GNLU CENTRE FOR LAW & ECONOMICS

Policy Recommendations

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Comments to the International Financial Services Centres Authority on the Consultation Paper on the proposed International Financial Services Centres Authority (Pension Fund) Regulations, 2025.

Comments on behalf of the Policy Inputs Research Group, GNLU Centre for Law & Economics

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I. INTRODUCTION

The Gujarat National Law University Centre for Law & Economics ("**the Centre**") welcomes the opportunity to comment on the Consultation Paper on the proposed IFSCA (Pension) Regulations, 2025 ("**Consultation Paper**"). The comments in this document aims to assist the International Financial Services Centres Authority ("**IFSCA**") in fine-tuning the regulatory framework for pension fund management in the International Financial Services Center ("**IFSC**"). It identifies a list of issues that demand further clarity and better governance practices aligned with global best practices.

Since the proposed framework is primarily geared towards Non-Resident Indians ("**NRIs**") and foreign citizens, the regulatory architecture needs to strike a balance between three goals: i) investor protection; ii) market competitiveness; and iii) institutional credibility. Pension products and services, being long-term, fiduciary, and financially material, must be held to high standards of transparency and operational discipline. The comments in this document aim to reinforce these key pillars while keeping in mind proportionality for new entrants to the IFSC and the need to develop a robust and competitive pension ecosystem.

II. GENERAL COMMENTS

The proposed Regulations are a positive step towards a strong framework for NRIs and foreign citizens to build their retirement funds in the IFSC. Investor protection is at the heart of the proposal. However, several areas need improvement for the IFSC pension products to be globally competitive. Some issues that arise include there being no clear guidelines on how to choose the relaxation, and there is a possibility of discretion, which might result in different interpretations of the regulations, the definition of "Associate" being unclear, the requirement of 10 years of experience being too stringent, and the mandatory physical presence stipulation being capable of restricting competition.

From an economic efficiency perspective, the regulations must include explicit fee caps consistent with international best practices, clear enforcement guidelines and penalties based on the severity of the violation. Further, flexible operating models must be introduced that reduce fixed costs without sacrificing oversight. For instance, the current draft includes innovative provisions on sub-accounts, investment mandates, and withdrawal rules, with clear instructions and enhanced safeguards against depletion of the retirement corpus. Additionally, significant gaps are identified in key areas, including environmental, social, and governance ("**ESG**") practices and risk integration, climate scenario analysis, and disclosure of stress-test results. Raising the standard for Board independence, standardizing and reconciling differing definitions, and establishing statutory deadlines for grievance redress would improve legal clarity and investor confidence.

III. SPECIFIC COMMENTS

Sl. No.	Issue	Summary of Proposal	Comments/ Suggestions	Rationale/ Analysis
1.	Regulation 4: Definitions AND Regulation 6(2), Explanation v	The definition of "Associate" uses 20% voting power for the threshold, while Regulation 6 (2) (Explanation) uses 50% for part of the eligibility test. This misalignment and use of different thresholds create legal uncertainty in respect of control and relating party rules.	1. Harmonise the definition: select one clear and justified control threshold for all purposes. 20% associates/ related-party, with a separate "controlling shareholder" threshold of 50% where applicable. 2. Indicate and map where each relevant threshold applies (e.g., 20% related to party/conflict of interest and 50% related to consolidated experience requirement). 3. If different thresholds will be retained, be clear as to the	Legal clarity reduces compliance costs and eliminates arbitrage. From an economic perspective, unclear definitions raise information costs for entrants and litigation/regulatory uncertainty, increasing the risk premium (and fees) that PFMs will charge. A dual-threshold (20% for associates, 50% for control) is internationally commonplace and simple to administer.

			policy rationale (e.g., 20% threshold for related-party conflict; 50% to define corporate control for the experience substitution in Regulation 6).	
2.	Regulation 6(1): The applicant seeking registration with the Authority shall be required to have a presence in an IFSC in the form of a company or a branch of a company. AND Regulation 10: Conditions of Registration and Ongoing Compliance	Regulation 6(1) and 10(i) state that PFMs must "have presence in an IFSC" and "have dedicated and fully functional office space" in the IFSC. The IFSCA should permit remote operating models and technology-enabled models, and supervise them appropriately, especially in the case of an asset manager with international licensing	1. Let applicants use remote/virtual operating models if they can demonstrate an equivalent level of controls (i.e., a local authorized representative, local legal entity or branch, robust IT/cyber controls, data residency arrangements, IFSCA access to the operating site for supervision). 2. If the regulation regards a full physical office, provide a phase-in time for compliance (e.g., 6-12 months) to physical office requirements for new entrants to the IFSCA and allow proof of co-working/shared space for start-up PFMs to constrain front-loading of fixed costs. 3. The regulations should also require transparency over where the PFM is located, as well as their operating model	Requiring a costly physical office raises fixed costs and a necessary amount of AUM to break-even (i.e., on-going sustainability). As identified in the earlier discussed sample numbers, annual fixed costs are an essential component to identifying the AUM threshold required to keep the business viable. Allowing credible remote operating models will effectively address substantively weather-related fixed costs and improve competition/ innovation. Whereas the IFSCA can balance risk with enhanced levels of disclosure in the application, periodic onsite visits, and IT/ cyber fulfilments.

			(offshore/onshore/remote), and to disclose contingency arrangements and models for business continuity. The intent is to build oversight and other controls around operating models with risk-identified measures.	
3.	Regulation 6(2): The applicant or its parent or its associate shall have experience in managing a pension fund, a retail fund, or an insurance business for a minimum of 10 years.	Regulation 6(2) requires the applicant (or parent/associate) to hold 10 years of experience managing a pension/retail fund/insurance business. This is a high, categorical experience floor. IFSCA should allow alternative pathways (e.g., 5 years plus stronger governance, or team experience / proven track record of key personnel) to balance capability screening with healthy competition.	1. Implement flexible experience criteria: 10 years for a stand-alone applicant OR 5 years + a demonstrated: (i) Experienced KMP (CEO, CIO) with individually verifiable track record; (ii) evidence robust compliance; (iii) evidence performance is audited; (iv) has appropriate capital buffer. 2. Allow team-based aggregation: Where the firm is newly formed but key managers collectively have 10+ years of relevant experience (and have been committed to the firm for a specified period), allow registration. 3. Define the parameters of "experience": (AUM managed, product types,	A rigorous 10 year whole or 10-year total firm aggregate experience policy strongly restricts and limits the number of eligible applicants, that will reduce societal welfare from a market dynamics perspective to increased market concentration, an increase to fees or a decrease in innovation. Well-established experience thresholds correlate to lower operational risk regardless of the firm"s customer base. Although a flexible set of experience criteria (5 years plus KMP or staged admission) lowers socially wasteful barriers to enter while preserving the Authority"s ability to

			jurisdictional relevance) and allow IFSCA discretion to consider transitioning experience (i.e., from large bank or insurance migration asset manager experience with long historical records). 4. Create a probationary license for new entrants: (e.g., limited AUM cap for 2 years) to enter the market while keeping the emphasis on AUM.	enforce competency and skill through disclosing, stricter initial oversight, or exercising conditional approvals. The probationary path also preserves a reasonable level of indirect market testing with limited downside for subscribers.
4.	Regulation 6(5-6): Eligibility Conditions for Registration	Under Regulation 6 (5-6), three employees must be assigned broadly defined qualifying/experiential requirements. The IFSCA should instead apply functionally defined staffing requirements, provide a clearer definition of KMPs rather than a headcount requirement, and define the minimum experience or seniority requirement for critical control functions.	1. For the staffing requirements, instead of a headcount, functionally defined staffing requirements, such as minimum headcount, are in place for Investment Management, Risk and Compliance, Operations/back office, and Finance. These functionally defined staffing requirements can be combined into small PFMs; these small PFMs must document duties segregation and control processes. 2. Explicitly state that there will be a KMP requirement for seniority in the investment	Counting people is a blunt tool. Thoughtful regulators care about the quality of control and separation of duties. Economically speaking, if there is poor risk control, then both the probability of expected loss increases and loss of reputational externality (to the IFSC) increases. Functionally defined staffing requirement with minimum investment management experience requirement would internalize the risk control improvement benefits of

			area, i.e., a Chief Investment Officer or equal designation [All qualified personnel titles must relate/reflect the respective duties scope, i.e., functions]. 3. Reformulate to comply with the requirements and clarify that for those firms above a threshold total AUM, a full-time compliance officer must be assigned. 4. Create accountability for KMPs by requiring continued education/certification plans and disclose executive compensation/incentive structures policies to mitigate against risk-taking in light of the potential impact on fees to retain and attract qualified personnel to manage organizational risk.	the new staffing requirement, which is consistent with the economics of proportionality in the cost of the risk taking (a graduated linear function relating to retirement funds with agreed-upon fees). There is, proportionately, just an expectation of compliance staffing to cover compliance costs for KMPs.
5.	Regulation 7: Fit and Proper	Regulation 7 requires all persons to be "fit and proper" and references the First Schedule. To reduce regulatory discretion and legal uncertainty, the schedule should list objective	1. Establish the First Schedule criteria and objective disqualifiers (e.g., for specific criminal convictions and/or unresolved regulatory bans), and create a second schedule which outlines subjective criteria (e.g., reputation,	Predictable (clear and objective) standards will reduce regulatory uncertainty and, in turn, reduce the costs of compliance and litigation. Establishing predictable and objective standards

		indicators (e.g., criminal convictions, regulatory sanctions, bankruptcy) and provide a transparent process for remediation/appeal.	competence, and financial soundness) with a description of how they will be weighted. 2. Develop a clear remediation timeline for those previously disqualified by any regulator to regain eligibility (for example, define a reasonable time frame, such as X years, and then provide the disqualified individual with an opportunity to show evidence of rehabilitation). 3. Establish a requirement for PFMs to disclose relevant adverse findings when applying for preference through a third-party oversight/PFM model. IFSCA should publish timelines for processing fit and proper assessments to reduce delay-related costs for regulatory compliance.	minimizes (high) regulatory discretion that can lead to type II errors (over-excluding qualified management), increasing market concentration and cost for subscribers. Predictable remediation of the regulatory system makes the system more sustainable and cost-efficient.
6.	Regulation 11: Voluntary nature and target audience	(1) Participation in the pension scheme shall be entirely voluntary. (2) The pension scheme shall be open exclusively to Non-Resident Indians	-	By having robust KYC and AML procedures, a race to the bottom with provident fund managers competing to lower KYC rigor to attract more subscribers, which can create a

		(NRIs) and foreign citizens who are above the age of 18 years. PFMs shall establish robust Know Your Customer (KYC) and Anti-Money Laundering (AML) procedures to verify the eligibility and identity of the subscribers.		reputational risk for the industry, can be prevented.
7.	Regulation 12: Contribution structure	(1) PFM shall provide subscribers the flexibility to determine the frequency and amount of their contributions (e.g., monthly, quarterly, annually, or lump sum). (2) Minimum contribution amounts, if any, may be specified by the Authority or by the PFM, with prior approval from the Authority.	Clarity with regards to taxation, conversion methodology for currency and who bears the forex risk could help.	-
8.	Regulation 13: Investment Options and Scheme Types	(1) PFMs shall offer a range of investment options, through schemes, to subscribers, categorized primarily as: (a) Active Choice: Subscribers may actively	The scheme allocation might benefit from risk profiling of subscriber based on risk tolerance, risk capacity and the level of risk required to achieve the financial goals of the scheme	This scheme is actually a good way to address information asymmetry as subscribers often face significant information disadvantages regarding

		choose their asset allocation across various asset classes within the specified limits. (b) Auto Choice (Life Cycle Fund): A default option where asset allocation changes automatically based on the subscriber"s age, gradually shifting from aggressive to conservative, as they approach retirement. (2) Each Scheme shall have a clearly defined investment objective, strategy, and risk profile, which shall be detailed in its Scheme Information Document (SID).		optimal asset allocation for retirement. By giving two choices, informed subscribers who can track their investments regularly can opt for active choice while those with lower knowledge can adopt for auto choice. This way subscribers will be better off regardless of their level of knowledge
9.	Regulation 14: Scheme Filing and Approval Process	(1) Each scheme offered by the PFM shall be constituted as a trust. (2) The Pension Fund Manager shall file details of each new Scheme, or any material modification proposed to be made to an existing Scheme, with the Authority, for prior approval. (3) The filing	This section can benefit from properly defining what constitutes material change. Setting up approval timelines might also help. Additionally, a period review of approval would also improve the reliability of the scheme.	Prior approval reduces agency costs as they can act as a super-agent who protects subscribers by screening out exploitative or unfair schemes and enforces basic standards which increase trust in the industry.

		shall inter alia include the Scheme Information Document (SID), and any other information as may be required by the Authority. (3) PFM shall appoint a Trustee before filing the SID with the Authority. The PFM shall ensure that the Trustee meets with the fit and proper requirements as specified in regulations. (4) The scheme, as approved by the Authority, shall be launched within a period of 12 months from the date of its approval.		
10.	Regulation 15: Withdrawal and Exit Options	Withdrawal and Exit Options (1) Provision for Partial Withdrawal (Pre-Retirement): Limited partial withdrawals may be permitted for specific purposes, such as higher education, marriage, critical illness, housing, or any other purposes as maybe specified by the	Reducing the partial withdrawal limit could help preserve retirement corpus better and to prevent it from becoming a glorified savings account. In addition to this, a corpus threshold for withdrawal eligibility could also be added. The scheme could also benefit from a system of phased and emergency withdrawal.	Lock-in is a good feature as subscribers suffer from what behavioural economics calls time-inconsistent preferences wherein there is a change in what they want today vs tomorrow. Lock in and mandatory annuitization help people bind their future selves to avoid self control failures.

		Authority, after a minimum lock-in period of five . Provided that the partial withdrawal shall not exceed seventy-five percent of subscriber"s contribution, or such limit as has been disclosed in the scheme information document. (2) At Retirement/Superannuation/vesting period: Upon contributing for a minimum of ten years or attaining the age of superannuation, that is sixty years, whichever is earlier, a subscriber shall have the following options: (a) Systematic Withdrawal Plan (SWP)-Withdraw a portion or the entire accumulated corpus in periodic installments over a chosen period. The terms and conditions of Systematic Withdrawal Plan shall be clearly defined by the PFM in the		However, it can cause liquidity or psychological cost to subscribers.

		Scheme Information Document and approved by the Authority. (b) Annuity- Utilize a portion or the entire accumulated corpus in the form of an annuity. (c) Combination- Opt for a combination of Systematic Withdrawal Plan and annuity, allocating different portions of the accumulated corpus for each purpose. (d) Deferral - Defer the withdrawal of the accumulated corpus, with or without further contributions, up to any time before attaining the age of seventy-five years. (3) A minimum of twenty percent of the total corpus shall be utilised by the subscriber for the purchase of Systematic Withdrawal Plan or annuity or a combination of Systematic Withdrawal Plan and Annuity.		

		(4) In case the total accumulated corpus of a subscriber is below a threshold, as may be specified by the Authority, at retirement/superannuation, the entire amount may be withdrawn as a lump sum. (5) If a subscriber exits from the scheme before superannuation or vesting period, a minimum of twenty-five percent of the total corpus shall be utilised by the subscriber for the purchase of Systematic Withdrawal Plan or annuity or a combination of Systematic Withdrawal Plan and Annuity. (6) In the event of the subscriber"s death, the entire accumulated corpus shall be paid as a lump sum to the nominee(s), or, in his absence, to the legal heir(s).		

11.	Regulation 16: Portability	Subscribers shall have the option to port their Pension Account from one Pension Fund Manager to another Pension Fund Manager registered under these Regulations, in such manner as may be specified by the Authority. The Authority shall provide guidelines for interoperability with other pension systems (e.g. NPS), subject to bilateral agreements and regulatory approvals.	The mechanics of the portability are still not notified by the authority so it is difficult to analyse the same. Additionally the costs for porting are also not mentioned. Neither are the tax implications. Frequency restrictions might help prevent destabilisation of funds. Standardising porting through a portal of sorts could help. Additionally a requirement of PFMs to display their comparative performance data could also help subscribers make more informed choices when it comes to porting	The problem with lock-in is when a person subsribes to a PFM, they are basically stuck to them which can create a monopoly power over them which can lead to PFMs extracting rents through higher fees, but poor service. Cheap or costles portability can curb this exploitation of existing customer while creating continuous competition which will fuel quality of service and reduction of prices for subscribers
12.	Regulation 17: Nomination	Subscribers shall have the right to nominate one or more individuals to receive the accumulated corpus in the event of their death. Provisions for change of nomination shall be available as per the Pension Fund Manager"s procedures.	Requirement of witness or authentication of nomination can be mandated to minimise fraud. Authority should create a standardised nomination process with periodic confirmation of nomination.	-

13.	Regulation 18: Healthcare Benefit Option	(1) The Pension Fund Manager may also offer a healthcare benefit option that allows subscribers to allocate a portion of their pension contributions towards a dedicated healthcare savings account. (2) The Scheme Information Document for the scheme which contains the healthcare benefit option shall contain the details of the same. (3) The healthcare benefit option offered in a scheme by the Pension Fund Manager shall be in accordance with the requirements specified in the Second Schedule.	The portion for healthcare fund should ideally be invested in liquid assets which are conservative in case of emergencies. The scheme could also benefit from integration from insurance and allowing global usage for NRIs. Separate accounting for healthcare and pension portions would also help	This helps reduce risk pooling as opposed to traditional insurance where many pay premiums but only few claim as opposed to an individual savings account.
14.	Regulation 26: The framework suffers from unclear roles, responsibilities, independence requirements,	The regulator must issue clear guidelines defining the roles, reporting lines, and independence of all three lines of defense, and set the minimum standards for staffing,	It is recommended to issue detailed guidelines specifying the following: (i) First line: operational management responsible for	International best practices stress the need to have a well-defined three-lines model that would enable a clear understanding of operations, prevent overlap and gaps in the oversight of

	reporting lines, escalation pathways, and resource allocation across the three lines of defense.	resources, and qualifications for each line.	day-to-day risk ownership; (ii) Second line - independent risk and compliance functions for oversight; (iii) Third line - internal audit for independent assurance Mandate functional independence of second and third lines from business operations Require direct reporting of second line (CRO) to Board Risk Committee and third line (Internal Audit) to Audit Committee Specify what is the minimum resource requirement and minimum qualification for personnels in each line.	risk, and ensure adequate checks and balances. Examples include the Basel Committee and OECD.
15.	Regulations 30 and 42: The framework lacks resolution timelines,	Clear deadlines for grievance resolution must be established. Further, the number of categories must be limited. The framework must provide	Prescribe specific timelines: (i) acknowledgment within 3 working days; (ii) resolution within 30 days; (iii) escalation to senior management if unresolved in 30 days; (iv)	Transparency, confidence-building, and transparent reporting would create market discipline. This would allow for early

	acknowledgment requirements, standardized grievance categories, performance metrics, escalation criteria, periodic reporting, and subscriber-friendly communication norms. These gaps, combined with potential conflicts of interest, allow for delays, weaken oversight, and reduce the overall effectiveness of grievance redressal.	for root cause analyses, and Key Performance Indicators ("**KPIs**"), and mandate quarterly reporting to the Authority.	Authority escalation after 60 days Mandate quarterly reporting to Authority on: (i) number and nature of grievances; (ii) resolution timelines; (iii) recurring issues; (iv) corrective actions taken Require standardized grievance categorization and root cause analysis Establish KPIs: % resolved within SLA, subscriber satisfaction scores, repeat complaint rate Mandate independence safeguards for grievance redressal officer (separate reporting line to Board/Compliance Officer, protection from retaliation) Require multiple grievance channels (online portal, email, toll-free helpline, physical submission) Mandate simple, subscriber-friendly communication in plain language with regional language support	detection of systemic issues.

			Establish penalty framework for systemic delays or poor resolution quality	
16.	Regulation 37: Capping the Investment Management Fee (IMF) to prevent monopoly pricing. (Chapter VII: Financial Aspects)	Regulation 37(1) permits PFMs to levy "reasonable and transparent fees" from subscribers, subject to prior approval by the Authority. The regulation does not specify a statutory ceiling or "Total Expense Ratio" (TER) limit.	Mandate a "Maximum Expense Ratio" or Fee Cap. The Authority should expressly specify a ceiling for the Investment Management Fee (IMF) rather than relying on the subjective standard of "reasonableness." Given that the PFM acts as the sole manager of the capital, leaving fee structures open-ended creates significant risk. The regulations must align with global low-cost pension standards to remain competitive for NRIs against products in their resident jurisdictions.	Economic Efficiency & Agency Costs: The relationship between a subscriber and a PFM is a classic principal-agent problem. Without a fee cap, the PMF (or the agent) has an incentive to maximize rent extraction (or the fees) at the expense of the Principal's (or the Subscriber's) retirement wealth. Over a working life, even a 1% fee difference can reduce a retiree's assets by tens of thousands of dollars. 2. Global Best Practices (UK & India): • UK: To address this value erosion, the UK government enforces a strict 0.75% charge cap on default funds in occupational pension schemes. The Department for Work and Pensions

				maintains that fee caps are important to protect passive savers. • India: The PFRDA restricts PFM fees to low slab-based limits of approx. 0.03% - 0.09%. This is done to ensure that the NPS remains the world's lowest-cost pension product. If IFSCA products charge active management fees of 1.5% or more, they would not be able to compete against these global alternatives. 3. Strategic Viability: A "reasonable" fee standard is legally ambiguous. A statutory cap serves as a credible commitment device, signaling to global investors that the IFSC is a low-cost, high-efficiency jurisdiction
17.	Regulation 39: Ensuring Operational Independence	The Compliance Officer is a Key Managerial Personnel ("**KMP**") under Regulation 39. He	Allow External Engagement and Mandate Reporting to Audit Committee. The Compliance Officer must	1. IOSCO Principle 31 (Operational Independence):

	and External Outsourcing of Compliance (Chapter VIII: Compliance and Enforcement)	is accountable to the Board for compliance with the regulations.	report directly to the Audit Committee or Independent Directors. Explicitly allow the Compliance Officer to be engaged externally provided there is strict oversight.	International standards mandate that the compliance function must have “operational independence” from business lines to effectively manage risk. If the Compliance Officer reports to a Board dominated by executive management, they face a structural conflict of interest where commercial pressure may override regulatory duty. 2. Cost Efficiency & Expertise: Outsourcing is allowed in jurisdictions like DIFC and Singapore. It enables smaller PFMs to access specialized, high-quality expertise, thereby improving overall compliance standards without imposing prohibitive fixed costs and lowering the barriers to entry for global managers.
18.	Regulation 41: Need for	Regulation 41(1) empowers the Authority to initiate “any action, as	Adopt a Graded Enforcement Framework.	1. Rule of Law & Non-Arbitrariness:

	Structuring Graded Enforcement Actions (Chapter VIII: Compliance and Enforcement)	it may deem fit" in case a Pension Fund Manager contravenes provisions. The nature and quantum of penalties are left entirely discretionary without a defined matrix	There must be a clear distinction between technical breaches and substantive breaches.	Guided by administrative law principles, regulatory action affecting a business license must meet the tests of procedural fairness and non-arbitrariness. Unfettered discretion creates a risk of arbitrary enforcement that may not survive judicial scrutiny. 2. Regulatory Risk Premium: Economic theory suggests that regulatory uncertainty increases the "risk premium" for foreign investors. A transparent penalty matrix (like SEBI"s Graded Surveillance Measures) provides legal certainty, encouraging long-term capital commitment.
19.	Regulation 42: Mandating Statutory Timelines for Grievance Redressal. (Chapter VIII:	The current draft does not specify a maximum turnaround time (TAT) for this internal resolution process.	Mandate a Strict Statutory Resolution Window. A specific maximum turnaround time, such as of 21 calendar days, must be imposed on the PFM for internal resolution.	Economic Efficiency & Agency Costs: The relationship between a subscriber and a PFM is a classic "Principal-Agent" problem. Without a fee cap, the Agent (PFM) has an

	Compliance and Enforcement)			incentive to maximize rent extraction (fees) at the expense of the Principal"s (Subscriber) retirement wealth. Research indicates that even a 1% fee difference can reduce a retiree"s assets by tens of thousands of dollars over a working life. 2. Global Best Practices (UK & India): • UK: To address this value erosion, the UK government enforces a strict 0.75% charge cap on default funds in occupational pension schemes. The Department for Work and Pensions (DWP) found that fee caps are essential to protect "passive" savers who do not actively switch providers. • India: The PFRDA restricts PFM fees to low slab-based limits (approx. 0.03% - 0.09%) to ensure the NPS remains the world"s lowest-cost

				pension product. If IFSCA products charge typical active management fees (1.5%+), they will be structurally uncompetitive against these global alternatives. 3. Strategic Viability: A "reasonable" fee standard is legally ambiguous. A statutory cap serves as a credible commitment device, signaling to global investors that the IFSC is a low-cost, high-efficiency jurisdiction 1. IOSCO Principle 31 (Operational Independence): International standards mandate that the compliance function must have "operational independence" from business lines to effectively manage risk. If the Compliance Officer reports to a Board dominated by executive management, they face a structural

				conflict of interest where commercial pressure may override regulatory duty. 2. Cost Efficiency & Expertise: Allowing outsourcing (as practiced in jurisdictions like DIFC and Singapore) enables smaller PFMs to access specialized, high-quality expertise that they might not be able to afford in-house. This improves overall compliance standards without imposing prohibitive fixed costs, thereby lowering the barriers to entry for global managers. 1. Rule of Law & Non-Arbitrariness: Guided by administrative law principles (e.g., Maneka Gandhi v. Union of India), regulatory action affecting a business license must meet the tests of procedural fairness and non-arbitrariness. Unfettered discretion ("any action") creates a risk of

				arbitrary enforcement that may not survive judicial scrutiny. 2. Regulatory Risk Premium: Economic theory suggests that regulatory uncertainty increases the “risk premium” for foreign investors. A transparent penalty matrix (like SEBI”s Graded Surveillance Measures) provides legal certainty, encouraging long-term capital commitment. 1. Access to Justice: “Justice delayed is justice denied.” An open-ended timeline exacerbates information asymmetry between the powerful PFM and the individual subscriber. Vulnerable consumers (especially NRIs abroad) need the certainty of a defined resolution window. 2. Domestic Alignment:

				• SEBI SCORES 2.0: Recently reduced the mandatory resolution timeline to 21 calendar days to strictly enforce accountability. • RBI Ombudsman: Operates on a strict 30-day internal resolution window. Deviating from these established domestic standards would signal a weaker consumer protection regime in the IFSC.
20.	Regulation 43(i): Chapter IX and Schedule I (The Authority, for reasons to be recorded in writing, may in the interest of development of the pension market in the International Financial Services	Regulatory ambiguity: The suggested Regulation 43(i) empowers IFSCA to grant relaxation from compliance in the "interest of development of the pension market in the IFSC". The provision lacks specific and objective criteria as to when and how the power of relaxation may be used.	Amend regulation 43(i) to include objective criteria: Relaxation shall only be granted if the applicant demonstrates that (i) cost strict compliance would impose a cost that is disproportionate to the regulatory objective achieved AND (ii) the proposed alternative measure achieves an equivalent or superior level of investor protection and market integrity	The existing provision allows for subjective administrative accommodation. Introducing a formal, two-part test forces the Authority and the applicant to demonstrate that the cost of compliance exceeds the regulatory benefit. This ensures relaxation is not based on lobbying but on a proven case for enhancing Kaldor-Hicks Efficiency while maintaining investor safeguards.

	Centre, relax the strict enforcement of any of these regulations.) (Part IX - Regulation 43(i))			
21.	Regulation 43(ii): Chapter IX and Schedule I (For seeking relaxation under sub regulation (i), an application giving details on the grounds on which such relaxation has been sought, shall be filed with the Authority along with a non-refundable fee as may be specified by the Authority.	Risk of Anti-Competitive Practice : The suggested Regulation 43(ii) requires an application and a non-refundable fee for relaxation from compliance as per Regulation 43(i). This provision is devoid of any intimation as to the scrutiny of the application and acts as a priced mechanism for a priced favour, which might create a disparity benefitting solely the well resourced entities.	Amend Regulation 43(ii) - The Authority must publish a detailed record of every instance of relaxation granted, particulary the regulation for which compliance was relaxed, the reasons for such allowance, and the duration. The fee should be reasonable and justifiable based on the cost of regulatory review. Addition of New Sub-Regulation (4): Any relaxation shall be valid for a defined, non-renewable period not exceeding [e.g., three years].	Public disclosures act as a powerful deterrent against anti competitive practices, and make space for public scrutiny and accountability. A defined time limit allows the relaxation to provide some flexibility without being too lenient.

	(Part IX - Regulation 43(ii))			
22.	Chapter IX and Schedule I Schedule I, (1(b)(viii)) - Any order against the person, which has a material bearing on the securities market, has been passed by the Authority or any other regulatory authority, and a period of three years from the order has not elapsed. Schedule I, (1(b)(x)) - the person is financially sound or has been categorized as a wilful	Vagueness in terms Schedule I lays down the requirements for a fit and proper person. The provision disqualifies a person who is "financially not sound" (1(b)(x)). This description is subjective and lacks quantitative, verifiable benchmarks (e.g., specific debt ratios, net worth limits, or default criteria). The disqualification related to an order having a "material bearing on the securities market" (1(b)(viii)) where the Authority determines "materiality" is left open	Define financially not sound using objective standards: Objective standards must be used to deem a person not financially sound, such as: (i) Net worth is negative, (ii) There have been defaults on any scheduled repayment obligation to a financial institution exceeding (e.g., ₹50 Lakh) for a period of more than 90 days, and (iii) has been classified as a Wilful Defaulter by any financial regulator. Define "Material Bearing": An order shall have a material bearing on the securities market only if it results in (i) a final monetary penalty exceeding the notified threshold (e.g., ₹25 Lakh), or (ii) a final period of suspension or debarment of more than the notified period (e.g., six months), or (iii) a finding of fraud or misrepresentation in	Ambiguous language creates regulatory risk and increases legal defense costs for firms. Objective, publicly verifiable financial rules would reduce information asymmetry and minimize arbitrary disqualifications.

	defaulter;		connection with investor funds.	
23.	Schedule B: Low contribution cap in Healthcare Sub-Account	The Healthcare Benefit Option allows contributions up to 5% of total pension contributions to a healthcare sub-account.	Increase the cap to 8-10% or introduce a flexible band of 5 to 10% based on the subscriber's age and risk profile. Additionally, provide an option to convert the unutilized amount to a retirement corpus.	Cost-Benefit Analysis: Current 5% ceiling may under-serve subscribers with high medical inflation. A higher/ variable cap increases utility without harming the pension corpus. Pareto Improvement: Flexibility improves the welfare of subscribers without reducing others' welfare.
24.	Schedule B: Rigid investment mandate of healthcare funds	Healthcare Sub-Account must invest only in low-risk, short-term liquid securities to enable quick payouts.	Allow tightly-hedged global bond exposure and short-duration diversified debt ETFs. Mandate disclosure of expense ratios and expected returns.	Information Asymmetry: Without return disclosures, subscribers misjudge opportunity cost. Rational Consumer Theory: Offering global diversification respects varied subscriber risk preferences.

25.	Schedule B: Unclear rules on early withdrawal from healthcare account	Withdrawals allowed for medical expenses at any time; no clarity on limits, penalties, or documentation	Lay down transparent withdrawal rules, limits per year, and loan-against-health-corpus option before permanent withdrawal.	Unrestricted withdrawals would risk depleting pension savings, shifting the burden to future social systems. Clear rules would reduce disputes and administrative friction since the transaction cost would be lowered.
26.	Annexure A - Fixed Income Limits: Over-concentration in sovereign bonds	Minimum 30% allocation to sovereign securities; no stated upper cap.	Introduce a max cap (e.g., 60%) and allow marginal increase in high-yield bonds (from 5% to 8-10%) in high-growth schemes.	Portfolio Efficiency: Excess sovereign allocation would reduce expected return for younger subscribers. Kaldor-Hicks Efficiency: Slightly higher risk allocation would raise aggregate welfare even if PFMs incur a marginal compliance burden.
27.	Annexure A - AIF, REIT, InvIT, PE, Commodities: Fragmented limits on	Individual caps: REIT/InvIT (10%), PE/VC (5%), Commodities (5%).	Create cumulative alternatives limit (e.g., 15%) and require illiquidity score / lock-in disclosure for each AIF.	Transaction Cost & Liquidity Premium Theory: Alternatives carry hidden costs (exit delays, valuation uncertainty). Mandatory disclosure reduces information

	Alternative Investments			asymmetry and moral hazard.
28.	Annexure B - Risk Framework: No explicit climate/ ESG risk scenario testing requirement	Risk management must cover market, credit, liquidity, operational, reputation, etc., with stress tests.	Add climate transition risk, ESG risk, and sovereign downgrade simulations to stress-testing templates.	Negative Externality: ESG-unaware portfolios may face sudden devaluation, impacting retirees. Game Theory: If one PFM ignores ESG but others don't, risk contagion impacts the whole system. Uniform testing prevents destructive competition.
29.	Annexure B – Governance: Risk governance without minimum Board independence safeguards	Risk appetite approval sits with the Board; 3-lines-of-defense adopted.	Require a minimum of 2 independent non-executive directors on Risk Committee; mandatory board-level training on pension-fund risk.	Agency Theory: PFMs may prioritise fee maximisation over subscriber safety. Strengthening Board independence reduces principal-agent conflict.
30.	Annexure B - Stress Testing: Stress-test results not required to be	PFMs must conduct regular stress testing, but no requirement for public or subscriber-level disclosure.	Publish summary stress-test results with risk color-coding (green/yellow/red) without revealing confidential models.	Information Asymmetry: Subscribers cannot assess the safety of the fund without insight into stress tests. Prisoner"s Dilemma Resolution: If all PFMs disclose results,

	shared with subscribers			competition shifts to risk management quality instead of reckless risk-taking.