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GIFT IFSC · FUND MANAGEMENT

Establishing a Registered Fund Management Entity (Non-Retail) in GIFT IFSC

Regulatory framework, eligibility, registration process, ongoing obligations and key considerations

IFSCA (FUND MANAGEMENT) REGULATIONS, 2025 · AS AMENDED UP TO 10 SEPTEMBER 2026

Position as on 28 October 2026 · For discussion purposes only

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Executive summary

USD 500,000
minimum net worth, to be maintained at all times

2 KMPs
Principal Officer and Compliance Officer, based in the IFSC

10–16 weeks
indicative period to obtain registration (Taghash estimate)

USD 3 million
minimum corpus of each restricted scheme

1. **Registration is at the manager level.** The International Financial Services Centres Authority ("IFSCA") registers the Fund Management Entity ("FME") under the IFSCA (Fund Management) Regulations, 2025 ("FM Regulations"); schemes are thereafter launched by filing a placement memorandum ("PPM"), without a separate registration.

2. **Non-Retail is the appropriate category for most private funds.** A Registered FME (Non-Retail) may manage venture capital schemes and restricted schemes (Category I, II and III AIFs), portfolio management services, special situation funds and privately placed investment trusts.

3. **Substance is mandatory.** The FME must operate from a dedicated office in GIFT IFSC, with qualified key managerial personnel ("KMPs") based there.

4. **The fiscal regime is favourable.** Eligible IFSC units may claim a 100% deduction of eligible income for any 20 consecutive tax years out of 25, from the year of IFSCA registration, with a concessional 15% rate thereafter. Management fees charged to IFSC schemes attract no GST.

Sources: FM Regulations, as amended up to 10 September 2026; IFSCA fee circular IFSCA-DTFA/1/2026 (2 March 2026, as updated on 13 March 2026); Income-tax Act, 2025, s. 147, as amended by the Finance Act, 2026.

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PART 2

Legal and Regulatory Framework

The legal status of GIFT IFSC, the regulator and the governing instruments

Legal status of GIFT IFSC

The International Financial Services Centre ("IFSC") at GIFT City is set up under Section 18 of the Special Economic Zones Act, 2005 ("SEZ Act"), within the GIFT multi-services Special Economic Zone. Entities set up in the IFSC occupy a dual position, which underpins the attractiveness of the jurisdiction.

Non-resident for exchange control

Foreign Exchange Management Act, 1999

- IFSC units are treated as persons resident outside India
- Transactions are undertaken in freely convertible foreign currency
- No capital-account restrictions on raising or deploying funds offshore

Resident for income tax

Income-tax Act, 2025

- IFSC units are Indian tax residents
- Eligible for the IFSC tax holiday and concessional regime
- Category I and II schemes enjoy pass-through status (other than business income)

Consequence: an IFSC scheme may pool foreign-currency capital and invest overseas without exchange-control approvals, and in India through the foreign investment routes (FPI or FDI), while the FME retains access to Indian tax incentives.

Sources: SEZ Act, 2005, s. 18; IFSCA Act, 2019; Foreign Exchange Management (International Financial Services Centre) Regulations, 2015; Income-tax Act, 2025.

The regulator and the governing instruments

International Financial Services Centres Authority ("IFSCA")

- Statutory regulator established in April 2020 under the IFSCA Act, 2019 as the unified regulator of financial products, services and institutions in the IFSC
- Exercises, within the IFSC, the powers otherwise vested in RBI, SEBI, IRDAI and PFRDA
- Since 28 February 2024, an IFSCA officer designated "Administrator (IFSCA)" exercises the SEZ Development Commissioner's powers for IFSC units, including grant of the Letter of Approval

Principal instruments

IFSCA Act, 2019	Establishes IFSCA and confers its regulatory powers
SEZ Act, 2005 and SEZ Rules, 2006	Unit approval (LOA), lease deed, BLUT and SEZ compliance
IFSCA (Fund Management) Regulations, 2025 ("FM Regulations")	IFSCA's principal regulations on fund management: registration and obligations of FMEs, and requirements for each type of scheme
IFSCA circulars	Fees, KMP eligibility, accredited investors, co-investment, websites, reporting formats
FEMA (Overseas Investment) Rules, 2022	Investment by Indian residents in IFSC entities and schemes
Income-tax Act, 2025	Tax holiday (s. 147) and scheme-level tax treatment

Sources: IFSCA Act, 2019, ss. 12–13; Government of India Gazette notification of 28 February 2024 (Administrator (IFSCA)); FM Regulations (dated 10 February 2025, published in the Gazette and in force from 19 February 2025; amended w.e.f. 30 July 2025, 30 January 2026 and 10 September 2026); Administrator (IFSCA), SEZ Compliance FAQ Booklet v2.0 (Aug 2026), Q1–7.

Evolution of the fund management regime

Mar 2015

SEBI (IFSC) Guidelines extend the AIF framework to the IFSC

Apr 2020

IFSCA established as the unified regulator of the IFSC

Apr 2022

FM Regulations, 2022 introduce the FME concept (in force May 2022)

Feb 2025

FM Regulations, 2025 replace the 2022 Regulations (in force 19 Feb)

Jul 2025

Third-party fund management services permitted (w.e.f. 30 Jul)

Jan 2026

First Amendment: certification route for KMPs; rolling PPM extensions

Sep 2026

Second Amendment: wider FME contribution limits; senior and junior units

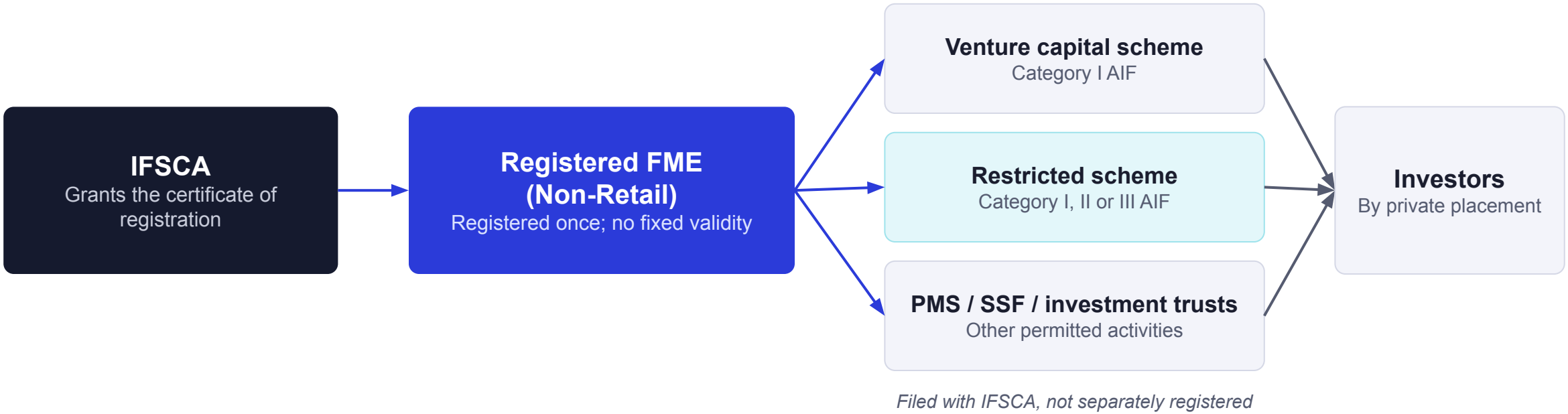
Oct 2026

SEZ (Fourth Amendment) Rules: fund may rely on the FME's space and lease deed

Sources: SEBI (International Financial Services Centres) Guidelines, 2015; IFSCA Act, 2019; FM Regulations, 2022 and 2025; FM (Amendment) Regulations, 2025 (notified 24 Jul 2025), 2026 (w.e.f. 30 Jan 2026) and FM (Second Amendment) Regulations, 2026 (10 Sep 2026); SEZ (Fourth Amendment) Rules, 2026 (G.S.R. 895(E), 15 Oct 2026).

A manager-centric framework

Unlike the SEBI (AIF) Regulations, 2012, under which each fund is registered, the FM Regulations register the manager. A registered FME may launch schemes under its certificate of registration by filing the PPM with IFSCA. Each scheme remains a separate legal vehicle and a separate SEZ unit.



Implication: the choice of FME category is a threshold decision, as it determines the schemes and activities the FME may undertake. A change in category requires IFSCA's prior approval.

Sources: FM Regulations, Regs. 3, 15, 17, 19 and 31.

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PART 3

Eligibility Requirements

Category of registration, legal form, net worth, key managerial personnel and fit-and-proper criteria

Categories of FME

Particulars	Authorised FME	Registered FME (Non-Retail)	Registered FME (Retail)
Degree of regulation	Light-touch	Intermediate	Full
Legal form	Company, LLP or branch	Company, LLP or branch	Company, or branch of a company
Minimum net worth	USD 75,000	**USD 500,000**	USD 1,000,000
Eligible investors	Accredited, or USD 250,000+, by private placement	Accredited, or USD 150,000+, by private placement	Retail and non-retail investors
Permitted schemes	VC schemes (≤50 investors); one family investment fund	As Authorised, plus restricted schemes (≤1,000 investors), PMS, SSFs, private REITs/InvITs	As Non-Retail, plus retail schemes, ETFs and public REITs/InvITs
Minimum KMPs	Principal Officer	Principal Officer and Compliance Officer	PO, CO and a fund-management KMP
Track record	Not required	Not required	Required (group experience may count)
IFSCA fees (USD)	2,500 + 5,000; 3,000 p.a.	2,500 + 7,500; 3,000 p.a.	2,500 + 10,000; 3,000 p.a.

Sources: FM Regulations, Regs. 3, 5–8 and Second Schedule; IFSCA fee circular IFSCA-DTFA/1/2026 (2 March 2026): application fee + registration fee; recurring fee per annum (a family investment fund pays a USD 15,000 registration fee). Each higher category may undertake the activities permitted to the categories below it.

Eligibility requirements for a Registered FME (Non-Retail)

Legal form

A company incorporated under the Companies Act, 2013, an LLP under the LLP Act, 2008, or a branch of an entity regulated for similar activities elsewhere. The constitutional documents must permit fund management.

Net worth

USD 500,000, to be maintained at all times, evidenced by a chartered accountant's certificate.

Key managerial personnel

A Principal Officer and a Compliance Officer, each meeting the prescribed qualification and experience criteria and based in the IFSC.

Fit and proper

The applicant, its KMPs, directors or designated partners and controlling shareholders must satisfy the fit-and-proper criteria on a continuing basis.

Infrastructure and substance

Adequate office space, equipment, communication facilities and manpower in the IFSC, commensurate with the scale of operations.

Policies and controls

A risk-management framework, internal controls, a business continuity plan and a cyber-security and cyber-resilience framework.

Sources: FM Regulations, Regs. 5–10 and Second Schedule; IFSCA FAQs on the FM Regulations. In the case of a branch, net worth may be maintained at the parent level, earmarked for the IFSC branch.

Key managerial personnel: eligibility criteria

Route	Qualification	Experience	Applicable to
A. Professional qualification	Professional qualification (ICAI, ICSI, ICMAI or foreign equivalent), CFA or FRM, or a postgraduate degree or diploma of at least one year in finance, law, accountancy, economics, capital markets or allied fields. An LLB qualifies for a Compliance Officer.	Five years in an eligible institution (three years for a professionally qualified Compliance Officer)	Principal Officer and Compliance Officer
B. Seasoned practitioner	Graduate degree in any discipline	At least 15 years in fund management, portfolio management, investment advisory or similar	Principal Officer only
C. Certification route	IFSCA-specified certification (introduced January 2026)	Post-qualification experience in an eligible institution: three years (PO and other KMPs); two years (CO)	Principal Officer and Compliance Officer

Location

Portfolio proposals must be initiated by personnel based in the FME's IFSC office.

Scale trigger

An additional fund-management KMP within six months of the end of a financial year in which AUM reaches USD 1 billion (excluding fund-of-funds schemes).

Changes

Appointments of, and changes to, KMPs follow IFSCA's KMP circular (20 February 2025, as amended on 1 April 2026); the FME is responsible for continued eligibility.

Sources: FM Regulations, Reg. 7, as amended w.e.f. 30 January 2026; IFSCA, Guidelines on Ascertaining KMP Eligibility (25 July 2025). All KMPs and employees discharging core fund-management functions must complete an IFSCA-specified certification on the fund management framework (ICSI or ICAI) by 31 December 2026 (IFSCA circulars of 1 April 2026 and 29 September 2026).

Ownership: who may establish the FME

Foreign entities and individuals

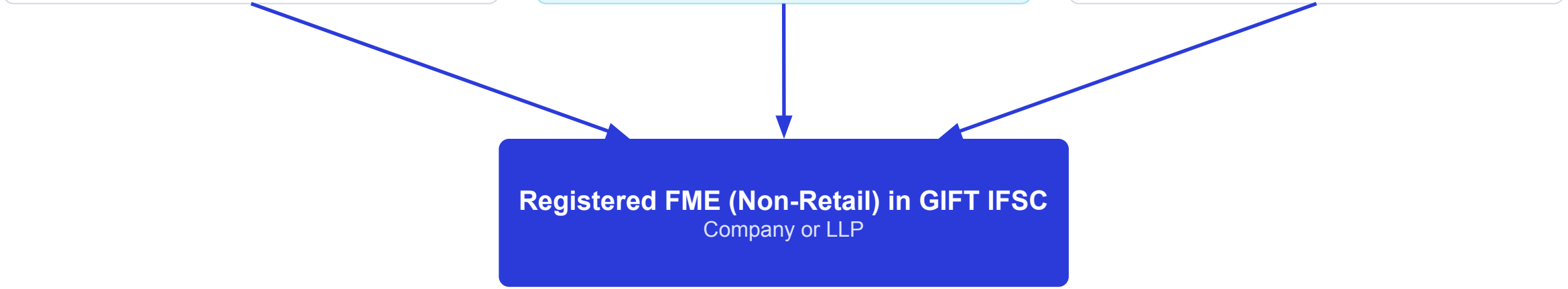
May invest directly under the foreign investment framework. Capital and profits are freely repatriable.

Indian companies

May invest under the ODI route. An Indian entity not engaged in financial services need not meet the three-year net-profit condition when investing in an IFSC entity.

Resident individuals

May invest under the LRS, up to USD 250,000 per financial year, provided the FME has no subsidiary or step-down subsidiary outside the IFSC where the individual has control.



Sources: FM Regulations, Regs. 5 and 8; FEMA (Overseas Investment) Rules, 2022, Schedules I, III and V; Foreign Exchange Management (Non-Debt Instruments) Rules, 2019.

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PART 4

Registration Process

Sequencing, documentation and indicative timelines

Registration and launch: the prescribed sequence

PHASE 1 Establishment

1 — Determine legal form
Company, LLP or branch

2 — Obtain PLOA
From the developer, for the FME's premises

3 — Prepare the CAF
Documents, declarations and business plan

PHASE 2 Registration

4 — Submit the CAF on SWIT
INR 5,000 (SEZ) and USD 2,500 (IFSCA)

5 — LOA and registration
Pay USD 7,500 within 15 days of approval

6 — Constitute the trust
Trust deed and PAN; relies on the FME's PLOA

PHASE 3 Scheme launch

7 — Form FA on SWIT
Unit application for the trust

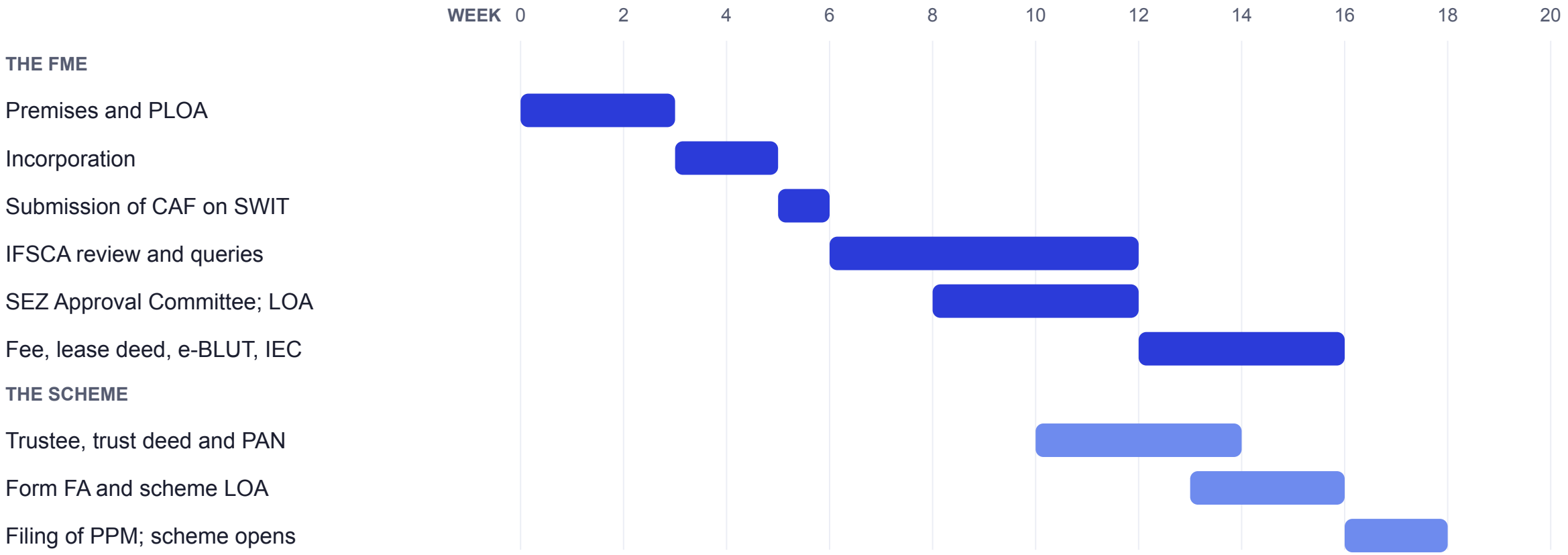
8 — Trust's LOA
Granted by the Administrator (IFSCA)

9 — File the PPM
With the trust deed and filing fee

Sequencing: the PLOA should be obtained before incorporation, and the PPM filed only after the scheme has obtained its own LOA.

Sources: Administrator (IFSCA), SEZ Compliance FAQ Booklet v2.0 and SOP for processing of applications of IFSC units; SEZ Rules, 2006, r. 18(2)(iia) (inserted 15 Oct 2026); IFSCA fee circular (2 Mar 2026). CAF: Common Application Form; PLOA: Provisional Letter of Allotment; LOA: Letter of Approval.

Indicative timeline



10–16 weeks to an operational FME

~45 days IFSCA's target to decide

~18 weeks to the scheme opening

Indicative only; assumes documentation is complete. IFSCA targets a decision within about 45 days and raises first queries within about seven working days. The FME's lease deed must be registered within six months of its LOA; under the SEZ (Fourth Amendment) Rules, 2026 it also serves as the fund's lease deed, and the date of the first final IFSCA registration is treated as commencement of service activity. Sources: Administrator (IFSCA), SEZ FAQ Booklet v2.0; IFSCA, 'How to Apply'; SEZ Rules, 2006, rr. 18–19 as amended on 15 Oct 2026.

Documentation for the Common Application Form

Constitution

- Certificate of incorporation
- MoA and AoA, or LLP agreement, with fund management among the objects
- Shareholding pattern; directors or designated partners

Capital and premises

- Net-worth certificate from a chartered accountant
- Audited or provisional financial statements
- PLOA or lease deed for the IFSC premises

Personnel

- CVs, qualifications and KYC of the PO, CO and team
- Evidence of IFSC-based employment
- Fit-and-proper declarations of all persons in scope

Business and governance

- Business plan consistent with the Non-Retail category
- Risk-management and compliance policies
- Business continuity and cyber-security frameworks

Sources: FM Regulations, Regs. 7, 9 and First Schedule. The application fee is non-refundable. An application lacking the prescribed declarations and undertakings may be rejected.

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PART 5

Ongoing Obligations

Continuing conditions, governance, approvals, intimations and periodic reporting

Continuing obligations of the FME

Governance

Code of Conduct

The FME, its fiduciaries and KMPs shall abide by the Code of Conduct

Investment committee

Optional; members bear the responsibilities of the fund manager

Fit and proper

To be satisfied on a continuing basis

Risk and resilience

Net worth

USD 500,000 to be maintained at all times

Business continuity

A business continuity plan is mandatory for Registered FMEs

Cyber security

A cyber-security and cyber-resilience framework

Investors and records

Holdings disclosure

Monthly, and within ten working days of an investor's request

Records

Retained for five years after a scheme is wound up; FME books for eight years

Website and advertisement

Website or webpage with prescribed disclosures; advertisements in line with the Advertisement Code

Sources: FM Regulations; IFSCA circular on website requirements for FMEs (26 August 2026).

Prior approvals and intimations

Prior approval of IFSCA

Before the event

- Any direct or indirect change in control of the FME
- A change in the category of registration
- Merger, demerger or restructuring of schemes
- Relocation or expansion of SEZ premises (Administrator (IFSCA))

Intimation to IFSCA

In the manner and within the timelines prescribed

- Change of KMP or director (in the manner specified by IFSCA)
- Change of trustee or other fiduciary
- Material change to a placement memorandum
- Opening of a branch or office outside the IFSC (prior intimation, Reg. 137)

Sources: FM Regulations, Regs. 7(9), 13(2), 125, 130 and 137; IFSCA fee circular (2 Mar 2026); Administrator (IFSCA), SEZ FAQ Booklet Q49–69. Branches requiring home-regulator approval for a change in control need only intimate IFSCA within 15 days. A change in control attracts a fee of 20% of the registration fee. Renewal of an IFSC unit's SEZ LOA is decided on IFSCA's recommendation, having regard to employment generated, statutory violations and payment defaults (SEZ Rules, r. 19(6B), Oct 2026).

Periodic reporting calendar



Filing	Frequency	Portal
Holding statements to investors	Monthly	To investors
Portfolio and net-worth statements	Quarterly	SWIT (IFSCA)
Audited accounts and annual report	Annual, within six months of year-end	SWIT (IFSCA)
SEZ progress and annual performance reports (FME; APR no longer required for IFSC funds)	Monthly / annual	SEZ Online

Sources: FM Regulations, Regs. 119–137 (annual report timeline extended from four to six months, Sep 2026); Administrator (IFSCA), SEZ FAQ Booklet Q96–121. Late filing of periodic returns attracts USD 100 per month per return. A newly registered FME must have its website or webpage live before commencing activities and intimate the URL to IFSCA within 30 days of registration (existing FMEs: by 1 December 2026; IFSCA circular, 26 Aug 2026). SEZ Rules, r. 22(3) (Annual Performance Report) does not apply to IFSC funds from 15 October 2026.

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PART 6

Launching a Restricted Scheme

Scheme parameters, AIF categorisation, FME contribution, investors and launch

Restricted schemes: principal parameters

Legal form	Trust, company or LLP (trust is customary)	**Investors**	Up to 1,000, by private placement only
Minimum investment	USD 150,000 (USD 40,000 for FME employees, directors and designated partners); no minimum for accredited investors	**Minimum corpus**	USD 3 million; open-ended schemes may commence at USD 1 million and must reach USD 3 million within 12 months
Structure	Open- or close-ended (open-ended only for Category III)	**Minimum tenure**	One year for close-ended schemes; extendable by up to two years with consent of two-thirds of investors by value
Custodian	IFSC-based custodian mandatory for open-ended schemes, and for other schemes with AUM above USD 70 million (Reg. 132)	**PPM validity**	12 months from IFSCA taking the PPM on record; further six-month extensions on payment of fee

Sources: FM Regulations, Chapter III, Part B (Regs. 30–41) and Reg. 132, as amended up to 10 September 2026. Schemes required to appoint an IFSC-based custodian have 24 months from 30 January 2026 (i.e. until 30 January 2028) to do so. PPM extension fees: 25% of the filing fee for the first extension and 50% for each subsequent extension.

Categorisation of restricted schemes

The investment strategy determines the category, which in turn governs structure, filing fees and tax treatment.

Category I

Start-ups, SMEs, infrastructure, social ventures and other sectors considered economically or socially desirable

LEVERAGE

Permitted, subject to disclosure in the PPM

STRUCTURE

Close-ended

TAXATION

Pass-through

IFSCA FILING FEE

USD 5,000

Category II

Funds not falling within Category I or III, including private equity, private credit and real assets

LEVERAGE

Permitted, subject to disclosure in the PPM

STRUCTURE

Close-ended

TAXATION

Pass-through

IFSCA FILING FEE

USD 10,000

Category III

Diverse or complex trading strategies, including listed and unlisted derivatives

LEVERAGE

Permitted, subject to disclosure in the PPM

STRUCTURE

Open- or close-ended

TAXATION

At scheme level, at concessional rates

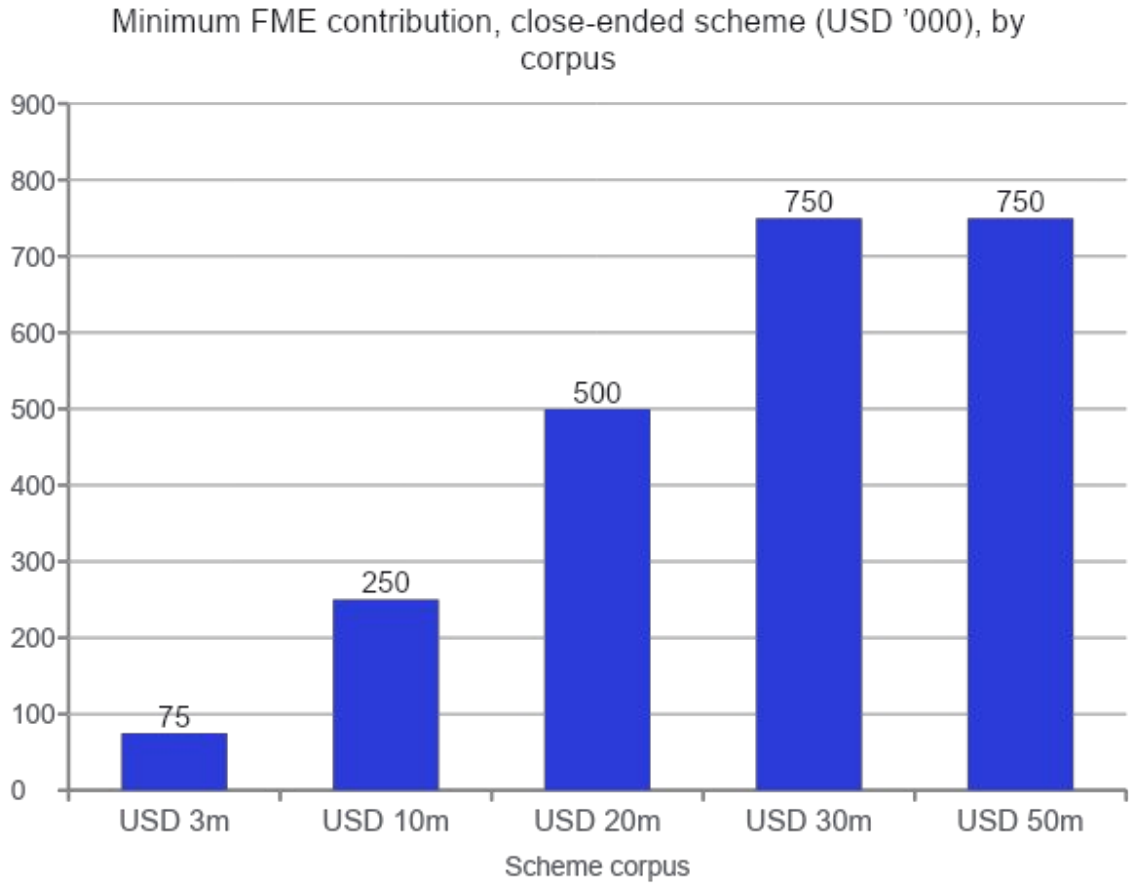
IFSCA FILING FEE

USD 15,000

Sources: FM Regulations, Reg. 37; IFSCA fee circular IFSCA-DTFA/1/2026 (2 Mar 2026), filing fees (plus an annual fee of USD 1,000 per scheme). Unlike SEBI AIFs, leverage for every category is governed by disclosure in the PPM, with two-thirds investor consent for changes. Category III income attributable to non-resident investors is exempt in specified cases; Indian dividends and interest are taxed at 10%. Specific tax advice should be obtained.

Contribution of the FME (skin in the game)

Scheme	Minimum contribution
Close-ended	Lower of 2.5% of corpus or USD 750,000
Open-ended	Lower of 5% of corpus or USD 1.5 million
Maximum	10% of corpus, save in specified cases (up to 25% in IFSC/overseas-only schemes, from Sep 2026)
Timing	Pro rata to investors, within 45 days (extendable by IFSCA), and maintained throughout
Waiver	With consent of two-thirds of investors by value, or where two-thirds are accredited
Not required	Relocated schemes; index schemes; FoFs investing in index schemes or passive ETFs; other FoFs only where there is no active management by the FME



Sources: FM Regulations, Reg. 40, as amended w.e.f. 10 September 2026. The 10% cap does not apply where (i) the FME and associate are non-resident with no Indian beneficial owner and not more than one-third of the corpus is invested in one investee company and its associates; or (ii) the FME or associate has an Indian ultimate beneficial owner, the scheme invests only in the IFSC or foreign jurisdictions and the contribution is within 25% of the corpus.

Eligible investors

Non-residents, NRIs and OCIs

- May invest freely in foreign currency
- NRIs, OCIs and resident Indians may together hold up to 100% of an IFSC-based FPI, subject to conditions

Resident Indians

- Individuals: up to USD 250,000 per year under the LRS
- Listed and unlisted Indian entities: up to 50% of net worth (OPI route)
- Other resident persons (e.g. trusts): subject to FEMA conditions; specific advice required

Accredited investors

- Individuals: annual income of USD 200,000+, or net assets of USD 1 million+ (of which USD 500,000 financial)
- Body corporates and trusts: net worth of USD 5 million+
- Exempt from the minimum investment

Restricted scheme in GIFT IFSC
Denominated in foreign currency

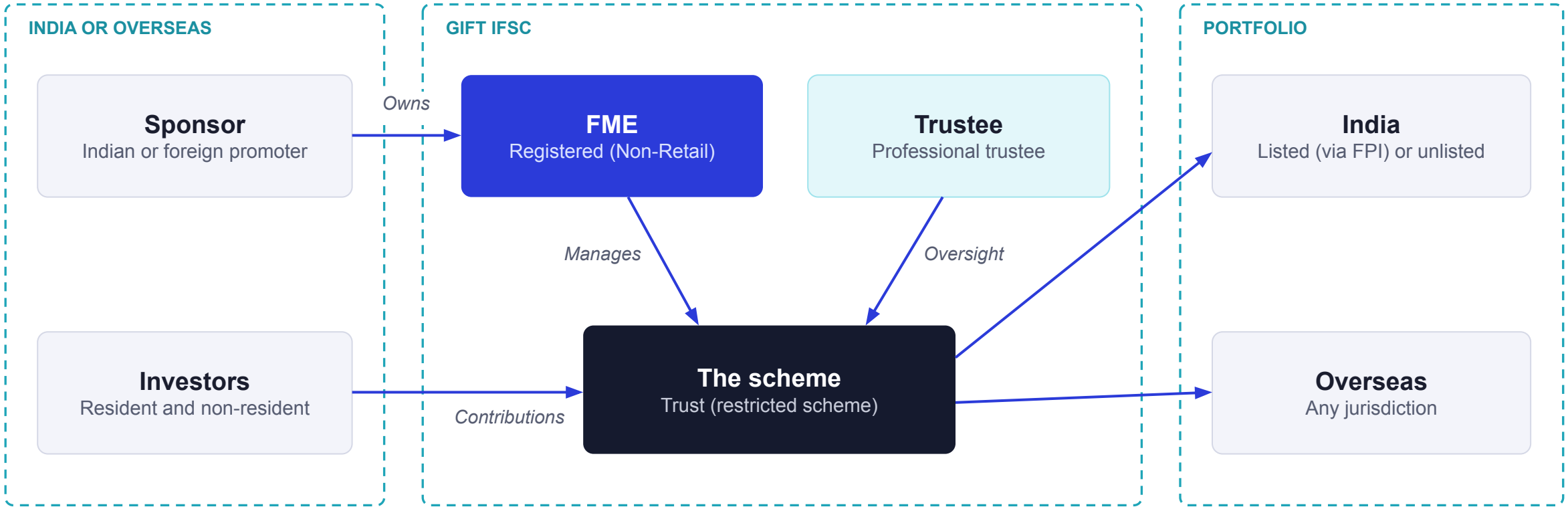
Sources: FEMA (Overseas Investment) Rules, 2022, Schedule V, and Overseas Investment Directions, 2022; SEBI (FPI) Regulations, 2019, as amended (26 Jun 2024; 3 Dec 2025); IFSCA circular on Accredited Investors (25 Jan 2024).

Investment conditions and operating requirements

Matter	Requirement for restricted schemes
Permissible investments	Securities and other permitted assets in the IFSC, India or abroad; close-ended schemes may invest up to 20% in physical assets such as real estate, bullion and art
Unlisted securities	Open-ended schemes: up to 25% of corpus, and only after achieving the USD 3 million minimum corpus (January 2026 amendment)
Related-party transactions	Investment in associates requires prior approval of 75% of investors by value; transactions with associates and 50%+ investors likewise, save for disclosed fund-of-funds arrangements
Leverage	Permitted subject to disclosure of maximum leverage and methodology in the PPM; changes require two-thirds investor approval by value
Co-investment	Through a special scheme (SPV) or segregated portfolio, with the existing scheme retaining at least 25%; a single portfolio company; term sheet filed with IFSCA within 45 days of investment (Reg. 41; IFSCA circular, 21 May 2025)
Valuation and NAV	By an independent valuer; NAV monthly (open-ended) or half-yearly (close-ended), or annually for close-ended schemes with 75% investor approval (September 2026); portfolio disclosure quarterly
Unit classes	Senior and junior or subordinate units permitted (Second Amendment); one senior class only; minimum USD 2 million in junior units (USD 1 million for accredited investors) (IFSCA circular, 25 Sep 2026)

Sources: FM Regulations, Regs. 35–41, as amended up to 10 September 2026; IFSCA circulars on co-investment (21 May 2025) and differential distribution (25 September 2026).

Typical structure



Fee flows
Management fee and carried interest to the FME, free of GST

Service providers
Fund administrator, auditor, valuer, IFSC banking unit; custodian where required

Filings
PPM filed with IFSCA under the green channel

Sources: FM Regulations; SEZ Rules, 2006, r. 18(2)(iia)–(iib) (inserted 15 Oct 2026). The FME and the scheme are each separate SEZ units requiring their own Letter of Approval; since 15 October 2026 the fund may rely on the FME's provisional offer of space and lease deed.

Launch of the scheme

1	2	3	4	5	6
Trustee	**Trust**	**SEZ approval**	**PPM filing**	**Service providers**	**First close**
Appointment of an IFSC-based professional trustee	Execution and registration of the trust deed; PAN and bank account	Form FA on SWIT, relying on the FME's PLOA and lease deed; LOA for the scheme	Filing with IFSCA under the green channel, with the filing fee	Auditor, administrator, valuer and custodian (if required) before investor agreements	Minimum corpus of USD 3 million within PPM validity; FPI registration if required

Green channel. A restricted scheme may open for subscription upon IFSCA taking the PPM on record. IFSCA does not pre-vet the PPM; responsibility for its contents rests with the FME.

Sequencing. The PPM should be filed only after the scheme has obtained its own SEZ Letter of Approval. The FME's pro rata contribution is due within 45 days (extendable). Auditor, fund administrator, valuer and, where applicable, custodian must be appointed before any investor agreement is executed.

Sources: FM Regulations, Regs. 17, 31 and 40, Third Schedule Part B (ixa), as amended w.e.f. 10 Sep 2026; Administrator (IFSCA), SEZ FAQ Booklet Q44, Q112. The communication taking the PPM on record also serves as the scheme's registration for income-tax purposes. PPM extension fees: 25% of the filing fee for the first extension, 50% for each subsequent extension.

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PART 7

Taxation

Direct and indirect tax treatment of the FME, the scheme and investors

Direct taxation

	The FME	Category I and II schemes	Category III schemes
Income tax	100% deduction of eligible income for any 20 consecutive tax years out of 25, from the tax year of IFSCA registration; 15% thereafter	Pass-through (other than business income); taxed in investors' hands	Taxed at scheme level on FPI principles, at concessional rates
Minimum tax	MAT at 9%; not applicable under the 22% regime	—	—
Non-resident investors	Dividends paid to non-resident shareholders taxed at 10%	Income from offshore investments not taxable in India	Exemption on specified income; Indian dividends and interest at 10%
Compliance relief	—	Non-residents exempt from PAN and return filing, subject to conditions	Investors exempt from PAN and return filing
Losses	—	Available to investors holding units for 12 months or more	Retained at scheme level

This summary is general in nature and does not constitute tax advice.

Sources: Income-tax Act, 2025, ss. 11, 147, 206, 217–218, 224 and 393, as amended by the Finance Act, 2026 (w.e.f. tax year 2026-27): the tax holiday under s. 147 now runs for 20 consecutive tax years out of 25 (previously 10 out of 15), counted from the tax year in which IFSCA registration is obtained, and business income is taxed at 15% thereafter. Units commencing on or after 1 April 2026 must not be formed by splitting up or reconstructing an existing business. Carried interest requires specific analysis.

Indirect taxation and other levies

0%
GST
on services received by, and supplied to, IFSC units for authorised operations

0%
STT / CTT
on transactions on IFSC stock exchanges

0%
Stamp duty
on specified transactions on IFSC exchanges, subject to state notifications

0%
Capital gains
on specified securities transferred on IFSC exchanges by non-residents

Goods and Services Tax

- Supplies of goods and services to SEZ units for authorised operations are zero-rated
- Services of third-party providers, including custodians and trustees, to the FME and scheme qualify as zero-rated supplies
- Management fees charged by the FME to IFSC schemes are not subject to GST
- The FME and each scheme must obtain GST registration as SEZ units and file returns to avail the zero-rating

Sources: Integrated Goods and Services Tax Act, 2017, s. 16 (zero-rated supplies to SEZ units); IFSCA, GIFT-IFSC Fund Management brochure (Nov 2025) on GST treatment of FME services to IFSC funds; Government of Gujarat stamp duty notifications. Specific GST advice should be obtained.

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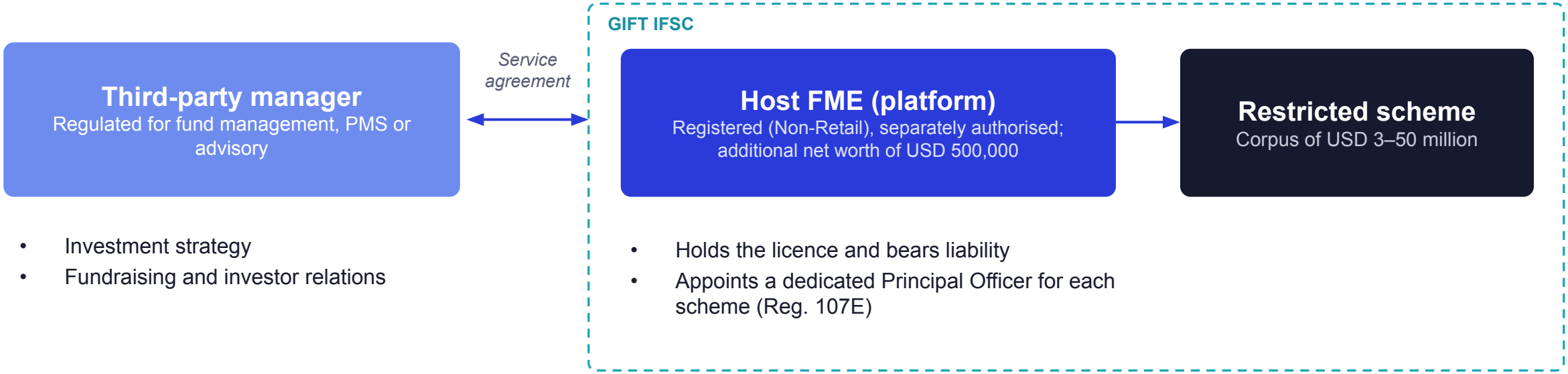
PART 8

Third-Party Fund Management

Launching a scheme through an existing Registered FME, as an alternative to establishing one

Third-party fund management services

A Registered FME authorised by IFSCA may launch and manage restricted schemes on behalf of a third-party fund manager regulated in India, the IFSC or a foreign jurisdiction. The host FME remains fully liable to IFSCA, notwithstanding any indemnity.



About 3 months
indicative launch period

USD 50 million
maximum corpus per scheme

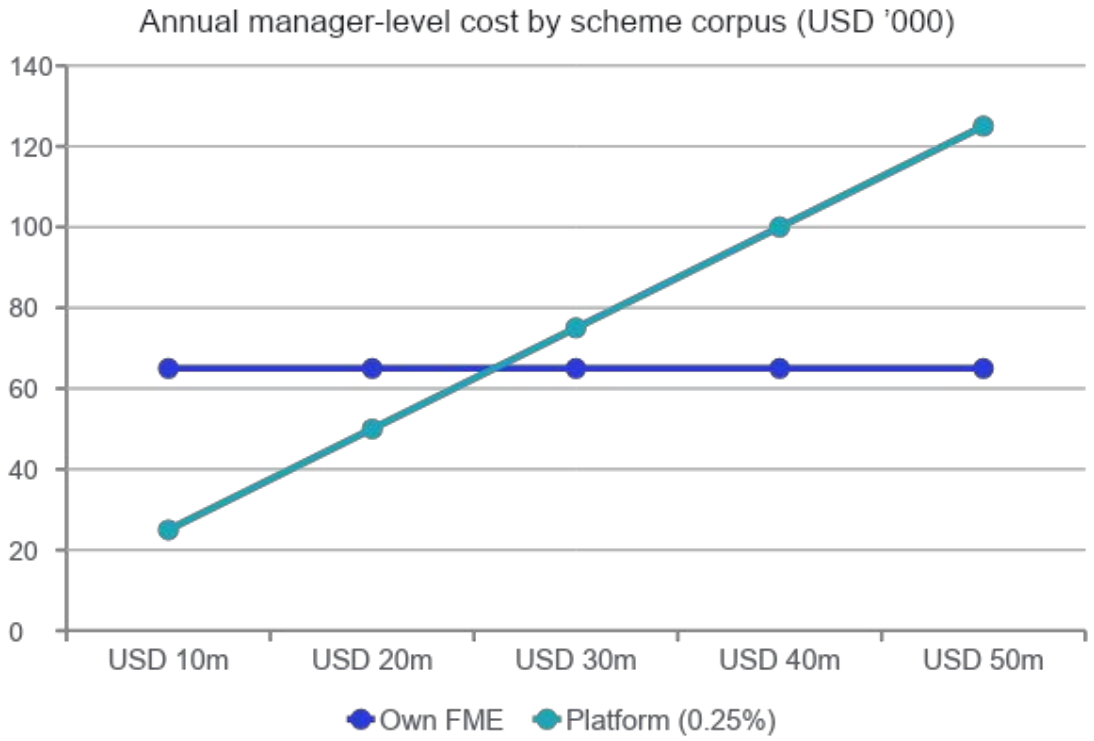
About one-quarter
of the cost of a standalone FME (indicative)

Nil
net worth to be funded by the third-party manager

Sources: FM Regulations, Part D of Chapter VI (Regs. 107A–107M), inserted w.e.f. 30 July 2025; IFSCA fee circular (2 Mar 2026): the host FME pays a USD 2,500 application fee and a USD 7,500 authorisation fee, and USD 2,000 a year for each third-party fund management contract. The launch period and relative cost are Taghash estimates based on market discussions.

Own FME or third-party platform: comparative assessment

	Own Registered FME	Third-party platform
Regulatory status	Own certificate of registration	Scheme of the host FME
Net worth	USD 500,000 plus contribution	Borne by the host FME
Corpus	Minimum USD 3m; no ceiling	USD 3–50 million per scheme
Personnel	Own PO and CO in the IFSC	PO appointed by the host
Liability	The FME	The host FME
Time to launch	About 4–6 months to scheme opening (registration alone about 10–16 weeks)	About 3 months



Break-even at about USD 26 million. Below this, the platform route is generally more economical.

Illustrative. Own FME at USD 65,000 p.a. (mid-point of USD 50,000–80,000); platform assumed at 0.25% of corpus with a USD 25,000 minimum (assumption; platform fees are commercially negotiated). Fund-level expenses are comparable under both routes and are excluded. Source: Taghash analysis.

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PART 9

Indicative Costs

Estimated set-up and running costs for a Registered FME (Non-Retail) with one Category II scheme

One-time costs

Item	Payable to	Amount
FME application fee	IFSCA	USD 2,500
FME registration fee (Non-Retail)	IFSCA	USD 7,500
Scheme filing fee (Category II)	IFSCA	USD 10,000
SEZ unit applications (FME and scheme)	Administrator (IFSCA)	INR 5,000 each
Legal fees: registration and fund documentation	Legal counsel	INR 9,00,000
Tax review of fund documents	Tax adviser	USD 2,000–3,000
Trusteeship (one-time) and initial settlement	Trustee	USD 1,100
Security deposit on PLOA (about six months' rent)	Developer	USD 4,000
Incorporation: company / LLP	Statutory	USD 9,100 / INR 15,000
Registration of trust deed and lease deed	Statutory	INR 25,000 each

FME AS AN LLP

≈ USD 27–28k

plus about INR 9.75 lakh

FME AS A COMPANY

≈ USD 36–37k

plus about INR 9.6 lakh. The difference arises principally from ROC fees and stamp duty on capital.

Sources: Taghash indicative cost sheet and FME cost summary (28 Sep 2026); IFSCA fee circular IFSCA-DTFA/1/2026 (2 Mar 2026). Figures are estimates and not quotations. Net worth and the FME's contribution are retained capital and are not costs.

Recurring costs and capital commitments

Composition of annual costs (one scheme, mid-point)



Recurring item	Per annum
Remuneration of PO and CO	INR 35–65 lakh
Office rent (about INR 60,000 per month)	INR 7.2 lakh
IFSCA annual fee: FME	USD 3,000
IFSCA annual fee: per scheme	USD 1,000
Trusteeship	USD 1,000

≈ INR 42–72 lakh + USD 5,000 per annum

Capital commitments (retained, not expended)

- Net worth of USD 500,000, maintained at all times
- FME contribution (close-ended): USD 75,000 on a USD 3 million corpus; USD 250,000 on USD 10 million; USD 750,000 at USD 30 million and above
- The contribution counts towards net worth

Sources: Taghash indicative cost sheet; FME cost summary (co-working from INR 20,000 per seat per month, minimum two seats); FM Regulations, Reg. 40; IFSCA fee circular (2 Mar 2026). Fund-level expenses (administration, audit, RTA) are ordinarily borne by the scheme. USD 1 = INR 95 (approx.).

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PART 10

Key Considerations

Practical points arising in the establishment of a Registered FME (Non-Retail)

Key considerations

Category selection

The category should reflect the FME's product plan for at least two years, as a change requires IFSCA's prior approval.

Sequencing

The PLOA should precede incorporation; the scheme's LOA should precede the filing of the PPM.

Completeness of application

Incomplete declarations may result in outright rejection. The business plan must be consistent with the category sought.

Substance

A nominal presence is insufficient. Investment decision-making must take place in the IFSC, which also supports the tax position.

Net worth

Shortfalls may restrain the FME from launching new schemes. Net worth should be monitored at least quarterly.

Deadlines

The registration fee is payable within 15 days of approval; PPM validity and extensions, and the 31 December 2026 certification deadline, should be tracked closely.

Sources: FM Regulations; Administrator (IFSCA), SEZ FAQ Booklet Q40–41; IFSCA circular of 16 February 2024 (FMEs with net-worth shortfalls restrained from launching new schemes); IFSCA circular of 29 September 2026 (certification deadline).

Recommended next steps

1	**Define the product plan**	Strategy, target corpus, investor base and a two-year scheme pipeline
2	**Confirm the route**	Own Registered FME (Non-Retail) or a third-party platform
3	**Identify key personnel**	Principal Officer and Compliance Officer meeting the eligibility and certification criteria
4	**Secure premises**	Obtain the PLOA before incorporation
5	**Engage advisers**	Legal counsel, tax adviser and trustee; commence the CAF and PPM

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Glossary

AIF	Alternative Investment Fund (Category I, II or III)
BCP	Business continuity plan
BLUT	Bond-cum-Legal Undertaking for SEZ benefits
CAF	Common Application Form submitted on SWIT
CO	Compliance Officer
FM Regulations	IFSCA (Fund Management) Regulations, 2025, as amended
FME	Fund Management Entity registered with IFSCA
FPI	Foreign Portfolio Investor registered with SEBI
IFSC	International Financial Services Centre
IFSCA	International Financial Services Centres Authority, the unified regulator of the IFSC
KMP	Key managerial personnel (PO, CO and others)
LOA	Letter of Approval under the SEZ Act
LRS	Liberalised Remittance Scheme (USD 250,000 per year)
NAV	Net asset value
ODI / OPI	Overseas direct / portfolio investment under the FEMA (OI) Rules
PLOA	Provisional Letter of Allotment from the developer
PMS	Portfolio management services
PO	Principal Officer
PPM	Private placement memorandum of a scheme
SEZ	Special Economic Zone
SWIT	IFSCA's Single Window IT System
TPFMS	Third-party fund management services

ANNEXURE B

Sources

Legislation and regulations

- IFSCA Act, 2019
- SEZ Act, 2005 and SEZ Rules, 2006, incl. SEZ (Fourth Amendment) Rules, 2026 (G.S.R. 895(E), 15 Oct 2026)
- IFSCA (Fund Management) Regulations, 2025; amendments in force 30 Jul 2025, 30 Jan 2026 and 10 Sep 2026
- FEMA, 1999; FEM (IFSC) Regulations, 2015; FEMA (Overseas Investment) Rules, 2022 and Directions
- Income-tax Act, 2025 and Finance Act, 2026
- IGST Act, 2017; SEBI (FPI) Regulations, 2019

IFSCA circulars and guidelines

- Accredited investors (25 Jan 2024)
- Net-worth shortfalls (16 Feb 2024)
- Appointment and change of KMPs (20 Feb 2025; amended 1 Apr 2026)
- Co-investment framework (21 May 2025)
- Guidelines on KMP eligibility (25 Jul 2025)
- Fee structure, IFSCA-DTFA/1/2026 (2 Mar 2026; updated 13 Mar 2026)
- Segregation of the role of fiduciaries (10 Apr 2026)
- Certification courses (1 Apr, 10 Aug and 29 Sep 2026)
- Website requirements for FMEs (26 Aug 2026)
- Differential distribution framework (25 Sep 2026)

Other official material

- Gazette notification of 28 Feb 2024 (Administrator (IFSCA))
- Administrator (IFSCA), SEZ Compliance FAQ Booklet v2.0 and SOP for IFSC unit applications
- IFSCA FAQs on the FM Regulations and ‘How to Apply’
- SEBI (IFSC) Guidelines, 2015

Taghash estimates (not official)

- Indicative cost sheet and FME cost summary (28 Sep 2026)
- Own FME vs platform analysis; platform-fee and FX assumptions
- Timeline, launch-period and relative-cost estimates

Instruments are revised from time to time; verify the current text at ifsca.gov.in and the relevant Gazette before reliance.

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