

JSA Prism

International Financial Services Centres Authority

May 2025

International Financial Services Centres Authority notifies fund management regulations 2025 to streamline fund management industry in Gujarat International Finance Tec-City – International Financial Services Centres, offering investor-friendly measures and more operational flexibility

In furtherance of the commitment to develop the Gujarat International Finance Tec-City (“GIFT”) city as the premier global centre for fund management activities and with a view to facilitate the next phase of growth in fund management operations within the International Financial Services Centres (“IFSCs”), the International Financial Services Centres Authority (“IFSCA”) undertook a comprehensive review of the extant IFSCA (Fund Management) Regulations, 2022 (“2022 FM Regulations”). Pursuant to this review, the IFSCA notified the International Financial Services Centres Authority (Fund Management) Regulations, 2025 (“2025 FM Regulations”) on February 19, 2025, superseding the 2022 FM Regulations.

Key amendments introduced under the 2025 FM Regulations

Non-retail scheme (venture capital and restricted scheme)

1. The minimum corpus of the scheme has been reduced from USD 5,000,000 (US Dollars five million) to USD 3,000,000 (US Dollars three million). This change will make entry of the new fund managers more accessible.
2. The validity of private placement memorandum has been increased to 12 (twelve) months from 6 (six) months. It will provide more time to Fund Management Entities (“FMEs”) to raise the minimum corpus to start a scheme.
3. FMEs or their associates can now invest up to 100% (as opposed to erstwhile 10%) in a venture capital scheme provided that:
 - a) the FME and its associate investing in the scheme, are persons resident outside India and do not have any person resident in India as their ultimate beneficial owners; and
 - b) not more than one-third of the corpus of the scheme is invested in an investee company and its associates.
4. Open-ended schemes have been permitted to commence its investment activities upon receiving an investment of USD 1,000,000 (US Dollars one million) and the minimum corpus of USD 3,000,000 (US Dollars three million) can be achieved within a 12 (twelve) month period. This allows FMEs additional time period to achieve necessary corpus.
5. A provision for joint investments has been introduced for restricted schemes. It aims to increase investor participation in the schemes launched by FMEs.

Retails schemes

1. The minimum corpus has been reduced from USD 5,000,000 (US Dollars five million) to USD 3,000,000 (US Dollars three million).
2. The mandatory requirement for listing close-ended retail schemes on recognised stock exchanges has been made optional, provided that each investor's minimum contribution to the scheme is not less than USD 10,000 (US Dollars ten thousand).
3. The 'sound track record' requirement for retail FMEs now considers the experience of other entities in the FME group, making it easier for new fund managers to enter.

Portfolio management services

1. The minimum investment amount has been reduced to USD 75,000 (US Dollars seventy-five thousand) from USD 150,000 (US Dollars one hundred and fifty thousand).
2. Clients under a portfolio management services may maintain their funds in specific account of the client maintained with a regulated broker dealer, amongst other accounts subject to certain prescribed conditions.

Manpower and operational flexibility

1. No prior approval of IFSCA is required for appointing any Key Managerial Personnel ("**KMPs**") - only an intimation will suffice.
2. FMEs managing Assets under Management ("**AUM**") over USD 1,000,000,000 (US Dollars one billion) (excluding the AUM of fund of funds) will have to appoint one additional KMP within a period of 6 (six) months from the end of the financial year. This requirement is meant to manage the higher operational risks associated with larger AUM.
3. It is mandated that the employees of FMEs should undergo certifications from specified institutions to ensure continuous professional competence.
4. The requirements regarding educational qualifications, work experience, eligibility criteria of the KMPs have been clarified to widen the pool of eligible candidates to man the KMP positions and to streamline the process for appointment of KMPs.

Conclusion

2025 FM Regulations represents a regulatory advancement aimed at reinforcing the positioning of IFSC as globally competitive financial jurisdictions by balancing business facilitation with investor protection mechanisms. In nutshell, the aim of replacing 2022 FM Regulations is to enhance the overall ease of doing business, incorporate protective measures to safeguard the interest of investors and provide necessary clarification to the intent and scope of existing regulatory regime.

Corporate Practice

JSA's corporate practice is centered around transactional and legal advisory services including day-to-day business, regulatory issues, corporate and governance affairs. We have an expert team of attorneys who advise on legal issues concerning inbound and outbound investments, strategic alliances, collaborations and corporate restructurings. We advise clients through all stages of complex and marquee assignments including restructuring, mergers and acquisitions (including those in the public space) to private equity and joint ventures. Our vast clientele includes multinational corporations and large Indian businesses in private, public and joint sector. We work closely with in-house counsel teams, investment banks, consulting and accounting firms along with multilateral agencies and policy making institutions on development of policy and legal frameworks. We provide assistance and counsel to start-ups and venture backed companies by drawing upon our in-depth understanding of how companies are incorporated, financed and grown. With an in-depth understanding of the industry combined with years of expertise, our attorneys provide innovative and constructive solutions to clients in complex transactional engagements. We emphasise teamwork across our wide network of offices across India. This allows us to benefit from the various specialisations available for the ultimate benefit of our clients. We also provide assistance in dealing with diverse corporate governance and compliance issues including FCPA /Anti-Bribery/Anti-Corruption matters and investigations.

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41 Ranked Lawyers



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21 Ranked Lawyers



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12 Ranked Lawyers



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