



N.A.SHAH ASSOCIATES LLP  
Chartered Accountants

# BULLETIN

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ALLIED LAWS BULLETIN – AUGUST 2023



## **EXECUTIVE SUMMARY**

- ♦ IFSCA has amended the Banking Regulations to permit setting up of IFSC Banking Company (IBC) in addition to the existing IFSC Banking Unit (IBU) and all the provisions as applicable to IBUs shall be applicable to IBCs.
- ♦ IFSCA Capital Market Intermediaries Regulations are amended to include “distributors” in the definition of capital market intermediaries.

## AMENDMENT IN IFSCA BANKING REGULATIONS

### ♦ **IFSC banking unit:**

- IFSCA has now permitted to set up a Banking Unit (BU) in the form of IFSC Banking Company (IBC) in addition to the existing IFSC Banking Unit (IBU).
- Parent bank is further permitted to convert the existing IBU into IBC with prior approval of IFSCA.
- The key difference between IBUs and IBCs are:

Particulars	IBUs	IBCs
Difference	Branch of parent bank	Subsidiary of parent bank
Minimum capital requirements	USD 20 million	USD 50 million
Liquidity coverage ratio	Ratios may be maintained at the parent bank level with prior approval of the IFSCA	Ratios shall be maintained at the IBC level itself
Net stable funding ratio		
Cash Reserve Ratio	Exempt from maintaining the ratios except towards the deposits raised from the individuals resident in India or outside India	Ratios shall be maintained in accordance with the Banking Regulation Act, 1949 and the Reserve Bank of India Act, 1934

### ♦ **Other Amendments:**

- BUs are now permitted to provide referral services which covers activities where BUs can refer its or its parent bank's clients to other financial product or financial service providers.
- BUs are not permitted to undertake any activities which are prohibited by the home regulator of the parent bank.
- IFSCA has permitted BUs to insure the deposits with it to the extent provided in Deposit Insurance and Credit Guarantee Corporation Act.


### ♦ **Specified currencies:**

- BUs are required to conduct business, open bank accounts of customers and maintain their books of accounts only in specified foreign currencies as compared to other freely convertible foreign currency which are as follows:
  - US Dollar (USD)

- Euro (EURO)
- Japanese Yen (JPY)
- UK Pound Sterling (GBP)
- Canadian Dollar (CAD)
- Swiss Franc (CHF)
- Hong Kong Dollar (HKD)
- Singapore Dollar (SGD)
- UAE Dirham (AED)
- Russian Rouble (RUB)

## **AMENDMENT IN IFSCA CAPITAL MARKET INTERMEDIARIES REGULATIONS**

- ♦ Definition of Capital market intermediaries now includes Distributors which are “persons who engage with clients on behalf of an issuer or a service provider to facilitate investment or subscription into capital market products or services, for remuneration.”



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B 21-25, Paragon Centre,  
Pandurang Budhkar Marg, Mumbai – 400013  
Tel: 91-022-4073 3000, Fax: 91-022-4073 3090  
E-mail Id: [info@nashah.com](mailto:info@nashah.com)

