REGULATORY ALERT

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Insights – IFSCA (Global In-House Centres), Regulations, 2025

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The International Financial Services Centres Authority ('IFSCA') has notified the IFSCA (Global In-House Centres) Regulations, 2025 ('New Regulations'), replacing the erstwhile IFSCA (Global In-House Centres) Regulations, 2020 ('Old Regulations'). The New Regulations broadened the scope of Global In-House Centres ('GICs') by permitting multiple operating models, expanding the definition of Financial Institution Group and enabling limited servicing to Indian group entities.

Objective

The New Regulations seek to establish a framework for the GICs to support the development of International Financial Services Centres ('IFSC') as global financial hub delivering high-value financial and related services, while strengthening India's integration into the global value chain of financial services. They aim to generate employment opportunities and offer world class business and regulatory environment to encourage transition of India-centric financial services and transactions that are currently carried out in offshore financial centres to the IFSC.

Key changes introduced under the New Regulations

a. Eligibility Criteria

- **Definition and Scope of GIC Unit**

  Earlier, GIC Units were allowed to provide support services the scope of which was not defined. The New Regulations allows GIC Units to provide services related to financial products and financial services.

  Also, under the Old Regulations, GIC Units were allowed to cater exclusively to their own financial services group. The New Regulations permits to set up GIC Units by third-party service provider as well as permits to undertake activities through any of the operating models including Captive Centre, Build-Operate-Transfer (BOT), Joint Venture (JV), Hybrid, and other models as may be approved by the IFSCA.

- **Expanded scope of eligible applicant**

  The eligibility criteria are expanded by introducing a broader definition of a group entities, which now includes joint ventures, entities using common brand name, equity participation or capital contribution of >20%, part of the same network and other arrangements as may be permitted by the IFSCA.

  Further, the requirement for the group entity to be regulated by a home-country financial sector regulator has been removed.

- **Service Recipient**

  Under the Old regulations, GICs were permitted to provide services only to non-resident group entities. The New GIC Regulations allows GICs to provide services to Indian group entities up to 10% of their total revenue in a financial year while continuing to emphasize servicing non-resident entities located in Financial Action Task Force compliant jurisdictions.

Additionally, offshore entities currently providing GIC services to Indian group entities are permitted to provide such services from IFSC, subject to the prior approval of the IFSCA.

- **Regulatory Oversight**

  The IFSCA's role was largely limited to providing clarifications, including on the interpretation of 'financial services group'. Now, the IFSCA has been expressly empowered to relax strict enforcement of regulatory requirements, in the interest of development of the financial services market in IFSC. For seeking relaxation, an application giving details along with the concerned grounds shall be filed and a response will be forthcoming within 30 days after recording the reasons in writing for acceptance or refusal of relaxations sought.

b. Operational Requirements

- **Restrictions on transfer of existing Indian contracts / work arrangements**

  Establishment of GICs in IFSC through the transfer of existing contracts or work arrangements from group entities in India are not permitted. This is intended to prevent mere relocation of existing Indian operations to the IFSC.

- **Principal Officer and Compliance Officer**

  The appointment of a full-time Principal Officer and Compliance Officer, both based out of IFSC is now mandated. The Principal Officer is responsible for overall operations, while the Compliance Officer oversees regulatory compliance and internal controls.

- **Relaxation on Employee Relocation**

  Under the Old Regulations, relocation of employees from a domestic entity in India was permitted only for supervisory personnel, subject to prior approval of the IFSCA and was limited to 20%. This provision has been removed, ensuring the availability of the talent pool does not become a challenge.

c. Governance

- **Fit and Proper Requirements**

  A detailed 'fit and proper' criteria applicable to the GIC Unit, its directors or partners, principal officer, compliance officer and controlling shareholders have been introduced.

- **Currency of Operations and Books of Accounts**

  The GICs can carry out operations and maintain their books of accounts in any specified foreign currency.

Transition for Existing GICs

GICs registered under the Old Regulations are required to align with the New Regulations within 90 days from the date of commencement of these regulations.

All registrations, approvals and actions undertaken under Old Regulations continue to remain valid under New Regulations enhancing regulatory certainty for existing GIC units.

Contributors

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For any queries in relation to this regulatory alert, please feel free to reach out.

DHRUVA INSIGHT

The New Regulations mark a clear realignment of IFSCA's approach for Global Capability Centres, moving from a narrow captive support model to a flexible, commercially viable operating platform. Financial Institution Groups can now establish GIC Units through various third-party models, including BOT, JV, hybrid, and other IFSCA-approved structures.

By broadening the definition of financial institution groups and allowing limited servicing of Indian entities, the Regulations expand opportunities for GICs in IFSC. The explicit restriction on transferring existing Indian contracts signals IFSCA's intent to attract new and substance-driven activities rather than relocation of existing operations.

IFSCA's pragmatic regulatory approach balances oversight with the power to relax regulatory conditions to support market development.

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