Frequently Asked Questions (FAQs)

On

IFSCA (Banking) Regulations, 2020 (as amended), IFSCA Banking Handbook and the Circulars on Internet Banking.

Section – I (General)

I. Establishment of Banking unit

1. What are the permitted legal forms for setting up of Bank in IFSC

At present, a Banking Unit in the IFSC may be established as a branch of the parent bank. Such branch is referred to as an IFSC Banking Unit (IBU).

2. What are the Licensing requirements for setting of a Banking Unit :

Banks shall require licence from the Authority to set up a Banking Unit in an International Financial Services Centre. An application for setting up a Banking Unit shall be made by the Parent Bank on the Single Window IT System portal of IFSCA (https://swit.ifsca.gov.in/EntityRegLogin/Index).

As per regulation 3 of the IFSCA (Banking) Regulations, 2020 (as amended) and module 1 on Licensing of Banking Units in IFSCA Banking Handbook: General Directions, the applicant shall satisfy the following requirements for grant of licence by the Authority to set up a Banking Unit:

a) The Parent Bank shall undertake to maintain necessary regulatory capital for the operations of the IBU, subject to a minimum of USD 20 million or such other level of capital that may be specified by the Authority. Such capital shall be maintained at the Parent Bank in the manner as specified by the Authority.

b) The Parent Bank shall obtain a No Objection Letter from its Home Regulator regarding setting up of the Banking Unit in the IFSC.

c) The Parent Bank shall submit an undertaking to the Authority to the effect:

(i) it shall ensure that the IBU shall have access to liquid assets and financial resources which are adequate in relation to the nature, size and complexity of the business of the IBU to ensure that there is no significant risk that liabilities cannot be met as and when they fall due.

(ii) it complies and shall continue to comply with its home regulator's prudential requirements;

(iii) it will share with the Authority reports pertaining to capital adequacy, liquidity risk and leverage ratio that it submits to its home regulator, within such time as may be specified by the Authority.

(iv) in case of breach of prudential requirements relating to Capital to Risk Weighted Asset Ratio (CRAR), Liquidity Coverage Ratio (LCR), Net Stable Funding Ratio (NSFR) and Leverage Ratio (s) set by its home regulator, it shall notify the Authority forthwith with relevant documents.

d) Any other requirement as may be specified by the Authority.

3. Can a Bank, which does not have a presence in India set up an IBU

Yes. A Banking company not having a presence in India may apply to the Authority to set up an IBU. The applicant bank, in addition to satisfying the requirements stated at 2 above, shall meet the requirement of section 22(3A) of the Banking Regulation Act, 1949... The Authority may seek the opinion of the Government of India or any body set up the Government of India before deciding on such an application. Further, the Banking Company not having presence in India, submitting an application to the Authority to set up an IBU shall also satisfy the additional conditions specified under para 6 of the IFSCA Banking Handbook: General Directions.

II. Banking Handbook:

4. Where are guidelines for operation of Banking Units in IFSC be found ?

.The detailed guidelines for IFSC Banking Units, in the form of IFSCA Banking Handbook, can be accessed on Authority's website at the following path: **about us> Legal framework> Circular.**

The Banking Handbook consists of three components viz. a) General Directions b) Conduct of Business Directions and c) Prudential Directions.

a) General directions (GEN): It deals with licensing of IBUs, defines the 'controlled' and 'designated' functions and the requirements from 'approved/ authorized individuals' who can carry out such functions. It also lays out the broad principles for banking business and provides information about IFSCA's supervisory functions.
b) Conduct of Business directions (COB) : it aims at ensuring that IBUs (and other financial institutions operating in IFSC, wherever made applicable) meet the minimum standards of conduct expected, particularly with regard to the treatment of their clients, their dealings with counterparties and other market participants and contribute to fostering and maintaining the integrity of the financial markets in IFSC.
c) Prudential directions (PRU): Prudential guidelines of the Home Regulator of the Banking Companies setting up IBUs shall apply – unless otherwise specified by the Authority. The Banking Handbook provides the minimum non-quantitative prudential requirements that shall be applicable for the IBUs in addition to those applicable on them as a branch of the Banking Company under the respective Home Regulations.

III. Governance of an IFSC Banking Unit:

5. What does governing body of the IBU mean ?

a) The Governing Body refers to the structure responsible for oversight of the IBU's operations. The composition of governing body of the IBU is laid down in para 2(1) of module 2 of the IFSCA Banking Handbook: General Directions (as amended).

b) The Banking company shall, prior to the commencement of the IBU's operations, appoint a Governing Body of the IBU and inform the Authority about the same in writing. The governing body of an IBU shall have at least 3 members. The duties of Governing body of the IBU are stated in para 5 of the module 2 of the IFSCA Banking handbook: General Directions (as amended).

6. Applicability of domestic laws of India to IFSC:

Unless specifically exempted, all domestic laws of India apply to IFSC. Banks may consider obtaining legal opinion on the applicability of individual laws to the IBU.

Transactions with persons resident in India shall be subject to the provisions of the Foreign Exchange Management Act, 1999 (FEMA).

7. What does approved individuals of the IBU mean

Approved individual refers to an employee of the IBU, working out of IFSC, who has been approved by the Authority to carry out specific functions mentioned in General Directions. Following positions with respect to an IBU are to be held by an Approved Individual at all times :

a) CEO/ Head-IBU
b) Compliance officer
c) such other role or function as the Authority may direct from time to time

For more information, please refer to the sub-point (a) of point (i) of para 3 of Module no. 3 titled "Controlled and Designated Functions" of General Directions of IFSCA Banking Handbook (as amended)

IV. Permissible Activities

8. What are the permissible activities of an IBU

A Banking Unit may undertake any or all the activities mentioned under clause (e) of sub-section (1) of Section 3 of the IFSCA Act, 2019 and Section 6 of the Banking Regulation Act, 1949, except those which are explicitly prohibited either by the Home Regulator of the Parent Bank of the IBU or by the Authority, subject to compliance with such terms and conditions or guidelines as may be specified by the Authority.

9. Are there any guidelines on outsourcing applicable on IBU

Yes, the guidelines on outsourcing are specified in para 3 of module on Systems and Controls in General Directions of the Banking Handbook.

V. Prudential Requirements for IBU

10. What are prudential requirements mandated for an IBU

The extant IFSCA regulations and the handbook have specified the requirement for compliance with certain prudential regulatory requirements for IBUs, such as Liquidity Coverage Ratio (LCR), Net Stable Funding Ratio (NSFR) and Leverage Ratio (LR). As the regulations also permit retail banking business by IBUs, an additional requirement in the form of Retail Deposit Reserve Ratio (RDRR) has been prescribed. These prudential rules applicable to IBUs are as under:

LCR and NSFR: IBUs are required to maintain on a standalone basis LCR and NSFR at a level that is higher of the minimum ratio prescribed by the home regulator of the banking company (of which the IBU is a branch) or as specified by the Authority from time to time. IBUs are permitted to maintain LCR at the parent level subject to permission from the Authority. At present, the Authority has not specified the requirement for NSFR while the minimum LCR prescribed is 100 per cent.

Leverage Ratio (LR): A minimum LR, as defined under the Basel Framework, for an IBU is required to be maintained by its banking company, subject to the regulations specified by the respective home regulator, unless otherwise specified by the Authority. IBUs are required to submit a quarterly certificate to this effect signed by an authorized official of its parent bank.

RDRR: IBUs are required to maintain RDRR on daily basis at 3 per cent of the deposits raised from individuals, outstanding at the end of the previous working day. The RDRR may be maintained in any specified foreign currency and in the form of balance in the nostro account of the IBU or as holdings of sovereign debt securities (including T-bills) rated investment grade or above by at least two rating agencies of international standing.

IBUs are required to submit a copy of the prudential reports being submitted to the home regulator, to the Authority also and comply with the prudential reporting requirements, as specified under the guidelines/ directions/ circulars issued from time to time. The prudential reporting formats may be accessed on the Authority's website in the following path: Downloads > Banking.

VI. Fee Structure

11. What are the various kinds of fees applicable for a Banking Company intending to set up as an IBU, and where should the fees be remitted?

The Banking Company is subject to three categories of fee:

a) One time application fee to be paid along with the application to set up an IBU
b) One time License fee to be paid post the receipt of In-principle approval
c) Recurring fee to be paid annually based on the annual turnover of the IBU.

The details of fee applicable to the IBU are specified in the circular 'Fee structure for the entities undertaking or intending to undertake permissible activities in IFSC or

persons seeking guidance under the Informal Guidance Scheme' dated March 2, 2026.

VII. AML-CFT/KYC

12. What are the Know Your Customer (KYC) and Anti-Money Laundering (AML) measures applicable to IBUs

IBUs are required to comply with the IFSCA (Anti Money Laundering, Counter-Terrorist Financing and Know Your Customer) Guidelines, 2022 (as amended) ("the guidelines").

13. Can IBUs rely on third party for KYC?

Yes. An IBU may rely on third party for KYC to the extent and subject to such conditions as specified in the guidelines. Please note that Chapter VI of the IFSCA (AML, CFT and KYC) guidelines, 2022 deals with the third-party reliance on Customer Due Diligence measures.

VIII. Global Administrative Office

14. What is Global Administrative Office

GAO is a financial institution set up in IFSC by a Banking Company that :

a. manages, administers, or coordinates the operations of the Parent Bank or any of the Group entities either in IFSC or outside IFSC;

b. provides support services to Parent Bank or any of the Group entities for execution of the permitted activities in IFSC or outside IFSC.

For more information, please visit Module No. 17 on Global Administrative Office in Conduct of Business Directions of IFSCA Banking Handbook.

15. Can GAO operate on same premises as that of IBU

The GAO of a Bank shall be located in IFSC, but not on the same or contiguous premises as the branch of the same bank, unless specifically permitted by the Authority. In case of an existing IBU of the banking company intending to set up GAO, the entity is required to seek approval for broad banding of the activities of the existing SEZ Unit (i.e. IBU).

Further, the resources provided for the GAO, including the Head-GAO and other personnel, shall be kept separate and distinct from that of the IBU (if any) or the Representative Office (if any) of the Banking company in IFSC.

IX. Representative Office

16. What is Representative Office (RO)

A Banking company incorporated in India or outside India is permitted to set up RO in IFSC vide section 3(9) of the IFSCA (Banking) Regulation, 2020 (as amended). A RO is permitted to undertake activities as specified under para 6 of the module 12 ('Representative Office') of the IFSCA Banking Handbook: Conduct of Business Directions. '

Section -II (Internet banking services for the clients of the IBU)

(Please refer to the Circular on Internet banking services to clients of IBUs dated April 2, 2024 and the Circular on Internet banking services to clients of IBUs – Review dated December 29, 2025 (as amended))

1. **Whether the display of live market rates for currency conversions, including the applicable spread offered to customers, on the customers' digital dashboard also includes the display of card rates.**

   The ability to view live market rates for currency conversions, including the applicable spread offered to customers, implies that internet banking platforms shall display prevailing market rates along with the spreads applied and does not include card rates. The intent of this requirement is to enhance transparency by providing customers with information on market rates. The actual rates offered to customers may vary from the prevailing market rates depending on the applicable spread.

   Further, reference is drawn to the para 4 of the Amendment to the Circular titled "Internet banking services to clients of IBUs –Review" dated June 30, 2026, the ability to view live market rates for currency conversions including the applicable spread offered to its customers has been made non mandatory.

2. **Whether the formats for viewing and downloading account statements by the clients of the IBU is limited to CSV, JSON and XML**

   No. CSV, JSON, and XML are illustrative sample formats only. Account statements provided by the IBU for viewing and download may be made available in any other machine-readable format apart from the above. The requirement of the customer/s would be the guiding principle behind this requirement.

3. **What does ability to provide white-listing options for IBU's fintech partners mean?**

   If the IBU partners with a fintech entity, the IBU may provide access to selected APIs for fintech partners for specific purposes like account verification, payments etc.,

4. **What does ability to initiate auto-schedule payouts including one-time, date based, recurring, rule-based executions mean**

Ability to initiate auto-schedule payouts by customer' means that the customer shall be provided with the facility to set up an automated payout schedule. The IBU may proceed with the transaction subject to applicable verification and other prescribed procedures.

5. **What does "Validation tools to identify incorrect account numbers to the extent feasible, currency mismatches, or regulatory non-compliance for e.g. the account is in a FATF compliant jurisdiction etc., before execution" mean**

   It is expected that IBUs, to the extent feasible, may avail services from third parties that provide validation tools to identify issues such as incorrect account numbers, currency mismatches (the beneficiary account is denominated in a different currency than the transaction currency) etc.,

6. **With respect to corporate customers holding current accounts, what principles shall govern the operation of user access management, including Master User access.**

   The operation of user access management including Master user access may be according to bank's policy.

7. **Whether obtaining explicit consent by the IBU from their customers for registering/de registering internet banking services applies to new customers or only existing customers**

   The obtaining of consent for registering/deregistering internet banking services applies only for existing customers.

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