Variable Capital Companies in India's IFSC: Architecture, Governance and the Road Ahead

An Analysis of the Draft IFSCA (Amendment) Bill, 2026

The draft International Financial Services Centres Authority (Amendment) Bill, 2026 (the "Bill") proposes to introduce the Variable Capital Company ("VCC") framework as a dedicated structure for fund vehicles in India's International Financial Services Centre ("IFSC"). The VCC is a body corporate that combines the flexibility of trust structures with the structural elegance of corporate law, operating through a two-tier architecture of an umbrella entity and segregated sub-funds. This article examines the proposed legislative framework for VCCs in the IFSC, with a focus on its structural design, capital architecture, governance and fiduciary matrix, confidentiality provisions, tax status sub-funds, interface with the Insolvency and Bankruptcy Code, 2016, and a broad comparative analysis against Singapore's Variable Capital Company regime. The VCC structure seeks to provide a critical structural solution to the IFSC's existing fund management regime, offering a bespoke, internationally competitive vehicle designed to attract global capital into the IFSC.

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INTRODUCTION

India's IFSC at GIFT City, Gujarat, has steadily emerged as a competitive offshore financial hub, offering regulatory and fiscal concessions designed to attract global fund managers, insurers, and capital market participants who might otherwise anchor their operations in other global jurisdictions such as Singapore, Luxembourg, Dublin or Mauritius. As of March 31, 2026, fund management entities registered in the IFSC had garnered cumulative commitments of USD 39.09 billion, with cumulative funds raised standing at USD 19.51 billion.[1]

Yet for all this momentum, a fundamental structural constraint has persisted: unlike other global developed jurisdictions, India's existing legal architecture doesn't offer a tailored legal framework for the fund management industry. Trusts, limited liability partnerships, and companies each represent adaptations of general commercial vehicles being used for investment pooling, rather than vehicles crafted specifically for the logic and economics of fund management. Critical features such as (i) segregation of assets and liabilities across different pools of capital, (ii) flexible capital alteration without shareholder resolutions, (iii) efficient investor entry and exit, (iv) payment of distributions from capital and (v) the accommodation of multiple investment strategies within a single legal shell have had to be introduced through regulatory overlays or contractual arrangements.[2]

The Variable Capital Company fills this gap. Originally pioneered in Luxembourg through the SICAV structure and subsequently adopted in various forms in Ireland, Singapore, Mauritius, the United Kingdom, and Hong Kong, the VCC is a body corporate that operates on a two-tier model: a parent entity at the top tier, and one or more segregated sub-funds at the operational tier. The Bill proposes to introduce and govern VCCs exclusively within the IFSC through an amendment to the International Financial Services Centres Authority Act, 2019 (the "IFSCA Act"), inserting a new Chapter III-A.[3]

1. *IFSCA Bulletin Jan-Mar 2026.*
2. *Explanatory Note to the draft International Financial Services Centres Authority (Amendment) Bill, 2026, Section A, p. 1 (hereinafter "Explanatory Note").*
3. *The International Financial Services Centres Authority (Amendment) Bill, 2026, Section 2 (inserting Chapter III-A in the IFSCA Act) (hereinafter "Bill").*

STRUCTURAL ARCHITECTURE: THE TWO-TIER MODEL

A. The VCC as a Body Corporate

Section 13B of the Bill establishes the VCC as a body corporate endowed with perpetual succession, the capacity to contract and hold property, and the ability to sue and be sued in its own name and on behalf of its sub-funds. The liability of members is limited to the amount unpaid on their shares.[4]

Main object of a VCC shall be to carry on the business of investment of funds through its sub-funds[5]. This reinforces its character as an exclusive investment vehicle. The Central Government retains residual power to notify additional permissible objects, preserving flexibility for future financial innovations. The VCC is required to have one or more sub-funds at all times, meaning the vehicle cannot exist in a sub-fund-less state.[6]

The VCC will carry the mandatory suffix "VCC (IFSC) Ltd." in its name. This nomenclature signals its distinct identity from other corporate forms and clearly indicates that its in an IFSC jurisdiction.[7]

B. Sub-Funds: Segregated but Not Separate Legal Persons

The defining architectural feature of the VCC are its sub-funds. A sub-fund is not a separate legal person from the VCC. It is defined as a scheme or fund constituted under the VCC and launched in accordance with IFSCA regulations.[8] The VCC shall execute all contracts for and on behalf of its sub-funds.

Notwithstanding this lack of separate legal personality, the Bill creates a robust ring-fencing regime for sub-fund assets and liabilities. The assets of one sub-fund cannot be used to discharge the liabilities of any other sub-fund or of the VCC itself, including in winding-up scenarios.[9] Conversely, any liability attributed or apportioned to a sub-fund must be discharged solely from the assets of that sub-fund.[10]

The Bill's illustrative example articulates this as follows: if a VCC borrows USD 100,000 each on behalf of Sub-funds A and B, the assets of Sub-fund C cannot be touched to service those borrowings. Moreover, the assets of Sub-fund B cannot be applied to discharge obligations of Sub-fund A.[11] This ring-fencing principle operates even through litigation obligations arising from insolvency proceedings or judgments against one sub-fund do not create liability for another. This will also provide protection to sub-funds from any tax issues arising in other sub-funds.

Sub-funds may invest in one another across the same VCC [an intra-VCC cross-investment mechanism enabled by Section 13C(4)] and such cross-investment does not constitute a buyback merely because the VCC purchases its own participating shares from one sub-fund on behalf of another. This provision facilitates fund-of-funds strategies within a single VCC umbrella without triggering buyback mechanics. Having said this, it may need to be seen if such investments shall require any investor approvals considering that they may be construed as investments in 'associates' (as envisaged in the IFSCA (Fund Management) Regulations, 2025.

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C. Allocation and Apportionment of Incomes and Liabilities

Section 13C(3) mandates a methodology for allocation of incomes/expenses within the VCC structure. Incomes, expenses, assets, and liabilities that are attributable to a specific sub-fund must be allocated to that sub-fund. Where attribution to any particular sub-fund is not possible, apportionment across all sub-funds must be made on a basis the VCC considers fair to the members of each sub-fund, subject to regulatory requirements.[12]

This is a critical aspect of the VCC model which protects cross-contamination. In the current trust structures at IFSC, launching multiple schemes within the same trust is not permitted and hence, as such, this concern doesn't arise. In domestic AIFs, allocation of expenses is generally dealt with through contractual provisions. The Bill seeks to defer the detailed methodology to delegated legislation, allowing IFSCA to calibrate requirements to evolving market practices and accounting standards.

CAPITAL STRUCTURE

A. Management Share Capital

Section 13O of the Bill establishes a two-class capital structure. Management shares are issued at the VCC level to management shareholders. Management shareholders are defined to mean persons who incorporate the VCC, or subscribe to its memorandum, or are in control of the VCC, as well as to persons to whom such shares are subsequently transferred.[13]

Management shareholders hold voting rights on every resolution placed before the VCC and the vote shall be in proportion to their paid-up management share capital.[14] They carry no economic rights: no dividend,

4. *Bill, Section 13B(a).*
5. *Bill, Section 13B(c).*
6. *Bill, Section 13B(b).*
7. *Bill, Section 13F(1)(a).*
8. *Bill, Section 13C(1) and Section 13A(1)(w).*
9. *Bill, Section 13C(1)(a)(i).*
10. *Bill, Section 13C(1)(a)(ii).*
11. *Bill, Section 13C, Illustration.*
12. *Bill, Section 13C(3)(a) and (b).*
13. *Bill, Section 13A(1)(n).*
14. *Bill, Section 13P(1).*

no redemption, and no right to a refund beyond the amount paid-up on subscription. Management shares cannot be redeemed but are eligible for buyback under conditions to be specified by IFSCA.[15]

The two-tier structure of capital ensures separation of governance control and economic participation. The management shareholder, typically a fund management entity or a promoter, controls the VCC at the entity level without extracting economic benefits at that level. Any economic participation by a management shareholder must come through investment in participating shares issued by sub-funds.[16] The structure thus prevents governance rights from being leveraged for economic extraction at the expense of investors.

B. Participating Share Capital

Participating shares are issued at the sub-fund level to investors. They carry economic rights: entitlement to dividends (payable from profits or paid-up participating share capital, a flexible approach that accommodates return-of-capital distributions[17]), refunds from sub-fund assets, and rights to redemption, transfer, buy-back, and reduction.

The voting rights of participating shareholders are limited: they vote only on resolutions involving variation of their rights, including winding up of the VCC or the relevant sub-fund.[18] Their votes are calculated in proportion to their share in the net asset value ("NAV") of the participating share capital of the relevant sub-fund, with provision for differential voting rights.[19] The FM Regulations may further provide some additional voting rights to such shareholders, for instance, (i) for change in investment strategy; (ii) extension of tenure, etc.

The Bill permits multiple classes and sub-classes of participating shares under a single sub-fund, facilitating the creation of different rights, fee structures, and liquidity terms within the same investment pool.[20] A VCC with sub-funds A, B, and C can issue classes A1, B1, B2, C1, C2, C3 as well as sub-classes A1.1, B1.1, etc., each with distinct economic terms, a feature that mirrors the institutional flexibility available in Singapore and Luxembourg VCC structures.

C. Variable Capital: The Defining Feature

Section 13B(d) of the Bill permits alteration of participating share capital at any time in accordance with the investment strategy of each sub-fund, without the need for prior member approval, provided such alteration is not disadvantageous to participating shareholders. The Bill's illustrative example captures the full range: issuance, conversion, buyback, and redemption of participating shares within a single sub-fund.[21]

In trust/LLP funds structures, this is achieved through the charter documents and there is no express statute which permits this. Such issuance of multiple share classes may not be possible in a company structure (for reference, very few alternative investment funds in India have been set-up as companies on account of various challenges).

D. Debentures and Borrowings

Section 13R permits the VCC to issue redeemable debentures or borrow funds, with an option to convert into shares. Debentures must always be attributed to a sub-fund and cannot carry voting rights.[22] However, where borrowing is not directly attributable to a sub-fund, prior member approval is required. A debenture trustee must be appointed where IFSCA regulations so mandate. The availability of debt capital at the sub-fund level, combined with ring-fencing, allows the VCC to support leveraged strategies without contaminating the balance sheet of unrelated sub-funds.

GOVERNANCE AND FIDUCIARY FRAMEWORK

A. The Board of Directors

The governance matrix of the VCC is led by a common Board of Directors appointed by management shareholders in a general meeting.[23] A single Board governs the VCC and all its sub-funds and there is no requirement for sub-fund-specific boards. This ensures maintenance of lean structures and reduces administrative complexity while concentrating fiduciary accountability at the entity level.

The Board exercises all powers of the VCC, subject to reservation of specified matters for the general meeting.[24] IFSCA is empowered to specify the composition, qualifications, fit-and-proper criteria, duties, code of conduct, and conditions for appointment and removal of directors.[25] The Bill explicitly characterises the Board as akin to a fiduciary, consistent with the existing fund management regime in the IFSC. Practically, the Board may delegate its powers to the fund management entity.

B. The Fund Management Entity and Fund Manager

The fund management entity ("FME") is appointed by a Board resolution[26] and must be registered with IFSCA under the extant fund management framework. Contractually, such appointment may be done through an investment management agreement. The fund manager is an individual officer of the FME, designated as a key managerial personnel of the VCC.[27]

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15. *Bill, Section 13O, Explanation (a).*
16. *Bill, Section 13O, Illustration.*
17. *Bill, Section 13O, Explanation (b)(ii).*
18. *Bill, Section 13P(2).*
19. *Bill, Section 13P(2) and 13O, Explanation (b)(i).*
20. *Bill, Section 13O(2).*
21. *Bill, Section 13B, Illustration.*
22. *Bill, Section 13R(1) and (2).*
23. *Bill, Section 13W(1).*
24. *Bill, Section 13W(2).*
25. *Bill, Section 13W(3).*
26. *Bill, Section 13W(4).*
27. *Bill, Section 13A(1)(k) and (m).*

Section 13W(6) establishes the fiduciary duty of the FME and fund manager in express terms: they are responsible for the management of investments and must at all times act in a fiduciary capacity towards the members of the VCC. They are also accountable to the Board. The ability to appoint separate fund managers for individual sub-funds is preserved, accommodating VCCs that house multiple strategies under different investment professionals.

The framework allows an officer of the FME to serve simultaneously as the compliance officer of the VCC, provided such officer meets IFSCA's prescribed criteria.[28] This avoids the administrative inefficiency of duplicating personnel functions, particularly relevant for smaller or newly established VCCs.

C. The Compliance Officer

The compliance officer is a separately mandated position under Section 13W(7), responsible for regulatory compliance, investor grievance redressal, and such other functions as IFSCA may specify.[29] The compliance officer reports to the Board. For company secretaries practising in the IFSC, the compliance officer role under the VCC framework represents a significant professional opportunity, given the overlap between the compliance officer's functions and the traditional domain of the company secretary.

D. Related Party Transactions, Disclosure, and Layering Restrictions

The Bill imposes several governance safeguards calibrated to the fund management context. No VCC may enter into related party transactions except in accordance with IFSCA regulations.[30] Loans to or guarantees in favour of directors are similarly regulated.[31] All investments of the VCC must be made in its own name and the name of the sub-fund, except as permitted by regulation.[32]

A layering restriction prevents the VCC from making investments through more than a prescribed number of layers of VCCs or sub-funds.[33] This provision mirrors the layering restrictions under the Companies Act, 2013 and is a prudential safeguard against the construction of opaque investment structures that obscure the ultimate beneficial owner or the nature of the underlying assets.

CONFIDENTIALITY AND INVESTOR PRIVACY

Confidentiality is one of the most commercially significant features of the VCC framework, and the Bill addresses it at multiple levels. The charter documents of a VCC (its memorandum and articles) are explicitly designated as confidential and are not available for public inspection.[34]

28. *Bill, Section 13W(7) and Explanatory Note, 'Governance', p. 4.*
29. *Bill, Section 13W(8).*
30. *Bill, Section 13W(12).*
31. *Bill, Section 13W(11).*
32. *Bill, Section 13W(13).*
33. *Bill, Section 13W(14).*
34. *Explanatory Note, 'Incorporation', p. 3.*

Section 13W(16) goes further, imposing a general prohibition on disclosure of any information pertaining to the VCC or its sub-funds, including information related to shareholders, investments, financial statements, or securities in which investment has been made. Neither the Registrar nor any other person in possession of such information may disclose it except in circumstances and to persons specified by IFSCA regulations.

This confidentiality architecture directly addresses one of the most persistent concerns of global fund managers considering the IFSC: the risk that investor identities, portfolio positions, and fund-level financial performance will be publicly accessible. Under the Companies Act, 2013, much of this information would be accessible through the MCA portal or through mandatory public filings. The VCC framework severs that link, creating a disclosure regime calibrated to the IFSC's competitive context.

The simultaneous maintenance of disclosure obligations to IFSCA for regulatory oversight purposes including beneficial interest, beneficial ownership, and significant beneficial ownership disclosures under Section 13X(3) ensures that confidentiality does not become a shield for regulatory arbitrage or anti-money laundering evasion. The balance struck is one of regulatory transparency towards the supervisor, combined with commercial confidentiality towards the public.

TAX TREATMENT OF SUB-FUNDS

Section 13C(1)(d) of the Bill provides that each sub-fund shall be treated as a separate person for the purposes of taxation.[35]

Under conventional corporate law, a company/LLP is a single taxable entity. The VCC, by contrast, is structured such that the parent entity holds no assets and generates no income of its own. All assets, liabilities, and economic activity are attributed to sub-funds. The tax treatment of each sub-fund as a separate person ensures that income generated in one sub-fund cannot be set off against losses in another, and that each sub-fund bears its own tax obligations independently.

This is significant for several reasons. First, it preserves the economic integrity of the ring-fencing principle: a high-performing sub-fund is not penalised through cross-subsidisation of a loss-making sub-fund at the tax level. Second, it clarifies the fiscal treatment of participating shareholders, who are investors in a specific sub-fund and whose returns are generated by the assets of that sub-fund alone. Third, it aligns the tax architecture with the investor's economic reality; particularly important for sub-funds that adopt different investment strategies, asset classes, or investor profiles.

The existing IFSC tax incentive framework (including exemptions and concessions available to Category I, II, and III Alternative Investment Funds under the Income Tax Act, 1961, as applicable to IFSC-registered entities)

35. *Bill, Section 13C(1)(d).*

will need to be assessed in the context of this sub-fund level tax identity. It is anticipated that the Central Government will align the Income Tax Act's treatment of VCC sub-funds with the Bill's characterisation, as it has done in analogous situations for IFSC-registered entities in the past. Having said this, it will need to be seen whether separate SEZ related approvals, GST registrations, TAN numbers, etc. will need to be obtained at a sub-fund level. If yes, this may result in additional compliance burden at the sub-fund level.

The ability to pay dividends out of paid-up participating share capital (not merely profits) also has tax implications in the context of the dividend distribution framework. Return-of-capital distributions structured as dividends under the VCC framework will require careful consideration of the applicable withholding tax and treaty provisions, an area where the eventual IFSCA regulations and corresponding Income Tax Act amendments will be closely scrutinised by practitioners.

WINDING UP, DISSOLUTION, AND THE IBC INTERFACE

A. NCLT-Supervised Winding Up

Section 13ZC of the Bill provides a two-track winding-up regime. Winding up of the VCC by the National Company Law Tribunal ("NCLT") is available on grounds broadly analogous to those under the Companies Act, 2013: a resolution of three-fourths of total share capital, acts against national interest or sovereignty, fraudulent conduct, five consecutive years of failure to file financial statements or annual returns, or just and equitable grounds.[36]

The same grounds apply, mutatis mutandis, to the winding up of a sub-fund by the NCLT.[37] Where winding up proceeds, the relevant provisions of the Companies Act, 2013 (Sections 273 to 288, 290 to 302, 324, and 326 to 365) are applied with appropriate modifications.[38]

B. IFSCA-Supervised Winding Up of Sub-Funds

The more operationally significant track is provided by Section 13ZC(3), which empowers IFSCA to wind up sub-funds without recourse to the NCLT in the following circumstances: expiry of the tenure of the sub-fund; a resolution of three-fourths of sub-fund shareholders; the occurrence of a contractually specified trigger event; or an IFSCA direction for winding up in the interest of shareholders and for the orderly development of the financial market.[39]

This administrative winding-up power is a deliberate policy choice, recognising that sub-funds are operationally analogous to AIF schemes, which have always been wound up under SEBI's administrative framework rather than through court proceedings. Judicial oversight is reserved for situations warranting heightened scrutiny: fraud, public interest concerns, or threats to sovereignty.[40]

Critically, Section 13ZC(4) establishes the sequencing principle: a sub-fund may be wound up as if it were a separate VCC, but the VCC itself must be wound up only after each of its sub-funds has been wound up. This sequencing ensures orderly dissolution and prevents the parent entity from being dissolved while sub-fund obligations remain outstanding.

C. Interface with the Insolvency and Bankruptcy Code, 2016

Section 13ZD of the Bill addresses the most technically complex dimension of the VCC framework: its interaction with the Insolvency and Bankruptcy Code, 2016 ("IBC"). It provides that where a VCC, on account of its sub-funds, commits a default under Section 3(12) of the IBC, the IBC shall apply in the prescribed manner.[41]

Two clarifications in the Explanation to Section 13ZD are of particular significance. First, both the VCC and its sub-funds are notified as financial service providers under Section 3(17) of the IBC.[42] This is a significant designation: financial service providers under the IBC are subject to a special insolvency resolution framework (currently under Part III read with the Financial Service Providers (Insolvency Proceedings) Rules, 2019) rather than the standard corporate insolvency resolution process. This means that the IBC's resolution framework for VCCs will be calibrated to the sensitivity of fund management entities, preventing abrupt resolution processes that could prejudice investor interests.

Second, each sub-fund is treated as a separate legal person for the purposes of Section 13ZD.[43] This is a departure from the general characterisation of sub-funds under Section 13C(1) (where they are explicitly stated to not be separate legal persons), but it is a necessary departure: insolvency law requires a legal person against whom proceedings can be initiated. The Bill thus creates a legal fiction of separate personhood specifically for IBC purposes, consistent with the approach taken in other jurisdictions that have introduced VCC-like structures.

The interface between the VCC's ring-fencing regime and IBC resolution proceedings will be a critical area for practitioners. The principle that liabilities of one sub-fund cannot be discharged from the assets of another must withstand scrutiny under the IBC, where moratorium orders and asset preservation directions can have broad sweep. The notification of sub-funds as separate financial service providers is the key mechanism that preserves the sub-fund boundary within insolvency proceedings.

A COMPARATIVE LENS: THE SINGAPORE VCC

Singapore's Variable Capital Companies Act, 2018 (the "Singapore VCC Act") is the most directly comparable precedent to the IFSCA framework, having itself drawn from Luxembourg and Irish models. A structured comparison reveals both the points of alignment and the deliberate choices made in the Indian design.

In terms of structural architecture, the frameworks are largely congruent. Both adopt a two-tier model with a parent VCC and segregated sub-funds. Both ring-fence sub-fund assets and liabilities. Both provide for variable share capital without the procedural constraints applicable to ordinary companies.

36. *Bill, Section 13ZC(1).*
37. *Bill, Section 13ZC(2).*
38. *Bill, Section 13ZC, Explanation.*
39. *Bill, Section 13ZC(3).*
40. *Explanatory Note, 'Winding up, insolvency, and removal of name', p. 5.*
41. *Bill, Section 13ZD.*
42. *Bill, Section 13ZD, Explanation (i).*
43. *Bill, Section 13ZD, Explanation (ii).*

Both permit multiple classes of shares. The Singapore VCC Act similarly preserves the confidentiality of the VCC's register of members from public inspection, a feature that the IFSCA Bill replicates through the confidentiality of charter documents and investor information.

The governance structures exhibit both similarities and context-specific differences. Singapore's VCC requires an appointed fund manager that is a licensed or registered entity under the Securities and Futures Act. The IFSCA framework requires the FME to be registered with IFSCA, and additionally introduces the fund manager as a designated key managerial personnel of the VCC itself; a structural accountability mechanism that the Singapore model does not explicitly replicate. This reflects the IFSCA's regulatory philosophy of embedding accountability within the VCC's corporate structure rather than relying solely on the licensing framework for the FME.

On taxation, Singapore treats the VCC as a single entity for corporate income tax purposes while allowing each sub-fund's income and expenses to be tracked separately for tax computation, with IRAS issuing separate Certificates of Residence for each sub-fund to facilitate DTA claims. The IFSCA Bill, by contrast, treats each sub-fund as a separate person for taxation; a more granular approach that more cleanly mirrors the sub-fund's economic character. The implications of this difference will be of particular interest to advisers structuring cross-border investment flows between GIFT City VCCs and Singapore VCCs.

Singapore's VCC has seen significant uptake since its introduction, with over 1,000 VCCs incorporated by 2023, driven in part by a re-domiciliation regime that allows existing funds from other jurisdictions to convert into Singapore VCCs. The IFSCA Bill does not at present provide for re-domiciliation of foreign fund vehicles into Indian VCCs, though this is an area where future regulatory development may prove transformative for the IFSC's competitive positioning. However, the Indian laws do provide for migration of funds and arguably these provisions may be explored for migration of offshore VCCs as well.

On winding up and insolvency, the Singapore framework relies on the Insolvency, Restructuring and Dissolution Act, 2018, which applies to VCCs with adaptations. The IFSCA Bill's approach of notifying VCCs and sub-funds as financial service providers under the IBC is more tailored, reflecting the specific characteristics of the Indian insolvency framework and the sensitivity of fund management entities as financial sector participants.

FILLING THE STRUCTURAL LACUNA: VCC VERSUS EXISTING AIF STRUCTURES

India's current fund management regime in the IFSC is largely built on the AIF framework, adapted from SEBI's AIF Regulations. Most AIFs in the IFSC are constituted as trusts. While trusts offer flexibility and privacy, they lack the corporate features that many institutional investors (particularly those from civil law jurisdictions) expect: such as limitation of liability, legal personality, share capital, corporate governance structures, and the familiarity of a company law framework.

The VCC seeks to address such deficiencies. It provides for limitation of liability. As a body corporate, it carries legal personality, enabling it to directly hold assets, execute contracts, and maintain corporate accounts in a manner familiar to global institutional investors. Its share capital structure (with management shares and participating shares) maps cleanly onto the economic relationships between promoters, managers, and investors. Its governance framework, with a Board of directors, FME, fund manager, and compliance officer, may provide additional comfort to institutional investors.

For fund managers currently operating through trust-based AIFs, the VCC offers the possibility of housing multiple strategies within a single corporate entity, each as a separate sub-fund with its own investor base, investment mandate, and capital account.

The VCC also addresses a specific competitive disadvantage of the AIF trust model in international fund distribution. Many jurisdictions that are net exporters of investment capital prefer to invest through corporate vehicles rather than trusts.

CONCLUSION

The draft IFSCA (Amendment) Bill, 2026 represents a watershed moment in the evolution of India's offshore financial centre. By creating a purpose-built fund vehicle that combines the structural sophistication of corporate law with the operational flexibility of investment fund practice, IFSCA is positioning the IFSC to compete credibly with Singapore, Luxembourg, and Mauritius for the global fund management mandates.

The Bill's architecture is carefully considered. The two-tier VCC and sub-fund model provides structural clarity. The ring-fencing of sub-fund assets is robust enough to withstand insolvency scenarios. The confidentiality regime is calibrated to commercial sensitivity while preserving regulatory oversight. The tax treatment of sub-funds shall be as separate persons. The IBC interface, through the financial service provider designation, is a sophisticated mechanism that preserves investor protections within the insolvency framework.

For fund managers, the VCC offers a vehicle that can accommodate multiple strategies, investor classes, and capital structures within a single legal shell, reducing administrative friction and cost. For legal and compliance professionals, it creates a new domain of practice at the intersection of corporate law, fund regulation, and international tax. For policymakers, it is an important step towards establishing the IFSC as not merely an attractive destination for capital, but as a jurisdiction capable of generating and exporting financial structures of global standing.

The Bill is currently under public consultation, and the eventual regulations to be framed by IFSCA will be equally determinative of the VCC's success. India's IFSC is now on the course to have a legislative architecture to offer the world a Variable Capital Company that is competitive, credible, and distinctly Indian.

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