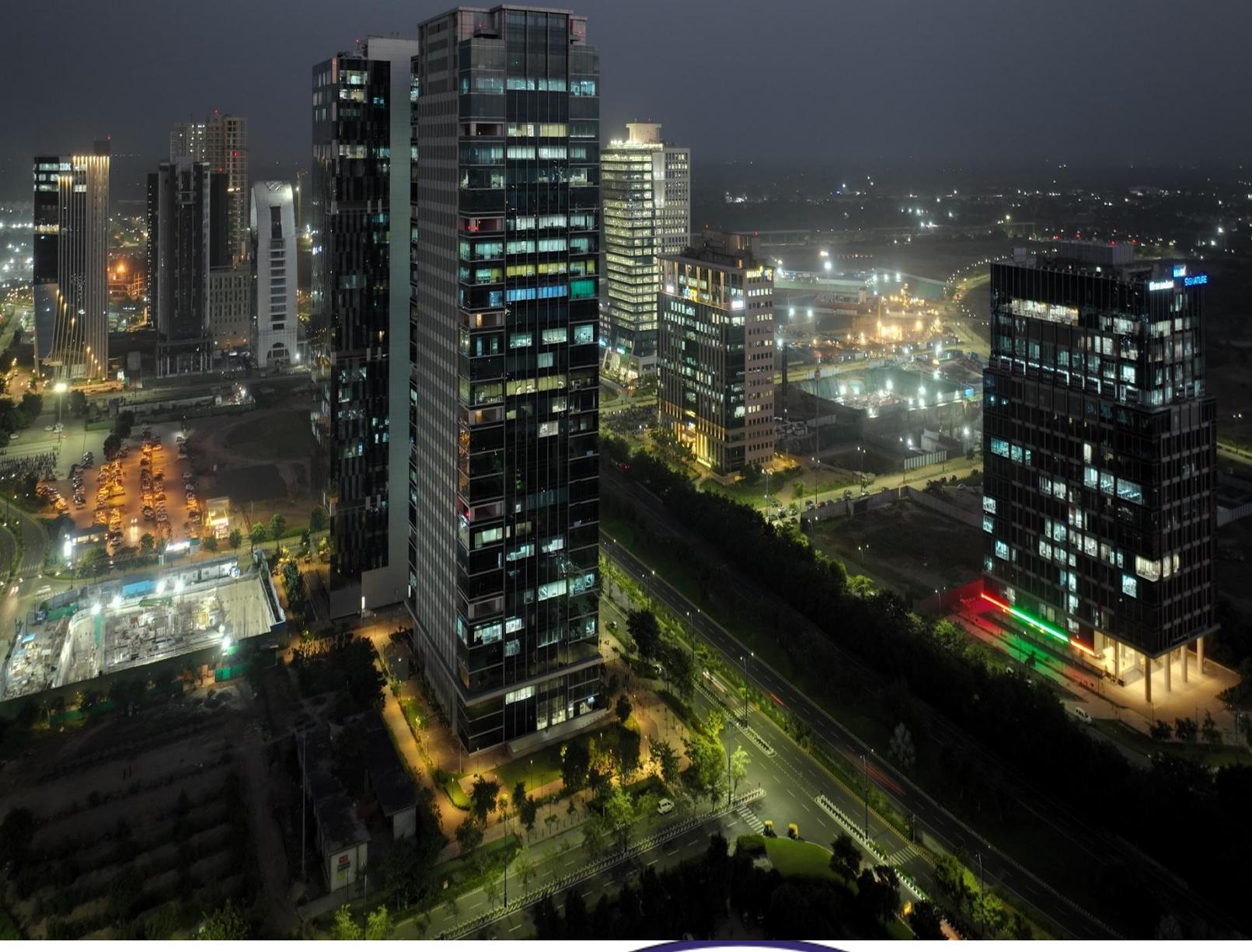




REPORT OF THE INTERNAL WORKING GROUP ON CREATION OF REGULATORY ECOSYSTEM FOR INDEPENDENT FINANCIAL ADVISERS (IFAs) AT GIFT-IFSC



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13th February, 2026

SUBMISSION OF REPORT OF WORKING GROUP ON CREATION OF REGULATORY ECOSYSTEM FOR INDEPENDENT FINANCIAL ADVISERS (IFAs) AT GIFT-IFSC

13th February, 2026

Shri K. Rajaraman,
Chairperson
International Financial Services Centre Authority
GIFT SEZ, GIFT City Gandhinagar, Gujarat - 382 355

Dear Sir,

We, the members of the internal Working Group are pleased to submit our recommendations for creation of regulatory ecosystem, for Independent Financial Advisers at GIFT-IFSC. The Working group has studied global best practices, existing IFSC regulatory ecosystem, assessed market requirements, and provided its recommendations in this report to develop a robust, transparent, and investor-centric regulatory architecture for Independent Financial Advisers (IFAs) at GIFT-IFSC aligned with international standards, are pleased to submit this Report.

2. As the IFSC ecosystem matures, financial services are increasingly transitioning from transaction led and institution centric models towards advisory led and relationship driven engagement. This shift is particularly evident in the context of Non-Resident Indians, globally mobile professionals, and retail and mass affluent investors seeking access to cross-border financial products. These client segments increasingly demand holistic financial advice across asset classes, cross-product and cross jurisdictional solutions, and a trusted single point of engagement capable of navigating the range of financial offerings available within the IFSC.

3. Independent financial advisors play a significant role in financial intermediation both globally and in India. While GIFT IFSC has witnessed strong participation from institutional and wholesale players, retail participation is gaining momentum recently. For any international financial centre to achieve sustainable maturity, adequate retail depth and advisory penetration are essential. In this context, GIFT IFSC Financial Advisors(GIFA) represent a critical missing layer in accelerating retail and NRI participation within the GIFT IFSC ecosystem.

4. The establishment of a dedicated IFA framework represents a necessary and timely evolution of the IFSC regulatory architecture. It addresses existing regulatory gaps, strengthens investor protection, enables scalable retail outreach, and positions GIFT-IFSC competitively among leading international financial centres. By formally recognising and regulating advisory services at the front end of the client lifecycle, IFSCA can foster a more

resilient, inclusive, and globally competitive financial ecosystem, consistent with its statutory mandate to develop IFSCs as trusted international financial centres

5. In our report, we have touched on these aspects to understand how IFSCA can enable financial advisers and the regulatory landscapes in the other jurisdictions.

6. We thank you for providing us with this opportunity to put our thoughts together on such a significant matter and sincerely believe that you will find it useful.

Sd/-

K. Mahipal Reddy

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ACKNOWLEDGEMENTS

Taking inspiration from the words the Hon'ble Prime Minister Shri Narendra Modi, *who stated that “When you integrate with GIFT City, you will integrate with whole world”*, the Working Group members observed that by formally recognising and regulating advisory and facilitation activities at the front end of the client lifecycle, the regulatory framework for Qualified Financial Institutions and Independent Financial Advisers will enhance transparency, accountability and regulatory visibility, while complementing the safeguards applicable to regulated intermediaries. In doing so, IFSCA can foster a more resilient, inclusive and globally competitive financial ecosystem, consistent with its statutory mandate to develop IFSCs as trusted international financial centres.

2. The members of the Working Group represent various segments of the industry and are domain experts in their respective fields. Addressing the diverse needs of these stakeholders within a single, unified framework is a complex and *serious* undertaking. Bringing all perspectives together into a common framework would not have been possible without the sustained hard work, collaboration, and dedicated support extended by the members of the Committee.

3. The Working Group expresses its sincere gratitude to Shri K. Rajaraman, Chairperson of IFSCA, for providing the opportunity to work on such a fascinating and important subject. The Group also appreciates his passionate leadership in driving the Working Group towards the timely completion of its mandate, along with the continuous encouragement and necessary support extended throughout the process.

4. The Working Group further acknowledges the invaluable guidance and consistent support received from IFSCA and its officers. Without their cooperation, insights, and commitment, the successful completion of this task would not have been possible.

5. The Working Group would like to thank Mr. Kalpesh Kumar Mehta, Assistant General Manager, IFSCA and Mr. Harish Jhajharia, Assistant Manager, IFSCA for providing

extensive support and ensuring smooth coordination in the effective functioning of the working group.

6. The working group also acknowledges the contribution of Mr. Abhishek Nayak of HDFC International Life and Re for undertaking extensive research and providing quality support to the working group in the preparation of this report.

7. The Working Group also expresses its gratitude to the subject matter experts of the organizations represented by the members of the working group for providing significant support towards preparation of the report.

(K. Mahipal Reddy)
Executive Director IFSCA &
Chairman of Working Group

EXECUTIVE SUMMARY

The International Financial Services Centres Authority (IFSCA) constituted an Internal Working Group (IWG) vide Office Memorandum dated September 2, 2025, to study global best practices, existing IFSCA regulations, and market requirements, and to develop a robust, transparent, and investor-centric regulatory architecture for Independent Financial Advisers (IFAs) at GIFT-IFSC, aligned with international standards.

The Working Group comprised senior officials from IFSCA, representatives from regulated entities including insurance companies, banks, fund management entities, capital market intermediaries, legal firms, professional bodies, and industry practitioners. The Group conducted five formal meetings and multiple sub-group sessions between September 2025 and December 2025, undertaking a comprehensive examination of the advisory landscape, regulatory frameworks, and operational requirements for establishing an IFA ecosystem at GIFT-IFSC.

Key Findings

- GIFT IFSC currently operates primarily through regulated entity-based models, with limited direct participation by individual professionals in advisory and distribution activities.
- The existing regulatory architecture, while comprehensive for institutional intermediaries, does not adequately address the advisory and facilitation roles performed by independent professionals, particularly in the context of retail and NRI client segments.
- Leading international financial centres including Singapore (MAS), Dubai (DIFC), Hong Kong (SFC/IA), and the United Kingdom (FCA) explicitly recognise and regulate individual financial advisers as a critical component of their market architecture.
- The Indian financial advisory market is projected to reach approximately ₹52,230 crore (USD 6.9 billion) by 2027, with over 100,000 registered financial advisers and

more than 2.4 million insurance agents, underscoring the significance of advisory-led distribution.

- Non-Resident Indians (NRIs) and globally mobile professionals represent a substantial growth opportunity for GIFT IFSC, with the global Indian diaspora remitting USD 135.46 billion to India in 2024-25. Investments from the Indian diaspora into GIFT City-based funds is around ₹60,998 crore in the same year.
- The absence of a dedicated IFA framework creates regulatory grey areas, weakens investor protection at the advisory stage, increases reliance on informal or unregulated advisors, and constrains retail market development.

Core Recommendations

The Working Group recommends the establishment of a comprehensive regulatory framework for GIFT IFSC Financial Advisors (GIFAs) based on the following core principles:

1. **Qualified Financial Institution (QFI) Anchored Supervision Model:** GIFAs shall be recognised, onboarded, and supervised through Qualified Financial Entities (QFIs) that are themselves regulated by IFSCA. This dual-layer arrangement ensures regulatory visibility and consistency at the Authority level while leveraging institutional supervision by regulated entities.
2. **Legal Basis under IFSCA Act:** The framework shall operate under Section 3(1)(e)(xiii) of the IFSCA Act, 2019, which explicitly provides for rendering or agreeing to render advice on or soliciting for the purposes of buying, selling, or subscribing to financial products or availing financial services.
3. **Open Architecture and Cross-Product Advisory:** GIFAs may provide advisory services across multiple financial product categories including capital markets, insurance, banking products, and other financial services, subject to appropriate sectoral endorsements and qualification requirements.
4. **Global Reach with Institutional Anchoring:** GIFAs may be located anywhere in the world and may advise clients globally, provided they maintain formal affiliation with

a QFE registered in GIFT-IFSC. This enables seamless cross-border advisory operations while maintaining regulatory oversight.

5. Central Registry and Unique Registration Number: IFSCA shall maintain a Central Register of GIFT IFSC Financial Advisors and issue a Unique Registration Number (URN) to each GIFA, ensuring portability, transparency, and effective regulatory supervision.
6. Uniform Conduct and Investor Protection Standards: The framework shall prescribe mandatory fit-and-proper criteria, disclosure obligations, prohibition on handling client funds, fiduciary duty standards, and continuing professional development requirements to strengthen investor protection at the advisory stage along with QFE prescribed additional norms.
7. Phased Implementation Approach: The framework shall adopt a RE-led onboarding and monitoring model in the short term, with provisions to enable creation of independent Self-Regulatory Organisations (SROs) in the long term as the regulatory framework matures.
8. Mutual Recognition Provisions: The framework shall facilitate mutual recognition agreements with overseas regulators, enabling GIFAs certified in recognised jurisdictions to obtain registration in GIFT-IFSC and vice versa, subject to appropriate safeguards.

Strategic Impact

The establishment of a dedicated IFA framework represents a necessary and timely evolution of the IFSC regulatory architecture. It addresses existing regulatory gaps, strengthens investor protection, enables scalable retail outreach, and positions GIFT-IFSC competitively among leading international financial centres. By formally recognising and regulating advisory activities at the front end of the client lifecycle, IFSCA can foster a more resilient, inclusive, and globally competitive financial ecosystem, consistent with its statutory mandate to develop IFSCs as trusted international financial centres.

CHAPTER-1. INTRODUCTION AND BACKGROUND

1.1 IFSCA Mandate and Vision

The International Financial Services Centres Authority (IFSCA) was established under the International Financial Services Centres Authority Act, 2019 with the mandate to develop and regulate financial products, financial services and financial institutions in International Financial Services Centres (IFSCs) set up in India. The Authority is tasked with creating a world-class regulatory ecosystem that enables GIFT IFSC to compete effectively with leading global financial centres such as Singapore, Dubai, Hong Kong, and London.

A core element of IFSCA's mandate is the creation of a proportionate, principles-based, and globally aligned regulatory architecture that evolves in response to changing market structures, business models, and client behaviour. As the IFSC ecosystem matures, financial services are increasingly transitioning from transaction-led and institution-centric models towards advisory-led and relationship-driven engagement models.

1.2 The Changing Nature of Financial Intermediation

Modern financial markets are no longer driven solely by product execution or distribution. Advisory, facilitation, and relationship management have emerged as the first and most influential stages of the client journey. In the IFSC context, these roles are increasingly performed by independent professionals, overseas relationship managers, and non-employee advisors who possess deep familiarity with client profiles and requirements.

This shift is particularly evident in the context of Non-Resident Indians (NRIs), globally mobile professionals, and retail and mass affluent investors seeking access to cross-border financial products. These client segments increasingly demand holistic financial advice across asset classes, cross-product and cross-jurisdictional solutions, and a trusted single point of engagement capable of navigating the range of financial offerings available within the IFSC.

1.3 The Role of Independent Financial Advisors Globally and in India

Independent financial advisors play a significant role in financial intermediation both globally and in India. The Indian financial advisory market is projected to reach approximately ₹52,230 crore (USD 6.9 billion) by 2027, reflecting a growing reliance on professional financial advice. Recent estimates indicate that India has over 100,000 registered financial advisors and more than 2.4 million insurance agents, underscoring the scale and importance of advisory-led distribution in the financial ecosystem.

Leading international financial centres explicitly recognise and regulate individual financial advisers, directly or indirectly acknowledging their central role in client acquisition, trust-building, and market expansion. In contrast, while GIFT IFSC has witnessed strong participation from institutional and wholesale players, retail participation, though gaining momentum recently, requires a structured advisory layer to achieve sustainable maturity.

1.4 Constitution of the Working Group

Recognising the strategic importance of developing a comprehensive IFA framework, IFSCA constituted an Internal Working Group vide Office Memorandum F.No.IFSCA-TAS/3/2025-FSSRD dated September 2, 2025. The Working Group was tasked with studying global best practices, reviewing existing IFSCA regulations, identifying market needs and opportunities, and developing a robust, transparent, and investor-centric regulatory architecture for Independent Financial Advisers (IFAs) at GIFT-IFSC, aligned with international standards.

The Working Group comprised senior officials from IFSCA representing Capital Markets, Insurance and Pension, Banking Supervision, and Financial Support Services divisions, along with representatives from regulated entities (insurance companies, banks, fund management entities), legal firms, professional bodies (Financial Planning Standards Board India, Institute of Company Secretaries of India), and industry practitioners specialising in capital markets intermediation, trust and corporate services, and financial advisory.

CHAPTER-2. TERMS OF REFERENCE

The Working Group was constituted with the objective to study global best practices, existing IFSCA regulations, and market requirements to develop a robust, transparent, and investor-centric regulatory architecture for Independent Financial Advisers (IFAs) at GIFT-IFSC, aligned with international standards. The specific Terms of Reference of the Working Group were as follows:

2.1 Study of Current Ecosystem at GIFT-IFSC

- Map existing IFSCA regulations governing financial advice and related services (e.g., Investment Advisers, Insurance Intermediaries, BATF, TechFin & Ancillary Services).
- Identify overlaps, regulatory gaps, and inconsistencies across frameworks.
- Examine current participation and challenges faced by advisers and intermediaries.

2.2 Identify Market Needs and Opportunities

- Analyse the demand for IFAs in GIFT-IFSC, including from NRIs, foreign investors, and institutional clients.
- Study scope of advisory services such as investment, retirement, tax, estate planning, risk management, and cross-border solutions.
- Explore retail participation and distribution opportunities, drawing from India's large financial adviser and insurance agent base.

2.3 Review of Global Frameworks and Best Practices

- Study the regulatory framework for financial advisers and benchmark against other offshore and global financial centres (e.g., Dubai DIFC, Hong Kong SFC, UK FCA, MAS, New Zealand, US SEC/FINRA).

- Assess strengths and weaknesses of different models, particularly in terms of independence, conflict of interest, fiduciary standards, and investor protection.

2.4 Proposed Regulatory Architecture for IFAs in GIFT-IFSC

- Define eligibility criteria for IFAs (individuals and entities).
- Prescribe registration, licensing and membership requirements, including the role of a Self-Regulatory or Self Accreditation Organisation for IFAs.
- Develop fit and proper criteria, disclosure norms, and code of conduct to ensure unbiased, conflict-free advice.

2.5 Any Other Relevant Matter Referred by IFSCA

The Working Group was authorised to examine any other related matter as necessary to achieve the stated objectives. The Working Group was empowered to devise its own procedures for conducting its business, including meetings, field visits, delegation, and constitution of sub-groups. The Chairman of the Working Group was authorised to invite or co-opt any other practitioners, experts, or representatives from other Ministries, Departments, or domestic/foreign regulators as deemed appropriate.

CHAPTER-3. COMPOSITION OF THE WORKING GROUP AND METHODOLOGY

3.1 Composition of the Working Group

The Working Group comprised twelve members representing diverse perspectives from regulatory authorities, regulated entities, professional bodies, legal practitioners, and industry experts. The composition was as follows:

Sr. No.	Name and Designation	Role
1.	Mr. K. Mahipal Reddy, Executive Director & Head of Department for Insurance & Pension, IFSCA	Chairman
2.	Mr. Pradeep Deo, Chief General Manager & Head, Department of Banking Supervision & AML-CFT Division, IFSCA	Member
3.	Mr. Arjun Prasad, General Manager, Department of Capital Market, IFSCA	Member
4.	Mr. Bhaskar Khadakbhavi, General Manager, Department of Insurance, IFSCA	Member
5.	Mr. Apoorva Vora, Finolutions LLP	Member
6.	Mr. Amit Jain, Apex Fincore LLP	Member
7.	Ms. (Dr.) Shikha Bagai, Vistra ITCI Limited	Member
8.	Mr. Rushabh Naresh Maniar, AZB Partners	Member
9.	Ms. Amisha Sethi,, Financial Planning Standards Board, India	Member
10.	Mr. Biju Krishnan, Representative from LIC	Member
11.	Mr. Rahul Prasad, CEO, HDFC International Life & Re Life	Member
12.	Mr. B. Narasimhan, Past President of ICSI	Member
13.	Mr. Abhinav Sharma, TATA Asset Management	(co-opted)
14.	Mr. Ashishkumar Tripathi, CEO, HSBC IFSC Banking Unit	(co-opted)
15.	Sh. Sathyaraj C M, General Manager, Financial Support Services Regulatory Division, IFSCA	Member Secretary

3.2 Methodology and Approach

The Working Group adopted a comprehensive and consultative approach to fulfil its mandate. The methodology comprised the following key elements:

3.2.1 Meetings and Deliberations

The Working Group conducted five formal meetings and one sub-group meeting between September 30, 2025 and November 20, 2025. The meetings provided a structured forum for comprehensive deliberations on the regulatory architecture, global benchmarking findings, sector-specific challenges, legal and structural considerations, and the proposed framework for IFAs at GIFT-IFSC.

3.2.2 Constitution of Sub-Groups

To ensure focused and specialised examination of critical issues, two sub-groups were constituted:

- Sub-Group 1: Focused on study of current ecosystem at GIFT-IFSC, SEZ Act, IFSCA Act, and domestic regulations of RBI, SEBI, IRDAI, and PFRDA.
- Sub-Group 2: Focused on global frameworks and best practices in the area of Independent Financial Advisers, with members undertaking detailed comparative analysis of regulatory regimes in nine jurisdictions.

3.2.3 Global Benchmarking Study

A comprehensive benchmarking study was undertaken covering nine leading financial centres: United Kingdom (FCA), Singapore (MAS), Hong Kong (SFC/IA), Dubai International Financial Centre (DFSA), Labuan IBFC (Labuan FSA), Mauritius (FSC), Australia (ASIC), United States (SEC/FINRA/State Regulators), and Canada (CIRO). The study examined regulatory models, licensing structures, competence and continuing

professional development requirements, supervision mechanisms, and investor protection frameworks.

3.2.4 Examination of Legal and Structural Aspects

Detailed legal analysis was undertaken to examine the interplay between the IFSCA Act, 2019, the SEZ Act, 2005, and the regulatory frameworks of domestic financial sector regulators. Specific attention was given to identifying the legal basis for regulating individual advisers, addressing permanent establishment implications for offshore advisors, and ensuring compatibility with existing sectoral regulations while maintaining IFSCA's regulatory autonomy.

3.2.5 Sector-Specific Problem Statement Analysis

Separate problem statements and challenge notes were prepared for insurance, banking, and capital markets verticals to identify sector-specific constraints, operational requirements, and opportunities for cross-sectoral harmonisation. This sector-wise analysis informed the development of a unified regulatory framework capable of accommodating diverse product categories while maintaining appropriate sectoral safeguards.

CHAPTER-4. CURRENT ECOSYSTEM ANALYSIS

This section examines the existing regulatory architecture at GIFT-IFSC, identifies limitations of current frameworks, and assesses the implications of the regulatory gap in addressing independent advisory activities.

4.1 Existing Regulatory Framework at GIFT-IFSC

GIFT-IFSC currently operates under a comprehensive regulatory framework administered by IFSCA, covering capital market intermediaries, insurance intermediaries, banking activities, fund management, and ancillary services. The primary regulations governing advisory and distribution activities include:

- IFSCA (Capital Market Intermediaries) Regulations: Governing entities undertaking capital market intermediation including investment advisers, brokers, and other intermediaries.
- IFSCA (Insurance Intermediary) Regulations: Governing solicitation and servicing of insurance products through corporate agents, brokers, and surveyors.
- IFSCA (Banking) Regulations: Governing banking operations at IFSC.
- IFSCA (Fund Management) Regulations: Governing investment funds and fund management entities.
- IFSCA (TechFin and Ancillary Services) Regulation: Covering professional & Technology services providers in the form of support services, including legal, accounting, and consulting services.

4.2 Limitations of Existing Frameworks

4.2.1 Entity-Centric Model

The current regulatory architecture is predominantly entity-centric, designed to regulate institutions undertaking financial activities. This model assumes that advisory functions are carried out by employees of regulated entities. However, the evolution of the financial services market has led to increasing participation of independent professionals who are not formally employed by regulated entities but exercise significant influence over investment decisions.

4.2.2 Product-Specific Constraints

Existing intermediary frameworks are largely product-specific, with separate regulatory structures for capital markets and insurance. Insurance intermediary regulations, for instance, are subject to entity or product association constraints inherited from insurance sector principles and do not contemplate holistic, multi-product financial advice spanning investments, insurance, and structured solutions.

4.2.3 Limited Recognition of Individual Professionals

The SEZ Act, 2005 and SEZ Rules, 2006 primarily envisage registration of units (companies, limited liability partnerships, one person companies) rather than individuals. This structural constraint limits the direct participation of individual advisory professionals in the IFSC ecosystem, despite their significant role in client engagement, particularly for NRI and retail investor segments.

4.3 Resultant Regulatory Gap and Implications

The absence of a dedicated regulatory framework for independent financial advisers gives rise to several structural and conduct-related gaps:

- **Advisory and Facilitation in Grey Areas:** Independent advisory and facilitation activities, particularly at the pre-execution stage, may operate in regulatory grey areas without explicit recognition or uniform oversight.
- **Fragmented Conduct Standards:** Conduct standards applicable at the advisory stage remain fragmented and uneven, while existing investor protection mechanisms are largely triggered only at the execution or product distribution level.
- **Adhoc Institutional Relationships:** In the absence of a clearly defined institutional anchoring model, independent advisors may seek to associate themselves with multiple regulated entities in an adhoc manner, without a coherent supervisory framework.
- **Limited Client Access:** Foreign retail investors and NRIs may find it difficult to directly approach or engage with institutional players based in GIFT IFSC, particularly where such institutions are primarily oriented towards institutional or wholesale clients.
- **Constrained Mutual Recognition:** The absence of a recognised framework for GIFT IFSC advisors limits the scope for mutual recognition or structured cooperation with comparable advisory regimes in other international financial centres.

CHAPTER-5. MARKET NEEDS AND OPPORTUNITIES

5.1 The NRI and Global Indian Diaspora Opportunity

Non-Resident Indians (NRIs) and the global Indian diaspora represent a substantial and strategic growth engine for the IFSC. The global Indian diaspora is one of the largest in the world, with approximately 35.4 million overseas Indians, of whom around 15.85 million are NRIs and the balance are persons of Indian origin and Overseas Citizens of India spread across more than 200 countries and territories.

This community demonstrates significant financial influence, remitting and investing large sums into India's financial system and global financial markets. Overseas Indians sent a record USD 135.46 billion in remittances to India in 2024-25, underscoring their economic importance. In the context of GIFT IFSC specifically, investments from the Indian diaspora into GIFT City-based funds have surpassed ₹60,998 crore (approximately USD 7 billion), with significant participation in banking and fund products.

5.2 Retail and Mass Affluent Investor Segment

Beyond NRIs, the broader retail and mass affluent investor segment seeking access to international financial products through GIFT-IFSC represents a significant market opportunity. These investors typically require higher levels of engagement, education, and handholding than institutional clients, particularly given the cross-jurisdictional, multi-product nature of IFSC offerings.

They often seek trusted advisory relationships to navigate complex risk-reward trade-offs, regulatory differences, currency considerations, and tax implications associated with international investments. Access to regulated GIFT IFSC advisors capable of delivering tailored, holistic advice is frequently a decisive factor in their willingness to participate in international financial centres.

5.3 Advisory Services Demand Spectrum

The demand for advisory services at GIFT-IFSC encompasses a broad spectrum of financial planning and wealth management needs:

- Investment Advisory: Portfolio construction, asset allocation, securities selection, and performance monitoring across domestic and international markets.
- Insurance and Risk Management: Life insurance, health insurance, general insurance, and comprehensive risk protection planning tailored to cross-border requirements.
- Retirement Planning: Long-term savings strategies, pension products, and retirement income planning for globally mobile professionals.
- Tax and Estate Planning: Cross-border tax optimization, estate structuring, and succession planning considering multiple jurisdictional requirements.
- Cross-Border Solutions: Currency management, international real estate investment, and global diversification strategies.

5.4 Enabling Scalable Distribution Architecture

The establishment of an IFA framework enables regulated institutions to scale retail and NRI outreach through structured and distributed advisory networks, without requiring commensurate expansion of in-house sales or relationship management teams. By leveraging regulated IFAs as the front-end interface with clients, institutions can significantly reduce client acquisition and servicing costs, particularly for geographically dispersed overseas and retail investors.

This approach allows regulated entities to deepen market penetration and broaden their client base without diluting regulatory standards or investor protection safeguards, thereby supporting scalable and sustainable growth of the IFSC ecosystem.

CHAPTER-6. GLOBAL BENCHMARKING AND BEST PRACTICES

The Working Group undertook a comprehensive benchmarking study of regulatory frameworks for independent financial advisers across nine leading financial centres. This section summarises the key findings and identifies best practices relevant to the GIFT-IFSC context.

6.1 Regulatory Models: A Taxonomy

The benchmarking study identified three primary regulatory models employed globally:

- **Regulator-Led Model:** The statutory regulator directly licenses, supervises, and enforces standards for financial advisers. Examples include Singapore (MAS), Hong Kong (SFC for capital markets, IA for insurance), Dubai (DFSA), and Australia (ASIC).
- **Hybrid Model:** The regulator sets standards and enforces compliance, while accredited professional bodies administer certification, continuing professional development, and professional standing requirements. The United Kingdom employs this model through FCA oversight combined with accredited professional bodies (CII, CISI).
- **Self-Regulatory Organisation (SRO) Model:** A powerful self-regulatory organisation administers licensing, qualification frameworks, and disciplinary regimes under statutory oversight. Canada's CIRO (Canadian Investment Regulatory Organization) exemplifies this approach for capital markets, while the United States employs FINRA as an SRO for broker-dealers under SEC oversight.

6.2 Jurisdiction-Specific Findings

6.2.1 Singapore (MAS)

The Monetary Authority of Singapore (MAS) regulates financial advisers under the Financial Advisers Act (FAA) and related regulations. Key features include:

- Firms must be licensed as Financial Advisers; individuals operate as appointed representatives of licensed or exempt financial advisers.

- MAS prescribes comprehensive entry, competency, and continuing professional development standards through Notice FAA-N26.
- Representatives must complete CMFAS (Capital Markets and Financial Advisory Services) examinations or recognised qualifications and satisfy annual CPD requirements.
- Supervision is regulator-led, with industry colleges and training providers delivering examinations under MAS-prescribed standards.

6.2.2 Dubai International Financial Centre (DFSA)

The Dubai Financial Services Authority (DFSA) employs a permissions-based regulatory model:

- Firms hold explicit permissions for 'Advising on Financial Products' and 'Insurance Intermediation' activities.
- Individuals are designated as Authorised Individuals or Key Individuals.
- Competence is demonstrated through qualifications and experience rather than a single mandated examination.
- The model is fully regulator-led with DFSA responsible for authorisation, supervision, and enforcement.

6.2.3 Hong Kong (SFC / IA)

Hong Kong maintains separate regulatory structures for securities and insurance:

- Securities and Futures Commission (SFC) regulates capital markets advisers through Regulated Activities licensing (Type 4 for advising on securities).
- Insurance Authority (IA) replaced former self-regulatory organisations in 2019 and now directly licenses insurance intermediaries.
- Both regulators employ regulator-led models with standardised industry examinations (HKSI for securities, IIQE for insurance).

6.2.4 United Kingdom (FCA)

The Financial Conduct Authority employs a hybrid model:

- Firms providing investment advice must be FCA-authorized.

- Retail investment advisers require an annual Statement of Professional Standing (SPS) issued by FCA-accredited professional bodies (CII, CISI).
- Professional bodies administer SPS issuance and CPD verification under FCA accreditation.
- The model combines regulator-led enforcement with hybrid delivery of professional standing through accredited bodies.

6.3 Common Elements Across Jurisdictions

Notwithstanding differences in regulatory models, the benchmarking study identified several common elements across leading financial centres:

- **Explicit Regulatory Recognition:** All jurisdictions explicitly recognise and regulate individual financial advisers, either through direct licensing or through institutional affiliation models.
- **Competence and Qualification Standards:** Mandatory qualification requirements, standardised examinations, and/or recognised professional certifications are universal features.
- **Continuing Professional Development:** Annual CPD requirements (typically 10-40 hours) ensure advisers maintain current knowledge and competence.
- **Fit and Proper Criteria:** Comprehensive fit and proper assessments covering integrity, financial soundness, and professional competence are standard practice.
- **Conduct and Disclosure Standards:** Detailed codes of conduct, suitability obligations, and conflict of interest disclosure requirements protect investor interests.
- **Public Registers:** Most jurisdictions maintain publicly accessible registers of authorised advisers to enhance transparency and enable client verification.

CHAPTER-7. PROPOSED REGULATORY ARCHITECTURE

Based on comprehensive analysis of the current ecosystem, market needs, and global best practices, the Working Group recommends establishment of a regulatory framework for GIFT IFSC Financial Advisors (GIFAs) founded on the following architectural principles.

7.1 Legal Basis and Regulatory Authority

The Working Group identified Section 3(1)(e)(xiii) of the IFSCA Act, 2019 as providing explicit statutory authority for regulating advisory activities. This provision defines as a 'financial service' the activity of rendering or agreeing to render advice on or soliciting for the purposes of: (a) buying, selling, or subscribing to a financial product; or (b) availing any of the specified financial services; or (c) exercising any rights associated with a financial product.

This explicit provision establishes advisory activities as a distinct category of financial services under IFSCA's regulatory purview, independent of sectoral regulatory frameworks. Consequently, IFSCA possesses the requisite statutory authority to establish a comprehensive framework for regulating independent financial advisers operating in relation to IFSC financial products and services.

7.2 Qualified Financial Institution (QFI) Anchored Model

The Working Group deliberated extensively on alternative regulatory models, including direct licensing by IFSCA, independent SRO structures, and institution-anchored approaches. After careful consideration of legal constraints, implementation feasibility, investor protection objectives, and international best practices, the Working Group recommends adoption of a Qualified Financial Institution (QFI) anchored supervision model as the foundational architecture.

7.2.1 Core Features of the QFI Model

- Institutional Anchoring: IFAs are not licensed directly by IFSCA but are recognised, onboarded, and supervised through QFIs that are themselves regulated entities licensed by IFSCA.
- QFI Responsibilities: QFIs are responsible for conducting eligibility verification, fit-and-proper assessments, and ongoing supervision of affiliated IFAs, including monitoring compliance with conduct, disclosure, and suitability requirements.
- Central Regulatory Control: IFSCA retains central regulatory control by prescribing eligibility and fit-and-proper criteria, generating and allocating Unique Registration Numbers (URN), and maintaining the Central Register of GIFT IFSC Financial Advisors.
- QFI Affiliation: GIFAs are permitted to associate with one or more QFI at any point in time, while retaining the ability to advise on a range of financial products through that institutional anchor.

7.2.2 Rationale for QFI Anchored Approach

The QFI anchored model strikes an appropriate balance between regulatory discipline and market accessibility:

- Addresses SEZ Constraints: The model accommodates the SEZ Act's limitation on direct registration of individuals by establishing GIFAs as contractually affiliated representatives of registered entities.
- Leverages Existing Infrastructure: The approach utilises the existing regulatory infrastructure of IFSCA-supervised entities, avoiding the need to establish new institutional structures.
- Ensures Clear Accountability: Institutional anchoring establishes clear supervisory responsibility and accountability chains, facilitating effective regulatory enforcement.
- Enables Scalable Supervision: The dual-layer model allows IFSCA to oversee a potentially large number of individual advisers indirectly through a manageable number of QFIs.

- **Maintains Flexibility:** The framework can accommodate evolution towards independent SRO structures as the market matures, while providing immediate operational capability.

7.3 Scope of Advisory Activities

GIFAs may provide advisory services in relation to financial products and services offered by regulated entities in GIFT-IFSC. The scope encompasses:

- **Capital Markets Products:** Securities, derivatives, collective investment schemes, structured products, and other capital markets instruments.
- **Insurance Products:** Life insurance, general insurance, health insurance, reinsurance, and insurance-linked investment products offered by IFSC insurance entities.
- **Banking Products:** Deposits, loans, foreign exchange, treasury products, and other banking services offered by IFSC Banking Units.
- **Alternative Products:** Aircraft leasing, ship leasing, and other specialised financial products approved under IFSCA regulations.

Advisory activities in relation to domestic Indian financial products remain subject to licensing requirements under respective domestic regulators (SEBI, IRDAI, RBI, PFRDA). Cross-border distribution to clients in foreign jurisdictions is subject to compliance with applicable laws and regulations of the relevant home jurisdiction, unless mutual recognition agreements establish alternative arrangements.

7.4 Geographic Reach and Location Flexibility

The Working Group recognised that a defining characteristic of successful international financial centres is their ability to serve globally mobile clients through globally mobile advisory professionals. Accordingly, the recommended framework adopts a location-neutral approach:

- **Global Location:** GIFAs may be located anywhere in the world, not necessarily within GIFT-IFSC or India.
- **Client Reach:** GIFAs may advise clients globally, subject to compliance with direct solicitation and reverse solicitation requirements of the relevant jurisdictions.
- **IFSC Institutional Link:** Notwithstanding location flexibility, GIFAs must maintain formal affiliation with a QFE registered in GIFT-IFSC, ensuring regulatory connectivity and oversight.

7.5 Open Architecture and Cross-Product Advisory

A fundamental principle of the recommended framework is enabling open architecture advisory, allowing GIFAs to provide holistic financial advice across multiple product categories. This approach aligns with modern wealth management practices and client expectations for comprehensive financial guidance. The framework achieves open architecture through:

- **Unified Registration:** A single GIFA registration with sectoral endorsements, rather than multiple product-specific licences.
- **Qualification-Based Endorsements:** GIFAs obtain sectoral endorsements (capital markets, insurance, banking) based on relevant qualifications and experience.
- **QFE Facilitation:** While affiliated with a single QFE, GIFAs may advise on products across multiple sectors, with the QFE responsible for ensuring appropriate sectoral competence.

7.6 Central Registry and Unique Registration Number

To ensure regulatory visibility, prevent duplication, enable portability, and enhance transparency, IFSCA shall establish and maintain a Central Register of GIFT IFSC Financial Advisors. Key features include:

- URN Issuance: IFSCA shall generate and allocate a Unique Registration Number (URN) through QFI to each GIFA upon satisfaction of eligibility criteria.
- Registry Information: The Central Register shall document the GIFA's identity, sectoral endorsements, QFE affiliations, registration status, and regulatory actions (if any).
- Portability: The URN remains with the individual GIFA, facilitating portability across QFE affiliations subject to appropriate transition procedures.
- Public Access: The Central Register should be accessible to the public to enable client verification and enhance market transparency.

CHAPTER-8. KEY FEATURES AND RECOMMENDATIONS

8.1 Eligibility and Fit-and-Proper Criteria

The Working Group recommends establishment of comprehensive eligibility and fit-and-proper criteria for GIFAs, prescribed by IFSCA and verified by QFEs. The criteria should encompass:

- **Educational Qualifications:** Minimum educational qualifications such as graduation in any field from a recognised university or institution.
- **Professional Certifications:** Recognised professional certifications such as NISM certifications, CFP (Certified Financial Planner), CFA (Chartered Financial Analyst), or equivalent qualifications.
- **Professional Experience:** Relevant experience in financial services, with duration varying based on the complexity of advisory services to be provided.
- **Integrity and Conduct:** No adverse regulatory actions, criminal convictions, or insolvency proceedings that would impair the individual's fitness to act as a financial adviser.
- **Financial Soundness:** Adequate financial standing to ensure the individual is not subject to undue financial pressure that could compromise independent judgment.

8.2 Qualification and Competence Framework

The Working Group emphasises the critical importance of establishing robust qualification and competence requirements. It is recommended that IFSCA to issue circulars specifying minimum certification requirements, leveraging partnerships with institutions such as NISM, ICAI, ICSI, ICMAI, IIM-Ahmedabad, and IIT-Gandhinagar (with whom IFSCA has signed or proposes to sign MOUs). Key elements include:

- **Baseline Certification:** NISM certification or equivalent as the initial standard for capital markets advisory; IIBF or NIBM certificate for Banking related products aligning with IFSC ecosystem.

- Sectoral Endorsements: Additional qualifications for insurance (IRDAI-approved certifications or equivalent) and banking product advisory.
- Continuing Professional Development: Mandatory annual CPD requirements (minimum hours to be prescribed) covering product knowledge, regulatory updates, ethics, and investor protection.
- Flexibility through Circulars: Issuance of qualification requirements through circulars rather than regulations to maintain flexibility and enable periodic updates as the market evolves.

8.3 Conduct Standards and Investor Protection

The framework shall prescribe comprehensive conduct obligations for GIFAs to strengthen investor protection at the advisory stage:

8.3.1 Fiduciary Duty and Suitability

- GIFAs shall owe a fiduciary duty to clients, requiring them to act in the client's best interests.
- Advisory recommendations must be suitable for the client based on comprehensive assessment of financial circumstances, investment objectives, risk appetite, and time horizon.
- Documentation of suitability assessment and recommendation rationale shall be mandatory.

8.3.2 Disclosure Obligations

- Material Information: GIFAs must disclose all material information relevant to the advisory relationship, including qualifications, sectoral endorsements, and QFE affiliation.

- Conflicts of Interest: Comprehensive disclosure of actual or potential conflicts of interest, including remuneration arrangements and relationships with product providers.
- Remuneration Transparency: Clear disclosure of fees, commissions, or other remuneration received in connection with advisory services or product distribution.

8.3.3 Prohibition on Handling Client Funds

GIFAs shall be strictly prohibited from handling, holding, or having custody of client funds or assets. All client funds and assets must be maintained with regulated entities (banks, custodians, intermediaries) appropriately licensed by IFSCA. This prohibition is fundamental to the advisory model and distinguishes GIFAs from execution and custody intermediaries.

8.3.4 Advertising and Marketing Standards

- All communications, advertisements, and promotional materials must be clear, fair, and not misleading.
- Performance claims and comparisons must be supported by verifiable data.
- Risk disclosures must be prominently displayed for all product recommendations.

8.4 Mutual Recognition and Cross-Border Operations

To position GIFT-IFSC as a globally integrated financial centre, the Working Group recommends provisions for mutual recognition of advisers certified in recognised foreign jurisdictions. The framework should include:

- Recognised Jurisdictions: IFSCA may designate jurisdictions with comparable regulatory standards (e.g., Singapore, UK, Hong Kong, Dubai, USA) for mutual recognition purposes.
- Streamlined Registration: Advisers holding valid registration/licensing in recognised jurisdictions may be granted registration as GIFAs subject to simplified procedures.

- Reciprocity Arrangements: IFSCA may enter into memoranda of understanding with overseas regulators to facilitate reciprocal recognition of advisers.
- Reverse Solicitation: The framework should clarify that advisory services provided through reverse solicitation (client-initiated contact) may be permissible even where direct solicitation is not permitted in the client's jurisdiction.

8.5 Grievance Redressal and Regulatory Recourse

Clients advised by GIFAs shall have access to structured grievance redressal mechanisms:

- QFE-Level Redressal: QFEs shall establish internal grievance redressal mechanisms for complaints against affiliated GIFAs.
- IFSCA Oversight: Unresolved grievances may be escalated to IFSCA in accordance with the Authority's complaint handling and grievance redressal framework.
- Regulatory Action: IFSCA retains authority to take regulatory action against GIFAs for misconduct, including suspension or cancellation of registration.

CHAPTER-9. IMPLEMENTATION ROADMAP

The Working Group recommends a phased implementation approach to enable orderly establishment of the IFA ecosystem while allowing for refinement based on operational experience.

9.1 Phase 1: Foundational Infrastructure (0-6 Months)

- Regulatory Framework: Issuance of GIFT IFSC Financial Advisor Regulations and supporting circulars.
- Central Registry: Establishment of the Central Register of GIFAs with URN generation capability.
- QFE Framework: Issuance of framework for granting Qualified Financial Institution status to eligible regulated entities.
- Qualification Standards: Specification of minimum certification requirements and CPD standards through circulars.
- Capacity Building: Conduct workshops and training sessions for potential QFIs and industry stakeholders.

9.2 Phase 2: Market Activation (6-18 Months)

- QFI Onboarding: Acceptance and processing of QFI applications from eligible regulated entities.
- GIFA Registration: Commencement of GIFA registration through approved QFIs.
- Monitoring Framework: Establishment of supervisory and monitoring mechanisms for QFIs and GIFAs.
- Market Awareness: Conduct awareness campaigns targeting NRI and retail investor segments.
- Mutual Recognition: Initiate discussions with overseas regulators regarding mutual recognition arrangements.

9.3 Phase 3: Evolution and Refinement (18-36 Months)

- Framework Review: Comprehensive review of operational experience and framework effectiveness.
- Self-Regulatory Organisation (SRO) Evaluation: Assessment of feasibility and desirability of transitioning towards independent SRO model.
- Mutual Recognition Operationalisation: Implementation of mutual recognition agreements with partner jurisdictions.
- Scope Expansion: Evaluation of expanding advisory scope to additional product categories based on market demand.
- Best Practices Adoption: Integration of emerging global best practices and technological innovations.

CHAPTER-10. RISKS AND MITIGATION STRATEGIES

The Working Group identified several potential risks associated with non-implementation or inadequate implementation of the IFA framework, along with corresponding mitigation strategies.

10.1 Regulatory Arbitrage and Grey Areas

Risk: In the absence of explicit regulation, advisory activities may continue in regulatory grey areas, leading to inconsistent market practices and uneven investor protection.

Mitigation: The recommended framework explicitly brings advisory activities within the regulatory perimeter, establishing uniform standards and clear supervisory responsibility.

10.2 Inadequate Investor Protection at Advisory Stage

Risk: Without dedicated conduct standards for advisers, investors may be exposed to conflicts of interest, misaligned incentives, and unsuitable recommendations.

Mitigation: The framework prescribes comprehensive conduct obligations including fiduciary duty, suitability requirements, conflict of interest disclosure, and prohibition on handling client funds.

10.3 Reliance on Unregulated Overseas Advisers

Risk: Absent of a structured framework, NRI and foreign investors may increasingly rely on unregulated overseas advisers, reducing regulatory visibility and limiting enforcement capability.

Mitigation: The location-neutral design enables overseas advisers to obtain GIFA registration while maintaining formal links to GIFT-IFSC through QFI affiliation, bringing them within the regulatory perimeter.

10.4 Constrained Retail Market Development

Risk: Without a scalable advisory layer, regulated institutions may face prohibitive costs in directly servicing retail and NRI clients, constraining market growth.

Mitigation: The QFI-anchored model enables institutions to leverage distributed advisory networks for scalable retail outreach while maintaining regulatory oversight and investor protection.

10.5 Competitive Disadvantage vis-à-vis Other IFSCs

Risk: Absence of an IFA framework may place GIFT-IFSC at a competitive disadvantage in attracting global advisory talent and relationship-driven business models compared to Singapore, Dubai, and Hong Kong.

Mitigation: The recommended framework achieves regulatory outcomes comparable to leading IFSCs through a proportionate, institution-anchored model, while provisions for mutual recognition facilitate integration into global advisory networks.

CHAPTER-11. CONCLUSION AND RECOMMENDATIONS

The establishment of a comprehensive regulatory framework for Independent Financial Advisers represents a necessary and strategic evolution of the GIFT-IFSC regulatory architecture. The Working Group's deliberations, informed by extensive analysis of the current ecosystem, assessment of market needs and opportunities, and comprehensive benchmarking of global best practices, lead to the following principal conclusions and recommendations.

11.1 Principal Conclusions

- Advisory and facilitation activities represent critical stages of the client journey that are increasingly performed by independent professionals outside the formal employment structures of regulated entities. The absence of explicit regulatory recognition creates grey areas and weakens investor protection at the decision-influencing stage.
- Non-Resident Indians and the global Indian diaspora represent a substantial market opportunity for GIFT-IFSC, demonstrating significant financial influence through remittances exceeding USD 135 billion annually and but investments in GIFT City funds exceeding ₹60,000 crore. This client segment requires trusted advisory relationships to navigate complex cross-border financial planning requirements.
- Leading international financial centres including Singapore, Dubai, Hong Kong, and the United Kingdom explicitly recognise and regulate individual financial advisers, directly or indirectly acknowledging their central role in client acquisition, trust-building, and market expansion.
- Section 3(1)(e)(xiii) of the IFSCA Act, 2019 provides explicit statutory authority for IFSCA to regulate advisory activities as a distinct category of financial services, independent of sectoral regulatory frameworks.
- The SEZ Act's constraints on direct registration of individuals can be effectively addressed through an institutional anchoring model wherein advisers operate as contractually affiliated representatives of regulated entities.

11.2 Core Recommendations

The Working Group recommends that IFSCA establish a comprehensive regulatory framework for GIFT IFSC Financial Advisors (GIFAs) based on the following core elements:

- **Legal Basis:** The framework shall operate under Section 3(1)(e)(xiii) of the IFSCA Act, 2019, which explicitly provides for rendering advice on or soliciting for financial products and services as a regulated financial service.
- **Qualified Financial Institution Anchored Model:** GIFAs shall be recognised, onboarded, and supervised through Qualified Financial Institution (QFIs) that are themselves regulated by IFSCA. This dual-layer arrangement ensures institutional supervision combined with central regulatory oversight.
- **Central Registry and URN:** IFSCA shall maintain a Central Register of GIFT IFSC Financial Advisors and issue a Unique Registration Number (URN) to each GIFA, ensuring transparency, portability, and effective supervision.
- **Open Architecture:** The framework shall enable GIFAs to provide advisory services across multiple financial product categories (capital markets, insurance, banking, alternative products) through a unified registration with sectoral endorsements.
- **Global Reach:** GIFAs may be located anywhere in the world and may advise clients globally, provided they maintain formal affiliation with a QFI registered in GIFT-IFSC, enabling seamless cross-border advisory operations.
- **Uniform Conduct Standards:** The framework shall prescribe comprehensive conduct obligations including fit-and-proper criteria, fiduciary duty, suitability requirements, disclosure obligations, prohibition on handling client funds, and continuing professional development.
- **Qualification Requirements:** Minimum certification and competence standards shall be prescribed through circulars, leveraging partnerships with NISM, ICAI, ICSI, ICMAI, IIM-Ahmedabad, and IIT-Gandhinagar, enabling flexibility and periodic updates.

- **Mutual Recognition:** The framework shall include provisions for mutual recognition of advisers certified in recognised foreign jurisdictions, facilitating integration into global advisory networks and enhancing GIFT-IFSC's competitive positioning.
- **Phased Implementation:** Adoption of a RE/QFI-led onboarding and monitoring model in the short term, with provisions to enable creation of independent Self-Regulatory Organisations (SROs) in the long term as the regulatory framework matures.
- **Grievance Redressal:** Clients advised by GIFAs shall have access to structured grievance redressal mechanisms at both QFI and IFSCA levels, strengthening investor protection and regulatory recourse.

11.3 Strategic Impact

The establishment of a dedicated IFA framework will yield multiple strategic benefits for GIFT-IFSC ecosystem:

- **Regulatory Completeness:** The framework extends regulatory oversight across the entire client journey, from initial engagement and advice provision through risk profiling and product explanation to execution through regulated intermediaries.
- **Enhanced Investor Protection:** Uniform and enforceable conduct obligations at the advisory stage strengthen investor protection where investment decisions are formed and client interests are most directly impacted.
- **Scalable Retail Penetration:** Regulated institutions can scale retail and NRI outreach through distributed advisory networks without commensurate expansion of in-house teams, reducing client acquisition costs and enabling sustainable market growth.
- **Competitive Positioning:** The framework positions GIFT-IFSC comparably with leading international financial centres that explicitly regulate individual advisers, enhancing attractiveness for global advisory talent and relationship-driven business models.

- **Market Credibility:** Formal recognition and regulation of advisory activities enhance transparency, accountability, and trust in the IFSC ecosystem, reinforcing its credibility as a mature international financial centre.

11.4 Concluding Observations

The Internal Working Group submits this Report to the International Financial Services Centres Authority with the conviction that the establishment of a regulatory framework for Independent Financial Advisers represents not merely an incremental enhancement but a foundational pillar essential to the maturation and sustainable growth of GIFT-IFSC as a leading international financial centre.

By formally recognising and regulating advisory activities at the front end of the client lifecycle, IFSCA will address existing regulatory gaps, strengthen investor protection, enable scalable retail participation, and position GIFT-IFSC competitively among the world's premier financial centres. The recommended framework balances regulatory discipline with market accessibility, institutional oversight with individual professional participation, and proportionate regulation with global alignment.

The Working Group expresses its gratitude to IFSCA for the opportunity to contribute to this important initiative and to all members for their valuable insights, expertise, and constructive engagement throughout the deliberations. The Group respectfully submits its recommendations for consideration and appropriate action by the Competent Authority.
