GNLU Centre for Law & Economics

Policy Recommendations

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Comments to the International Financial Services Centres Authority on the Consultation Paper titled "Amendments to the IFSCA (Capital Market Intermediaries) Regulations, 2025."

Comments on Behalf of the GNLU Centre for Law and Economics Research Group

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I. INTRODUCTION

The recommendation covers a broad spectrum of perspectives and feedback regarding the International Financial Services Centres Authority's ("**IFSCA**") consultation paper on proposed amendments to the IFSCA (Capital Market Intermediaries) Regulations, 2025. The proposed changes are aimed at ensuring the effectiveness and sustainability of intermediaries and the adherence to regulatory standards as the capital market ecosystem in the IFSC develops.

One of the major elements of the proposal is to make adjustments to the eligibility criteria for Principal Officers and Compliance Officers, to tackle the shortage of experienced manpower in IFSC. As the relevance of the STEM and fintech fields to the modern financial service has increased, it was suggested that the posts be included as educational qualifications that may be met with post-graduate qualifications in STEM and fintech. In addition, it is proposed that the amount of experience required of graduates be reduced from ten years to five years, with the aim of increasing the number of people available but ensuring acceptable competency and control in regulated bodies.

Another crucial aspect of the proposal is the registration of multiple capital market intermediaries by a single entity. The establishment of one Principal Officer per activity has resulted in some inefficiencies, especially for those who act as custodians, distributors, and banking units for interconnected activities. It is therefore recommended that a single Principal Officer be appointed for broker-dealers, clearing members, depository participants, custodians and registered distributors, but with a distinct vertical head with distribution expertise to oversee distribution activities.

The consultation paper also offers clarifications on how "liquid net worth" is calculated for broker-dealers, clearing members and investment bankers. It is suggested to revise the minimum net worth of custodians to USD 1 million, in keeping with the IFSC norms, and to allow an extended transition period for compliance with the revised thresholds for existing custodians.

Further, “Umbrella Registration” to enable companies to carry out various capital market activities under a single license is envisaged. This model is based on internationally followed practice.

The Research Group of the GNLU Center for Law and Economics examined these proposals and has provided the following comments.

II. GENERAL COMMENTS

The suggested changes will further improve ease of doing business and mitigate the problem of talent shortage in the capital markets ecosystem in IFSCA. An eligibility framework that includes STEM and fintech is in line with international regulations which recognize the technological underpinnings of emerging financial infrastructure. Similarly, rationalization of compulsory experience requirements would lead to a decrease in hiring expenses and minimise entry barriers to the market, so that smaller or newer intermediaries can play a role in the market. All of the amendments, combined, move human capital requirements from old qualification structures to the needs of a modern market.

The efficiency of the regulation is strengthened, with no loss of prudential protection. The following are some examples of efficiencies: the shared Principal Officer, and the streamlining of the treatment of liquidity collateral. One of the advantages of a one-stop approach to monitoring related low-volume transactions is that duplication is minimised and economies of scale would accrue. It also enhances the capital adequacy calculation under the various regulatory liquidity requirements for more accurate assessment and provides effective collateral placement. This enables that the base minimum capital is not included in the computation of liquidity-related assets for custodial assets and that the margins that are posted with the clearing agencies are recognized as a collateral. Overall, these improvements decrease frictional compliance expenses and strengthen estimated financial buffers.

The suggested umbrella registration structure and revisions to capital adequacy allow GIFT-IFSC to compete with international financial centres. A tiered structure that accounts for the scale of the business and custody will delineate exposures more accurately, whereas a lower net-worth custodial threshold will make entry more accessible. To mitigate conflicts of interest and systemic risk, activity-based oversight, compliance segmentation, and enhanced supervisory inspections are suggested to be implemented along with the unified registration proposal. It would also notably streamline the licensing process and facilitate greater integration of the business model.

III. SPECIFIC COMMENTS

Sr. No.	Regulation no./ Sub-regulation no.	Text of the Regulation/ sub-regulation	Comments/ Suggestions	Rationale
1.	**Proposal 1** **(Eligibility Qualification- Regulation 9(2)(a), CMI Regulations, 2025)**	*"A professional qualification or post-graduate degree or post graduate diploma* *(minimum one year in duration) in finance, law, accountancy, business*	Modern capital markets rely heavily on algorithmic trading, blockchain technologies, and data analytics. This makes technical expertise important for effective compliance. IFSCA has recognized that	The rationale behind supporting the proposal is threefold. They are: i) addressing the skill mismatch according to market requirements, ii) expanding the talent pool when the IFSC market is at a nascent stage, and iii)

		management, commerce, economics, capital market, banking, insurance, or *actuarial science, fintech, science, technology, engineering or mathematics from* *a university or an institution recognised by the Central Government or any State* *Government or a recognised foreign university or institution or association or a CFA* *or a FRM from Global Association of Risk Professionals or any other relevant*	qualifications in STEM and fintech are as valuable as traditional financial certifications. The GIFT-IFSC ecosystem, currently nascent with over 700 registered entities, faces severe talent shortages under existing rigid qualification criteria. By broadening educational requirements, IFSCA would expand the professional talent pool. This aligns with global best practices, and would enable the integration of fintech innovations. This change would reduce human capital constraints that could otherwise throttle ecosystem growth and support IFSC's strategic objective of	alignment with globally best practices. Addressing the skill mismatch as to the evolving needs of the growing IFSC market is important. STEM and fintech background help blend technology skills with financial compliance, which is critical for integrating innovations like digital platforms and blockchain. This adaptation not only supports compliance, but encourages new financial products and services, boosting IFSC's competitiveness. The capital markets at GIFT-IFSC are still in their nascent stage, so there is a shortage of professionals who meet traditional experience and educational requirements. Allowing STEM and fintech graduates to enter the

		educational qualifications as may be specified by the Authority:"	becoming a fintech innovation hub.	market increases the pool of candidates, removing bottlenecks that could slow the market's progress. Global financial centers increasingly accept STEM-focused qualifications for key compliance roles. By updating its own requirements, IFSCA aligns itself with current international standards.
2.	**Proposal 2** **(Eligibility Experience-Regulation 9(2)(a), CMI Regulations, 2025)**	*"Provided that a graduation degree in any field from a university or an institution* *recognised by the Central Government or any State Government or a foreign university would suffice where the principal officer or the compliance officer has a*	This proposal expound that the ten-year experience requirement creates a substantial entry barrier in GIFT-IFSC's nascent market. Entities often struggle to identify qualified personnel leading to the shortage artificially inflating compliance officer compensation costs to upto 13% of annual operating	The ten-year experience requirement creates a significant entry barrier in a developing ecosystem. Market participants represented that entities are finding it difficult to identify personnels with ten years of experience since the capital markets ecosystem is at a nascent stage. The eligibility requirement limited the supply of eligible professionals and created a bottleneck that increased

		work experience of at least five years in the financial services market:"	expenses. This is especially burdensome for smaller intermediaries struggling to build scale. Reducing the experience requirement threshold to five years expands the eligible talent pool, introduces competitive wage pressure, and moderates compliance costs while maintaining meaningful regulatory standards. Five years of experience meet the necessary requirement of exposure to market cycles and regulatory frameworks, but does not disproportionately disadvantage	hiring costs and delayed business operations. Global markets have witnessed that the cost of compliance in financial services has escalated dramatically. In nascent markets such as GIFT-IFSC, where entities are still building scale and revenue streams, such costs can be disproportionately burdensome. The cost is further increased owing to a shortage in qualified personnel with ten years of experience driving up compensation demands. By reducing the experience threshold, IFSCA can expand the eligible talent pool. This would induce competitive pressure that would moderate compensation costs. The ten-year requirement may be disproportionate to the actual complexity of many intermediary operations in IFSC. This would disable

			innovative startups. Thus, it balances risk management and market accessibility, thereby enabling entrepreneurial firms to enter IFSC.	small and specialized entities from participating. Five years of experience in financial services provides sufficient exposure to market cycles, regulatory frameworks, and operational challenges.
3.	**Proposal 3** **(Common Principle Officer- Regulation 9(8), CMI Regulations, 2025)**	*"Where an entity has multiple registrations under these regulations, the principal* *officer shall be appointed/ designated for each such registration separately:* *Provided that an entity with registration as broker dealer, clearing member, and* *depository participant, custodian and*	The proposal is to take advantage of economies of scale in that the same principal officer could be tasked with complementary intermediary activities like custodianship, clearing, depository, and brokerage functions; etc., which have significant operational overlap in risk management and settlements. Separate officers means that there are artificial organizational	Having a common principle officer is directly related to the economic principle of economies of scope which is the cost savings achieved though producing multiple related products or services jointly as opposed to producing them separately. Financial intermediaries conducting a range of complementary activities have significant overlapping activities in the areas of risk management, compliance monitoring, settlement and client interface systems. One principal officer is responsible for these interdependent functions

		registered distributor may have the same person as principal officer for these activities: *Provided further that an entity having multiple registrations under the above proviso shall have a separate official with adequate experience in the financial services market as a vertical head for its distribution business activities:”*	divisions, and more administrative overhead with no corresponding risk advantages. In IFSC's early years, the volume of transactions is still low and having several senior compliance officers makes certain business lines unfeasible. IFSCA allows consolidation but requires separate vertical heads for distribution activities to ensure it can maintain oversight of separate regulatory risks. This would help to minimize the operational friction, improve competitiveness with traditional financial centers and foster the transition towards consistent “Umbrella	which means that management costs are not duplicated and resources can be allocated better. The requirement to appoint separate principal officers for each registration category is a potential "cost burden" and an "impediment for some existing entities in IFSC to start new business activities". The IFSC ecosystem is in an early stage of development, and the number of transactions per business line is low when compared to traditional financial centres, which can make some business lines economically impractical due to the higher costs of multiple senior compliance staff. This proposal aligns with the vision of IFSCA to increase ease of doing business for the

			Registration" systems.	intermediaries in the capital markets. However, regulatory friction, including the number of times a financial institution must interact with regulators and the complexity of regulatory "touchpoints," as well as the excessive amount of regulation, can make emerging financial centers, like the IFSC, less attractive for financial institutions to operate in. This way, IFSCA will be able to eliminate this friction, making IFSC more competitive in line with other major financial hubs such as Singapore (which has a unified Capital Markets Services license), London and Dubai.
4.	**Proposal 4** **(Net Worth – Regulation**	*"a) Base minimum capital and interest free deposit deposited by the*	**Proposal 4(a): Non-consideration**	**Proposal 4(a): Non-consideration**

	3(1)(cc), CMI Regulations, 2025)	*broker dealers and clearing members with Stock Exchanges and Clearing Corporations shall not be considered part of liquid assets.* *b) Margins deposited with clearing member and clearing corporation by broker dealer and clearing member respectively, shall be considered as part of liquid assets."*	Proposal 4(a) systematically addresses the representations by applying a clear economic test. It clarifies that the base minimum capital and interest-free deposits deposited by the broker dealers and clearing members with Stock Exchanges and Clearing Corporations shall not be considered part of liquid assets. This exclusion is logical. The approach taken is also consistent with global regulatory practices. In the United States, the broker dealers are governed primarily by the SEC's Net Capital Rule (Rule	Base minimum capital is the deposit given by the member of the exchange against which no exposure for trades is allowed. The base minimum capital deposit requirement was prescribed to be commensurate with the risks, other than market risk, that the broker may bring to the system.[1] The base minimum capital and interest-free deposits deposited with the Stock Exchanges and Clearing Corporations are put to use by them and cannot be accessed by the broker dealers and clearing members themselves. They are essentially permanent, highly restricted guarantees necessary merely to exist as a market participant. These funds function as a permanent and specialized guarantee. They are not available to

[1]Securities and Exchange Board of India, Requirement of Base Minimum Capital for Stock Broker and Trading Member, Circular No. CIR/MRD/DRMNP/36/2012 (Issued on December 19, 2012).

			15c3-1). The broker dealers, while calculating their net worth, deduct the assets that are not readily convertible into cash (non-liquid assets). **Proposal 4(b): Consideration** Proposal 4(b) clarifies that the	the firm for general business use, investments or for observing the absorbing the day-to-day operating loss. Since they are locked or perpetually pledged, they fail the core economic test of liquidity, ease and speed of an asset to be converted to cash without suffering a significant loss in value. By excluding these two from the net worth calculation, the regulator ensures that the reported liquid net worth reflects the truly free and convertible capital, providing a true measure of the firm's capacity to withstand unexpected market volatility or operational failure beyond the base regulatory requirement. **Proposal 4(b): Consideration** The Securities and Exchange Board of India

			margins deposited with the Stock Exchange and Clearing Corporations shall be considered a part of liquid assets. This acknowledges the functional reality of trading operations that the margins are dynamic deposits tied directly to a firm's open positions and risk exposure. This inclusion recognizes the dynamic and self-adjusting nature of collateral in modern derivatives and securities markets. This inclusion is also in line with the European Union practice. Like the IFSCA's regulations, the EU regulations recognize the high-	(SEBI) mandates that clearing members (CMs) and trading members (TMs) collect certain margins from clients in the cash segment, including Value at Risk (VaR) margin, Extreme Loss Margin (ELM), Mark to Market (MTM) margin, delivery margin, special/additional margin or any other margin as prescribed by the Exchange. The collected margins are to be deposited with the Clearing Corporation by adjusting against the available liquid assets of TM/CM at the time of trade.[2] These margins are covered by funds or securities that can be quickly liquidated or adjusted against market losses to ensure market stability and risk management. Including the

[2] Securities and Exchange Board of India, Collection and reporting of margins by Trading Member ™ / Clearing Member (CM) in Cash Segment, Circular No. CIR/HO/MIRSD/DOP/CIR/P/2019/139 (Issued on November 19, 2019).

			quality collateral posted with the central counterparties as a crucial component of liquid assets provided it is highly secure and recoverable.	margins in the liquid net worth calculation prevents double capitalization. If firms had to hold cash or government securities to meet their regulatory net worth in addition to meeting their mandatory margin requirements, it would significantly inflate the capital cost of trading. By including the margins, the regulation promotes efficient capital allocation supporting market depth and volume without compromising the core principle that the assets are convertible.
5.	**Proposal 5 (Net Worth requirement for Custodians)**	*"In view of the above, it is proposed that the minimum net worth requirement of USD million may be specified for custodians registered with IFSCA. In the case*	The proposal to set the minimum net worth requirement for custodians at a uniform USD 1 million significantly undercuts the current requirement for most international entities, enhancing the ease of	**Risk and Size Based Tiering** Global best practices show that capital requirements depend on the specific services provided. The DIFC (DFSA), for example, has variable capital requirements

		of a branch, the net worth may be maintained at the parent entity level, with the specified amount duly earmarked for its branch in the IFSC, in accordance with Regulation 7(2) of the CMI Regulations. *Existing custodians that are required to infuse or earmark additional funds may be provided time till January 31, 2026 to comply with the revised net worth criteria."*	business in the IFSCA. The retention of the earmarking requirement under CMI Regulation 7(2) ensures that the entity remains accountable for local operations despite the parent maintaining majority overall capital. The proposal is supported by global jurisdictional comparison as the requirement for custodians in domestic and various global jurisdictions currently ranges from USD 1 million to 9 million. Proposal 5 places the IFSCA requirement at the lower end of this spectrum, representing a shift towards harmonization with	depending on the type of products to be kept in custody.[3] The USD 1 million that is proposed could be set as the absolute minimum base for basic custodial services to ensure competitiveness with jurisdictions like Singapore. Alongside, mandatory increment of capital requirement for custodians that engage in high-risk activities hold non-traditional and illiquid assets and offer prime brokerage services requiring sophisticated infrastructure should be put in place. This ensures that the capital held is commensurate with the potential operational credit risk assumed moving beyond mere regulatory compliance to actual economic prudence. If a custodian's AUC increases, the regulatory

[3] Dubai Financial Services Authority, Prudential – Investment, Insurance Intermediation and Banking Module (PIB), PIB 3/62, available at: https://dfsaen.thomsonreuters.com/rulebook/pib-362.

			international minimum. The proposed deadline of January 31, 2026 provides entities a clear timeframe to restructure their financials and meet the new minimum capital requirements. **Risk and Size Based Tiering** The greatest drawback of the proposal is its uniform minimum of USD 1 million, which can be deterred by adding a tiered and modular capital structure. A minimum floor is essential; however, a fixed number ignores business size and growth, introducing a requirement that	capital should scale up accordingly, strengthening the financial stability of the IFSC.

			capital must also be defined as a percentage of the Assets Under Custody (AUC) above a certain threshold.	
6.	**Proposal 6 (Umbrella Registration - Regulation 9(8) amendment, CMI Regulations, 2025)**	*"IFSCA is exploring the introduction of an Umbrella Registration (unified registration) framework for Capital Market Intermediaries, enabling entities to seek registration to undertake multiple activities (broker-dealer, clearing member, depository participant, custodian, distributor)*	The proposal for unified registration will greatly simplify CMI procedures, lowering administrative burden and compliance expenses and increasing IFSC's competitiveness internationally. Strong activity-wise segregation should be required by IFSCA, and qualified, independent vertical heads should be appointed, particularly for functions like distribution where	This amendment has the ability to increase operational efficiencies and ease of doing business, especially for organizations that currently have to manage and renew registrations for multiple entities. International examples, such as the Hong Kong'SFC licensing model and Singapore's MAS CMS licensing model, demonstrate how integrated models promote innovation, provide greater market access, and attract additional international participants. However, integration of business operations within

		through a single application form."	conflicts of interest are most prevalent. It is essential to establish both a comprehensive internal control framework and conduct regular thematic inspections.	a single organization comes with risks, particularly related to conflicts of interest, a reduced focus on compliance, and regulatory arbitrage. If there are no explicit separate oversight for activities, compliance practices, and fail safes related to governance, integrated registration creates exposure of the entire ecosystem to systemic failures, or failures of governance. Hence, the framework ought to mandate vertical separation where warranted, should mandate fit-and-proper assessments for each activity, and should closely oversee and require reported auditable standards that are granular and reported with respect to activity tiers to ensure maximization of benefits and minimization of regulatory risk. It is also

				suggested that activities undertaken under a variegated umbrella license should be exhibit a high degree of transparency and public disclosure.

IV. CONCLUSION

The suggested changes to the IFSCA (Capital Market Intermediaries) Regulations, 2025, represent a broad effort to strike a balance between developmental goals and regulatory integrity - in a market landscape that continues to grow in size and complexity. The changes, collectively, aim to raise eligibility standards, clarify prudential capital requirements, enable operational consolidation across intermediary activities, and explore structural reforms (such as umbrella registration). Broadly, these changes fit within the scope of global supervisory regimes, and have been developed in response to demonstrable constraints expressed by market actors, particularly as it relates to talent availability, compliance costs, and fragmented operational governance in an emerging environment.

While the proposals will improve ease of doing business, their success will depend on an accurate, reliable implementation. Expansion of qualifications and experience requirements must be coupled with enforceable competency assessments to avoid diluting regulatory capacity. Similarly, capital re-classification and consolidation of designated senior officer roles should be coupled with demonstrable internal segregation procedures, audit trails, and supervision thresholds to avoid concentrated risk and ensure that ease of compliance does not lead to regulatory arbitrage. Although a universal monetary threshold might not accurately represent exposure for entities with material or elevated-risk custody activities, the proposed custodial asset net worth realignment is directionally correct; having risk- associated requirements would provide a more economically rational safeguard. Any umbrella registration framework benefits efficiency in service delivery -

whether that is for ease of administration of an assignment of regulatory functions, or otherwise a benefit for prompt delivery of services to the client, will also require service checks, public disclosure, and frequent thematic supervision required to maintain functional accountability.