



Press Release

Review of Guidelines for setting up and operation of International Trade Financing Services Platform (ITFS)

About ITFS:

The ITFS platforms are the first of its kind regulated platforms which facilitate access to trade finance services digitally to global exporters and importers at competitive prices via a bidding mechanism. These trade finance services *inter-alia* include factoring, forfaiting, bill discounting and supply chain financing.

The overarching principle of allowing ITFS in International Financial Services Centre (IFSC) is to help bridge the financing gap for exporters and importers both in India and globally.

2. Background to ITFS Guidelines:

The Authority issued ITFS guidelines on July 9, 2021. Under these guidelines registration was granted to four entities to establish their trade finance platforms in IFSC.

Subsequently, following feedback from market participants and stakeholders through extensive consultations, the Authority released 'Revised guidelines for setting up and operating ITFS platforms in IFSC' on December 23, 2024.

3. The following are the key changes in the revised guidelines on ITFS:

(a) **Eligibility Criteria:** The revised guidelines have streamlined the requirements for setting up an ITFS platform in IFSC. Applicants must meet specific financial, technological, and general criteria to qualify instead of the Net worth requirement for the parent in earlier guidelines.

(b) **On-Tap Registration Process:** The revised framework introduces procedure for grant of provisional registration, registration, process involved in refusal, revocation, or surrender of registration. Further, it opens the registration process for eligible entities on an on tap basis instead of a closed timeline for making application.

(c) **Permissible Activities:** The scope of permissible activities has been expanded to include secondary market transactions of trade finance units on ITFS platforms, enhancing liquidity on the platform. Additionally, ITFS platforms can now facilitate clearing and settlement of funds by registering themselves as payment system operators under the IFSCA (Payment and Settlement Systems) Regulations, 2024.

(d) **Eligible Participants:** The list of eligible participants in addition to financiers, exporters, importers, insurance entities now includes payment service providers, enabling easier access for participants to facilitate currency exchange and receive payments in their local currency in a cost and time effective manner.

(e) **Expanding the Scope of Financiers:** The earlier guidelines allowed financiers to be either banking units in IFSC or finance companies/units licensed, regulated, or registered by IFSCA or other financial sector regulators, either in India or abroad. After reviewing global entities that conduct trade finance activities, the revised guidelines broaden the scope of eligible financiers.

Now, permitted financiers include factors registered under the Factoring Registration Act, 2011, and finance companies/units registered in IFSC permitted by the Authority to undertake lending or factoring activities. Additionally, other financiers may join the platform subject to specific conditions outlined in the guidelines. Though the list of financiers eligible to participate on the platform has been enlarged, it is ensured that these financiers are incorporated in a FATF compliant jurisdiction and they have the requisite experience in financing or having managed assets to the tune of USD 5 million. The financing entity shall have a minimum capital of USD 5 million.

(f) **Bidding for Trade Finance Units (TFU):** It is clarified that the bidding for TFUs can be done either on an invoice-by-invoice basis (i.e., for individual TFUs) or as a one-time bid for the entire turnover.

(g) **Complaint Handling and Grievance Redressal:** The ITFS operator is required to establish a complaint handling and grievance redressal mechanism to address complaints of its participants. This mechanism shall align with the IFSCA Circular on "Complaint Handling and Grievance Redressal by Regulated Entities in the IFSC," dated December 2, 2024.

(h) **Outsourcing:** Implementation of principle-based guidelines for outsourcing, allowing ITFS platforms to partner with service providers to handle certain non-core functions. This also permits ITFS companies to use software developed by third parties provided that such software is licensed. However, the conditions of such license shall permit the ITFS operator to operate the software using its own staff.

4. With the issuance of the revised guidelines the erstwhile "Framework for setting up of International Trade Financing Services Platform ('ITFS') for providing Trade Finance Services at International Financial Services Centres ('IFSCs')" dated July 9, 2021, shall cease to apply. The guidelines may be seen at <https://ifsc.gov.in/Legal/Index?MIId=MiM0S1oHI7I=>.

December 24, 2024
Gandhinagar.