



International Financial Services Centres Authority

CIRCULAR

F.No. 110-1/IFSCA/Banking Regulation/2020-21/6

December 11, 2020

To,

All Banking Units

Dear Sir/Madam,

IFSC(Banking) Regulation, 2020 – Guideline on determination of net worth of ‘Qualified Individual’ and ‘Qualified Resident Individual’

1. Banking Units may refer to the International Financial Services Centres Authority (Banking) Regulations, 2020 (referred to herein as the Regulations).
2. In terms of regulation 2(k) and 2(l) of the Regulations, ‘Qualified Individual’ (‘QI’) or ‘Qualified Resident Individual’ (‘QRI’) means an individual who is a person (resident outside India for ‘QI’ and resident in India for ‘QRI’) having net worth not less than USD 1 Million or equivalent in the preceding financial year, which may be determined in such manner as specified by the Authority. Along with the corporate and institutional entities, QIs and QRIs are permitted to open, hold and maintain deposit accounts with the BU (in a freely convertible foreign currency), as provided in regulation 11 of the Regulations.
3. The following points constitute the ‘Guideline’ to the BUs for determining the net worth of individuals to establish their eligibility as QI / QRI, under the Regulations.
 - a) The Authority has specified the minimum net worth criterion for establishing the eligibility at the time of opening of a deposit account with a BU to underline the importance of ‘suitability’ aspect in respect of individuals.
 - b) The net worth for individual shall be calculated as total assets owned less total liabilities. Any intangible assets (goodwill, trademark, IPR etc) shall be excluded

from total assets. The liabilities shall include secured as well as unsecured liabilities. The net worth shall be assessed based on the position as at the end of the financial year preceding the financial year of the date on which the deposit account is opened.

- c) The BUs shall obtain necessary certification (e.g. by a Chartered Accountant / Certified Public Accountant or such equivalent certified professional in the respective jurisdiction) to satisfy themselves about the individual's eligibility as 'QI' or 'QRI', under the net worth criterion, before opening an account for the individual.
- d) The BUs shall obtain an annual confirmation (self-declaration) from QIs/QRIs about their continued eligibility under the net worth criterion, within 90 days from the end of each financial year, till the deposit account is maintained with the BU. Non-receipt of such annual confirmation by the deposit account holder shall make him / her ineligible to continue the deposit account relationship with the BU. Accordingly, a term deposit account shall not be eligible for renewal, after the maturity, unless the QI / QRI is able to submit a fresh declaration about his / her net worth as certified by a Chartered Accountant / Certified Public Accountant or such equivalent certified professional in the respective jurisdiction, before closure of the deposit account. For current and saving bank account deposits, the BU shall close the account not later than 30 days of the account holder becoming ineligible, i.e. within 120 days from the end of the last financial year.
- e) Apart from ascertaining the eligibility on the minimum net worth, the BUs may incorporate in its processes an undertaking from the QI / QRI about adequate understanding of risks associated with maintaining deposits with BUs – not covered by usual safety nets such as deposit insurance. This shall be in addition to and without prejudice to the requirements under the IFSCA (Deposits) Directions issued under the Regulations.

Yours faithfully
(Kamlesh Sharma)
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