



# **International Financial Services Centres Authority Bill 2019 introduces Unified Regulatory Authority**

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Recently International Financial Services Centres Authority Bill 2019 has been approved by the union cabinet to set up unified regulatory authority to regulate all financial services in India in International Financial Services Centres (IFSCs). So let's begin;

## **What is the International Financial Service Centre?**

The International Financial Services Centre is the institution which is involved in dealing with the flows of finance, financial products, and financial services across borders. This institution serves the customers outside the jurisdiction of the domestic economy. In India, the first International Financial Services Centre came into existence at GIFT City in Gandhinagar, Gujarat on 11th April 2015.

## **Purpose of setting up International Financial Services Centres (IFSCs)**


The primary purpose of setting up International Financial Services Centres is to promote the ease of doing business by bringing back the financial transactions carried out by the Indian business entities like "overseas branches or subsidiaries of Indian financial institutions" in offshore financial centres.

## **Functions of the International Financial Services Centre (IFSCs)**

### ***Here are the following functions of International Financial Services Centre (IFSCs)***

- IFSC contributes by bringing back the financial services and transactions to India which are carried out in offshore financial centers by the Indian corporate entities and overseas branches of financial institutions by offering a regulatory environment;
- The International Financial Services Centre operates in a similar manner as the international financial centers operate like international financial centers of London and Singapore;
- Easier access to global financial markets to the Indian corporate;
- These centers will further contribute to the development of financial markets in India.

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## Why has the Unified Regulatory Authority formed for IFSCs?

Currently, different sectors under IFSCs are regulated by their respective regulators like the banking sector is governed by the Reserve Bank of India (RBI), capital market sector is governed by the Securities and Exchange Board of India (SEBI) while the insurance sector is governed by the Insurance Regulatory and Development Authority of India (IRDAI). Hence, a high degree of inter-regulatory coordination is required in the IFSCs. There is also a requirement of continuous clarifications in the existing regulations which govern the financial products, financial services and transaction in IFSCs.

Therefore the Indian government realized the need of having a unified financial regulatory authority for IFSCs. The authority had been set up to provide world-class regulatory environment to the participants in financial market. The unified regulatory authority will also focus on the further development of IFSC in India.

## When the IFSCs Authority Bill introduced for forming Unified Regulatory Authority?

For IFSC, an introduction of unified regulatory authority was expected by the stakeholders. Therefore on 6th February 2019, the unified regulatory authority has been set up for regulating the financial services. The International Financial Services Centres Authority Bill 2019 (Bill) has been introduced on 12 February 2019 in the Rajya Sabha, for consideration.

Bill No. X of 2019

### THE INTERNATIONAL FINANCIAL SERVICES CENTRES AUTHORITY BILL, 2019

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BILL

*to provide for the establishment of an Authority to develop and regulate the financial services market in the International Financial Services Centres in India and for matters connected therewith or incidental thereto.*

BE it enacted by Parliament in the Seventieth Year of the Republic of India as follows:—

#### CHAPTER I PRELIMINARY

5 **1.** (1) This Act may be called the International Financial Services Centres Authority Act, 2019. Short title and commencement.

(2) It shall come into force on such date as the Central Government may, by notification in the Official Gazette appoint; and different dates may be appointed for different provisions of this Act, and any reference in any provision to the commencement of this Act shall be  
10 construed as a reference to the coming into force of that provision.

28 of 2005. **2.** This Act shall apply to the International Financial Services Centres set up under section 18 of the Special Economic Zones Act, 2005. Application.

**Note:** <http://164.100.47.4/BillsTexts/RSBillTexts/asintroduced/Int%20fin%20serv-RS%20intro-%20E-11%202%2019.pdf>

This step had been taken by the government to make the regulatory environment comparable with other international financial centres. If we talk about the current status then in International Financial Services Centres, different sectors like banking, insurance and capital markets are regulated by RBI, IRDA and SEBI respectively. Therefore inter-regulatory coordination is very significant for attaining object by the IFSCs. The introduction of one unified regulatory authority will make the regulatory environment better from the perspective of ease of doing business.

On this bill, an official said that

*“The establishment of a unified financial regulator for IFSCs will result in providing a world-class regulatory environment to market participants from ease of doing business perspective”.*



There is a provision under the bill regarding the establishment of the unified regulatory authority. There will be one nominee in the regulatory bodies such as RBI, SEBI, and IRDA as its member however finance minister reserves the nomination rights of two officials. This bill will regulate the financial products, financial services and financial institution in IFSC. IFSC offers easier access to global financial markets to Indian companies.

## **Major Highlights of the Unified Regulatory Authority under the Bill**

The Department of Economic Affairs, Union Ministry of Finance has drafted an International Financial Services Centres Authority Bill in order to set up a separate unified regulatory authority for International Financial Services Centres (IFSCs). Now, let's discuss some of the significant provisions defined under the bill.

### **1. Management of the Unified Regulatory Authority**

If we talk about the management of the authority then it will have one chairperson and one Member which shall be nominated by the following:

- Reserve Bank of India (RBI);
- Securities Exchange Board of India (SEBI);
- Insurance Regulatory and Development Authority of India (IRDAI) and;
- Pension Fund Regulatory and Development Authority (PFRDA).

Along with this, there will also be two members and two other whole-time / full-time/part-time members who will be nominated by the Central Government of India.

### **2. Term of Officials**

As per this bill, the chairman as well as a member shall hold office for a period of 3 years from the date officials entered into the office and for this period they shall be eligible for reappointment for the same period.



### **3. Functions of the Unified Regulatory Authority**

This unified regulatory authority is going to regulate financial services, financial products and financial institutions in the International Financial Services Centre. The Financial Sector Regulators have permitted this.

This authority will also regulate other financial products, financial services or institutions which shall be notified by the Central Government in future. Authority may also recommend other financial products, financial services or institutions to the central government.

### **4. Powers of the Unified Regulatory Authority**

The Unified Regulatory Authority will exercise the same powers which other financial regulators have such as RBI, SEBI, IRDAI, under the respective Acts in the IFSCs.

### **5. Processes and procedures of the Unified Regulatory Authority**

The same process & procedure shall be followed by the authority in relation to financial products, financial services or financial institutions which are prescribed under their respective acts.

### **6. Grants by the Central Government**

The Central Government may grant funds to the authority for the achievement of its purposes after due appropriation made by the Parliament.

### **7. Transactions in Foreign Currency**

In IFSCs, the authority specified in consultation with the Central Government that “the financial services transactions will be held in the foreign currency”.



## Takeaway

The Department of Economic Affairs and the Ministry of Finance made an effort to streamline the financial services in India. This bill has considered the regulatory requirements of the IFSC. Along with this, it has also considered the existing provisions of the financial sector. In a nutshell the union cabinet approved the bill for the ease of doing business and to clarify the operational norms for establishing new businesses. This step of the government will address the issues arise in the financial sectors. Such issues may occur because of the dynamic nature of the business activities proposed in the IFSCs.

I tried to cover as much as I could but if you still have questions in your mind and you want more information on financial matters then you can subscribe our learning page for regular alters or you can directly reach us on [info@enterslice.com](mailto:info@enterslice.com)





**THANK YOU**

