



N. A. SHAH ADVISORS LLP

BULLETIN

ALLIED LAWS BULLETIN FEBRUARY 2024

EXECUTIVE SUMMARY

- ◆ The Government has notified certain ancillary services as financial services under International Financial Services Centres Authority Act (IFSCA Act).
- ◆ IFSC Authority has introduced IFSCA (Payment Services) Regulations (Payment Services Regulations) to regulate the payment services within the IFSC.
- ◆ RBI has introduced Credit / Investment Concentration Norms to promote uniformity and consistency among NBFCs when calculating concentration norms.

NOTIFICATION OF FINANCIAL SERVICES

- ◆ The Government has notified book-keeping, accounting, taxation, and financial crime compliance services as financial services under the IFSCA Act.
- ◆ These financial services shall be offered by units in an IFSC, to non-residents whose business is not set up either by splitting up / reconstructing / reorganising of business already in existence in India.
- ◆ Further, these financial services shall not be offered by transferring or receiving existing contracts from their group entities in India.

PAYMENT SERVICE REGULATIONS

- ◆ The Payment Service Regulations introduced by IFSCA provides with a comprehensive framework to govern payment services within the IFSC.
- ◆ The detailed regulations can be accessed [here](#).

CREDIT / INVESTMENT CONCENTRATION NORMS – CREDIT RISK TRANSFER

- ◆ **Applicability** – All NBFCs (specifically NBFC Base Layer (BL) and NBFC Middle Layer (ML))

- ◆ **Regulations for NBFC ML**

- NBFC MLs are now allowed to offset their aggregate exposure by utilising additional Credit Risk Transfer (CRT) instruments (*refer list*), in addition to Credit Default Swaps (CDS)

List:


- *Collateral in the form of cash margin, caution money, or security deposit held as collateral on behalf of the borrower to secure the advances, for which right to set off if available,*
 - *CG guaranteed claims which attract 0 per cent risk weight,*
 - *SG guaranteed claims which attract 20 per cent risk weight,*
 - *Guarantees issued under CGTMSE, CRGFTLIH and NCGTC*
- Exemptions from Credit / Investment Concentration Norms (in addition to already exempted exposures):
 - Exposures to the Central and State Government that have no risk weight,

- Exposure where the principal and interest are fully guaranteed by the Government of India.

Provided that that to qualify as a credit risk transfer instrument, guarantees must meet specific criteria. These criteria include being direct, explicit, irrevocable, and unconditional. (Also applicable to NBFCs Upper Layer (UL))

♦ **Regulations for NBFC BL**

- To mandatorily establish an internal board-approved policy for credit/investment concentration limits.
- Policies to apply for both single borrower/party and single group of borrowers/parties.
- To compute limits similar to those applicable to NBFC MLs (above).



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