



## **Consultation paper on the proposed International Financial Services Authority (Payment and Settlement Systems) Regulations, 2024**

### **Objective:**

1. The objective of this consultation paper is to seek comments/views/suggestions from the public on the proposed International Financial Services Authority (Payment and Settlement Systems) Regulations, 2020 (“the Regulations”).

### **Background:**

1. Sub-section (1) and clauses (b) to (f) of sub-section (2) of section 38 of the Payments and Settlement Systems Act, 2007 (“PSS Act”) empowers the Authority to make regulations consistent with the PSS Act to carry out the provisions of the PSS Act.
2. In exercise of the above powers the Authority proposes to notify the Regulations appended to this consultation paper.
3. The Regulations, inter alia, proposes to:
  - a. Lay down the procedure for applying to the Authority to set up a Payment System in IFSC and the format of such application.
  - b. Specify the factors that would be considered by the Authority while taking a decision on granting such authorisation\
  - c. Procedure for seeking exemption from authorisation and how such application would be processed.
4. The Regulations specify that the system provider would be required to comply, on an ongoing basis and to the extent applicable, with the Principles for Financial Market Infrastructure (PFMI) and, if designated as a systemically important payment system (SIPS) by the Authority, also comply with the requirements of Core principles for systemically important payment systems (CP-SIPS).
5. A draft of the Regulations is placed on the website of the IFSCA at <https://ifsc.gov.in/PublicConsultation>. General public and stakeholders are requested to forward their comments/suggestions through e-mail to Mr. Supriyo Bhattacharjee at [supriyo.b@ifsc.gov.in](mailto:supriyo.b@ifsc.gov.in) and Mr. Vaibhav Sattavan at [vaibhav.sattavan@ifsc.gov.in](mailto:vaibhav.sattavan@ifsc.gov.in) on or before **June 28, 2024**, in the attached format. The comments may be provided in MS Word or MS Excel format only.

**Format for providing comments / suggestions**

**Proposed IFSCA (Payment and Settlement Systems) Regulations, 2024**

<b>Name, Designation of the person</b>				
<b>Contact No.</b>				
<b>Name of Organisation</b>				
<b>Page No. of Draft Regulation</b>	<b>Reg. No.</b>	<b>Sub-Regulation No/Para No.</b>	<b>Comments/Suggestions/Suggested modifications</b>	<b>Rationale</b>

## **International Financial Services Centres Authority (Payment and Settlement Systems) Regulations, 2024**

*In exercise of the powers conferred by sub-section (1) of section 28 read with sub-section (1) of section 12 and sub-section (1) of section 13 of the International Financial Services Centres Authority Act, 2019 (50 of 2019); and section 34 B read with sub-section (1) and clauses (b) to (f) of sub-section (2) of section 38 of the Payments and Settlement Systems Act, 2007 (51 of 2007), the International Financial Services Centres Authority hereby makes the following regulations namely: -*

### **CHAPTER I**

#### **PRELIMINARY**

##### **1. Short title and commencement. -**

(1) These regulations may be called the International Financial Services Centres Authority (Payment and Settlement Systems) Regulations, 2024.

(2) They shall come into force on the date of their publication in the Official Gazette.

##### **2. Objective. -**

These regulations lay down the process of authorisation and operations of payment systems in International Financial Services Centres.

##### **3. Definitions. -**

(1) In these regulations, unless the context otherwise requires, the terms defined herein shall bear the meanings as assigned to them below and their cognate expressions and variations shall be construed accordingly-

(a) 'Act' means the Payment and Settlement Systems Act, 2007 (51 of 2007);

(b) 'Authority' means the International Financial Services Centres Authority established under sub-section (1) of Section 4 of the International Financial Services Centres Authority Act, 2019 (50 of 2019);

(c) 'Board' means the committee of the Authority known as the Board for Regulation and Supervision of Payment and Settlement Systems (BPSS) constituted under sub-section 2 of section 3 of the Act;

(d) 'Authorisation Certificate' means the certificate containing the authorisation issued by the Authority under sub-section (1) of Section 7 of the Act;

(e) 'International Financial Service Centre' shall have the meaning assigned to it under clause (g) of sub-section (1) of section 3 of the International Financial Services Centres Authority Act, 2019 (50 of 2019);

(f) 'Specified' means specified by subsidiary directions issued by the Authority and the term "specify" shall be construed accordingly.

(2) Words and expressions used and not defined in these regulations but defined in the Act or the Reserve Bank of India Act, 1934 (2 of 1934) or the Banking Regulations Act, 1949 (10 of 1949) or the International Financial Services Centres Authority Act, 2019 (50 of 2019) or any rules or regulations made thereunder shall have the same meanings respectively assigned to them in those Acts, rules or regulations or any statutory modification or re-enactment thereto, as the case may be.

## **CHAPTER II**

### **AUTHORISATION OF PAYMENT SYSTEMS**

#### **4. Application for authorisation for commencing or carrying on a Payment System. -**

- (1) Every person desirous of commencing or carrying on a Payment System in International Financial Services Centre (hereinafter referred to as 'applicant') shall submit an application under sub-section (1) of Section 5 of the Act to the Authority for grant of authorisation under sub-section (1) of section 7 of the Act.
- (2) The application under sub-regulation (1) shall be made in Form A and addressed to the Authority.
- (3) The application under sub-regulation (1) shall be accompanied by a non-refundable application fee of USD ....

#### **5. Grant of Authorisation Certificate. -**

- (1) On consideration of the particulars furnished by the applicant, if the Authority is satisfied that the requirements under sub-section (1) of Section 7 of the Act are fulfilled, it may issue an authorisation certificate in Form 'B' to the applicant to commence and carry on a Payment System and specify the date on which the authorisation shall take effect.
- (2) The Authority, while granting authorisation, may impose such conditions as it may deem fit, and the authorisation so granted shall be in force subject to satisfaction of such conditions.
- (3) The Authority may levy such amount as may be specified by it in the authorisation certificate towards fees for authorisation to be in force under clause (c) of sub-section (2) of Section 7 of the Act.
- (4) The Authority may, if it considers necessary for the proper conduct of the payment system, require the applicant to furnish a security deposit under clause (d) of sub-section (2) of Section 7 of the Act of such amount as may be specified by the Authority from time to time.

## **6. Exemption from Authorisation. -**

- (1) The Authority may, either suo moto or on an application made to this effect by the applicant to set up a payment system, by notification, exempt a payment system from the requirement of authorisation in exercise of its powers under proviso (d) to sub-section (1) of section 4 of the Act.
- (2) Any application for exemption under sub-section (1) shall include the rationale under which such exemption is being sought.
- (3) The Authority shall, after due consideration of the information provided in the application and any other information that may be available with it, decide to accept, with or without conditions or reject the request for exemption and communicate the same to the applicant within a period of ninety days from the date of application.

## **CHAPTER III**

### **COMPLIANCE WITH THE STANDARDS**

#### **7. Compliance with the Principles for Financial Market Infrastructures (PFMI). -**

Every system provider shall comply, on an ongoing basis and to the extent applicable, with the Principles for Financial Market Infrastructure issued by Committee on Payments and Market Infrastructures (CPMI) and International Organization of Securities Commissions (IOSCO) and such other norms as may be specified by the Authority from time to time.

#### **8. Compliance with Core principles for systemically important payment systems (CP-SIPS). -**

The system provider of a payment system designated as systemically important by the Authority shall comply, on an ongoing basis and to the extent applicable, to the Core principles for systemically important payment systems (CP-SIPS) issued by the Bank of International Settlements (BIS).

## **CHAPTER IV**

### **PAYMENTS INSTRUCTIONS AND DETERMINATION OF STANDARDS**

9. Every system participant, with respect to the format of payment instructions and other matters specified in clauses (a) to (f) of sub-section (1) of Section 10 of the Act, shall be governed by the regulations, guidelines, instructions or any subsidiary directions, as may be issued by the Authority from time to time.

## **CHAPTER V**

### **RETURNS, DOCUMENTS AND OTHER INFORMATION**

#### **10. Submission of returns, documents or other information etc. -**

(1) Every System Provider shall be required to submit to the Authority such returns, documents and other information as may be required by the Authority from time to time and in such form as specified by the Authority.

**11. Furnishing of accounts and Balance Sheet. -**

(1) Every system provider shall furnish to the Authority within three months from the date on which its annual accounts are closed a copy of its audited balance sheet as on the last date of the relevant year together with a copy of the profit and loss account for the year and a copy of the Auditor's report.

Provided that the Authority may, on an application made by the system provider, extend the said period of three months for furnishing of returns by a further period not exceeding three months.

(2) The system provider shall also publish, a copy of its balance sheet, profit and loss account and Auditor's report submitted to the Authority under sub-regulation (1), on its website, if any, or in two newspapers circulating in the area where its Registered office is located, within a period of one month from the date of submission of the same to the Authority.

**Form A**

**{See regulation 4(2) and section 5(2)}**

**APPLICATION FORM FOR AUTHORISATION TO SET UP A PAYMENT SYSTEM**

From:

Name and address of registered office / principal place of business of applicant  
(By Registered Post AD / Hand Delivery)

To

International Financial Services Centres Authority,  
2nd & 3rd Floor, PRAGYA Tower,  
Block 15, Zone 1, Road 1C,  
GIFT SEZ, GIFT City, Gandhinagar,  
Gujarat - 382 355

Dear Sir,

**Application for authorisation to set up a Payment System**

We hereby apply under sub-section (1) of Section 5 of the Payment and Settlement Systems Act, 2007 for authorisation to set up a Payment System in GIFT - International Financial Services Centre. The required information and documents have been furnished as per instructions.

We declare that to the best of our knowledge and belief the information furnished in the statements/annexes enclosed are true/correct and complete.

An amount of ..... (.....) as non-refundable application fees have been remitted to the Authority (details enclosed with the application) as application fees.

Yours faithfully

Signature:

Name:

Designation:

Company Seal:

Date and Place:

Encl: sheets

## **APPLICATION FOR AUTHORISATION TO SET UP A PAYMENT SYSTEM IN INTERNATIONAL FINANCIAL SERVICES CENTRE**

### **PART – A (General Information to be filled by applicant/s)**

1. Name of the Applicant:
2. Constitution of the Applicant (Company/ Limited Liability Partnership/ Registered Partnership / One Person Company / Body Corporate / If any other (please specify)) along with Registration/ Identification No. and *documentary proof*.  
  
For example: In the case of a Company, provide the Certificate of Incorporation, Memorandum of Association and Articles of Association.
3. Address of Head/ Corporate Office, Registered Office and Principal place of business of the Applicant (also provide FAX no, Email ID and Website):
4. Date of incorporation of the Applicant:
5. Date of commencement of business:
6. Main business of the Applicant:
7. Names and addresses of Holding company /subsidiary companies/associated companies/group entities:
8. Information on Management (Details like names and addresses of the Chief Executive and the Directors, their qualifications and experience and shares held by them in the applicant company):
9. Name of the statutory auditors and their business address (attach audited balance sheet, profit and loss statement of applicant for the last three years):
10. Name and address of the bankers to the applicant:
11. Information about any default in repayment of loan, advance or any credit facility taken from a bank or financial institution. If so, please provide details (attach a bankers' report on the functioning of the applicant account and its financial health):



## **PART – B (Details of the proposed Payment System)**

1. Complete details of the Payment System proposed to be set up including design, process flow, technology, security features, interoperability, technical standards etc.:
2. Infrastructural requirements of the proposed payment system and proposed arrangements for the same:
3. Activities of the proposed payment system which are to be outsourced to other entities within and outside International Financial Services Centre:
4. Necessity of the proposed payment system or the services proposed to be undertaken by it:
5. Expected benefits to the financial system from the operation of the payment system intended to be set up:
6. The terms and conditions of operation of the proposed payment system including any security procedure:
7. The manner in which transfer of funds shall be effected within the payment system:
8. The procedure for netting of payment instructions effecting the payment obligations under the payment system, if applicable:
9. Complete details of entities, if any, which will be associated with the applicant in setting up the proposed payment system:
10. Past experience of the applicant and the associated entities in the payment systems area:
11. Type of Payment System proposed to be set up (whether electronic fund transfer or payment card based/internet based/mobile phone based):
12. Method of settlement of payment claims (gross, net or hybrid method):
13. Name of the settlement agent, if any, for the Payment System (Whether the applicant or settlement agent will function as a central counterparty to provide guaranteed/secured settlement):
14. On which day will the account be credited/funds made available to the beneficiary:

15. Nature of risks associated with the proposed Payment System and the risk mitigation mechanism:

16. Customer grievance redressal mechanism of the proposed Payment System:

**PART – C (Financial Details and Manner of recovery of investment and earning income)**

1. Amount of investment required for execution of the proposed Payment System project:
2. Sources of financing such investment (Amount of own capital proposed to be deployed, Borrowings from banks, Borrowings from sources other than banks):
3. Expected rate of return on investment in the proposed Payment System:
4. Full details of how the applicant proposes to recover its investment and earn an income, that is, whether through cash flows or by levying joining fees, security fees, annual / operating charges etc.:
5. A business plan including a forecast budget calculation for the first 3 financial years that demonstrates that the applicant can employ the appropriate and proportionate systems, resources and procedures to operate soundly:
6. Evidence that the applicant holds initial capital in accordance with Regulation:
7. Any other information the applicant wishes to furnish:

**Form B**  
**{See regulation 5(1) and section 7 (2)}**

**INTERNATIONAL FINANCIAL SERVICES CENTRES AUTHORITY**  
**DIVISION OF PAYMENT AND SETTLEMENT SYSTEMS**

(IFSCA SEAL)

CERTIFICATE OF AUTHORISATION  
NO:

In exercise of the powers conferred on the International Financial Services Centres Authority by Section 12 and Section 13 of the the International Financial Services Centres Authority Act, 2019 (50 of 2019) and Section 7 read with Section 34B of the Payments and Settlement Systems Act, 2007 (51 of 2007),

.....

is hereby granted

Certificate of Authorisation

To commence and carry on a payment system for .....\*, with effect from....., subject to compliance with the terms and conditions given on the reverse of this Certificate.

Given under my hand

At Gandhinagar, Gujarat on this.....day of  
.....20

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Signature  
( )  
IFSCA Seal

## Terms and Conditions\*

1. The 'Authorisation Certificate' or a certified copy thereof shall be displayed at the main premises of the System Provider and its other offices.
2. The 'System Provider' shall adhere to the provisions of the Payment and Settlement Systems Act, 2007, regulations/directions/guidelines issued by the Authority.
3. A sum of .....dollars is deposited as authorisation fees with the Authority.
4. A sum of .....dollars is deposited as security deposit with the Authority.
5. Any other condition as may be specified.