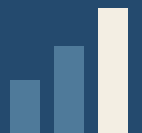
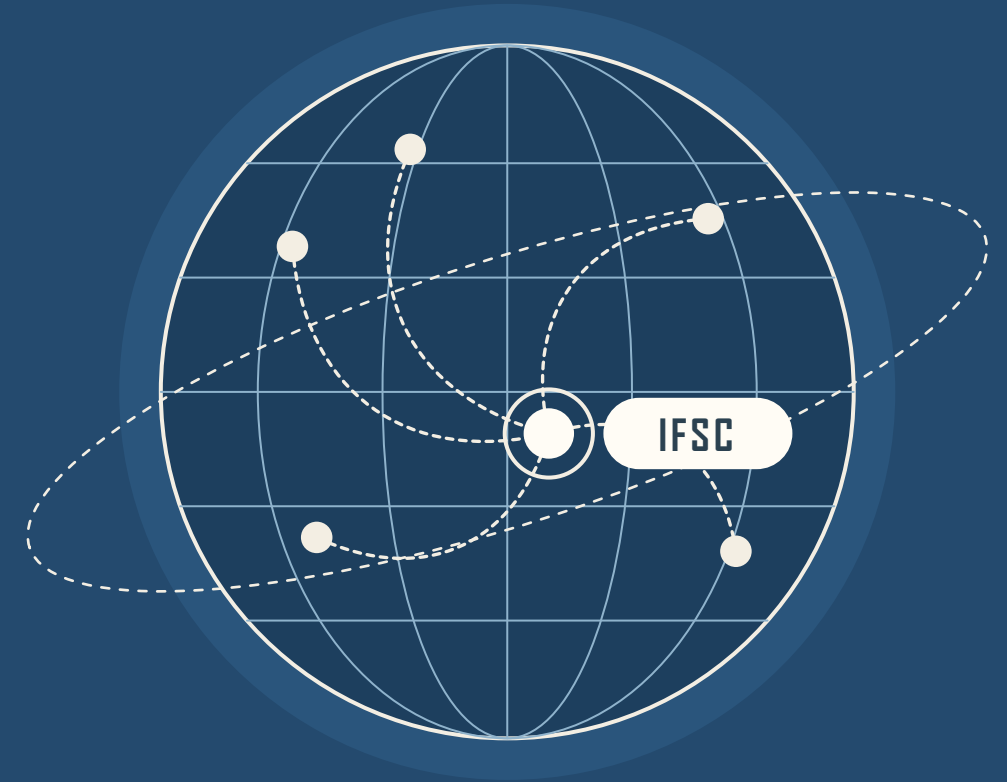




IFSCA CONSULTATION PAPER · REVIEW

Secondary Listing of Foreign ETFs in IFSC

What the proposed amendments change, and what IFSCA gives up in oversight



The Core Change: FME Registration Becomes Optional

PROPOSAL a foreign regulated manager may secondary list an ETF in IFSC without registering as an FME(Fund Management Entity).

Access gained

- Removes a real barrier. Setting up an FME just to list one ETF was disproportionate to the activity involved.
- Should increase the number of global ETFs willing to list on an IFSC exchange.
- **Lower entry cost, faster route to market.**

vs

Direct oversight given up

- IFSCA loses direct, registration-based supervision over these managers.
- Oversight now runs through the home regulator plus a local representative - neither of which IFSCA controls.
- **Supervision becomes indirect and borrowed.**

A supervision for access trade - not a free win.

Access improves the day the amendment takes effect; supervisory grip is surrendered permanently. The trade only holds if home regulator reliance actually works.

Manager Eligibility: Two Doors, Uneven Scrutiny

PROPOSAL A manager qualifies either as (a) a Registered FME (Retail), or (b) a foreign or Indian retail-regulated entity meeting fit and proper norms.

DOOR A

Registered FME (Retail)

- Already inside IFSCA's perimeter - registration, capital and conduct requirements apply.
- IFSCA retains its existing scrutiny of the entity.

IFSCA-CHECKED

DOOR B

Foreign / Indian retail regulated entity

- Fit and proper assessment is performed by the exchange, not IFSCA.
- Quality control is handed to a commercially incentivised party - exchanges want listings, not rejections.
- **Wider door, lighter gate.**

EXCHANGE-CHECKED

OPEN QUESTION If the exchange's fit and proper call turns out wrong, the paper states no recourse and no IFSCA override.

Two entry routes, one standard of scrutiny - and it is not IFSCA's on the busier route. Door B needs a stated override and escalation path.

The Track Record Waiver Favours Incumbents, Not Innovation

PROPOSAL An ETF needs 12 months of trading history - waived for managers with \$200M+ AUM, 25,000+ investors and 5+ listed ETFs.

\$200M+

Minimum AUM in the ETF or scheme

+

25,000+

Minimum number of investors

+

5+

ETFs already listed by the manager

ALL THREE MUST BE MET AT THE SAME TIME - A BAR SET AT BLACKROCK / VANGUARD / STATE STREET SCALE

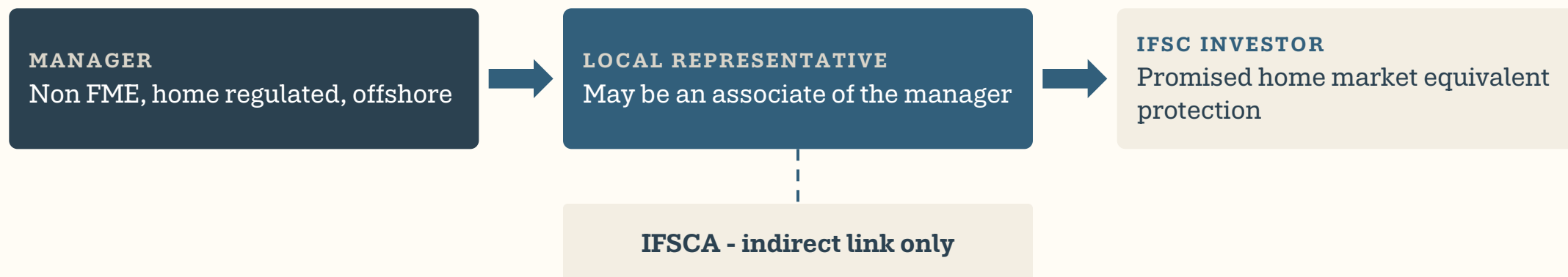
This is not a neutral exemption. A well run but smaller or newer manager takes the full 12 month test; a global giant walks in on day one.

Strategic consequence: IFSC optimises for the largest, most conservative players - not the differentiated or emerging managers that would build a distinct IFSC ETF market.

The waiver buys scale quickly but screens out the managers most likely to differentiate the venue. A graded or conditional waiver would widen the funnel.

Local Representative: Enforcement on Paper

PROPOSAL A non FME manager must appoint a local representative (often an affiliate) and give IFSC investors ‘at least the same level of protection’ as home market investors.



Structural weakness

The representative is expressly allowed to be an associate of the manager - the manager's own entity policing the manager. Singapore and Hong Kong do the same, so it is not unusual; it is also not independent oversight.

Vague standard

‘At least the same level of protection’ has no defined test and no named party responsible for verifying it. As drafted, it is a promise rather than a control.

The chain is complete on paper but the supervisory link back to IFSCA is dotted, not solid. A defined equivalence test and an independent representative would make it enforceable.

Delisting Powers Now Reach the Manager

PROPOSAL Regulations 115-117 now name the ‘manager’ alongside FME and Investment Trust parties, closing a gap where a non FME manager had no clear enforcement hook.

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direct legal presence required in IFSC beyond a representative

LEGAL CLARITY

The correct fix. Without it, IFSCA and the exchange held no explicit power over a manager never registered with them.

PRACTICAL LIMIT

Power to delist means little against a manager with no assets, no staff and no presence in IFSC.

Enforcement therefore depends on two parties IFSCA does not control

- The local representative's willingness to cooperate - an entity that may itself be an affiliate of the manager.
- The home regulator's willingness to act on an IFSCA referral, with no stated timeline or obligation to do so.
- With no IFSC assets to attach, any direction or penalty must ultimately be enforced offshore - outside IFSCA's reach.

The drafting gap is closed; the enforcement gap is still open. Binding undertakings from the manager and a signed regulator to regulator channel would give the power teeth.

Net Effect: A Distribution Channel, Not New Capital

Channel, not capital.

Taken together, the amendments create a low friction route for existing global ETFs to trade on an IFSC venue. No new fund is created and no new AUM is raised in India - this is routing, not capital formation.

What this is

A distribution channel for products that already exist, listed and traded on an IFSC exchange.

The products, managers and AUM all remain where they already are.

What it is not

No fund formation, no incremental AUM raised in India, no new manager footprint on the ground.

Nothing in the amendment requires a fund to be domiciled or capitalised in IFSC.

Unaddressed risk

IFSC's own domiciled ETFs now compete for the same investor attention as secondary listed global giants. The paper assumes this is mutually reinforcing; it may simply be competitive.

Support the access reform, but ask for a defined protection test, an IFSCA override on exchange checked managers and a graded track record waiver.

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