



CIRCULAR

IFSCA-PLNP/7/2023-Capital Markets

February 09, 2024

To,

1. Stock Exchanges and Depository in the IFSC
2. All Broker Dealers, Depository Participants and Custodians in the IFSC

Madam/Sir,

Sub: Direct Listing of Indian companies on the stock exchanges in IFSC – Monitoring of investments from countries sharing land border with India

1. The Government of India has notified [the Foreign Exchange Management \(Non-debt Instruments\) Amendment Rules, 2024](#) and [the Companies \(Listing of Equity Shares in Permissible Jurisdictions\) Rules, 2024](#) on January 24, 2024 enabling direct listing of equity shares by public Indian companies on the International Exchanges at IFSC.
2. Clause 2 of Schedule XI of Foreign Exchange Management (Non-debt Instruments) Rules, 2019 (NDI Rules), *inter-alia*, provides that -

“Permissible holder .- (a) permissible holder means a holder of equity shares of the Company which are listed on International Exchange, including its beneficial owner:

Provided that such a holder who is a citizen of a country which shares land border with India, or an entity incorporated in such a country, or an entity whose beneficial owner is from such a country, shall hold equity shares of such public Indian company only with the approval of the Central Government.

...

Explanation 2.- The permissible holder, including its beneficial owner, shall be responsible for ensuring compliance with this requirement. The public Indian company, in its offer document, by whatever name called in the permissible jurisdiction, shall make a disclosure to this effect.”

3. Based on suggestions received from stakeholders, IFSCA hereby specifies the following mechanism to ensure compliance by permissible holders with the proviso to clause 2 of Schedule XI of NDI Rules:

A) Know Your Customer (KYC) and Client Due Diligence (CDD) by Broker Dealers, Depository Participants and Custodians

- a) In accordance with the IFSCA (Anti Money Laundering, Counter-Terrorist Financing and Know Your Customer) Guidelines, 2022 (AML CFT Guidelines), broker dealers, depository participants and custodians in the IFSC are required to conduct KYC and CDD including identification of beneficial owners.
- b) All broker dealers, depository participants and custodians, after conducting KYC and CDD, shall maintain a list of all clients that meet any of the following conditions:
 - i. The Client is a citizen of a country sharing land border with India;*
 - ii. The Client is incorporated in a country sharing land border with India; or*
 - iii. Any beneficial owner of the client is situated in or is a citizen of a country sharing land border with India.*
- c) This list shall be updated at the time of each onboarding of a new client, in addition to its periodic updation in accordance with the applicable periodicity under the AML CFT Guidelines.
- d) All broker dealers, depository participants and custodians in the IFSC shall prepare a list of all their existing clients falling under 3 (A) (b) above within 30 days from the date of this circular.
- e) The list prepared by the broker dealers shall be shared with the respective Stock Exchanges in the IFSC for the purpose of monitoring and conducting market surveillance. Any updation by a broker dealer in the list shall be immediately informed to the respective stock exchanges, within one working day of such updation.
- f) The list prepared by the depository participants shall be shared with the Depository, and the depository in turn shall share the same with the recognised stock exchanges in IFSC. Any updation by a depository participant in the list shall be immediately informed to the depository, within one working day of such updation.

B) Declaration by Clients

a) Clients from countries sharing land border with India

Broker dealers, depository participants and custodians shall take a signed declaration from all their clients falling under paragraph 3 (A) (b) above ("Identified Clients") that they shall not hold equity shares of a public Indian

company listed or proposed to be listed on a stock exchange in IFSC, without prior approval of the Central Government.

This declaration shall be taken at the time of initial onboarding and also at the time of periodic updation of client due diligence.

b) Clients from other countries

Broker dealers, depository participants and custodians shall take a signed declaration from all other clients stating that neither the client nor any of its beneficial owners, as defined under the PML Rules read with AML CFT Guidelines, is situated in or is a citizen of a country sharing land border with India. This declaration shall be taken at the time of initial onboarding and also at the time of periodic updation of client due diligence.

C) Primary Market Issuance

The recognised stock exchanges in the IFSC shall have adequate mechanisms to ensure that the Identified Clients do not participate in the primary market issuance of equity shares of Indian companies listed on the recognised stock exchanges in the IFSC, without approval of the Central Government. The stock exchanges shall coordinate with the depository in this regard.

D) Secondary Market Trading

Broker dealers and custodians in the IFSC shall have adequate mechanisms to ensure that their respective Identified Clients do not buy any equity shares of Indian companies listed on the recognised stock exchanges in the IFSC, without approval of the Central Government.

E) Off-Market Transfer

The depository in IFSC shall also have adequate mechanisms to ensure that the Identified Clients do not hold any equity shares of Indian companies listed on the recognised stock exchanges in IFSC, without approval of the Central Government, through off-market transfer.

F) Monitoring and Surveillance by stock exchanges

The recognised stock exchanges in IFSC shall conduct market surveillance to monitor any trading activity by such Identified Clients in the secondary market. The report in this regard shall be submitted by the stock exchanges to IFSCA on monthly basis.

4. Stock exchanges, broker dealers, depository, depository participants and custodians in the IFSC are directed to take necessary steps to put in place appropriate mechanisms for implementation of the circular.

5. The circular shall come into force with immediate effect.

This circular is issued in exercise of powers conferred by Section 12 of the International Financial Services Centres Authority Act, 2019 to develop and regulate the financial products, financial services and financial institutions in the IFSC.

A copy of this circular is available on the website of IFSCA at www.ifsc.gov.in.

Yours faithfully,

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