



## CONSULTATION PAPER ON THE PROPOSED IFSCA (PENSION FUND) REGULATIONS, 2025

### OBJECTIVE:

---

The main objective of the pension fund regulations in the IFSC is to establish a robust framework for long-term retirement savings, promote a secure and transparent environment for subscribers, and position the IFSC as a global hub for financial services.

1. **Subscribers Protection**

The primary objective is to safeguard the interests of subscribers (Non-Resident Indians and foreign citizens)

2. **Regulatory Oversight**

The regulations aim to create a strong regulatory framework for PFs operating within the IFSC.

3. **Operational Flexibility**

The regulations seek to provide a flexible and modern framework that offers a variety of investment options- Contribution, Multiple Scheme Type, and Diverse Exit options.

4. **Global Competitiveness**

By permitting investments in a wide range of global assets and allowing for a high allocation to Indian markets, the regulations aim to make the IFSC an attractive hub for international pension funds.

5. **Additional Benefits**

The regulations also aim to enhance the product's value proposition by integrating a healthcare benefit option.

### BACKGROUND:

---

1. IFSA had constituted an “Expert Committee on the Development of Pension Products at GIFT IFSC”. The Committee was headed by Prof. Mukul G. Asher, Professor, Lee Kuan Yew School of Public Policy at the National University of Singapore and had experts in the relevant field as its members. The Committee

submitted its report on July 08, 2024. The main recommendations of the Committee are as under:

- a. IFSCA should enable a Non-INR Denominated pension products;
  - b. IFSCA should allow pension funds to invest in Global Jurisdictions (seek exemption from the applicability of Sec.25 of the PFRDA Act;
  - c. The Pension Product Provider (PPP) should be registered with IFSCA.
  - d. IFSCA may issue Regulations for the pension products and conduct of the PPP.
  - e. Government of India may allow tax incentives to the subscribers (mainly NRIs/OCIs) subscribing the pension products in IFSC;
  - f. Government of India should have bilateral talks for Totalisation agreements especially with USA and UK.
2. Based on the recommendation of the Expert Committee the Government of India via a gazetted notification dated December 5, 2024, notified 'scheme operated by a pension fund' as a 'financial product'. Further, through a gazetted notification dated October 1, 2025, the Government of India has exempted the application of Section 25 of the PFRDA Act 2013 in IFSC.
3. The Authority now proposes to introduce the IFSCA (Pension Fund) Regulations, 2025 for enabling the launch of pension schemes from IFSC. The proposed regulations are enclosed in Appendix A.
4. These Regulations shall apply to:
  - a. All Pension Fund Managers (PFMs) registered with the International Financial Services Centres Authority (IFSCA) for offering and managing voluntary pension schemes from IFSC.
  - b. All voluntary pension schemes offered from IFSC targeting Non-Resident Indians (NRIs) and foreign citizens.
  - c. All Subscribers of such voluntary pension schemes.
  - d. All other entities involved in the ecosystem of such voluntary pension schemes, including Custodians, Trustees and Annuity Service Providers, to the extent specified herein.
5. A draft regulation 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. Mihir Upadhyay at [mihir.upadhyay@ifsc.gov.in](mailto:mihir.upadhyay@ifsc.gov.in) and Ms. Kanika Singh at [singh.kanika@ifsc.gov.in](mailto:singh.kanika@ifsc.gov.in) in the attached format. The comments may be provided in MS Word or MS Excel format only, latest by **25<sup>th</sup> November, 2025**.

**FORMAT FOR PROVIDING COMMENTS / SUGGESTIONS:**

**Proposed IFSCA (Pension Fund) Regulations 2025**

|                                        |               |                                     |                                                      |                  |
|----------------------------------------|---------------|-------------------------------------|------------------------------------------------------|------------------|
| <b>Name, Designation of the person</b> |               |                                     |                                                      |                  |
| <b>Contact No.</b>                     |               |                                     |                                                      |                  |
| <b>Name of the 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 (PENSION  
FUND) REGULATIONS, 2025**

---

## Contents

|                                                                                       |    |
|---------------------------------------------------------------------------------------|----|
| <b>Chapter I: Preliminary</b> .....                                                   | 5  |
| <b>Chapter II: Registration and Eligibility of Pension Fund Managers (PFMs)</b> ..... | 7  |
| <b>Chapter III: Schemes Features</b> .....                                            | 10 |
| <b>Chapter IV: Investment Management and Asset Allocation</b> .....                   | 13 |
| <b>Chapter V: Risk Management</b> .....                                               | 14 |
| <b>Chapter VI: General Obligations and Responsibilities</b> .....                     | 15 |
| <b>Chapter VII: Financial Aspects</b> .....                                           | 17 |
| <b>Chapter VIII: Compliance and Enforcement</b> .....                                 | 17 |
| <b>Chapter IX: Miscellaneous Provisions</b> .....                                     | 18 |
| <b>First Schedule</b> .....                                                           | 19 |
| <b>Second Schedule</b> .....                                                          | 20 |
| <b>Annexure-A</b> .....                                                               | 21 |
| <b>Annexure - B</b> .....                                                             | 23 |

## **INTERNATIONAL FINANCIAL SERVICES CENTRES AUTHORITY (PENSION FUND) REGULATIONS, 2025**

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 ; Section 52 read with Section 50A of the Pension Fund Regulatory and Development Authority Act, 2013, 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 (Pension Fund) Regulations, 2025.

(2) These regulations shall come into force on and from the date of their publication in the Official Gazette.

#### **2. Objectives**

These regulations provide the regulatory framework for registration, regulation and supervision of the pension fund managers in the international financial services centres in India, with the objectives of establishing a robust framework for long-term retirement savings, promoting a secure and transparent environment for subscribers, protecting their interests, and maintaining the integrity of the pension ecosystem.

#### **3. Applicability**

(1) These Regulations shall apply to:

(a) All Pension Fund Managers (PFMs) registered with the International Financial Services Centres Authority for offering and managing voluntary pension schemes from IFSC.

(b) All voluntary pension schemes offered from IFSC targeting Non-Resident Indians (NRIs) and foreign citizens.

(c) All Subscribers of such voluntary pension schemes.

(d) All other entities involved in the ecosystem of such voluntary pension schemes, including Custodians, Trustees and Annuity Service Providers, to the extent specified herein.

#### **4. Definitions**

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

a. "Act" means the International Financial Services Centres Authority Act, 2019 (50 of 2019);

b. "Annuity" means a series of payments made at regular intervals to the subscriber or their beneficiaries, in consideration of the accumulated amount and applied towards providing such periodic income;

c. "Associate" in relation to a person shall include another person:

(i) who, directly or indirectly, by himself, or in combination with other persons, exercises control over the first person;

(ii) who holds control of at least twenty percent of the total voting power of the first person;

(iii) who is a holding company or a subsidiary company of the first person; or

(iv) such other cases where the Authority is of the view that a person shall be considered as an associate based on the facts and factors including the extent of control, independence, conflict of interest;

d. "Authority" or "IFSCA" means the International Financial Services Centres Authority established under the sub-section (1) of section 4 of the Act;

e. "Board" refers to the Board of Directors of the Pension Fund Manager;

f. "Contribution" means any amount deposited by or on behalf of a subscriber into their Pension Account;

g. "Custodian" means a person who carries on or proposes to carry on the business of providing custodial services and is registered as a custodian with the Authority;

h. "Key Managerial Personnel" or "KMP" refers to the Chief Executive Officer, Chief Investment Officer, Chief Financial Officer, Company Secretary, or any other officer as may be designated by the Pension Fund Manager or the Authority from time to time;

i. "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;

j. "Pension Account" means an account opened by a subscriber with any pension fund manager, which, inter alia, reflects the subscriber's contributions, investment returns, and withdrawals;

k. "Pension Fund" means a fund established and managed by a Pension Fund Manager under these Regulations;

l. "Pension Fund Manager" or "PFM" means an entity registered and regulated by the Authority under these regulations to manage and administer pension fund(s);

m. "Scheme" refers to a specific investment option or product offered by a PFM having distinct investment objectives, strategies, and risk profiles;

n. "Scheme Information Document" or "SID" means the document containing all material information, including investment objectives, asset allocation strategy, risk profile, about a specific pension scheme offered by the PFM to prospective Subscribers;

o. "Subscriber" means a Non-Resident Indian (NRI) or a foreign citizen who has voluntarily joined the pension scheme and holds a Pension Account;

p. "Systematic Withdrawal Plan" or "SWP" means a facility allowing a Subscriber to withdraw a pre-determined amount at regular intervals from their accumulated corpus;

q. "Unit" means a fractional interest in a Pension Fund Scheme, representing the Subscriber's proportionate share of the underlying assets;

r. "Single Window IT System" or "SWIT" refers to an online platform designed, *inter-alia*, to facilitate the processing of applications submitted by the applicants for obtaining Certificate of Registration under these regulations;

s. "trustee" means a person who holds the assets of the scheme for the benefit of the subscriber.

(2) Words and expressions used and not defined in these regulations but defined in the Act or Acts mentioned in the First Schedule to the Act, or the Companies Act, 2013, 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: Registration and Eligibility of Pension Fund Managers (PFMs)**

### **5. Obligation to seek Registration**

Any entity, desirous to undertake the business of pension fund management under these regulations shall not commence operations in an International Financial Services Centre unless it has obtained a certificate of registration from the Authority as a Pension Fund Manager.

### **6. Eligibility Conditions for Registration**

(1) The applicant seeking registration with the Authority shall be required to have presence in an IFSC in the form of a company or branch of a company.

(2) The applicant or its parent or its associate shall have experience in managing a pension fund or a retail fund or an insurance business for a minimum of 10 years.

*Explanation* – For the purposes of this sub-regulation, “associate” shall, in relation to a person, mean another person who exercises control over of at least fifty percent of the total voting power of the first person.

(3) A applicant shall, at all times, maintain a minimum net worth requirement of USD 1 million.

(4) The applicant shall have the necessary infrastructure, including robust IT infrastructure, secure systems, and well-defined processes for pension fund management, record keeping, administration, grievance redressal, cyber security, and compliance, to ensure the effective discharge of its functions and obligations under these regulations.

(5) The applicant shall appoint a minimum of three employees who shall be responsible for the overall activities of the PFM, including but not limited to fund management, risk management, and compliance.

*Provided* that one of these three employees shall be designated as a compliance officer.

(6) The employees appointed in accordance with sub-regulation (5) shall have:

(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 Certified Financial Analyst or a Financial Risk Manager from Global Association of Risk Professionals; and

(b) minimum of 3 years of work experience in pensions, fund management, fund operations, investment banking, or asset management, which experience should involve direct responsibility for managing financial assets or overseeing critical fund operations.

*Provided* that a bachelor's degree in finance, law, accountancy, business management, commerce, or economics shall also suffice for a person with more than 10 years of work experience in pensions, fund management, fund operations, investment banking, or asset management

## **7. Fit and Proper**

(1) The applicant shall have a sound track record and general reputation of fairness and integrity in all its business transactions.

(2) The PFM shall ensure that the entity and all its employees, directors/ designated partners, key managerial personnel and controlling shareholders are fit and proper

persons, at all times, as per the criteria specified in First Schedule of these Regulations.

(3) Where any person has been declared as not 'fit and proper person' by an order of a regulatory authority, such a person shall not be eligible to apply for any registration, until she satisfies the fit and proper criteria.

## **8. Application for Registration**

(1) An entity desirous of obtaining a certificate of registration as a Pension Fund Manager in IFSC shall submit an application form through SWIT, accompanied by the specified fees and all necessary documents as required by the application form and relevant guidelines.

(2) The applicant shall provide comprehensive details regarding the applicant's corporate structure, financial standing (audited financial statement of past 3 years), proposed business plan, organizational setup, key personnel, and risk management framework.

(3) An application which is not complete in all respects shall be liable to be rejected.

## **9. Grant of Registration**

(1) The Authority, upon being satisfied that the applicant fulfils the eligibility criteria and requirements specified in these regulations and relevant guidelines, may grant a certificate of registration as a Pension Fund Manager, subject to the payment of applicable fee.

(2) The grant of registration may be subject to such terms and conditions as the Authority deems fit, including, but not limited to, compliance with specific operational or financial requirements.

(3) If the Authority, upon the examination of the application, is of the opinion that the registration cannot be granted, it shall communicate the deficiencies to the Applicant, giving it thirty (30) days' time to rectify them. If the Applicant fails to rectify such deficiencies to the satisfaction of the Authority within the specified time, the Authority may dispose of the application, refusing to grant registration and shall communicate the same to the Applicant, giving reasons for such refusal.

(4) The certificate of registration of a Pension Fund Manager shall be valid unless it is suspended or cancelled by the Authority or surrendered by the Pension Fund Manager and taken on record by the Authority.

(5) A Pension Fund Manager may file an application with the Authority for the voluntary surrender of its certificate of registration. The voluntary surrender of the certificate of registration shall be effective only after its acceptance by the Authority.

## **10. Conditions of Registration and Ongoing Compliance**

A pension fund manager shall, at all times:

- (i) maintain a dedicated and fully functional office space within International Financial Service Centre, adequate for its current and projected operations, including investment management, risk management, compliance, and administrative functions. The office space must be equipped with necessary infrastructure, secure Information Technology systems, communication facilities, and data storage capabilities;
- (ii) deploy and maintain robust, scalable, and secure technology systems for all aspects of its operations, including investment analysis, trading, risk monitoring, valuation, record-keeping, and cyber security;
- (iii) establish, document, and implement comprehensive internal policies and procedures covering all aspects of its operations, including investment decision-making, risk management, compliance, grievance redressal, and anti-money laundering (AML) / counter-terrorist financing (CTF) measures, which policies shall be regularly reviewed and updated;
- (iv) comply with the following Key Managerial Personnel (KMP) requirements:
  - (a) appoint competent and qualified key managerial personnel for critical functions, including investment management, risk management, compliance, and operations;
  - (b) ensure that all Key Managerial Personnel and other personnel involved in investment decision-making, risk management, compliance, and operations satisfy the "fit and proper" criteria, at all times, as specified under Regulation 7;
- (v) establish a clear organizational structure with well-defined roles, responsibilities, and reporting lines, ensuring adequate segregation of duties; and
- (vi) ensure continuous compliance with all provisions of the Act, these Regulations, and any other guidelines, circulars, or directions issued by the Authority.

### **Chapter III: Schemes Features**

#### **11. Voluntary Nature and Target Audience**

- (1) Participation in the pension scheme shall be entirely voluntary.
- (2) The pension scheme shall be open exclusively to Non-Resident Indians (NRIs) and foreign citizens, who are above the age of 18 years. PFMs shall establish robust Know Your Customer (KYC) and Anti-Money Laundering (AML) procedures to verify the eligibility and identity of the subscribers.

#### **12. Contribution Structure**

- (1) PFM shall provide subscribers the flexibility to determine the frequency and amount of their contributions (e.g., monthly, quarterly, annually, or lump sum).
- (2) Minimum contribution amounts, if any, may be specified by the Authority or by the PFM, with prior approval from the Authority.

#### **13. Investment Options and Scheme Types**

(1) PFMs shall offer a range of investment options, through schemes, to subscribers, categorized primarily as:

(a) Active Choice: Subscribers may actively choose their asset allocation across various asset classes within the specified limits.

(b) Auto Choice (Life Cycle Fund): A default option where asset allocation changes automatically based on the subscriber's age, gradually shifting from aggressive to conservative, as they approach retirement.

(2) Each Scheme shall have a clearly defined investment objective, strategy, and risk profile, which shall be detailed in its Scheme Information Document (SID).

#### **14. Scheme Filing and Approval Process**

(1) Each scheme offered by the PFM shall be constituted as a trust.

(2) The Pension Fund Manager shall file details of each new Scheme, or any material modification proposed to be made to an existing Scheme, with the Authority, for prior approval.

(3) The filing shall inter alia include the Scheme Information Document (SID), and any other information as may be required by the Authority.

(3) PFM shall appoint a Trustee before filing the SID with the Authority. The PFM shall ensure that the Trustee meets with the fit and proper requirements as specified in regulations.

(4) The scheme, as approved by the Authority, shall be launched within a period of 12 months from the date of its approval.

(5) The PFM shall ensure that any material changes in the information provided in the Scheme Information Document are immediately conveyed to the Authority.

#### **15. Withdrawal and Exit Options**

(1) Provision for Partial Withdrawal (Pre-Retirement): Limited partial withdrawals may be permitted for specific purposes, such as higher education, marriage, critical illness, housing, or any other purposes as maybe specified by the Authority, after a minimum lock-in period of five .

*Provided* that the partial withdrawal shall not exceed seventy-five percent of subscriber's contribution, or such limit as has been disclosed in the scheme information document.

(2) At Retirement/Superannuation/vesting period: Upon contributing for a minimum of ten years or attaining the age of superannuation, that is sixty years, whichever is earlier, a subscriber shall have the following options:

(a) Systematic Withdrawal Plan (SWP)- Withdraw a portion or the entire accumulated corpus in periodic installments over a chosen period. The terms and conditions of Systematic Withdrawal Plan shall be clearly defined by the PFM in the Scheme Information Document and approved by the Authority.

(b) Annuity- Utilize a portion or the entire accumulated corpus in the form of an annuity.

(c) Combination- Opt for a combination of Systematic Withdrawal Plan and annuity, allocating different portions of the accumulated corpus for each purpose.

(d) Deferral - Defer the withdrawal of the accumulated corpus, with or without further contributions, up to any time before attaining the age of seventy-five years.

(3) A minimum of twenty percent of the total corpus shall be utilised by the subscriber for the purchase of Systematic Withdrawal Plan or annuity or a combination of Systematic Withdrawal Plan and Annuity.

(4) In case the total accumulated corpus of a subscriber is below a threshold, as may be specified by the Authority, at retirement/superannuation, the entire amount may be withdrawn as a lump sum.

(5) If a subscriber exits from the scheme before superannuation or vesting period, a minimum of twenty-five percent of the total corpus shall be utilised by the subscriber for the purchase of Systematic Withdrawal Plan or annuity or a combination of Systematic Withdrawal Plan and Annuity.

(6) In the event of the subscriber's death, the entire accumulated corpus shall be paid as a lump sum to the nominee(s), or, in his absence, to the legal heir(s).

## **16. Portability**

Subscribers shall have the option to port their Pension Account from one Pension Fund Manager to another Pension Fund Manager registered under these Regulations, in such manner as may be specified by the Authority. The Authority shall provide guidelines for interoperability with other pension systems (e.g. NPS), subject to bilateral agreements and regulatory approvals.

## **17. Nomination**

Subscribers shall have the right to nominate one or more individuals to receive the accumulated corpus in the event of their death. Provisions for change of nomination shall be available as per the Pension Fund Manager's procedures.

## **18. Healthcare Benefit Option**

(1) The Pension Fund Manager may also offer a healthcare benefit option that allows subscribers to allocate a portion of their pension contributions towards a dedicated healthcare savings account.

(2) The Scheme Information Document for the scheme which contains the healthcare benefit option shall contain the details of the same.

(3) The healthcare benefit option offered in a scheme by the Pension Fund Manager shall be in accordance with the requirements specified in the Second Schedule.

## **Chapter IV: Investment Management and Asset Allocation**

### **19. General Principles of Investment**

The general principles of investment by Pension Fund Manager shall include the following:

- a. Long-Term Investment Horizon: Investments should align with the long-term nature of pension liabilities.
- b. Diversification: Diversifying the investments across asset classes, sectors, and geographies reduces risk
- c. Liquidity: Maintaining sufficient liquidity to meet member withdrawals and payments.
- d. Risk Management: A robust risk management framework must underpin all investment decisions.
- e. Safety and Prudence: The primary goal shall be the long-term safety of the pension savings.

### **20. Permissible Investments and Limits**

(1) Pension Fund Manager shall invest the pension assets only in the asset classes specified by the Authority, which include:

- a. Equities (listed public equities and private equities)
- b. Fixed Income (Government Bonds, Corporate Bonds, Private Debt)
- c. Real Assets (Real Estate, Infrastructure)
- d. Highly Traded Commodities
- e. Cash & Short-Term Instruments for liquidity management.
- f. Such other securities or financial products/ assets or instruments as may be specified by the Authority, from time to time.

(2) The specific investment limits for each asset class and sub-asset class shall be in accordance with Annexure-A, and the same shall be detailed in the respective Scheme Information Document (SID).

### **21. Geographic Diversification**

(1) India Exposure: Investment in Indian assets (across all permissible asset classes) by the Scheme may be up to 100% of the Scheme's Assets Under Management (AUM).

(2) Global Market Exposure (excluding India): For investments in global markets (outside India), the exposure to any single country shall not exceed 20% of the total assets under management for that Scheme, except for United States of America where

limit shall be maximum of 50 %. The limit shall apply to both direct and indirect exposures.

(3) PFMs are encouraged to diversify investments across major global regions to avoid over-reliance on any single economic or geopolitical bloc.

## **22. Concentration Limits**

Pension Fund Managers shall establish and adhere to strict concentration limits as detailed in the Annexure-A, including limits on:

- a. Single Issuer/Entity
- b. Industry/Sector
- c. Asset Class Specific Sub-limits
- d. Counterparty Limits

## **Chapter V: Risk Management**

### **23. Enterprise-Wide Risk Management**

Every Pension Fund Manager shall establish and maintain a comprehensive, enterprise-wide risk management framework, approved by its Board, to identify, measure, monitor, and mitigate all material risks associated with the management of pension funds. This framework shall be integrated into all aspects of the Pension Fund Managers operations.

### **24. Key Risk Categories**

The risk management framework shall cover, but not be limited to, the following key risk categories: Market Risk, Credit Risk, Liquidity Risk, Operational Risk (including Technology and Cyber Security Risk, Process Risk, People Risk), Compliance Risk, Concentration Risk, and Reputational Risk. Detailed methodologies for managing these risks shall be outlined in the Pension Fund Manager's internal risk management policies, in line with Annexure-B.

### **25. Risk Appetite and Limits**

The Pension Fund Manager's Board shall establish a clear and well-documented risk appetite statement, defining the overall level of risk the pension fund is willing to undertake. This shall be translated into specific, measurable, and actionable quantitative and qualitative risk limits for the total portfolio and individual components.

### **26. Risk Governance and Oversight**

Pension Fund Managers shall implement a robust risk governance structure, including a dedicated Risk Committee at the Board level and clear lines of accountability. A "three lines of defence" model shall be adopted for effective risk management.

### **27. Stress Testing and Contingency Planning**

Pension Fund Managers shall regularly conduct comprehensive stress tests and scenario analyses to evaluate portfolio resilience under extreme conditions. Robust business continuity plans (BCP) and disaster recovery plans (DRP) shall be developed, maintained, and regularly tested to ensure uninterrupted operations.

## **Chapter VI: General Obligations and Responsibilities**

### **28. Record-Keeping and Administration**

(1) Pension Fund Managers shall maintain a comprehensive, secure, and electronic record-keeping system for all Subscriber data and transactions. The system must ensure data integrity, confidentiality, and availability.

(2) Each Subscriber shall be assigned a unique Pension Account number.

(3) Pension Fund Managers shall provide Subscribers with online access to their Pension Account details, including transaction history, current valuation, and investment allocation.

### **29. Reporting and Disclosures**

(1) Pension Fund Managers shall submit periodic reports (monthly, quarterly, annually) to the Authority on their operations, financial performance, investment portfolios, compliance status, and any other information as may be specified and required by the Authority.

(2) Pension Fund Managers shall ensure transparent and timely disclosures to Subscribers regarding:

- a. Scheme Information Document (SID), investment objectives, and risk factors.

- b. Fees and charges.

- c. Performance reports on a yearly basis.

- d. Terms and conditions for contributions, withdrawals, and exit.

- e. Grievance redressal procedures.

- f. Annual consolidated statements detailing all transactions, investment performance, and fees charged.

### **30. Grievance Redressal Mechanism**

Pension Fund Managers shall establish a robust and easily accessible grievance redressal mechanism for Subscribers and provide details of the same in the Scheme Information Document. A dedicated grievance redressal officer shall be appointed, and clear timelines for resolution shall be disclosed by Pension Fund Manager. An

escalation matrix, including recourse to the Authority, shall be clearly communicated to Subscribers.

### **31. Auditing Requirements**

(1) PFMs shall be subject to annual statutory audits by independent auditors. The audit reports shall be submitted to the Authority.

(2) The Authority may also conduct special audits or appoint auditors to conduct concurrent audits as deemed necessary.

### **32. Custody of Assets**

The PFM shall ensure that all assets of the Pension Fund are held in safe custody by a Custodian licensed by International Financial Services Centres Authority or other relevant financial sector regulator. The Custodian shall be independent of the PFM and responsible for safekeeping, settlement, and reporting on asset holdings.

### **33. Constitution of the Trust**

(1) The trust shall be created under the laws of India (within or outside IFSC), or in a FATF-compliant foreign jurisdiction.

(2) The trust deed shall contain, as its main objective, the provision of undertaking the activity of a pension scheme and include responsibilities of the Trustee in accordance with the requirements specified by the Authority;

(3) Initially, the Trustee(s) to the trust shall be appointed by the Pension Fund Manager.

### **34. Appointment and eligibility of Trustee**

The trustee appointed for a trust shall fulfil the eligibility conditions as follows:

(a) The entity shall be authorised/registered as a trustee with the Authority or be authorised/registered with any other financial sector regulator, and shall be independent of the Pension Fund Manager.

(b) The trustee shall have the necessary wherewithal with respect to infrastructure, manpower, etc., to the satisfaction of the Authority, for carrying out its obligations.

### **35. Change in control**

(1) A Pension Fund Manager shall seek prior approval of the Authority in case of any direct or indirect change in control of the Pension Fund Manager:

*Provided that* where a Pension Fund Manager operating in the form of a branch is required to take prior approval from its sectoral regulator in its principal place of operation, it shall only inform such change to the Authority, within fifteen (15) days thereof.

(2) The Authority may consider such a request for change in control, subject to such conditions, as deemed appropriate.

### **36. Payment of Fees**

A Pension Fund Manager shall pay the fees pertaining to annual fees, Scheme Information Document filing fee or any other fees as may be specified by the Authority from time to time.

## **Chapter VII: Financial Aspects**

### **37. Fees and Charges**

(1) Pension Fund Managers shall be permitted to levy reasonable and transparent fees and charges from the subscribers, subject to prior approval by the Authority. These may include account opening charges, annual maintenance charges, investment management fees (as a percentage of Assets Under Management - AUM), and transaction charges.

(2) All fees and charges shall be clearly disclosed to Subscribers in the Scheme Information Document and other relevant documents.

### **38. Valuation and Net Asset Value Calculation**

(1) Assets of the Pension Funds shall be valued daily at market prices as per methodologies fully disclosed and documented by the Pension Fund Manager.

(2) The Net Asset Value (NAV) per unit for each Scheme shall be calculated and declared daily, based on the total value of assets less liabilities, divided by the number of outstanding units.

## **Chapter VIII: Compliance and Enforcement**

### **39. Compliance Officer**

Each Pension Fund Manager shall appoint a dedicated Compliance Officer, who shall be a Key Managerial Personnel and be responsible for ensuring adherence to these Regulations, other applicable laws, and internal policies. The Compliance Officer shall report directly to the Board.

### **40. Inspections and Investigations**

The Authority shall have the power to conduct inspections, investigations, and call for information from Pension Fund Managers, Custodians, and other entities involved, to ensure compliance with these Regulations and to protect Subscriber interests.

### **41. Action in Case of Default**

(1) The Authority may initiate any action, as it may deem fit, in case a Pension Fund Manager contravenes any of the provisions of these regulations, circulars, guidelines or directions issued thereunder.

(2) No action as referred under sub-regulation (1) shall be taken without giving the Pension Fund Manager a reasonable opportunity of being heard by way of written submissions.

#### **42. Grievance Redressal**

(1) Grievances of the Subscribers shall first be attempted to be resolved through the Pension Fund Manager's internal grievance redressal mechanism.

(2) If the grievance still remains unresolved, the Subscriber may take necessary steps in accordance with the circular on grievance redressal, issued by the Authority.

### **Chapter IX: Miscellaneous Provisions**

#### **43. Power to relax strict enforcement of the regulations**

(1) The Authority, for reasons to be recorded in writing, may in the interest of development of pension market in International Financial Services Centre, relax the strict enforcement of any requirements of these regulations.

(2) For seeking relaxation under sub-regulation (1), an application giving details and the grounds on which such relaxation has been sought, shall be filed with the Authority along with a non-refundable fee as may be specified by the Authority.

(3) The Authority shall process such application within sixty (60) days of the date of receipt of the application, complete in all respects, including responses to clarifications sought and shall record reasons for acceptance or refusal of the relaxations sought by the applicant.

#### **44. Power to call for information**

The Authority may call for any information, documents, Pension Fund Manager, trustee, custodian, or any other person associated with the pension market in international financial services centres.

#### **45. Power to specify procedures and issue clarification**

The Authority may, from time to time, specify norms, procedures, processes, or additional requirements, etc., by way of directions, guidelines, circulars, or clarifications, for the purposes of implementation of these regulations and matters incidental thereto.

#### **46. Power to remove difficulties**

In order to remove any difficulties in the interpretation or application of the provisions of these regulations, the Authority may issue directions through guidance notes or circulars.

#### **47. Cyber Security and Cyber Resilience**

A Pension Fund Manager shall have robust cyber security and cyber resilience framework in accordance with the requirements as may be specified by the Authority from time to time.

#### **48. Delegation of powers**

The powers exercisable by the Authority under these regulations shall also be exercisable by any officer of the Authority to whom such powers are delegated by the Authority.

### **First Schedule Fit and proper requirements**

1) A person shall be deemed to be a fit and proper person if:-

(a) such person has a record of fairness and integrity, including but not limited to-

- (i) financial integrity;
- (ii) good reputation and character; and honesty.

(b) such person has not incurred any of the following disqualifications –

(i) the person has been convicted by a court for any offence involving moral turpitude or any economic offence or any offence against securities laws;

(ii) charge sheet has been filed against such person by any Indian enforcement agency in matters concerning economic offences and is pending;

(iii) charges have been framed by a court of law or an equivalent institution in matters concerning economic offences;

(iv) a recovery proceeding has been initiated against the person by a financial regulatory authority and is pending;

(v) an order for winding up has been passed against the person for malfeasance;

(vi) the person has been declared insolvent and not discharged;

(vii) an order restraining, prohibiting or debarring the person from accessing or dealing in financial product(s) or financial service(s), has been passed by any regulatory authority, in any matter concerning securities laws or financial services market and such order is in force;

(viii) any other order against the person, which has a material bearing on the securities market, has been passed by the Authority or any other regulatory authority, and a period of three years from the date of the order has not elapsed;

Explanation. – For the above provision, the decision to determine materiality shall be that of the Authority

(ix) the person has been found to be of unsound mind by a court of competent jurisdiction and the finding is in force;

(x) the person is financially not sound or has been categorized as a wilful defaulter;

(xi) the person has been declared a fugitive economic offender; or

(xii) any other disqualification as may be specified by the Authority.

### **Second Schedule**

#### **Healthcare Benefit Option**

- 1) Sub-account: The Pension Fund Manager must maintain a separate "Healthcare Sub-Account" for subscribers who opt for this benefit. Contributions to this sub-account are distinct from the main pension contributions.
- 2) Regulatory Approval: Pension Fund Manager offering this option must obtain prior approval from the IFSCA and demonstrate a tie-up with a licensed health insurance provider or a healthcare benefit administrator.
- 3) Voluntary Contribution: The healthcare benefit is a voluntary option. Subscribers can allocate a portion of their regular contributions or make additional contributions to this sub-account.
- 4) Contribution Limits: A maximum of five percent of total contributions may be contributed to the healthcare sub-account.
- 5) Investment Mandate: Funds in the sub-account may be invested in a low-risk, highly liquid portfolio, including government bonds and money market instruments, to ensure they are readily available for healthcare needs.
- 6) Authorized Use: Funds can only be used for hospital expenses as provided in the Scheme Information Document by the Pension Fund Manager.
- 7) Pre-Retirement Access: Funds can be accessed at any time for medical emergencies or planned healthcare expenses.
- 8) Retirement and Rollover: Upon retirement, any unused balance may be used to purchase a health insurance annuity or be rolled over into the main pension corpus.

**PART – A**  
**PERMISSIBLE INVESTMENTS AND LIMITS**

*(Regulation 20)*

All exposures shall be calculated based on the total value of the portfolio.

**I. Fixed Income**

1. **Government Bonds:** A minimum of 30% of the portfolio shall be allocated in sovereign debt (e.g. Government of India Bonds) and highly rated public sector bonds. As a reflection of its safety, there shall be no upper limit for exposure to this asset class.
2. **Corporate Bonds:** A maximum of 40% may be allocated to corporate bonds.
3. **Investment-Grade:** At least 70% of the corporate bond allocation shall be made in investment-grade securities that are rated BBB and above.
4. **High-Yield/Non-Investment Grade:** A maximum of 5% of the portfolio may be invested in high-yield bonds, provided a thorough credit analysis is conducted on the same.
5. **Foreign Fixed Income:** A maximum of 15% of the portfolio may be invested in fixed-income instruments of foreign governments or corporations. All such investments must be in entities with a minimum sovereign credit rating of A or equivalent.

A rating from only one credit rating agency, either domestic or international, shall be sufficient for investment purposes of the pension funds.

**II. Equities**

1. **Total Equity Exposure:** The total allocation to equities may be 100% of the portfolio depending on the nature of the scheme floated by the Pension Fund Manager.
2. **Domestic Equities:** A maximum of 100% may be invested in Indian equities.
3. **Large-Cap:** A minimum of 50% of the domestic equity allocation shall be in large-cap stocks.
4. **Mid- and Small-Cap:** A maximum of 20% of the domestic equity allocation may be in mid- and small-cap stocks.
5. **Foreign Equities:** A maximum of 100% may be allocated to foreign equities, provided it's diversified across different developed and emerging markets.

**III. Alternative Investments**

1. **Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (InvITs):** A maximum of 10% may be allocated to these instruments. They shall offer exposure to real assets with a degree of liquidity.

2. **Private Equity and Venture Capital:** A maximum of 5% may be invested in these illiquid assets. Such investments may be carefully selected and align with the fund's long-term horizon.
3. **Commodities:** A maximum of 5% may be allocated to highly traded commodities, primarily through exchange-traded funds (ETFs).

**PART – B**  
**CONCENTRATION LIMITS**  
*(Regulation 22)*

1. **Single Issuer Limit:** The total exposure to securities issued by a single corporate entity or its related parties (including both debt and equity) should not exceed 5% of the portfolio. This shall not apply to government securities.
2. **Currency Risk:** The fund may implement a policy to manage currency risk and may include hedging strategies.
3. **Stewardship and ESG:** The investment guidelines must incorporate Environmental, Social, and Governance (ESG) factors in the investment selection process. Pension fund managers shall act as responsible stewards of their subscribers' assets.

**RISK MANAGEMENT***(Regulation 24)*

Effective risk management is crucial for the long-term stability and success of any pension fund. Given the complexity and scale of pension fund operations, it is essential to identify, assess, and mitigate risks across various categories, from financial market risks to operational and regulatory risks. A robust risk management framework ensures that Pension Fund Managers (PFMs) can manage these risks effectively, safeguard investor interests, and comply with regulatory standards.

**1. Risk Management Framework**

A comprehensive and structured risk management framework is the backbone of a PFM's ability to identify, assess, and manage the various risks inherent in the pension fund's operations. The PFM must establish processes and procedures that ensure that risks are proactively identified and mitigated throughout the investment lifecycle.

**1.1 Establishing a Robust Risk Management Framework**

The PFM must create a **formal risk management framework** that is integrated into the overall governance structure of the fund. This framework should include:

- **Risk Identification:** The PFM must establish procedures to identify all potential risks across the fund's operations. This includes financial risks (market, credit, liquidity), operational risks (process breakdowns, systems failures), and regulatory risks (compliance with laws and regulations).
- **Risk Assessment:** Once identified, each risk must be assessed in terms of its potential impact on the pension fund's performance and operations. The PFM should use quantitative and qualitative risk assessment methods to evaluate the severity and likelihood of each risk.
- **Risk Mitigation:** The PFM must develop strategies to mitigate or manage identified risks. This includes setting risk limits, diversifying the portfolio, using financial instruments like derivatives for hedging, and implementing robust internal controls to minimize operational risk.
- **Risk Monitoring and Reporting:** Continuous monitoring of risk exposure is essential to ensure that any changes in market conditions or internal operations are promptly addressed. The PFM should have systems in place to report risks to senior management and the Board, including periodic risk reports that provide an overview of the fund's risk profile.
- **Risk Governance:** The risk management framework should be overseen by a dedicated risk officer, who has the responsibility for ensuring the effective implementation of risk management practices and policies. This officer should report directly to senior management or the Board, ensuring that risk is integrated into the fund's decision-making processes.

## 2. Types of Risks

A well-rounded risk management framework must address a wide range of potential risks that could affect the pension fund. Below are the key types of risks that the PFM must consider and mitigate:

### 2.1 Market Risk

- **Definition:** Market risk refers to the potential for losses due to fluctuations in the market value of assets, such as stocks, bonds, commodities, or currencies. This includes:
  - **Price Risk:** The risk that the price of a security or asset will change in an unfavorable direction (e.g., stock prices falling or bond prices rising).
  - **Volatility Risk:** The risk that market volatility will increase, causing larger-than-expected price swings.
  - **Interest Rate Risk:** The risk that changes in interest rates will affect the value of fixed-income securities, such as bonds, in the portfolio.
- **Mitigation:** To manage market risk, the PFM must employ strategies such as diversification, hedging with derivatives, and asset allocation that balances the portfolio's exposure to different types of market risks. Additionally, the PFM can use stop-loss orders and dynamic asset rebalancing to reduce exposure to volatile assets.

### 2.2 Credit Risk

- **Definition:** Credit risk is the risk that an issuer of a security (such as a corporate bond or government bond) or a counterparty to a transaction may fail to meet its financial obligations. This includes:
  - **Default Risk:** The risk that the issuer of a bond or debt instrument will be unable to repay the principal or interest on the debt.
  - **Counterparty Risk:** The risk that a counterparty in a financial transaction (e.g., in derivative contracts or repurchase agreements) will default on their obligations.
- **Mitigation:** The PFM can mitigate credit risk by investing in high-quality, investment-grade securities, performing thorough credit assessments of issuers, and employing credit diversification across sectors and geographies. PFMs may also consider the use of credit default swaps (CDS) or other credit-linked instruments to hedge against credit risk.

### 2.3 Liquidity Risk

- **Definition:** Liquidity risk arises when the PFM is unable to buy or sell an asset in the market without significantly affecting its price or when the fund cannot

meet its short-term financial obligations (e.g., withdrawals from pension accounts).

- **Asset Liquidity Risk:** The risk that assets cannot be quickly converted to cash without incurring a loss.
- **Funding Liquidity Risk:** The risk that the pension fund does not have sufficient cash or liquid assets to meet obligations such as investor redemptions or operational costs.
- **Mitigation:** To mitigate liquidity risk, the PFM should maintain a liquid buffer of cash or highly liquid assets that can be accessed easily to meet short-term obligations. Additionally, the PFM should assess the liquidity profile of assets in the portfolio and limit exposure to illiquid assets. Stress tests can help the PFM anticipate potential liquidity shortfalls in extreme market conditions.

## 2.4 Operational Risk

- **Definition:** Operational risk refers to the risk of loss due to failures in internal processes, people, systems, or external events. This can include:
  - **Human Error:** Mistakes made by employees or managers, such as incorrect transaction execution or data entry errors.
  - **System Failures:** Breakdowns in technology, such as software glitches or cybersecurity breaches.
  - **Process Failures:** Flaws in internal procedures or controls, such as failing to reconcile accounts correctly or process transactions in a timely manner.
- **Mitigation:** To manage operational risk, the PFM should implement strong internal controls, comprehensive training programs for employees, and backup systems to minimize the impact of system failures. Regular audits, process automation, and continuous improvement initiatives can also help reduce the likelihood of operational failures.

## 2.5 Compliance Risk

- **Definition:** Compliance risk refers to the risk that the PFM may violate laws, regulations, or contractual obligations. This includes risks associated with:
  - **Regulatory Non-Compliance:** Failure to comply with regulatory requirements set by authorities such as the IFSCA, or any other relevant regulatory authority.
  - **Legal Disputes:** Potential litigation or legal actions taken against the PFM or the fund.
  - **Contractual Risk:** Risk of breaching contracts with investors, custodians, or service providers.

- **Mitigation:** Compliance risks can be mitigated by ensuring strict adherence to all relevant regulations, including periodic reviews of legal obligations. The PFMs appointed Risk & Compliance Officer is required to monitor regulatory changes and ensure that the fund operates within the boundaries of the rules and regulations.

### 3. Stress Testing and Scenario Analysis

Given the unpredictability of market and economic conditions, the PFM must regularly assess how the pension fund would perform under different stress scenarios. Stress testing and scenario analysis help identify vulnerabilities in the fund's portfolio and operations and allow the PFM to prepare for adverse outcomes.

#### 3.1 Conducting Stress Testing and Scenario Analysis

- **Stress Testing:** Stress testing involves simulating extreme market conditions (e.g., a market crash, sudden interest rate hikes, or geopolitical events) to evaluate the impact on the pension fund's portfolio. This helps assess whether the fund's risk management framework is robust enough to withstand market shocks.
- **Scenario Analysis:** Scenario analysis examines various "what-if" scenarios, such as changes in inflation rates, interest rates, or economic growth, to understand the potential impact on the fund's returns and risk profile. These analyses help the PFM understand the potential risks under different macroeconomic conditions.

#### 3.2 Corrective Actions Based on Findings

The findings of stress tests and scenario analyses must inform corrective actions. This could include:

- **Adjusting Asset Allocation:** Based on the outcomes of stress tests, the PFM may decide to rebalance the portfolio to reduce exposure to high-risk or illiquid assets.
- **Risk Reduction Strategies:** The PFM might choose to implement additional hedging strategies, adjust derivative positions, or increase the liquid cash buffer to safeguard against potential liquidity risks.
- **Contingency Plans:** Stress testing may reveal the need for updating contingency plans or setting up emergency liquidity lines to ensure the fund can meet investor redemption requests in times of crisis.

\*\*\*\*