



## CONSULTATION PAPER ON REVIEW OF IFSCA (FUND MANAGEMENT) REGULATIONS, 2022

Published on: August 17, 2024

### A. Background

1. In line with IFSCA's ongoing efforts to establish a regulatory framework that meets global standards, IFSCA presents the following proposals. These are in addition to those outlined in the Consultation Paper on the Review of IFSCA (Fund Management) Regulations, 2022, published on August 5, 2024.
2. IFSCA takes note of the request from Industry Participants on enabling third party fund management services (*informally known as Platform Play*) for funds regulated by IFSCA. The proposals below are in light of the same.

### B. Proposals

1. It is proposed to add a chapter in the IFSCA (Fund Management) Regulations, 2022, to enable third party fund management services (*informally known as Platform Play*) for funds regulated by IFSCA.
2. **Defining Third Party Fund Management Services:** Third-party fund management services involve Investment managers/FMEs who, in addition to managing their own funds, also manage investment funds on behalf of clients.
3. **Regulatory Provisions:** All FMEs registered with the Authority may offer third party fund management services to its clients in terms of these Regulations.
4. **Disclosure Requirements:**
  - a) The FME shall provide a disclosure in the offer document at a prominent place to the investors that it is providing third-party fund management services. This includes outlining the nature of services, potential conflicts of interest, and any platform play arrangements.
  - b) Each scheme managed under a platform play must have its investment strategy, objectives, and risks clearly outlined in the PPM.
5. **Governance and Oversight**
  - a) Each strategy under the platform play should appoint a distinct Principal Officer and Compliance Officer to ensure dedicated oversight and adherence to regulatory requirements. This ensures that each scheme is managed independently with appropriate governance.
6. **Size Threshold**
  - a) Once a scheme reaches the assets under management of USD 10 million, it should be required to migrate into a distinct FME. This involves delinking from the original platform and establishing a separate legal and operational FME.
7. **Operational and Risk Management**

- a) FMEs must implement a comprehensive risk management framework that addresses the unique risks associated with third-party fund management and platform plays. This includes liquidity management, market risk, and operational risk.
- b) Regular internal audits and reviews should be conducted to ensure compliance with regulatory requirements and internal policies. This includes auditing the segregation of funds and strategies under the platform play.
- c) A robust mechanism should be in place to address investor complaints and disputes promptly and effectively.
- d) Although operating under a platform, each strategy should maintain operational independence to prevent conflicts of interest and ensure fiduciary responsibilities are met.

The regulatory provisions and safeguards for investment managers providing third-party fund management services aim to ensure transparency, protect investors, and maintain market integrity. By implementing these measures, regulatory authorities can facilitate innovation and growth in the investment management industry while ensuring that investor interests are safeguarded.

#### **C. Brief Rationale:**

1. Enabling third party fund management services under the IFSCA (Fund Management) Regulations would facilitate the growth of the funds management industry in GIFT IFSC, allow fund managers to test their strategies in a cost-effective manner and foster innovation in the funds space.
2. Such arrangements streamline the setup and operational processes for new funds by leveraging existing infrastructure, regulatory frameworks, and expertise.
3. It might encourage innovation by providing a flexible environment where fund managers can experiment with new strategies and products without being bogged down by operational constraints.

#### **D. Global Benchmarks:**

1. Luxembourg- Management Companies (ManCos)
  - a) Are involved in Fund Management, Regulatory Compliance, Administration Services:, Distribution and Marketing:
  - b) Regulatory Framework provided under the Undertakings for Collective Investment in Transferable Securities (UCITS) Directive and Alternative Investment Fund Managers Directive (AIFMD).

#### **E. Comments**

1. General public and stakeholders are requested to forward their comments/suggestions through e-mail to Mr. Mihir Upadhyay at [mihir.upadhyay@ifsc.gov.in](mailto:mihir.upadhyay@ifsc.gov.in), Mr. Jasmeet Singh at [singh.jasmeet@ifsc.gov.in](mailto:singh.jasmeet@ifsc.gov.in), Ms. Kanika Singh at [singh.kanika@ifsc.gov.in](mailto:singh.kanika@ifsc.gov.in), and Mr. Paras Jain at [jain.p@ifsc.gov.in](mailto:jain.p@ifsc.gov.in) on or before August 26, 2024, in the attached format. The comments may be provided in MS Word or MS Excel format only.

**F. Format for providing comments / suggestions**

**Proposed amendments to  
IFSCA (Fund Management) Amendment Regulations, 2024**

<b>Name, Designation of the person</b>	
<b>Contact No., Email Id</b>	
<b>Name of Organisation</b>	
<b>Comments/Suggestions/ Suggested modifications</b>	
<b>Detailed Rationale</b>	

