



## CIRCULAR

**F. No. 496/IFSCA/FC/SLF/2022-23/001**

**August 16, 2022**

(Updated as on April 07, 2025)

**All Finance Company / Finance Unit registered in the International Financial Services Centres (IFSCs)**

### **Framework for Ship Leasing**

In exercise of the powers conferred by section 12 of the International Financial Services Centres Authority Act, 2019 (50 of 2019) (hereinafter referred as the "said Act") read with notification number S.O.5199 (E) dated December 14, 2021 issued by Ministry of Finance, Government of India, published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (ii), dated the December 14, 2021, the Authority has notified 'ship lease' as a financial product vide Gazette notification dated January 07, 2022. As per the said notification, the 'ship lease' shall include operating lease, and hybrid of operating and financial lease, of a ship or ocean vessel, engines of ship or ocean vessel, or any other part thereof, as a financial product under clause (d) of sub-section (1) of section 3 of the said Act.

2. As per sub clause (g) of clause (iii) of sub-regulation (1) of regulation 5 of International Financial Services Centres Authority (Finance Company) Regulations, 2021 (hereinafter referred to as "Finance Company Regulations"), an operating lease transactions for ship lease is classified as a 'permitted non-core activity' and as per sub clause (a) of clause (ii) of sub-regulation (1) of regulation 5 of the Finance Company Regulations, a financial lease transaction for ship lease including a hybrid of financial lease and operating lease transaction for ship lease is classified as a 'permitted core activity'.

3. The International Financial Services Centres Authority (hereinafter referred to as "IFSCA"), in order to facilitate the Ship Leasing business in the International Financial Services Centres (hereinafter referred to as "IFSCs") in India and in exercise of the powers conferred under section 12 read with section 13 of the IFSCA Act, 2019, hereby specifies the following Framework for entities to get registered under Finance Company Regulations for undertaking ship lease transactions:



## **A. Applicability:**

This Framework shall apply to all eligible applicants engaging in one or more of the permissible activities as per this circular.

## **B. Definition:**

For the purpose of this Circular

- (i) “Financial lease” for a ship lease arrangement shall mean the activity of leasing such that it transfers substantially all the risks and rewards incidental to the ownership of the asset involved;
- (ii) “Lessor” shall mean an entity registered with IFSCA as a Finance Company or Finance Unit in accordance with this Framework, and
  - a. engaged in the business of providing ships or ocean vessel, engines of ship or ocean vessels, or any other part thereof under an operating lease, financial lease and/or a hybrid of financial and operating lease, and/or;
  - b. any other related activity as may be specified by the Authority from time to time.
- (iii) “Ocean vessel” shall include every description of watercraft used or capable of being used in the marine environment, such as ship, boat, sailing vessel, fishing vessel, submersible, semi-submersible, hydrofoils, non-displacement crafts, amphibious crafts, wing-in-ground crafts, pleasure crafts, barges, lighters, Mobile Offshore Drilling units, Mobile offshore Units, or of any other description, or any part thereof, and shall include inland water vessels and coasting vessels, but does not include fishing or sailing watercraft;
- (iv) “Operating lease” for a ship lease arrangement shall mean the activity of leasing such that it does not transfer substantially all the risks and rewards incidental to the ownership of the asset involved;
- (v) “Ship” shall include any watercraft, used or capable of being used in navigation by its own propulsion, in, above, or under the water but does not include fishing or sailing watercraft.
- (vi)<sup>1</sup> [“Single Window IT Systems (SWITs)” refers to an online platform designed, *inter-alia*, to facilitate the processing of applications submitted by the applicant for obtaining Certificate of Registration under the Finance Company Regulations.]

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<sup>1</sup> Inserted consequent to the circular No. IFSCA-ITIn0WEB/1/2023-IT Infrastructure and Fintech- Part (1) titled ‘Single Window IT System inter-alia for registration and approval from IFSCA, SEZ authorities, GSTN, RBI, SEBI and IRDAI’ dated September 30, 2024



### C. Eligibility of Applicant:

(i) An applicant desirous of undertaking permissible activities in IFSCs as a lessor shall meet the eligibility criteria and other requirements as specified under the Finance Company Regulations, including the following:

- a. The applicant shall set up operations in an IFSC in the form of a Company or a Limited Liability Partnership (LLP) or a Trust or a Branch under this Framework or in any other form as may be specified by the IFSCA from time to time.

*Explanation:* The branch set up in IFSC may also be of a wholly owned subsidiary (including a subsidiary incorporated outside IFSC) of the IFSC registered entity, for the purpose.

- b. In case the applicant is a company, the 'promoter', as defined in the Companies Act, 2013, of the applicant shall be located in a Financial Action Task Force compliant jurisdiction. In case the applicant is a LLP or a Trust, the partners or the trustees, as the case may be, shall also comply with this requirement.

(ii) All entities set up in IFSC for carrying out permitted activities as envisaged in the Framework shall comply with all requirements, exceptions, regulations and conditions imposed by any applicable statute including the Merchant Shipping Act, 1958 ("Shipping Act"), and shall also include circulars and notifications issued by competent authorities established under the Shipping Act or other applicable statutes, by the Ministry of Shipping or Director General of Shipping.

### D. Registration of lessor:

<sup>2</sup>[(i) An applicant desirous of undertaking permissible activities as a lessor shall submit an application to the IFSCA through SWITs, (<https://swit.ifsc.gov.in>) along with the application fees as specified in this Framework.]

<sup>3</sup>[(ii) An applicant shall not undertake any activity as a lessor unless it has obtained a

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<sup>2</sup> Modified consequent to circular No. IFSCA-ITIn0WEB/1/2023-IT Infrastructure and Fintech- Part (1) titled 'Single Window IT System inter-alia for registration and approval from IFSCA, SEZ authorities, GSTN, RBI, SEBI and IRDAI' dated September 30, 2024.

<sup>3</sup> Revised vide Circular No. 496/IFSCA/FC/SLF/2022-23/002, titled 'Amendment to the Circular titled 'Framework for Ship Leasing', dated March 22, 2023. Before revision it stood as under:

"(ii) An applicant shall not undertake any activity as a lessor unless it has obtained a Certificate of Registration from the IFSCA under Finance Company Regulations.

*Explanation:* An applicant desirous of undertaking 'Asset Management Support Services related to ship lease' for an asset other than as mentioned at clause E(ii) of this Circular shall obtain a separate authorisation under the Framework for enabling ancillary services at IFSC (Circular F.No. 206/IFSCA/Anc.Aux/2020-21 dated February 10, 2021), issued by the IFSCA."



Certificate of Registration from the IFSCA under Finance Company Regulations.

*Explanation:* An applicant desirous of undertaking 'Asset Management Support Services related to ship lease' for an asset other than as mentioned at clause E(iii) of this Circular shall obtain a separate authorisation under the Framework for enabling ancillary services at IFSC (Circular F.No. 206/IFSCA/Anc.Aux/2020-21 dated February 10, 2021), issued by the IFSCA.]

- (iii) An entity registered or authorized with IFSCA, which is not undertaking Ship leasing and is desirous of undertaking permissible activities as per this framework, shall apply separately for registration under this framework. For this purpose, an entity registered with IFSCA for undertaking operating lease for ship shall also have to seek permission if it is desirous of undertaking permissible activities referred at clause 3H(i), (ii) and (iv) below.

### **Part I**

#### **Ship Operating Lease**

##### **E. Permissible Activities under operating lease:**

<sup>4</sup>[A lessor in IFSCs shall be permitted to undertake all or any of the following activities:

- (i) Operating lease
- (ii) Voyage Charters, Contract of Affreightments, employment in shipping pools and all other legal commercial transactions for employment of ships;

<sup>5</sup>[*Explanation:* A lessor may undertake these activities only if such a lessor has absolute or leasehold right over the ship/ocean vessel.]

- (iii) Asset Management Support Services for assets owned or leased out by the lessor or by any of its Group Entities set up in IFSCs in India;

Here the term 'Group Entities' shall mean an arrangement involving two or more entities related to each other through any of the relationships, viz. Subsidiary – parent (defined in terms of AS 21), Joint venture (defined in terms of AS 27),

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<sup>4</sup> Substituted vide Circular No. 496/IFSCA/FC/SLF/2022-23/002, titled 'Amendment to the Circular titled 'Framework for Ship Leasing', dated March 22, 2023. Before substitution, it stood as under:

"A lessor in IFSCs shall be permitted to undertake all or any of the following activities:

- (i) Operating lease;
- (ii) Asset Management Support Services for assets owned or leased out by the entity or by its wholly owned subsidiary(ies) or by a branch of its wholly owned subsidiary set up in IFSCs in India;
- (iii) Sale and lease back, purchase, novation, transfer, assignment, and such other similar transactions in relation to ship lease;
- (iv) any other related activity with the prior approval of the IFSCA.

*Explanation:* A transaction shall be classified as a lease if it is in accordance with the Indian Accounting Standards (Ind AS 116) on Leases"

<sup>5</sup> Inserted vide circular No. 496/IFSCA/FC/SLF/2024-2025/01, titled 'Clarification in relation to the permissible activities specified under the 'Framework for Ship Leasing' dated April 02, 2024.



Associate (defined in terms of AS 23), a related party (defined in terms of AS 18)  
Common brand name and investment in equity shares (of 20% and above).

- (iv) Sale and lease back, purchase, novation, transfer, assignment, and such other similar transactions in relation to ship lease;
- (v) any other related activity with the prior approval of the IFSCA.

*Explanation:* A transaction shall be classified as a lease if it is in accordance with the Indian Accounting Standards (Ind AS 116) on Leases.]

#### **F. Capital Requirement:**

- (i) A minimum owned fund of USD 200,000 or its equivalent in freely convertible foreign currency, is to be maintained at all times by the entity as specified in item no. 1 of Schedule of the Finance Company Regulations.

*Explanation:* “Owned fund” for a lessor under this Framework shall mean the paid-up-capital and free reserves balance in share premium account and capital reserves representing surplus arising out of sale proceeds of asset, excluding reserves created by revaluation of asset, as reduced by accumulated loss balance, book value of intangible assets and deferred revenue expenditure, if any;

- (ii) In addition to (i) above, the IFSCA may specify maintenance of additional capital as a risk management measure, based on the nature and scale of business of the lessor.

#### **G. Fees**

<sup>6</sup>[(i) The entity desirous of undertaking permissible activities under this Part shall adhere to the provisions under IFSCA Circular on ‘Fee structure for the entities undertaking or intending to undertake permissible activities in IFSC’ dated May 17, 2023 (No. 865/IFSCA/Banking/Fee Revision/2022-23).

(ii) The fees payable during the process of application (application fees and registration fees) and after grant of registration (recurring fee) shall be as per clause 5 and 6 respectively, of the Circular mentioned in point (i) above. As per the said circular, the applicable fees are as under:

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<sup>6</sup> Revised vide Circular No. 865/IFSCA/Banking/Fee Revision/2022-23, titled ‘Fee Structure for entities undertaking or intending to undertake permissible activities in IFSC’, dated May 17, 2023. Before revision it stood as under:

“The entity desirous of undertaking permissible activities under this Part shall pay to the IFSCA the following fees:

- (i) Application Fee: \$ 1,000 (one time)
- (ii) Registration Fee: \$ 12,500 (one time)
- (iii) Annual Fee: \$ 5,000 (**second year onwards**)”



- (a) Application Fee: \$ 1,000 (one time)
- (b) Registration Fee: \$ 12,500 (one time)
- (c) Annual Fee: \$ 5,000 (recurring fee)]

## **Part II**

### **Ship Financial Lease**

#### **H. Permissible Activities under financial lease and hybrid of operating and financial lease:**

A lessor in IFSCs shall be permitted to undertake all or any of the following activities:

- (i) Financial lease;
- (ii) Hybrid of financial and operating lease;
- (iii) Permitted Activities as stated above at clause 3.E of this Framework;
- (iv) any other related activity with the prior approval of the IFSCA.

*Explanation:* A transaction shall be classified as a lease if it is in accordance with the Indian Accounting Standards (Ind AS 116) on Leases.

#### **I. Capital Requirement:**

- (i) A minimum owned fund of USD 3 million or its equivalent in freely convertible foreign currency, is to be maintained at all times by the entity as per item no. 2 of Schedule to the Finance Company Regulations;
- (ii) In addition to (i) above, the IFSCA may specify maintenance of additional capital, as a risk management measure, based on the nature and scale of business of the entity.

#### **J. Prudential and Other Requirements:**

An entity undertaking the activities referred to under clause 3H(i),(ii) and (iv) shall be subject to the requirements under Regulation 4 (applicable prudential regulations), Regulation 7 (Know Your Customer and Anti-Money Laundering) and Regulation 8 (Corporate Governance and Disclosure requirements).

#### **K. Fees**

<sup>7</sup>[ (i) The entity desirous of undertaking permissible activities under this Part shall adhere to the

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<sup>7</sup> Revised vide Circular No. 865/IFSCA/Banking/Fee Revision/2022-23, titled 'Fee Structure for the entities undertaking or intending to undertake permissible activities in IFSC', dated May 17, 2023. Before revision it stood as under:

“The entity desirous of undertaking permissible activities under this Part shall pay to the IFSCA the following fees:

- (i) Application Fee: \$ 1,000 (one time)



provisions under IFSCA Circular on 'Fee structure for the entities undertaking or intending to undertake permissible activities in IFSC' dated May 17, 2023 (No. 865/IFSCA/Banking/Fee Revision/2022-23).

(ii) The fees payable during the process of application (application fees and registration fees) and after grant of registration (recurring fee) shall be as per clause 5 and 6 respectively, of the Circular mentioned in point (i) above. As per the said circular, the applicable fees are as under:

- (a) Application Fee: \$ 1,000 (one time)
- (b) Registration Fee: \$ 12,500 (one time)
- (c) Annual Fee: \$ 12,500 (recurring fee)]

### **Part III**

#### **General Conditions**

##### **L. Currency for Conduct of Business:**

<sup>8</sup>[(i) The lessor shall raise invoice for the permissible activities under this framework in any foreign currency specified in the first schedule to the IFSCA (Banking Regulations), 2020 and receive payment against such invoice in its foreign currency account held with an IFSC Banking Unit.

(ii) The lessor may open an SNRR account with an authorised dealer in India (outside IFSC) under the provisions of schedule 4 of the Foreign Exchange Management (Deposit) Regulations, 2016, for its business related transactions outside IFSC."]

##### **M. Maintenance of Books of Accounts, Records and Documents**

The lessor shall maintain its books of accounts, records and documents as required under applicable law. The books of accounts and their financial information shall be maintained in any freely convertible currency.

##### **N. Submissions of Report / Information**

(i) The lessor shall furnish the following information to the IFSCA within 15 days from the finalisation of annual financial statements:

- a. Audited Annual financial statements.

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(ii) Registration Fee: \$ 12,500 (one time)

(iii) Annual Fee: \$ 12,500 (**second year onwards**)”

<sup>8</sup> Replaced vide circular F. No. 496/IFSCA/FC/SLF/2025-26/01 titled “Amendment to the ‘Framework for Ship Leasing’ and relevant circulars” dated April 07, 2025





- b. Confirmation of compliance with the applicable regulations, circulars, guidelines and directions issued by the IFSCA.
  - c. Confirmation of compliance with capital requirement and details thereof.
  - d. Details of material regulatory action, if any, against the Promoters, Key Managerial Persons or persons controlling the lessor.
- (ii) The lessor shall submit all the financial information, expressed in USD, to the IFSCA, unless otherwise specified.
- (iii) The IFSCA may, from time to time, call for any information, documents, or records as it may deem necessary from the lessor.

#### **O. Compliance with Other Requirements**

- (i) The lessor shall comply with all other applicable statutory obligations, regulatory requirements, standards, policies, directions and guidelines.
- (ii) The lessor shall deploy resources commensurate with its business operations.
- <sup>9</sup>[(iii) The lessor shall comply with the 'IFSCA (Anti Money Laundering, Counter-Terrorist Financing and Know Your Customer) Guidelines, 2022, dated October 28, 2022.]

#### **<sup>10</sup>[ O.1 Additional requirements for carrying out the permissible activities by Finance Company as a Lessor under this Framework**

- (i) An applicant under this Framework or a lessor shall not undertake transactions which involves transfer, in any form, of the ownership and / or leasehold right of a ship or ocean vessel from a person resident in India to an entity set up in the IFSC, for the purpose of providing services *solely* to a person resident in India <sup>11</sup>[in any single financial year].

*Provided that*, the said applicant or lessor, may acquire a new ship or ocean vessel or enter into a new leasehold right contract with person resident outside India so as to cater to person resident in India.

<sup>12</sup>[*Provide further that the restriction under clause O.1(i) above shall not apply where the ship or ocean vessel being transferred is a new ship or ocean vessel a new*

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<sup>9</sup> Inserted vide notification No. IFSCA/2022-23/GN/GL/001, titled 'International Financial Services Centres Authority (Anti Money Laundering, Counter-Terrorist Financing and Know Your Customer) Guidelines, 2022, dated October 28, 2022.

<sup>10</sup> Inserted vide circular No. 496/IFSCA/FC/SLF/2024-25/02 titled 'Additional requirements for carrying out the permissible activities by Finance Company as a Lessor under 'Framework for Ship Leasing' dated May 08, 2024.

<sup>11</sup> Inserted vide circular F. No. 496/IFSCA/FC/SLF/2025-26/01 titled "Amendment to the 'Framework for Ship Leasing' and relevant circulars" dated April 07, 2025

<sup>12</sup> Inserted vide circular F. No. 496/IFSCA/FC/SLF/2025-26/01 titled "Amendment to the 'Framework for Ship Leasing' and relevant circulars" dated April 07, 2025





ship/ocean acquired from a shipyard in India.]

*Explanation: The terms 'person resident in India' and 'person resident outside India' shall have the same meaning as assigned to them in clause (v) and (w) of section 2, respectively, of the Foreign Exchange Management Act, 1999 (42 of 1999).]*

**<sup>13</sup> [ O.2 Utilisation of office space or manpower or both by Lessor**

The lessor shall comply with the terms and conditions for utilisation of office space or manpower or both, as specified under the circular No.496/IFSCA/FC/SLF/2024-25/003, titled as 'Guidelines for utilisation of office space or manpower or both by Finance Company(ies)/ Unit(s) undertaking ship leasing activity in the International Financial Services Centre ("IFSC"), dated October 04, 2024.]

**P. Action in Case of Default**

If a lessor fails to fulfil the conditions subject to which the registration is granted, the IFSCA may take any action as it may deem fit, after giving an opportunity of making submissions, if any.

**Q. Power to Remove Difficulties, Specify Procedures and Issue Clarifications**

For the purpose of implementation of this Framework and matters incidental thereto, or in order to facilitate and regulate the permissible activities, the IFSCA may specify the necessary norms, procedures, processes, manners and may also provide necessary relaxations.

4. This Circular is issued in exercise of powers conferred by section 12 of the IFSCA Act to develop and regulate the financial products, financial services and financial institutions in the IFSCs.
5. A copy of this Circular is available on the website of the IFSCA at [www.ifsc.gov.in/circular](http://www.ifsc.gov.in/circular).

Yours faithfully,

**Supriyo Bhattacharjee  
(Chief General Manager)  
(Head Department of Banking)**

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<sup>13</sup> Inserted vide circular No. 496/IFSCA/FC/SLF/2024-25/003 titled 'Guidelines for utilisation of office space or manpower or both by Finance Company(ies)/ Unit(s) undertaking ship leasing activity in the International Financial Services Centre ("IFSC") dated October 04, 2024.