



CIRCULAR

F. No. 172/IFSCA/Finance Company Regulations/2024-25/01

October 30, 2024

To,

All Finance Company / Finance Unit registered in the International Financial Services Centres (IFSCs)

Subject: Amendment to the 'Framework for Aircraft Lease' with regard to transactions with person (s) resident in India.

1. Reference is drawn to the International Financial Services Centres Authority (Finance Company) Regulations, 2021 (FC Regulations) and the 'Framework for Aircraft Lease' (AL Framework) issued thereunder vide Circular No. 172/IFSCA/Finance Company Regulations/2022-23/01, dated May 18, 2022, as amended from time to time.
2. The AL Framework has now been amended with the insertion of a new clause, clause O.2 (Transactions with person resident in India).
3. The updated AL Framework, incorporating the above-mentioned clause is annexed to the circular and may also be accessed at www.ifsca.gov.in
4. This Circular is issued in exercise of powers conferred by section 12 of the IFSCA Act 2019, to develop and regulate the financial products, financial services and financial institutions in the IFSCs and the amendment to the AL Framework shall come into force with immediate effect.

Yours faithfully,

Riddhi Bhandari
General Manager

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Annexure

CIRCULAR

F. No. 172/IFSCA/Finance Company Regulations/2022-23/01 May 18, 2022

(Updated as on October 30, 2024)

All Finance Company / Finance Unit registered in the International Financial Services Centres (IFSCs)

Framework for Aircraft Lease

In exercise of the powers conferred by sub-clause (vi) of clause (d) of sub-section (1) of section 3 of the International Financial Services Centres Authority Act, 2019 (hereinafter referred to as 'IFSCA Act'), the Government of India vide Gazette Notification number S.O. 3652(E) dated October 16, 2020 has notified aircraft lease, including operating and financial lease and any hybrid of operating and financial lease of aircraft or helicopter and engines of aircraft or helicopter or any other part thereof, as a 'financial product'.

2. Further, in exercise of the above powers, the Government of India vide Gazette Notification number S.O.5199 (E) dated December 14, 2021, has notified operating lease, including any hybrid of operating and financial lease of such product or equipment as may be specified by International Financial Services Centres Authority, as a 'financial product'.
3. In exercise of the powers drawn from the aforementioned notification, the International Financial Services Centres Authority (hereinafter referred to as 'IFSCA') has specified an operating lease, including an hybrid of operating and financial lease, in respect of the following equipment, as 'financial product'¹:

“(a) any piece of mobile equipment, whether or not powered or self-propelled, purpose designed, built and used for ground handling, servicing or field maintenance of aircraft on the ramp area of an airport and includes any piece of ground support equipment specified as such by IATA from time to time; and

¹ Notified vide Gazette Notification No. IFSCA/2022-23/GN/023- dated April 12, 2022, read with corrigendum No. IFSCA/2022-23/GN/023 dated April 27, 2022.



- (b) *equipment used for providing services necessary for ramp handling including activities as specified in Schedule–I of the Notification number F. No. AAI/OPS/707/GHR-2018 dated 26th October, 2018 issued by Airports Authority of India, published in the Gazette of India, Extraordinary, Part III, Section 4, dated the 30th October, 2018, as amended from time to time.*

Explanation: The aforementioned equipment shall collectively be referred to as the ‘Aircraft Ground Support Equipment’.”

(c) Aviation training simulation devices² shall include devices as may be permitted by the Authority.

4. ³[As per sub-clause (g) of clause (iii) of sub-regulation (1) of regulation 5 of International Financial Services Centres Authority (Finance Company) Regulations, 2021 (hereinafter referred to as “Finance Company Regulations”) an operating lease transaction for aircraft lease is classified as a ‘permitted non-core activity’ and as per sub-clause (a) of clause (ii) of sub-regulation (1) of regulation 5 of the Finance Company Regulations a financial lease transaction for aircraft lease is classified as a ‘permitted core activity’ which includes a hybrid of financial lease and operating lease transaction for aircraft lease.]
5. The IFSCA, in order to facilitate setting up of the Aircraft Leasing business in the International Financial Services Centres (hereinafter referred to as “IFSCs”) and in exercise of the powers conferred under section 12, read with section 13 of the IFSCA Act, 2019, hereby specifies the following framework for entities to get registered under Finance Company Regulations as a ‘Finance Company’ or a ‘Finance Unit’ for undertaking aircraft lease transactions:

² Notified vide Gazette Notification No. IFSCA/2022-23/GN/037- dated April 11, 2023.

³ Revised vide IFSCA (Finance Company) (Amendment) Regulations, 2022- dated July 01, 2022. Before revision it stood as under:

“As per sub-clause (j) of clause (iii) of sub-regulation (1) of regulation 5 of International Financial Services Centres Authority (Finance Company) Regulations, 2021 (hereinafter referred to as “Finance Company Regulations”) an operating lease transaction for aircraft lease is classified as a ‘permitted non-core activity’ and as per sub-clause (d) of clause (ii) of sub-regulation (1) of regulation 5 of the Finance Company Regulations a financial lease transaction for aircraft lease is classified as a ‘permitted core activity’ which includes a hybrid of financial lease and operating lease transaction for aircraft lease.”



A. Applicability:

This framework shall apply to all applicants desirous of seeking registration for one or more of the permissible activities specified under this Circular.

B. Definition:

For the purpose of this Circular:

- (i) "Aircraft Ground Support Equipment" shall have the same meaning as assigned to it under Explanation of the Gazette Notification number IFSCA/2022-23/GN/023- dated April 12, 2022, issued by the IFSCA.
- (ii) ⁴["Lessor" shall mean an entity registered with IFSCA as a Finance Company or a Finance Unit in accordance with Finance Company Regulations and -
 - (a) engaged in the business of providing aircraft or helicopter and engines of aircraft or helicopter or any other part thereof and/or aircraft ground support equipment and/or aviation training simulation device under an operating lease, financial lease and/or a hybrid of financial and operating lease;
 - (b) any other related activity as may be specified by the Authority from time to time.]

C. Eligibility and Registration Requirement:

- (i) An applicant desirous of undertaking permissible activities in IFSCs as a Lessor shall meet the eligibility criteria and other requirements as specified under the Finance Company Regulations including the following:
 - (a) The applicant shall set-up operations in IFSC in the form of a Company or a Limited Liability Partnership (LLP) or a Trust or in any other form as may be specified by the IFSCA from time to time.
 - (b) In case the applicant is a company, the 'promoter', as defined in the Companies Act, 2013, of the applicant shall be located in a Financial Action Task Force compliant jurisdiction. In case the applicant is an LLP or a Trust, the partners or the trustees, as the case may be, shall also comply with this requirement.

⁴ Substituted vide Circular No 172/IFSCA/Finance Company Regulations/2022-23/003, dated April 26, 2023. Before substitution, it stood as under:

“(ii) Lessor shall mean an entity registered with IFSCA as a Finance Company or a Finance Unit in accordance with Finance Company regulations and -

- a. engaged in the business of providing aircraft or helicopter and engines of aircraft or helicopter or any otherpart thereof and/or aircraft ground support equipment under an operating lease, financial lease and/or a hybridof financial and operating lease;
- b. any other related activity as may be specified by the Authority from time to time.”



- (ii) An entity in IFSC, intending to undertake aircraft lease only through its wholly owned subsidiary(ies) setup in IFSC for the purpose, shall also be deemed to be a Lessor under this framework and it may make application for registration accordingly.

D. Application for Registration:

- (i) ⁵[An applicant desirous of undertaking permissible activities as a Lessor shall submit an application to the IFSCA in the Single Window IT System (SWITS) (<https://swit.ifsc.gov.in/>) along with the application fees as specified in this framework.]
- (ii) An applicant shall not undertake permissible activities as a Lessor unless it has obtained a Certificate of Registration from the IFSCA under Finance Company Regulations.

Explanation: An applicant desirous of undertaking 'Asset Management Support Services' for an asset other than as mentioned at clause 5 (E) (iv)⁶ of this Circular shall obtain a separate authorisation under the framework for enabling ancillary services at IFSC (Circular F.No. 206/IFSCA/Anc.Aux/2020-21 dated February 10, 2021), issued by the IFSCA.

Part I **Aircraft Operating Lease**

E. Permissible Activities:

⁷[A Lessor shall be permitted to undertake all or any of the following activities:

- (i) Operating lease for an aircraft lease arrangement;
- (ii) Operating lease for an aircraft ground support equipment;
- (iii) Operating lease for an aviation training simulation device;

⁵ Revised vide circular No. IFSCA-ITIn0WEB/1/2023-IT Infrastructure and Fintech- Part (1) titled 'Single Window IT System inter-alia for registration and approval from IFSCA, SEZ authorities, GSTN, RBI, SEBI and IRDAI' dated September 30, 2024.

⁶ Prior to amendment, it was numbered as 5(E)(iii)

⁷ Substituted vide circular No.172/IFSCA/Finance Company Regulations/2022-23/003 dated April 26,2023. Before substitution, it stood as under:

"A Lessor shall be permitted to undertake all or any of the following activities:

- (i) Operating lease for an aircraft lease arrangement including sale and lease back, purchase, novation, transfer, assignment, and such other similar transactions in relation to aircraft lease;
- (ii) Operating lease for an aircraft ground support equipment;
- (iii) **Asset Management Support Services for assets owned or leased out by the entity or by its wholly owned subsidiary (ies) set up in IFSCs in India;**
- (iv) any other related activity with the prior approval of the IFSCA."



(iv) Asset Management Support Services for assets owned or leased out by the entity or by any of its Group Entities set up in IFSCs in India;

Here “Group Entities” shall mean an arrangement involving two or more entities related to each other through any of the following relationships, viz. Subsidiary – parent (defined in terms of AS 21), Joint venture (defined in terms of AS 27), Associate (defined in terms of AS 23), a related party (defined in terms of AS 18), Common brand name and investment in equity shares (of 20% and above).

(v) Sale and lease back, purchase, novation, transfer, assignment, and such other similar transactions in relation to permitted activities specified in (i) to (iii) above, subject to such restriction as specified in clause O.2, and;

(vi) any other related activity with the prior approval of the IFSCA.]

F. Capital Requirement:

(i) A minimum owned fund of USD 200,000 or its equivalent in freely convertible foreign currency, is to be maintained at all times by the entity as specified in item no. 1 of Schedule of the Finance Company Regulations.

Explanation: “Owned fund” for a Lessor under this framework shall mean the paid-up-capital and free reserves balance in share premium account and capital reserves representing surplus arising out of sale proceeds of asset, excluding reserves created by revaluation of asset, as reduced by accumulated loss balance, book value of intangible assets and deferred revenue expenditure, if any;

(ii) In addition to F.(i) above, the IFSCA may specify maintenance of additional capital, as a risk management measure, based on the nature and scale of business of the Lessor.

G. Fees

⁸[(i) An entity desirous of undertaking permissible activities under this Part shall adhere to the fee structure and conditions, if any, specified under the IFSCA Circular

⁸ Revised vide Circular No. 865/IFSCA/Banking/Fee Revision/2022-23, titled ‘Fee Structure for the entities undertaking or intending to undertake permissible activities in IFSC, dated May 17, 2023. Before revision it stood as under:

“An entity desirous of undertaking permissible activities under this Part shall pay to the IFSCA the following fees:

(i) Application Fee: \$ 1000 (one time)

(ii) Registration Fee: \$ 5000 (one time)

(iii) Annual Fee: \$ 3000 (second year onwards)”



No. 865/IFSCA/Banking/Fee Revision/ 2022-23 dated May 17, 2023, on 'Fee structure for the entities undertaking or intending to undertake permissible activities in IFSC' (Fee Circular);

(ii) The fees payable during the process of application (application fees and registration fees) and after grant of registration (recurring fee) shall be as per the relevant provisions of the Fee Circular. The current applicable fees as per the Fee Circular are as under:

- a) Application Fee: \$ 1000 (one time)
- b) Registration Fee: \$ 12500 (one time)
- c) Annual Fee: \$ 5000 (recurring fee)]

Part II

Aircraft Financial Lease

⁹[H. Permissible Activities under financial lease:

A Lessor shall be permitted to undertake all or any of the following activities:

- (i) Financial lease or a hybrid of financial and operating lease for an aircraft lease arrangement;
- (ii) Financial lease or any hybrid of financial and operating lease for an aircraft ground support equipment;
- (iii) Financial lease or any hybrid of financial and operating lease for an aviation training simulation device;
- (iv) Sale and lease back, purchase, novation, transfer, assignment, and such other similar transactions in relation to permitted activities specified in (i) to (iii) above, subject to such restriction as specified in clause O.2;
- (v) Permitted activities as stated above at clause 5 (E) of this framework; and
- (vi) any other related activity with the prior approval of the IFSCA.]

⁹ Substituted vide circular No.172/IFSCA/Finance Company Regulations/2022-23/003, April 26,2023. Before substitution, it stood as under:

“A Lessor shall be permitted to undertake all or any of the following activities:

- (i) Financial lease or a hybrid of financial and operating lease for an aircraft lease arrangement including sale and lease back, purchase, novation, transfer, assignment, and such other similar transactions in relation to aircraft lease;
- (ii) Financial lease or any hybrid of financial and operating lease for an aircraft ground support equipment;
- (iii) permitted activities as stated above clause 5 (E) of this framework;
- (iv) any other related activity with the prior approval of the IFSCA



I. Capital Requirement for Lessors undertaking financial lease:

- (i) ¹⁰[A minimum owned fund of USD 3 million or its equivalent in freely convertible foreign currency, is to be maintained at all times by the entity as per item no. 2 of Schedule to the Finance Company Regulations.]
- (ii) In addition to (i) above, the IFSCA may specify maintenance of additional capital, as a risk management measure, based on the nature and scale of business of the entity.

J. Prudential and Other Requirements:

¹¹[Any entity desirous of undertaking permissible activities referred to under Clause 5(H) above, except for the activities under Clause 5(H)(v)¹², which is a core activity under the Finance Company Regulations, shall apply separately for registration for undertaking the permissible activities under this Part. For this purpose, an entity registered with IFSCA for undertaking operating lease for aircraft shall also be eligible. These activities shall be subject to the requirements under Regulation 4 (applicable prudential regulations), Regulation 7 (Know Your Customer and Anti-Money Laundering) and Regulation 8 (Corporate Governance and Disclosure requirements) as applicable for undertaking permissible core activities as per item no. 2 of Schedule to the Finance Company Regulations.]

K. Fees

- (i) ¹³[An entity desirous of undertaking permissible activities under this Part shall adhere

¹⁰ Revised vide IFSCA (Finance Company) (Amendment) Regulations, 2022, dated 1st July 2022. Before revision it stood as under,

“A minimum owned fund of USD 3 million or its equivalent in freely convertible foreign currency, is to be maintained at all times by the entity as per **item no. 5** of Schedule to the Finance Company Regulations.”

¹¹ Revised vide IFSCA (Finance Company) (Amendment) Regulations, 2022, dated 1st July 2022. Before revision it stood as under,

“Any entity desirous of undertaking permissible activities referred to under Clause 5(H) above, except for the activities under Clause 5(H)(iii), which is a core activity under the Finance Company Regulations, shall apply separately for registration for undertaking the permissible activities under this Part. For this purpose, an entity registered with IFSCA for undertaking operating lease for aircraft shall also be eligible. These activities shall be subject to the requirements under Regulation 4 (applicable prudential regulations), Regulation 7 (Know Your Customer and Anti-Money Laundering) and Regulation 8 (Corporate Governance and Disclosure requirements) as applicable for undertaking permissible core activities as per **item no. 5** of Schedule of the Finance Company Regulations.”

¹² Prior to amendment it was numbered as 5(H)(iii)

¹³ Revised vide Circular No. 865/IFSCA/Banking/Fee Revision/2022-23 dated May 17, 2023. Before revision it stood as under:

“An entity desirous of undertaking permissible activities under this Part shall pay to the IFSCA the following fees:

- (i) Application Fee: \$ 1,000 (one time)
- (ii) Registration Fee: \$ 12,500 (one time)



to the provisions under Fee Circular.

(ii) The fees payable during the process of application (application and registration fees) and after grant of registration (recurring fee) shall be as per the relevant provisions of the Fee Circular. The current applicable fees as per the Fee Circular are as under:

- a) Application Fee: \$ 1,000 (one time)
- b) Registration Fee: \$ 12,500 (one time)
- c) Annual Fee: \$ 12,500 (recurring fee)]

Part III

General Conditions

L. Currency for Conduct of Business:

All transactions undertaken by a Lessor shall be in freely convertible foreign currency only. However, the Lessor may defray their administrative expenses in INR by maintaining a separate INR account.

M. Maintenance of Books of Accounts, Records and Documents

The Lessor shall maintain its books of accounts, records, and documents as required under applicable law. The books of accounts and other financial information shall be maintained in any such freely convertible currency.

N. Submissions of Report / Information

- (i) The Lessor shall furnish the following information to the IFSCA within 15 days from the finalisation of annual financial statements:
 - a. Audited Annual financial statements.
 - b. Confirmation of compliance with the applicable regulations, circulars, guidelines and directions issued by the IFSCA.
 - c. Confirmation of compliance with capital requirement and details thereof.
 - d. Details of material regulatory action, if any, against the Promoters, Key Managerial Persons or persons controlling the Lessor.
- (ii) The Lessor shall submit all the financial information, expressed in USD, to the IFSCA, unless otherwise specified.

(iii) Annual Fee: \$ 12,500 (second year onwards)”



(iii) The IFSCA may, from time to time, call for any information, documents, or records as it may deem necessary from the Lessor.

O. Compliance with Other Requirements

- (i) The Lessor shall comply with the Cape Town Convention and Protocol and all other applicable statutory obligations, regulatory requirements, standards, policies, directions and guidelines.
- (ii) The Lessor shall deploy resources commensurate with its business operations.

¹⁴[(iii) The Lessor shall comply with the 'IFSCA (Anti Money Laundering, Counter-Terrorist Financing and Know Your Customer) Guidelines, 2022, dated October 28, 2022.]

¹⁵[O.1. Sharing of office space or manpower or both as per Rule 21B of the SEZ Rules 2006:

The terms and conditions of sharing of office space or manpower or both as per Rule 21B of the SEZ Rules 2006 shall be governed by the circular No.535/IFSCA/FC/ALF/2023- 24/02, titled 'Utilisation of office space or manpower or both by entities undertaking aircraft leasing activity in the International Financial Services Centre ('IFSC'), dated April 18, 2023.

¹⁶[O.2. Transactions with person(s) resident in India:

- (a) No person(s) resident in India may sell, transfer, lease or otherwise dispose ("disposal"), any asset(s) covered under this framework ("assets"), or a right or interest related to such assets, to a Finance Company undertaking aircraft leasing activity(ies), in circumstances where such assets, on or after its disposal, will be operated or used solely by person(s) resident in India or to provide services to person(s) resident in India.
- (b) The restrictions in clause (a) above shall not apply where:
 - (i) such disposal is to a Lessor who is not a 'Group Entity' of such person(s) or;

¹⁴ Inserted vide notification No. IFSCA/2022-23/GN/GL/001, titled 'International Financial Services Centres Authority (Anti Money Laundering, Counter-Terrorist Financing and Know Your Customer) Guidelines, 2022, dated October 28, 2022.

¹⁵ Inserted vide Circular No.535/IFSCA/FC/ALF/2023-24/02, titled 'Utilisation of office space or manpower or both by entities undertaking aircraft leasing activity in the International Financial Services Centre ('IFSC'), dated April 18, 2023.

¹⁶ Inserted vide Circular No. 172/IFSCA/Finance Company Regulations/2024-25/01, titled 'Amendment to the 'Framework for Aircraft Lease' with regard to transactions with person (s) resident in India' - dated October 30, 2024



- (ii) such disposal is to a Lessor as part of sale and leaseback arrangement of such assets which are being imported into India for the first time.

P. Action in Case of Default

If a Lessor fails to fulfil the conditions subject to which the registration is granted, the IFSCA may take any action as it may deem fit, after giving an opportunity of making submissions, if any.

Q. Power to Remove Difficulties, Specify Procedures and Issue Clarifications

For the purpose of implementation of this framework and matters incidental thereto, or in order to facilitate and regulate the permissible activities, the IFSCA may specify the necessary norms, procedures, processes, manners and may also provide necessary relaxations.

6. The Circular bearing ref. no. F. No. 28/IFSCA/ALF/2020-21 dated 19th February, 2021 is subsumed in this Circular and thereby stands repealed from the date of issuance of this Circular.
7. This Circular is issued in exercise of powers conferred by section 12 of the IFSCA Act to develop and regulate the financial products, financial services and financial institutions in the IFSCs.
8. A copy of this Circular is available on the website of the IFSCA at www.ifsc.gov.in/circular.

Yours faithfully,

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