domestic, legally regulated foreign currency settlement platform, the FCSS reduces dependence on offshore clearing systems and correspondent banks, enhancing operational efficiency and cost-effectiveness.

For international banks, corporates, and financial institutions operating in GIFT IFSC, the FCSS ensures regulatory certainty, improved risk mitigation, and compliance clarity, making it easier to structure cross-border transactions within a trusted legal

framework.

Conclusion

The notification of the FCSS by IFSCA codifies the legal and operational framework for foreign currency settlements in GIFT IFSC, combining statutory authority with practical governance. It lays a solid foundation for secure, efficient, and compliant cross-border transactions, enhancing GIFT IFSC's position as a globally competitive financial hub.

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