

CABINET APPROVES ESTABLISHMENT OF A UNIFIED AUTHORITY FOR REGULATING ALL FINANCIAL SERVICES IN INTERNATIONAL FINANCIAL SERVICES CENTRES (IFSCS) IN INDIA THROUGH INTERNATIONAL FINANCIAL SERVICES CENTRES AUTHORITY BILL, 2019

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Cabinet

Cabinet approves establishment of a unified authority for regulating all financial services in International Financial Services Centres (IFSCs) in India through International Financial Services Centres Authority Bill, 2019

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The Union Cabinet chaired by the Prime Minister Narendra Modi has approved establishment of a unified authority for regulating all financial services in International Financial Services Centres (IFSCs) in India through International Financial Services Centres Authority Bill, 2019.

The first IFSC in India has been set up at GIFT City, Gandhinagar, Gujarat. An IFSC enables bringing back the financial services and transactions that are currently carried out in offshore financial centers by Indian corporate entities and overseas branches / subsidiaries of financial institutions (FIs) to India by offering business and regulatory environment that is comparable to other leading international financial centers in the world like London and Singapore. It would provide Indian corporates easier access to global financial markets. IFSC would also compliment and promote further development of financial markets in India.

Currently, the banking, capital markets and insurance sectors in IFSC are regulated by multiple regulators, i.e. RBI, SEBI and IRDAI. The dynamic nature of business in the IFSCs necessitates a high degree of inter-regulatory coordination. It also requires regular clarifications and frequent amendments in the existing regulations governing financial activities in IFSCs. The development of financial services and products in IFSCs would require focussed and dedicated regulatory interventions. Hence, a need is felt for having a unified financial regulator for IFSCs in India to provide world class regulatory environment to financial market participants. Further, this would also be essential from an ease of doing business perspective. The unified authority would also provide the much needed impetus to further development of IFSC in India in-sync with the global best practices.

Taking into account the regulatory requirements of IFSCs and the provisions of the existing laws of financial sector, the Department of Economic Affairs (DEA), Ministry of Finance (MoF) has prepared a draft Bill to set up a separate unified regulator for IFSCs. Following are the main features of the Bill:

Management of the Authority: The Authority shall consist of a Chairperson, one Member each to be nominated by the Reserve Bank of India (RBI), the Securities Exchange Board

of India (SEBI), the Insurance Regulatory and Development Authority of India (IRDAI) and the Pension Fund Regulatory and Development Authority (PFRDA), two members to be dominated by the Central Government and two other whole-time or full-time or part-time members.

Functions of the Authority: The Authority shall regulate all such financial services, financial products and FIs in an IFSC which has already been permitted by the Financial Sector Regulators for IFSCs. The Authority shall also regulate such other financial products, financial services or FIs as may be notified by the Central Government from time to time. It may also recommend to the Central Government such other financial products, financial services and financial institutions which may be permitted in the IFSCs.

Powers of the Authority: All powers exercisable by the respective financial sector regulatory (viz. RBI, SEBI, IRDAI, and PFRDA etc.) under the respective Acts shall be solely exercised by the Authority in the IFSCs in so far as the regulation of financial products, financial services and FIs that are permitted in the IFSC are concerned.

Processes and procedures of the Authority: The processes and procedures to be followed by the Authority shall be governed in accordance with the provisions of the respective Acts of Parliament of India applicable to such financial products, services or institutions, as the case may be.

Grants by the Central Govt.: The Central Govt. may, after due appropriation made by Parliament by law in this behalf, make to the Authority grants of such sums of money as the Central Government may think fit for being utilized for the purposes of the Authority.

Transactions in foreign currency: The transactions of financial services in the IFSCs shall be done in the foreign currency as specified by the Authority in consultation with the Central Govt.

The establishment of a unified financial regulator for IFSCs will result in providing world-class regulatory environment to market participants from an ease of doing business perspective. This will provide a stimulus for further development of IFSCs in India and enable bringing back of financial services and transactions that are currently carried out in offshore financial centres to India. This would also generate significant employment in the IFSCs in particular as well as financial sector in India as a whole.

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