



CONSULTATION PAPER ON AMENDMENTS TO THE IFSCA (CAPITAL MARKET INTERMEDIARIES) REGULATIONS, 2025

Objective

1. The objective of this consultation paper is to seek comments and suggestions from the public and stakeholders on the amendments to the IFSCA (Capital Market Intermediaries) Regulations, 2025.

Introduction

2. IFSCA notified the IFSCA (Capital Market Intermediaries) Regulations (CMI Regulations) in April 2025 (new CMI Regulations), replacing the IFSCA (Capital Market Intermediaries) Regulations, 2021. The new CMI Regulations provided detailed norms and requirements relating to principal officer and compliance officer of capital market intermediaries operating in the IFSC. Additionally, the definition of net worth was revised for certain intermediaries i.e. broker dealers, clearing members and investment bankers.
3. Under the new CMI Regulations, the capital market intermediaries were required to comply with the revised norms relating to (a) appointment of principal officer and compliance officer, and (b) infusion of additional capital to meet the revised net worth requirements, by October 1, 2025. Based on the representations received from stakeholders, the timeline for compliance has been extended to December 31, 2025.

Proposed Changes

A. Eligibility criteria for principal officer and compliance officer

Relevant Provisions in new CMI Regulations

4. Regulation 9 of the new CMI Regulations *inter alia* provide the following requirements for qualification and experience of principal officer and compliance officer of capital market intermediaries in the IFSC:

(1) A capital market intermediary shall designate a Principal Officer and a separate Compliance Officer based out of IFSC.

(2) A capital market intermediary shall ensure that the Principal Officer and the Compliance Officer meet the following educational qualification requirements:

(a) A professional qualification or post-graduate degree or post graduate diploma (minimum one year in duration) in finance, law, accountancy, business management, commerce, economics, capital market, banking, insurance or actuarial science from a university or an institution recognised by the Central Government or any State Government or a recognised foreign university or institution or association or a CFA or a FRM from Global Association of Risk Professionals or any other relevant educational qualifications as may be specified by the Authority:

Provided that a graduation degree in any field from a university or an institution recognised by the Central Government or any State Government or a foreign university would suffice where the Principal Officer or the Compliance Officer has a work experience of at least ten years in the financial services market:

.....

(3) A capital market intermediary shall ensure that the Principal Officer and Compliance Officer meet the following experience requirements:

(a) A Principal Officer shall have an experience of at least three years in the financial services market:

Provided that a person having a work experience of at least one year in ESG related activities may also be eligible for appointment as Principal Officer of an ERDPP.

(b) A Compliance Officer shall have an experience of at least two years in the financial services market:

Provided that the work experience in any other field shall be considered if the person has work experience of minimum two years in compliance related role or function in a company.

(4) The requirement of qualification and experience as mentioned in the sub-regulations (2) and (3) shall apply to all the appointments by a CMI after these regulations coming into force:

Provided that all the capital market intermediaries already registered with the Authority under these regulations as on the date of these regulations coming into force shall ensure that their principal officer and compliance officer meet the above requirements on or before October 01, 2025 or any other date as may be specified by the Authority.

Representations received

5. IFSCA is in receipt of several representations from market participants regarding difficulties faced by them in the appointment of principal officer and compliance officer in accordance with the criteria specified in the CMI Regulations.
6. In the extant regulations, a graduate degree has been permitted with ten years of experience in the financial sector. From the discussions with market participants, it has been observed that considering the nascent stage of capital markets ecosystems in the IFSC, the entities are finding it difficult to identify personnel with ten years of experience.
7. The market participants have also expressed that in case of post graduate degree, post graduate degree in disciplines such as Science, Technology, Engineering, and Mathematics (STEM), Fintech may also be considered a valid qualification for the

roles of principal officer and compliance officer. The regulations notified by IFSCA also permit foreign universities (International Branch Campus and Offshore Education Centre) to offer courses in subject areas such as fintech, science, technology, engineering and mathematics.

Proposals

8. In view of the above, it is proposed that, -

Proposal 1

(a) Post graduate degree in fintech, science, technology, engineering, and mathematics (STEM), may also be added as valid qualification to act as principal officer or compliance officer of a capital market intermediary.

Proposal 2

(b) The minimum number of years of experience for a graduate to act as principal officer / compliance officer of a capital market intermediary may be reduced from 10 years to 5 years.

9. Accordingly, regulation 9 (2) (a) of the CMI Regulations, 2025 is proposed to be amended as under:

*“A professional qualification or post-graduate degree or post graduate diploma (minimum one year in duration) in finance, law, accountancy, business management, commerce, economics, capital market, banking, insurance, ~~or~~ actuarial science, **fintech, science, technology, engineering or mathematics** from a university or an institution recognised by the Central Government or any State Government or a recognised foreign university or institution or association or a CFA or a FRM from Global Association of Risk Professionals or any other relevant educational qualifications as may be specified by the Authority:*

Provided that a graduation degree in any field from a university or an institution recognised by the Central Government or any State Government or a foreign

university would suffice where the principal officer or the compliance officer has a work experience of at least ~~ten~~five years in the financial services market:"

B. CMIs with Multiple Registrations

Relevant Provisions in CMI Regulations

10. Regulation 9(8) of the CMI Regulations, 2025 states as under:

Where an entity has multiple registrations under these regulations, the principal officer shall be appointed/ designated for each such registration separately:

Provided that an entity with registration as broker dealer, clearing member and depository participant may have the same person as principal officer for these activities:

Provided further that an entity with registration as credit rating agency and ERDPP may have the same person as principal officer for these activities.

Representations received

11. IFSCA is in receipt of representations from market participants to permit other categories (mainly custodian and distributors) to also operate with common principal officer as currently provided for broker dealers, clearing members and depository participants.
12. There are banks in IFSC that have taken multiple registrations with IFSCA for capital market intermediaries such as broker dealers, clearing members, depository participants, distributors, and custodians.
13. It has been represented that custodians also perform the role of clearing member for their clients with respect to exchange traded products. Functioning as clearing member and depository participant also support their custody operations.
14. During the discussions with market participants, it has been represented that the requirement to appoint separate principal officers is an impediment for some existing entities in IFSC to start new business activities.

Proposals

(a) Custodian

15. Custodians also perform the clearing functions for their clients in addition to the custodial activities. For performing the functions incidental to their custodial activities, custodians are generally registered as broker dealers, clearing members and depository participants also.
16. In IFSC, till date, 5 custodians are registered with IFSCA (4 of them being IFSC Banking Units). Most of these custodians are also registered as broker dealers, clearing members and depository participants.
17. At this stage, the ecosystem for custodians is at a nascent stage and appointing a separate principal officer for custodial activities may pose additional cost burden for such entities.

(b) Distributors

18. There are several broker dealers registered with IFSCA as distributors. IFSCA has also permitted broker dealers in IFSC to apply for registration as a distributor through a simplified registration process as both the activities complement each other and enable the same entity to offer multiple opportunities for its clients.
19. At this stage, the requirement to appoint separate principal officers for both activities (broker dealers and distribution) will be an impediment for entities desirous of providing both services. However, considering that the nature of activities are different, such entities should be required to appoint separate officer with adequate experience in financial services market as vertical head for conducting its distribution activities.

Proposed Amendments

Proposal 3

20. In view of the above, it is proposed that the entities having registrations as broker dealers, clearing members, depository participants, custodians and registered

distributors may have the same person as principal officer. However, as regards distribution activities, the entity may be required to appoint a separate official with adequate experience in the financial services market as a vertical head for its distribution business activities.

21. Accordingly, regulation 9 (8) of the CMI Regulations, 2025 is proposed to be amended as under:

(8) Where an entity has multiple registrations under these regulations, the principal officer shall be appointed/ designated for each such registration separately:

*Provided that an entity with registration as broker dealer, clearing member, ~~and~~ depository participant, **custodian and registered distributor** may have the same person as principal officer for these activities:*

Provided further that an entity having multiple registrations under the above proviso shall have a separate official with adequate experience in the financial services market as a vertical head for its distribution business activities:"

C. Net worth

Relevant Provisions in the CMI Regulations

22. As per regulation 3 (1) (cc) of the CMI Regulations, net worth is defined as under:

"net worth" means the aggregate value of the paid-up share capital (or capital contribution) and all reserves created out of the profits, securities premium account and debit or credit balance of profit and loss account, after deducting the aggregate value of the accumulated losses, deferred expenditure and miscellaneous expenditure not written off, as per the balance sheet, but does not include reserves created out of revaluation of assets, write-back of depreciation and amalgamation:

Provided that where an entity is a broker dealer, clearing member or investment banker, the 'net worth' shall mean the aggregate value of its liquid assets:

Explanation: Liquid assets for the purpose of this clause shall mean cash and bank balance, fixed deposits, Government Securities and other instruments as may be specified by the Authority;

23. As per the revised norms of net worth as mentioned above, broker dealers, clearing members and investment bankers are subject to maintenance of liquid net worth.

Representations Received

24. IFSCA is in receipt of representations from broker dealers and clearing members seeking clarification regarding the components of liquid assets to be included in the computation of net worth.

25. Specifically, the participants have requested guidance on whether components such as base minimum capital, security deposits, interest-free deposits, and various margins maintained with stock exchanges and clearing corporations may be considered as liquid assets for the purpose of net worth computation.

Proposal

Proposal 4

26. In view of the representations received from market participants, the following may be clarified:

- a) Base minimum capital and interest free deposit deposited by the broker dealers and clearing members with Stock Exchanges and Clearing Corporations shall not be considered part of liquid assets.
- b) Margins deposited with clearing member and clearing corporation by broker dealer and clearing member respectively, shall be considered as part of liquid assets.

D. Net Worth requirement for Custodians

Relevant Provisions in the CMI Regulations

27. IFSCA had issued a circular in February 2021 specifying the minimum net worth requirements related to registration/recognition of custodians in the IFSC. As per this circular, net worth requirement for the entities desirous of obtaining registration as custodians are as under:

Particulars	Net Worth requirement
Entity registered and regulated in India as a custodian and setting up branch in IFSC	Financial segregation by allocating funds to the tune of USD 700,000 towards the IFSC branch
Entity registered and regulated in overseas jurisdictions as custodian and setting up branch in IFSC	Minimum net worth of USD 7 million. Further, the entity has to ensure financial segregation by allocating funds to the tune of USD 700,000 towards the IFSC branch.
An entity regulated as capital market intermediary in foreign jurisdiction and setting up branch in IFSC	Minimum net worth of USD 35 million. Further, the entity has to ensure financial segregation by allocating funds to the tune of USD 3 million towards the IFSC branch.
Entity not falling under any of the above categories	Net worth of USD 70 million

Global Best Practices

28. Base capital / net worth requirements for custodians in various jurisdictions are as under:

Singapore (MAS) ¹	DIFC (DFSA) ²	ADGM (FSRA) ³	India (SEBI) ⁴
Base capital requirements of SGD 1	Base capital requirement is USD	Base capital requirement for	Net worth of minimum of Rs

¹ Source: First Schedule to the Securities and Futures (Financial and Margin Requirements for Holders of Capital Markets Services Licences) Regulations of MAS available at <https://sso.agc.gov.sg/SL/SFA2001-RG13?DocDate=20181005&ProvIds=Sc1-XX-Sc1-#Sc1-XX-Sc1->

² Source: Prudential – Investment, Insurance Intermediation and Banking Rulebook Module of the DFSA (<https://dfsaen.thomsonreuters.com/rulebook/pib-362>)

³ Source: Prudential - Investment, Insurance Intermediation and Banking Rulebook of FSRA, ADGM available at <https://en.adgm.thomsonreuters.com/rulebook/pru-332>

⁴ Source: SEBI (Custodian) Regulations, 1996 available at <https://www.sebi.gov.in/legal/regulations/sep-2025/securities-and-exchange-board-of-india-custodian-regulations-1996-last-amended-on-september-23-2025-96871.html>

Singapore (MAS)¹	DIFC (DFSA)²	ADGM (FSRA)³	India (SEBI)⁴
million (~ USD 770,000) for entities providing custodial services.	500,000 to USD 2 million depending on the type of products to be kept in the custody.	custodians (category 3B entities) is approximately USD 4 million.	75 crores (approximately USD 9 million).

29. It is to be noted that capital / net worth requirement in domestic jurisdiction and various global jurisdiction for the Custodian vary from USD 1 million to USD 9 million.

Proposal

Proposal 5

30. In view of the above, it is proposed that the minimum net worth requirement of USD 1 million may be specified for custodians registered with IFSCA. In the case of a branch, the net worth may be maintained at the parent entity level, with the specified amount duly earmarked for its branch in the IFSC, in accordance with Regulation 7(2) of the CMI Regulations.

31. Existing custodians that are required to infuse or earmark additional funds may be provided time till January 31, 2026 to comply with the revised net worth criteria.

E. Umbrella registration for CMIs

32. It has been observed that many entities in IFSC are currently holding multiple registration under the CMI Regulations (*such as broker-dealer, clearing member, depository participant, custodian, and distributor*). During the discussions, entities have requested the possibility for introduction of a unified or umbrella registration framework for undertaking capital market activities in the IFSC.

Global Best Practices

33. It has been observed that globally, financial centres such as Singapore have the concept of such unified registration for the capital market entities. In Singapore, MAS

issues a Capital Markets Services (CMS) License⁵ that permits an entity to carry out multiple regulated activities, such as:

- Dealing in capital markets products
- Advising on corporate finance
- Fund management
- Real estate investment trust management
- Product financing
- Providing credit rating services
- Providing custodial services for securities

Proposal

Proposal 6

34. Based on the above, IFSCA is exploring the introduction of an **Umbrella Registration** (unified registration) framework for Capital Market Intermediaries, which would enable an entity to seek registration for undertaking multiple activities through a single application form. This initiative will enhance ease of doing business and streamline the overall registration process.

Regulatory Objective and expected Impact

35. The proposed amendments / clarifications aim to enhance ease of doing business for capital market intermediaries in the IFSC.

Public Comments

36. In view of the above, comments and suggestions from the public are invited on the proposed amendments /clarifications to the IFSCA (Capital Market Intermediaries) Regulations, 2025. Further, comments and suggestions from public are also invited on the proposal of introducing umbrella registration for “Capital Market Intermediaries” highlighting the merits and challenges with the proposal. Further,

⁵ Source: <https://www.mas.gov.sg/regulation/capital-markets/apply-for-licensing-or-registration-of-capital-market-entities/cms-licence>

comments are invited on the safeguards that may be required for addressing potential conflicts of interest while undertaking multiple activities by the same entity.

37. The comments may be sent by email to Shri Shubham Goyal, Assistant General Manager at goyal.shubham@ifsc.gov.in and Shri Akash Boddeda, Assistant Manager at akash.boddeda@ifsc.gov.in with a copy to Shri Arjun Prasad, General Manager at arjun.pd@ifsc.gov.in with subject line “**Comments on the amendments to the IFSCA (Capital Market Intermediaries) (Amendment) Regulations, 2025**” latest by November 24, 2025.

38. The comments should be provided in the following format:

Name and Designation				
Contact No. and Email address				
Name of Organisation				
S. No.	Regulation no./Sub regulation no.	Text of the Regulation/ Sub-regulation	Comments/ Suggestions/ Suggested modifications	Detailed Rationale
