REGULATION AS AN ENABLER OF GROWTH AT THE CAPITAL MARKETS IN THE IFSC

Abstract

The article highlights the significance of the regulations in promoting Ease of Doing Business. It discusses the principles of SMART Regulations - Simple, Measurable, Accountable, Responsive and Transparent, as a guiding framework for developing an effective regulatory framework.

It mentions how IFSCA has incorporated these principles into its capital market regulatory framework particularly through its structured process for making the Regulations as provided under the IFSCA (Procedure for Making Regulations and Subsidiary Instructions) Regulations, 2025. It also highlights the significance of consolidating the various operational / procedural requirements in a single unified document in form of master circulars.

The central theme of the article is that for IFSCA, Ease of Doing Business is a continuous exercise, requiring regular engagement with stakeholders before and after issuance of the regulations. An efficient regulatory framework facilitates business growth without compromising investor protection and market integrity.



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Introduction

Ease of Doing Business and effective regulation are not competing objectives. A well-designed regulatory framework should facilitate innovation, and support market development, while ensuring market integrity and investor protection. For an emerging international financial centre such as GIFT IFSC, it is important that the regulatory approach should be globally benchmarked and responsive to the evolving needs of financial market. With a mandate to regulate the financial products, services and institutions in the IFSC, the Government of India, came out with the International Financial Services Centres Authority Act, 2019. Pursuant to the same, a unified financial regulator in IFSC, i.e. IFSCA was sent up in April 2020.

Ease of Doing Business does not mean merely to reduce the number of regulatory requirements, but to ensure that every requirement serves a clear purpose, is proportionate to the risks involved and facilitate ease of compliance. Given the unique

nature of international financial centre and to remain competitive in global financial landscape, it is essential that regulatory framework governing such jurisdiction is based on principles of SMART Regulations.

SMART Regulations: A Guiding Framework

For the purpose of regulation making, SMART may be understood as

- **S – Simple:** Regulations should be clear, coherent and easy to understand, avoiding unnecessary complexity and duplication for the regulated entities.
- **M – Measurable:** Regulatory requirements should have clearly defined objectives, timelines and compliance expectations, wherever appropriate.
- **A – Accountable:** Both regulated entities and the regulator should have clearly defined responsibilities, with appropriate accountability for compliance and regulatory outcomes.
- **R – Responsive:** Regulations should evolve with market developments, technological innovation and changing business requirements.
- **T – Transparent:** The regulatory process should be open, consultative and predictable, enabling stakeholders to understand the rationale behind regulatory requirements.

These principles are inter-related. Simplicity without adequate safeguards may compromise investor protection, responsiveness without transparency may create uncertainty, and accountability without clearly defined requirements may increase compliance costs. IFSCA's objective is to maintain the right balance.

Translating SMART Principles into Practice: Examples from IFSCA's Capital Markets Framework

A. Simplicity and fit-for-purpose regulation: IFSCA (Listing) Regulations, 2024

The IFSCA (Listing) Regulations, 2024 provide for a regulatory framework for listing of domestic and international issuers on the stock exchanges in the IFSC. The intent is to develop a *principle-based and fit-for-purpose framework,* rather than simply replicate domestic regulatory requirements or adopt a one-size-fits-all approach.

The framework has been drafted considering relevant international practices and benchmarks[1], while adapting them to the legal and regulatory context of the IFSC. The objective is to provide issuers with flexibility in accessing capital, without compromising appropriate disclosures, transparency or investor protection.

A principle-based approach also provides greater flexibility to respond to dynamic market practices. It focuses on the regulatory outcomes that need to be achieved, rather than specifying excessive procedural detail in every situation / aspect of the business.

Public consultation regarding the IFSCA (Listing) Regulations, 2024 was also nominated for the Best Consultation - Statutory Body by CIVIS.

Key message: Ease of Doing Business does not mean dilution of standards. It means ensuring that the standards are appropriate to the nature of the activity, the risks involved and the objectives of the IFSC.

B. Responsiveness and regulatory agility: IFSCA (Fund Management) Regulations, 2025

The Fund Management Regulations demonstrate how a regulatory framework can evolve in response to the needs of a growing financial ecosystem.

IFSCA undertook a comprehensive review of the earlier framework, including engagement with the Fund Management Advisory Committee, industry stakeholders and public consultation[2], culminating in the notification of the IFSCA (Fund Management) Regulations, 2025. The exercise was guided, among other things, by the objective of bringing in efficiency by streamlining processes/ timelines, reducing operational issues and the

[1] Consultation Paper on regarding IFSCA (Listing) Regulations, 2024 available at https://ifsca.gov.in/ReportPublication/index/sKCVtbX-6J9o=

[2] Consultation Paper on Amendments to IFSCA (Fund Management) Regulations, 2025 available at https://ifsca.gov.in/ReportPublication/index/sKCVtbX6J9o=

compliance burden.

The framework provides for different fund and investment structures, including venture capital schemes, restricted schemes, retail schemes, special situation funds and exchange-traded funds, within the applicable regulatory requirements. This illustrates the importance of a regulatory framework that can accommodate different investment strategies and business models, rather than constrain market development through a uniform approach.

Responsibility of the regulator does not end with the notification of regulations. Periodic review, stakeholder feedback and appropriate clarifications are essential to ensure that the framework remains relevant according to evolving needs of the market.

Key message: Regulations must not be static documents. They should evolve alongside the markets they seek to regulate.

C. Clarity and accountability: IFSCA (Capital Market Intermediaries) Regulations, 2025

The IFSCA (Capital Market Intermediaries) Regulations, 2025 provide a unified framework for the registration, regulation and supervision of capital market intermediaries operating in the IFSC. A unified framework provides clarity to the regulated entities regarding the applicable regulatory requirements and facilitates consistency in the regulatory approach towards different class of intermediaries. While jurisdictions generally prescribe separate regulations for different classes of intermediaries, CMI Regulations of IFSCA is a unified regulatory framework for regulation of the CMIs in the IFSC.

IFSCA has also come out with master circulars for CMIs in the IFSC which serve as single reference point for the capital market intermediaries in the IFSC. Recently, IFSCA has also issued a circular (Master Key) permitting the entities to apply a unified license for capital market activities based on global best practices.

Transparency in Regulation-Making: Consultation, Feedback and Review

A key component of SMART regulation followed by IFSCA is transparency, not only in the final regulatory framework, but also the process through which those regulations are developed.

IFSCA has a separate regulation for the making of regulations and subsidiary instructions. The IFSCA (Procedure for Making Regulations and Subsidiary Instructions) Regulations, 2025[3] provide for the process for regulations making, public consultation, approval, amendment and review of the regulations.

Public consultation enables the regulator to benefit from the practical experience of market participants, industry associations, experts and other stakeholders before finalising a regulatory framework.

Comments received during the consultation process are also uploaded in the website of IFSCA. This promotes transparency and enables stakeholders to understand the issues under consideration while drafting the regulations.

Consultation is not merely a procedural formality. It is an opportunity to identify unintended consequences, understand the challenges in implementation and assess whether a proposed regulations are proportionate to its intended objective.

The formal process also provides for periodic review of regulations i.e. once in 5 years unless warranted earlier. This is important because a requirement that was appropriate at one stage of market development may need to be reconsidered as markets, technology and business practices evolve over a period of time.

Key message: Transparency in regulation-making improves the quality of regulation. It builds trust, encourages meaningful participation and strengthens the legitimacy and predictability of the regulatory framework.

Simplifying Compliance Through Master Circulars and Subsidiary Instructions

Another practical aspect of Ease of Doing Business is the ease with which a regulated entity can identify and understand the requirements applicable to it.

[3] IFSCA (Procedure for making regulations and subsidiary instructions) Regulations, 2025 available at https://ifsca.gov.in/Legal/Index/ogGPf3wx5GE=

Regulations generally lay down the core legal and regulatory framework, while subsidiary instructions lay down procedural requirements and clarifications required for implementation.

However, over time, the issuance of multiple circulars can make it difficult for market participants to comply with the regulatory requirements. This can increase compliance costs and create avoidable complexity and duplication. To address this challenge, IFSCA has been issuing *Master Circulars,* which bring together the relevant requirements and directions applicable to a particular category of regulated entities or activities into a single reference document.

For example, following the notification of the Capital Market Intermediaries Regulations, 2025, IFSCA has undertaken work on consolidated master circulars for different categories of intermediaries, including investment advisers and broker-dealers and clearing members. IFSCA has also notified master circular for Stock Exchanges and Clearing Corporations.

Key message: Simplification is not limited to changing the law. It also involves making the law easier to locate, interpret and implement.

Conclusion: Ease of Doing Business as a Continuous Endeavour

Ease of Doing Business is not a one-time reform or a destination. It is a continuous process of listening to stakeholders, identifying unnecessary friction and improving the regulatory framework without compromising its core objectives.

For IFSCA, the task is particularly important because GIFT IFSC seeks to serve as an international financial centre. Our regulatory framework must therefore combine strong safeguards with flexibility, predictability and global relevance. Ultimately, the success of regulation should not be measured merely by the number of regulations issued or requirements removed. It should also be assessed by whether the framework enables legitimate businesses to operate efficiently, gives investors confidence, supports innovation and maintains market integrity.

The objective of IFSCA is simple: make compliance easier where requirements are unnecessary or duplicative, make expectations clearer where ambiguity exists, and make regulation more responsive where markets are evolving while remaining firm on investor protection and market integrity. MA



Heartiest Congratulations to CMA Delzad Dinyar Tanaz Jivaasha on being conferred the prestigious "Sustainability & Climate Risk Management Leader of the Year" award at the Asia Social Impact & Sustainability Summit & Awards 2026.

CMA Delzad, Deputy Vice President, Sustainability Risk Management & Investor Relations, ICICI Lombard General Insurance Company Limited, has demonstrated exemplary leadership in enterprise risk management, ESG and climate risk management. This recognition acknowledges his valuable contribution to advancing sustainability, strengthening governance and integrating climate risk into business strategy.

We extend our best wishes to him for continued success in his professional endeavours.