



INTERNATIONAL FINANCIAL SERVICES CENTRES AUTHORITY

e-file No.110/IFSCA/Banking Regulation//2020-21

October 16, 2025

Public Consultation on amendment to IFSCA Banking Handbook: COB Directions on restrictions by the Authority on the activity of providing credit

I. Objective:

1. The objective of this public consultation is to seek comments/views/suggestions from the public on the proposed amendments to the *Restrictions by the Authority on the Activity of Providing Credit* outlined in Module 16 ("*Providing Credit*") of the IFSCA Banking Handbook: *Conduct of Business (COB) Directions*. These proposed modifications are detailed in the draft circular annexed to this document.

II. Background:

1. Pursuant to the powers conferred under Banking Regulation Act, 1949 and IFSCA (Banking) Regulations, 2020 (as amended), read with Sections 12 and 13 of the IFSCA Act, 2019, the Authority has issued provisions on restrictions by the Authority on the activity of providing credit outlined in module 16 of the Banking Handbook: COB Directions v6.0.
2. On a review and based on the representations from regulated entities, it has been decided to modify the restrictions placed by the Authority on providing credit with respect to the following:
 - a) Advances to Directors and
 - b) Restrictions on Credit to Companies for Buy-back of their Securities

Regarding point 2(a), the restrictions have been revised in alignment with the Basel norms, specifying principles to be adhered to, while granting loans to Director of the Banking company (parent bank) of which it is a branch or to any related party of such Director.

Regarding point 2(b), the restrictions have been modified to permit the granting of

loans to companies for the purpose of buy-back of their securities, subject to compliance with the laws applicable in the companies' jurisdiction.

3. General public and stakeholders are requested to forward their comments/suggestions through e-mail to, Ms. Riddhi Bhandari at riddhi.bhandari@ifsc.gov.in and Mr. T. P. Samuel Wesley at wesly.samuel@ifsc.gov.in on or before November 7, 2025, in the attached format. The comments may be provided in MS Word or MS Excel format only.

Format for providing comments / suggestions:

Name, Designation of the Person				
Contact No.				
Name of Organisation				
Page No of Public Consultation	Para No.	Sub-Para No.	Comments/Suggestions /Suggested Modifications	Rationale

Draft Circular on Amendment to Restrictions by the Authority on providing of Credit in module 16 of Banking Handbook : COB Directions

1. In exercise of the powers conferred under Banking Regulation Act, 1949, and IFSCA (Banking) Regulations, 2020 (as amended), read with Sections 12 and 13 of the IFSCA Act, 2019, the Authority had issued provisions on restrictions by the Authority on the activity of providing credit outlined in module 16 of the Banking Handbook: COB Directions v6.0. In this regard, please refer to Para 4(ii)(b) and 4(ii)(d) of module 16 of the IFSCA Banking Handbook: COB directions v6.0.
2. The directions of the abovementioned para(s) of Banking Handbook shall be replaced by the following with immediate effect :

A) Para 4(ii)(b) of module 16 of IFSCA Banking handbook : COB Directions v6.0 – b) Advances to Directors: IBUs while granting loans to a Director of the Banking company (parent bank) of which it is a branch or to any related party of such Director¹ (“related parties”) shall:

- i) establish and implement a policy on loans to related parties
- ii) ensure that such loans granted is conducted free of conflicts of interest.
- iii) ensure that terms and conditions of such loans are not more favourable than other loans granted the IBU under similar circumstances.
- iv) prevent any person who may, or whose family member may, benefit directly or indirectly, from such loan, from being part of the approval process for such loan.
- v) ensure that thresholds, if any, on such exposures set by home regulator of the IBU are adhered to.
- vi) ensure that audits are conducted periodically, but not exceeding than a gap of six months, to ensure such loans granted are consistent with the IBU’s policy on loans to related parties as well as the directions of the Authority. if any, on such loans.
- vii) ensure that IBU intimates the Department of Banking Supervision of the Authority about the grant of loans to related parties within 15 working days of the date of the transaction.

¹ “Related party of such Director” means any firm in which such Director is interested as partner, manager, employee or guarantor, or any company [not being a subsidiary of the Banking company or a company registered under Section 8 of the Companies Act, 2013, or a Government company] of which, or the subsidiary or the holding company of which such Director is a director, managing agent, manager, employee or guarantor or in which he holds substantial interest, or any individual in respect of whom such Director is a partner or guarantor.

B) Para 4(ii)(d) of module 16 of IFSCA Banking handbook : COB Directions v6.0 – d) Restrictions on Credit to Companies for Buy-back of their Securities: IBUs may provide loans to companies for buy-back of their securities provided use of such loans for buy back of securities is permitted under the applicable law in the jurisdiction where such company is incorporated.

3. The relevant amendments to the IFSCA Banking Handbook shall be carried out subsequently. The content of the circular shall come into force with immediate effect.

Yours faithfully,

(Supriyo Bhattacharjee)
Chief General Manager
Department of Banking
