

## Bill Summary

### The International Financial Services Centres Authority Bill, 2019

- The International Financial Services Centres Authority Bill, 2019 was introduced in Lok Sabha by the Minister of Finance, Ms. Nirmala Sitharaman, on November 25, 2019. The Bill provides for the establishment of an Authority to develop and regulate the financial services market in the International Financial Services Centres in India. Key features of the Bill include:
- **Coverage:** The Bill will apply to all International Financial Services Centres (IFSCs) set up under the Special Economic Zones Act, 2005.
- **International Financial Services Centres Authority:** The Bill sets up the International Financial Services Centres Authority. It will consist of nine members, appointed by the central government. Members of the Authority will include: (i) the Chairperson, (ii) one member each to be nominated from the Reserve Bank of India (RBI), the Securities and Exchange Board of India (SEBI), the Insurance Regulatory and Development Authority of India (IRDAI), and the Pension Fund Regulatory and Development Authority (PFRDA), (iii) two members from among officials of the Ministry of Finance, and (iv) two members to be appointed on the recommendation of a Search Committee. Members will have a term of three years, subject to reappointment.
- **Functions of the Authority:** The Authority will regulate financial products (such as securities, deposits or contracts of insurance), financial services, and financial institutions which have been previously approved by any appropriate regulator (such as RBI or SEBI), in an IFSC. It will follow all processes which are applicable to such financial products, financial services, and financial institutions under their respective laws. The appropriate regulators are listed in a Schedule to the Bill, and includes the RBI, SEBI, IRDAI, and PFRDA. The central government may amend this schedule through a notification.
- Other functions of the Authority include: (i) regulating any other financial products, financial services, or financial institutions in an IFSC, which may be notified by the central government, and (ii) recommending any other financial products, financial services, or financial institutions to the central government, which may be permitted in an IFSC.
- **International Financial Services Centres Authority Fund:** The Bill sets up the International Financial Services Centres Authority Fund. The following items will be credited to the Fund: (i) all grants, fees and charges received by the Authority, and (ii) all sums received by the Authority from various sources, as decided by the central government. The Fund will be used for: (i) salaries, allowances and other remuneration of members and employees of the Authority, and (ii) expenses incurred by the Authority. Further, the central government may provide grants to the Authority for the regulation of IFSCs.
- **Performance Review Committee:** The Authority will constitute a Performance Review Committee to review its functioning. The Review Committee will consist of at least two members of the Authority. It will review whether: (i) the Authority has adhered to the provisions of the applicable laws while exercising powers or performing functions, (ii) the regulations made by the Authority promote transparency and best practices of governance, and (iii) the Authority is managing risks to its functioning in a reasonable manner. The Committee must submit a report of its findings to the Authority at least once every year.
- **Transaction in foreign currency:** As per the Bill, all transactions of financial services in IFSCs will be in such foreign currency as specified by the Authority, in consultation with the central government.

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