



CIRCULAR

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December 23, 2024

To,

All ITFS Operators in IFSC/participants of ITFS Platform

Guidelines on setting up and operation of International Trade Finance Service Platform

1. The revised guidelines on setting up and operation of International Trade Finance Services Platform issued under the IFSCA (Finance Company Regulations), 2021 is placed as Annex A to this circular.
2. These guidelines shall come in to force with immediate effect.

Yours Sincerely,

Supriyo Bhattacharjee
Head Department of Banking

Guidelines on setting up and operation of International Trade Finance Service Platform, 2024

In exercise of the powers sub-regulation (1) of regulation 10 of International Financial Services Centres Authority (Finance Company) Regulations, 2021, the Authority hereby issues the following guidelines.

Chapter I

PRELIMINARY

1. Short Title and Commencement:

- (1) These guidelines may be called the **Guidelines on setting up and operation of International Trade Finance Service Platform, 2024** (hereafter referred to as 'guidelines') and shall come into effect from the date of their publication on the Authority's website.

2. Applicability:

- (1) These guidelines shall apply to:
- (i) ITFS operators registered under the circular "Framework for setting up of International Trade Financing Services Platform ('ITFS') for providing Trade Finance Services at International Financial Services Centres ('IFSCs') dated July 9, 2021;
 - (ii) An entity desirous of seeking registration as an ITFS operator in IFSC, and;
 - (iii) The participants in an ITFS.

3. Definitions:

- (1) In these guidelines, unless the context otherwise requires, the terms defined herein shall bear the meanings as assigned to them below, and their cognate expressions shall be construed accordingly –
- (i) "Authority" means the International Financial Services Centres Authority established under sub-section (1) of Section 4 of the International Financial Services Centres Authority Act, 2019;
 - (ii) "Certificate of Registration" means a certificate granted by the Authority under sub-regulation 7 of regulation 3 of the IFSCA (Finance Company) Regulations, 2021(as amended) (hereinafter referred to as 'FC Regulations');
 - (iii) "Financiers" shall include:

- (a) Factors as defined in sub-section (i) of section 2 of the Factoring Regulation Act, 2011, or;
- (b) Finance Company/ Finance Unit registered to undertake permissible activities as specified in regulations 5(1)(ii)(a) and/or 5(1)(ii)(b) of the FC Regulations, or;
- (c) Any other entity on-boarded on the ITFS platform in compliance with clause 12(2) of these guidelines for undertaking permissible activities as specified under para 11(1) of these guidelines;
- (iv) 'Financial technology (fintech)' means technologically enabled innovation in financial services that could result in new business models, applications, processes or products;
- (v) "International Trade Finance Service platform (ITFS) refers to an electronic platform for facilitating the financing of trade receivables or trade payables;
- (vi) "ITFS operator" shall mean an entity registered with the Authority to operate an ITFS under these guidelines;
- (vii) "Outsourcing" refers to an arrangement in which a service provider provides the ITFS operator with a service that may currently or potentially be performed by the ITFS operator itself and shall include availment of services by the ITFS operator from its group entities;
- (viii) "Participants" refers to participants in an ITFS and includes exporters, importers, Financiers, Insurance/Credit Guarantee Institutions, Payment Service Providers (PSP) or any other entity permitted by the Authority;
- (ix) "Payment service provider" means an entity as defined in clause (z) of sub-regulation 1 of regulation 2 of the IFSCA (Payment Services) Regulations, 2024;
- (x) "Relevant Persons" of the entity means its directors, Key Managerial Personnel and persons exercising control over that entity;
- (xi) "Reverse Factoring" refers to a method of financing where the importer makes provision for a financing arrangement wherein a supplier/exporter can choose to receive an early payment on the invoices it draws against the importer;
- (xii) "Specified foreign currency" means currencies as specified in the First Schedule to the IFSCA (Banking) Regulations, 2020 (as amended);
- (xiii) "Trade Financing Unit (TFU)" refers to an invoice or a bill or any other standard trade document, uploaded either by the Exporter or the Importer, on the ITFS;

(2) Words and expressions used and not defined in these guidelines but defined in the International Financial Services Centres Authority Act, 2019 ("the Act") or Acts mentioned in the First Schedule to the Act or any rules or regulations made thereunder shall have the same meanings respectively assigned to them in those Acts, rules or regulations or any statutory modification or re-enactment there to, as the case may be.

CHAPTER II

SETTING UP OF AN ITFS

4. Eligibility criteria for registration:

(1) General: An Entity desirous of setting up as an ITFS operator:

- (i) shall be set up in the form of a newly incorporated company under the Companies Act, 2013
- (ii) shall submit an application to the IFSCA in the Single Window IT System (SWITS) (<https://swit.ifsc.gov.in/>) for a Certificate of Registration as a Finance Company under IFSCA (Finance Company) Regulations, 2021 ;
- (iii) shall satisfy the requirement of the parent entity of the applicant having experience of at least three years in operating trading infrastructure in financial markets or operating a financial technology (fintech) platform;
- (iv) shall possess or shall be willing to invest in the necessary infrastructure in IFSC including adequate office space requirement, equipment, communication facilities and manpower to undertake the permissible activities;
- (v) shall provide necessary information for the Authority to satisfy itself that the financial position of the parent entity of the applicant is sound;
- (vi) shall provide necessary information for the Authority to satisfy itself that the applicant and relevant persons of the applicant satisfy the 'fit and proper' requirements as specified in these guidelines;
- (vii) shall inform if the parent entity of the applicant has in the past been refused registration/authorisation by the Authority and if so, the ground for such refusal;
- (viii) shall confirm that the applicant or the relevant persons of the applicant are not subject to any proceeding for breach of law in any jurisdiction.

(2) Financial:

- (i) An Entity desirous of setting up an ITFS shall meet minimum owned fund of USD 0.2 million at all times.

(3) Technical:

- (i) An entity desirous of setting up an ITFS shall have sound technological infrastructure to support its operations. At minimum, the entity shall specify the manner in which it aims to fulfil the following requirements:
 - (a) ITFS shall be able to provide an electronic platform for all participants.

- (b) Information about bills/ invoices, discounting and quotes shall be disseminated by the ITFS in real time basis, supported by a robust management information system (MIS).
- (c) The ITFS shall have a suitable Business Continuity Plan (BCP) including a disaster recovery site.
- (d) The ITFS shall have an online surveillance capability to monitor positions, prices and volumes in real time.

Chapter III

REGISTRATION TO SET UP AN ITFS

5. Issue of provisional registration:

- (1) After considering an application submitted under para 4(1)(ii), if the Authority is of the opinion that the said application, prima facie, satisfies the conditions for granting registration, the Authority may issue a “provisional registration” letter to the Applicant and shall require the Applicant to satisfy such conditions and within such time as may be specified by the Authority before grant of registration.
- (2) Grant of registration to an Applicant who has been issued “provisional registration” shall be at the sole discretion of the Authority and the issue of “provisional registration” by the Authority shall not automatically entitle the Applicant to be granted a registration.
- (3) The Applicant shall intimate to the Authority about any change of ownership or control of the Applicant during the period when a “provisional registration” is in force.
- (4) The Authority, after receipt of intimation under the para (3) above or when it otherwise becomes aware of any change of ownership or control of the Applicant to whom a “provisional registration” has been issued, shall undertake a review of its decision of grant of “provisional registration” to the applicant. The outcome of the review undertaken shall be communicated to the Applicant.
- (5) If as a result of the review as stated in para (4) above, the Authority intends to revoke the “provisional registration” granted to the Applicant, the Authority shall provide a reasonable opportunity of hearing to the Applicant before taking a final decision in the matter.

6. Grant of Registration:

- (1) The Authority may, on being satisfied that the Applicant has complied with the conditions laid down in these guidelines and those under the provisional registration, shall grant a Certificate of Registration to the Applicant subject to such conditions as the Authority may deem fit to specify.

- (2) The Certificate of Registration shall be valid until the same is revoked by the Authority or surrendered by the ITFS operator.
- (3) The ITFS operator shall, at any time after the grant of Certificate of Registration, intimate to the Authority of any material change in the information or particulars previously furnished while applying for the Provisional Registration or Certificate of Registration

7. Refusal of Registration:

- (1) If the Authority is of the opinion that the Certificate of Registration cannot be granted, it shall communicate the reasons therefor to the Applicant advising it to rectify such deficiencies within thirty days from the date of such communication.
- (2) If the Applicant fails to rectify such deficiencies within the specified time, the Authority shall refuse to grant registration and communicate the same to the Applicant
.Provided that no such refusal shall be made without giving the Applicant a reasonable opportunity of being heard.
- (3) The application filed under these guidelines, may be withdrawn by the Applicant at any time before the grant of registration by making a communication to this effect to the Authority.
- (4) The Applicant whose application is refused or withdrawn under these guidelines, may submit a fresh application for registration after a period of six months from the date of communication of refusal of the application by the Authority or the date of withdrawal of the application.

8. Revocation of Registration:

- (1) If the Authority is satisfied that an ITFS operator has failed to comply with any of the conditions of the registration, provision/s of these guidelines, orders or directions of the Authority, it may revoke the registration granted to such ITFS operator.
- (2) The order for revocation of the registration shall be issued after giving the ITFS operator a reasonable opportunity of being heard.

9. Surrender of Registration:

- (1) An entity that has been granted provisional registration or registration as an ITFS operator may file an application with the Authority, either before or after commencing its operations, in such a form and manner as specified by the Authority, seeking permission to surrender the provisional registration or the registration granted.
- (2) The Authority may permit the entity seeking surrender of the provisional registration or the registration to do so subject to satisfaction of such conditions as the Authority may specify.

10. Commencement of Operations:

- (1) The ITFS operator shall commence its operations within six months from the date of issuance of Certificate of Registration.
- (2) The ITFS operator shall deploy resources, located in and operating from IFSC, that is commensurate to the volume and nature of activities being undertaken by the ITFS operator.
- (3) The ITFS operator may submit an application for extension of time for commencing operations, if the decision to submit such an application is passed by a resolution of its board of directors, at least two months prior to the last date of commencement as stipulated under para 10(1).
- (4) The application under para 10(3) shall, *inter-alia*, include complete details of the reasons behind the request for extension, duration of extension sought, steps being undertaken to overcome the delay and any other information which, in the opinion of the ITFS operator, is relevant to the request for extension.
- (5) On receipt of the application under para 10(3), if the Authority is satisfied that ITFS operator cannot commence its operation within stipulated time period, it may extend the time period by such further period, as it thinks fit, but not exceeding three (3) months.

Chapter IV

OPERATIONAL FRAMEWORK OF ITFS

11. Permissible Activities:

- (1) The ITFS shall act as a facilitator for transactions relating to Factoring, Reverse Factoring, Bill discounting under Letter of Credit, Supply Chain Financing, Pre-shipment Credit, Forfeiting any other activity as permitted by the Authority;
- (2) The ITFS may also permit secondary market transactions of the products at para (1).
- (3) ITFS operator intending to undertake any activity permitted to be undertaken by financial institutions in IFSC other than those mentioned in paras (1) and (2) shall obtain permission from the Authority prior to applying to undertake such activity

12. Principles of operation:

- (1) The ITFS operator shall have well documented rules and regulations including, but not limited to, on-boarding of participants, suspension and cessation of membership, roles and responsibilities of participants and operator, liability framework for ITFS and users in case of breach of rules and regulations, restrictions or other requirements that may apply for using the ITFS, processing and execution of orders, risk management and control.
- (2) the ITFS operator shall ensure that financiers as defined in para 3(iii)(c) of these guidelines seeking to be on-boarded as participants under also satisfy the following criteria ::

- (i) the financier has either gross loans and advances made in the current or previous financial year or Assets Under Management (AUM) of the entity as on the date of onboarding shall be a minimum of USD 5 million;
 - (ii) the financier should have at least USD 5 million of capital;
 - (iii) The financier should have proven capability for credit/debt recovery and credible management team with credit and collection experience;
 - (iv) The financier must be an incorporated entity carrying out the business of factoring, which along with its shareholders, shall be from a jurisdiction which has not been identified in the public statement of Financial Action Task Force (FATF) as “High Risk Jurisdiction – subject to call for action”.
- (3) The ITFS operator shall comply with the applicable provisions of the IFSCA (Anti Money Laundering, Counter-Terrorist Financing and Know Your Customer) Guidelines, 2022, dated October 18, 2022;
 - (4) The ITFS operator shall facilitate transparent and competitive bidding by the financiers on the electronic platform;
 - (5) The ITFS operator shall ensure that the electronic platform displays details of bids placed for a TFU to other bidders without revealing the name of the entities who has placed such bids;
 - (6) The ITFS operator shall provide an option on its electronic platform that allows the participants to opt out of invoice-wise (i.e. TFUs) bidding and choose onetime bidding option for the whole turnover.
 - (7) The ITFS operator shall not assume any credit risk on the transactions carried out on its platform;
 - (8) Defaults due to non-payment, if any, by the participant/s on an ITFS shall be handled by the financier/s directly with the defaulting participant
 - (9) Legal proceedings initiated by the financier/s or the participant/s shall be outside the purview of the ITFS.
 - (10) ITFS operator may connect the ITFS with any other electronic platform/market infrastructure, within and outside IFSC, with the prior approval from the Authority;
 - (11) ITFS operator shall put in place a Complaint Handling and Grievance Redressal mechanism in compliance with the circular on “Complaint Handling and Grievance Redressal by Regulated Entities in the IFSC” dated December 2, 2024.
 - (12) The ITFS operator shall comply with all applicable laws in India as well all applicable laws of any jurisdiction/s outside India where it provides services.

13. Technology:

- (1) The ITFS operator shall have and maintain robust technology infrastructure with a high degree of reliability, availability, scalability and security in respect of its systems, data and network, appropriate to support its operations and manage the associated risks.
- (2) The ITFS operator shall have in place a suitable Business Continuity Plan (BCP) including contingency and disaster recovery arrangements that are appropriate to the nature, scale, and complexity of its business to ensure continuity and availability of its operation.
- (3) An ITFS operator shall get an IT/IS Audit of the ITFS platform done :
 - (i) every year within 30 days from close of financial year, and;
 - (ii) prior to major technical changes/updates being made to the ITFS platform.
- (4) The audit at (3) may be undertaken by :
 - (i) a CERT-In empanelled auditor,
 - (ii) an auditor possessing the following certifications:
 - a. Certified Information System Auditor (CISA) or
 - b. Certified Information Security Manager (CISM) or
 - c. GIAC Systems and Network Auditor (GSNA) or
 - d. Certified Information Systems Security Professional (CISSP)
- (5) All data related to transactions generated on ITFS shall be maintained in easily retrievable form.

14. Clearing and Settlement:

- (1) An ITFS operator intending to provide clearing and /or settlement of funds shall, prior to offering such a service, seek authorisation from IFSCA as a payment system operator under the International Financial Services Centres Authority (Payment and Settlement Systems) Regulations, 2024.

15. Risk Management:

- (1) An ITFS operator shall put in place a comprehensive risk management framework covering all aspects of its operations.
- (2) An ITFS operator shall ensure that risks associated with the activities of the ITFS platform are identified properly and managed prudently.

16. Outsourcing:

- (1) The software used for the electronic platform shall be owned by the ITFS operator or its holding company or licensed by the ITFS operator;
- (2) In case such software is licensed, the conditions of such license shall permit the ITFS operator to operate the software using its own staff.

- (3) In either of the models i.e. ownership or licensing; dependency on the software service provider being an entity other than the ITFS operator should be minimised; .
- (4) The following activities pertaining to ITFS shall not be outsourced:
 - (i) Onboarding of participants
however, ITFS operator may tie up with technology providers, system integrators and other entities for on-boarding participants.
 - (ii) Day to Day operations of ITFS platform
- (5) An ITFS operator outsourcing its activities, shall also ensure that:
 - (i) It has an effective governance and risk management mechanism for managing all risks inherent in such outsourcing relationships;
 - (ii) Such outsourcing arrangements do not impede or interfere with or hinder such ITFS operator from compliance with these guidelines or any other regulations/directions/instructions/guidelines issued by the Authority from time to time;
 - (iii) Service level agreements are entered into for all outsourcing contracts and such agreements are available for review by the Authority whenever called for.

17. Currency of operations:

- (1) The ITFS operator shall maintain its books of accounts, records and documents in USD.
- (2) Transactions on the ITFS may be settled in any specified foreign currency
- (3) ITFS operator may open INR account under the provisions of section 1 of schedule 4 of the Foreign Exchange Management (Deposit) Regulations, 2016 as amended.

Chapter V

GOVERNANCE

18. Corporate Governance :

- (1) Every ITFS operator shall have a Board approved corporate governance policy in line with the Circular on Guidelines on Corporate Governance and Disclosure Requirements of a Finance Company dated August 9, 2021
- (2) The policy shall comprehensively and clearly document its governance arrangements i.e., the framework under which its Board and senior management shall function.

19. Fit and Proper:

- (1) The ITFS operator shall ensure that its Relevant Person(s) satisfy the 'Fit and Proper requirements' (FPR) specified in **Schedule I** of these guidelines.
- (2) The Authority may undertake an evaluation of any Relevant Person(s) under the FPR during the time of registration and any time thereafter.

Chapter VI

MISCELLANEOUS

20. Power to relax strict enforcement of the guidelines:

- (1) The Authority, for reasons to be recorded in writing, may in the interest of development of financial markets in IFSC, relax the strict enforcement of any requirements of these guidelines.
- (2) For seeking relaxation under (1), an application giving details and the grounds on which such relaxation has been sought, shall be filed with the Authority along with such non-refundable fee as may be specified by the Authority.

21. Power to specify norms, procedures, issue clarifications and remove difficulties:

- (1) For the purposes of implementation of these guidelines and matters incidental thereto, the Authority may specify norms, procedures, processes, additional requirements, etc. by way of circulars or guidelines or directions.
- (2) In order to remove any difficulties in the interpretation or application of the provisions of these guidelines, the Authority may issue necessary clarifications through guidance notes or circular.

22. Payment of Fees:

- (1) The ITFS operator shall pay such fee or charges as may be specified by the Authority from time to time.

23. Submission of Report/Information:

- (1) Every ITFS operator shall submit all the financial information to the Authority in USD, unless otherwise specified.
- (2) The Authority, from time to time, may call for any other information, documents or records as it may deem necessary from the ITFS operators.

24. Repeal and Savings

- (1) On and from the commencement of these guidelines, the circular with title “Framework for setting up of International Trade Financing Services Platform (‘ITFS’) for providing Trade Finance Services at International Financial Services Centres (‘IFSCs’)” dated July 9, 2021, shall cease to apply.
- (2) Notwithstanding anything contained in sub-clause (1) above, any action taken or purported to have been taken under the circular mentioned in sub-clause 1, prior to coming into effect of these guidelines shall be deemed to have been done or taken or commenced under the corresponding provisions of these guidelines.

**Fit and Proper Criteria
(Clause 20)**

Sr. No.	Particulars	Comments/Remarks
1	Whether any of the relevant person(s) or any of the entities associated with⁹ the relevant person(s) have been refused a Registration/ Authorization/ License by the IFSCA or any other regulatory authority or their Registration/ Authorization/ License has been suspended at any time prior to this application. (If Yes, provide details. If No, enclose a declaration to that effect). ⁹for this Section, a person is said to be 'associated with' an entity if he/she is/ was a relevant person of the entity	
2	Whether the functionary or any of the companies/ entities in which the relevant person(s) is/ was associated with⁹, is in default or have defaulted in the past in respect of credit facilities obtained from any entity or bank? (If yes, please furnish information about the default and the name of the lending institution)	
3	Whether any of the relevant person(s) have been disqualified to act as promoter/ director/ key managerial personnel under any law in any jurisdiction where the applicant entity or the group companies of the applicant entity are operating? If yes, please furnish details.	
4	Name/s of the companies, firms, partnership firms, in which any of the relevant person(s) hold substantial interest¹.	
5	Whether the Applicant/Group⁴ or any of the relevant person(s) are/ were undergoing/ involved in any investigation/ disciplinary action/ legal or regulatory violations/ criminal case by any law enforcement/ regulatory agencies? If yes, please furnish details.	
6	Whether any order has been passed by any bankruptcy/ resolution authority against any company/ entity with which any of the relevant person(s) are/ were associated⁹?	

¹ "Person who has a substantial interest in the company", in relation to a company, means a person who is the beneficial owner of shares, not being shares entitled to a fixed rate of dividend whether with or without a right to participate in profits, carrying not less than twenty per cent of the voting power

	If yes, please furnish details.	
7	Whether any of the relevant person(s) have been convicted by a court for any offence involving moral turpitude or any economic offence or any offence against securities laws? If yes, please furnish details.	
8	Whether a recovery proceeding has been initiated against any of the relevant person(s) by a financial regulatory authority and is pending? If yes, please furnish details.	
9	Whether an order for winding up has been passed against any of the relevant person(s) for malfeasance? If yes, please furnish details.	
10	Whether an order restraining, prohibiting or debarring any of the relevant person(s) from accessing or dealing in financial products or financial services, has been passed by any regulatory authority/ courts, and a period of five years from the date of the expiry of the period specified in the order has not elapsed? If yes, please furnish details.	
11	Whether any other order against any of the relevant person(s), which has a bearing on the securities market, has been passed by any regulatory authority, and a period of five years from the date of the order has not elapsed? If yes, please furnish details.	
12	Whether any of the relevant person(s) i) have been declared insolvent and not discharged? If yes, please furnish details.	
	ii) have been found to be of unsound mind by a court of competent jurisdiction and the finding is in force? If yes, please furnish details.	
	iii) are financially not sound or have been categorized as a wilful defaulter? If yes, please furnish details.	
	iv) have been declared a fugitive economic offender? If yes, please furnish details.	
We declare that all the relevant person(s) have a record of fairness and integrity, including but not limited to financial integrity, good reputation, character and honesty.		

We undertake to bring to the notice of IFSCA within one week, if any of the above actions is initiated against any of the relevant person(s) in future.

	Signature:	
	Name:	
	Designation	
	Seal / Stamp	
	Date:	Place:
