

Roll No.

OPEN BOOK EXAMINATION

Time allowed : 3 hours

Maximum marks : 100

Total number of questions : 6

Total number of printed pages : 16

NOTE : Answer ALL Questions.

1. GIFT City, nestled on the banks of the Sabarmati river in Gujarat, has steadily emerged as India's most ambitious experiment in creating a world-class international financial hub. It is against this backdrop that Skybridge Capital IFSC Ltd ('Skybridge') was incorporated under the Companies Act, 2013 and duly licensed by the International Financial Services Centres Authority ('IFSCA') to operate within the GIFT City IFSC, a designated Special Economic Zone under the SEZ Act, 2005. Skybridge's Memorandum and Articles of Association expressly recorded its status as an IFSC entity engaged in financial services and allied activities. The company formally commenced business operations on April 1, 2023, with considerable optimism and an ambitious growth roadmap. However, as Skybridge began translating its plans into action, a series of regulatory questions some subtle, some significant began to surface across its various business verticals, each demanding careful legal and compliance scrutiny. The Board of Directors, comprising five members including two independent directors, held its first Board meeting on June 15, 2023, seventy-two days after the Company commenced business. At this meeting, the Board, driven by a genuine sense of corporate responsibility

and perhaps an excess of caution, resolved to constitute a CSR Committee, earmark two percent of average net profits toward CSR activities and roll out a formal CSR policy with immediate effect. The directors believed, in good faith, that CSR compliance was a mandatory obligation applicable to Skybridge from the very first year of operations.

Around the same time, one of the independent directors, Raghav, a respected financial services professional, tendered his resignation on July 20, 2023, citing personal commitments. The Company Secretary, Nambiar, an Associate member of the Institute of Company Secretaries of India, acting on what she understood to be standard statutory practice, promptly filed the resignation with the Registrar of Companies, treating it as a mandatory compliance obligation. In parallel, Skybridge had promoted a wholly-owned subsidiary, Skybridge Fund Management IFSC Private Ltd ('SFML'), to carry out fund management activities within the IFSC framework. SFML applied to IFSCA for registration as a Registered FME (Non-Retail), a category it believed was best suited to its intended investor base and product strategy. At the time of application, SFML disclosed a net worth of USD 3,80,000. The senior management of SFML was firmly of the view that this figure comfortably exceeded the applicable threshold, having internally benchmarked the net worth requirement for a Non-Retail FME under the regulations.

Once registration was anticipated, SFML set its sights on launching an Infrastructure Investment Trust ('InvIT') within the IFSC, structured as an unlisted vehicle, with no intention of listing its units on any recognised stock exchange. The fundraising strategy was built around approaching sixty-five investors, each committing a minimum of USD 2,50,000, whom the management loosely described as 'sophisticated and well-informed market participants'.

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In its eagerness to move quickly, SFML submitted the draft placement memorandum to IFSCA just three working days before the proposed opening of the issue, a timeline that the compliance team internally flagged but did not escalate. Further compounding the situation, the management planned to open the issue four months after receiving IFSCA's communication acknowledging that the placement memorandum had been taken on record. To close the loop, the final placement memorandum was earmarked to be filed with IFSCA within fifteen working days from the date of allotment, a timeline the team considered reasonable, though regulatory requirements may suggest otherwise.

Skybridge's licensed banking arm, Skybridge Banking Unit IFSC ('SBU'), operating under the applicable IFSCA regulations, received a proposal from Flience Air Group, a prominent overseas airline conglomerate, seeking a structured, multi-layered financing solution. Drawing upon its product capabilities and the broad mandate available to IFSC banking units, SBU's structuring desk proposed a comprehensive arrangement—equipment leasing of three wide-body aircraft to Flience's operating subsidiary, issuance of offshore derivative instruments ('ODIs') to foreign institutional investors seeking synthetic exposure to Flience's revenue streams, extension of post-shipment export credit in foreign currency to Flience's cargo and logistics arm and participation as a Foreign Portfolio Investor in Flience Air Group's listed debt securities on an overseas exchange.

When the term sheet was shared with Flience's overseas legal counsel, they raised concerns about whether the proposed activities fell within SBU's permissible regulatory mandate or certain elements risked overstepping the boundaries prescribed for IFSC banking units.

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Based on the above facts, answer the following questions :

- (a) Explain the specific governance-related relaxations available to IFSC companies that the Board and Nambiar appear to have overlooked.
- (b) Applying the IFSCA (Fund Management) Regulations, 2025, examine whether SFML's net worth meets the prescribed requirement and outline the procedural compliances not covered in the InvIT's proposed private placement process.
- (c) Evaluate whether SFML's net worth meets the Registered FME (Non-Retail) requirement.
- (d) As a Company Secretary, advise SBU and critically evaluate the proposed Flience Air Group financing arrangement as per the applicable IFSCA regulations and recommend the appropriate course of action.

(5 marks each)

2. (a) Aurex Bullion Exchange IFSC Ltd ('Aurex'), a recognised bullion exchange at GIFT City IFSC, was incorporated as an independent entity and is neither a subsidiary nor a joint venture of any Market Infrastructure Institution. During a Board meeting, deliberations arose regarding the necessity of appointing a Chief Legal Officer, with cost considerations being a significant factor weighing on the Board's thinking. Venkat, a non-executive director, firmly asserted that Aurex had no regulatory obligation to appoint a Chief Legal Officer and that foregoing such an appointment was both legally defensible and commercially justified. Subsequently, Aurex submitted proposed amendments to its bye-laws directly to IFSCA without any internal legal review, prompting IFSCA to raise formal concerns about the adequacy of Aurex's legal governance framework. In light of Aurex's structural independence and IFSCA's concerns, comment if Venkat's contention is correct.

(5 marks)

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- (b) Meridian Capital Markets IFSC Ltd ('Meridian'), a registered Capital Market Intermediary ('CMI') operating at GIFT City IFSC, engaged Pillai, a practising advocate with over two decades of securities law experience, to conduct its annual compliance audit for the financial year 2024-25. Meridian's management believed his expertise in capital markets regulation made him eminently suitable for the assignment. Pillai submitted the audit report to IFSCA on October 15, 2025. Meridian, also being a trading member of a recognised stock exchange, did not separately file the audit report with the exchange, considering the IFSCA filing as sufficient discharge of its obligations. IFSCA, upon review, flagged multiple concerns regarding Meridian's compliance audit.

Assess Meridian's compliance lapses in respect of its annual compliance audit for FY 2024-25, under the applicable IFSCA regulations.

(5 marks)

- (c) Trident Ancillary Services IFSC Ltd ('Trident'), an Ancillary Service Provider at GIFT City IFSC, had been providing Business, Accounting, Tax and Financial ('BATF') services since the commencement of the BATF Regulations, 2024. Rather than obtaining a fresh certificate of registration, Trident communicated its willingness to operate under the new regulations to IFSCA on the seventy fifth day from the date of commencement of the regulations. To quickly build its client base, Trident onboarded several clients by formally transferring existing service contracts from its parent entity, Trident Advisory LLP, a firm already operating in India, to its IFSC unit. IFSCA, during a routine review, raised concerns about both the timing of Trident's communication and the way it had commenced its BATF operations.

Examine whether Trident's client onboarding arrangement are compliant with the BATF Regulations, 2024.

(5 marks)

3. The year 2024 marked a period of rapid expansion for the GIFT City IFSC ecosystem, with several ambitious new entrants seeking to leverage its internationally competitive regulatory environment. Among them was Vantage Trade Finance IFSC Ltd ('Vantage'), a registered ITFS operator and finance company under the IFSCA framework, quietly building what its founders envisioned as a full-spectrum trade finance platform.

Vantage had developed a sophisticated digital platform to facilitate invoice-based trade finance transactions for exporters and importers spanning multiple jurisdictions. Given the volume and cross-border sensitivity of transactions flowing through the platform, the integrity of its technology infrastructure was a regulatory obligation. Yet, by the close of the financial year ending March 31, 2026, the annual IT/IS audit, due within thirty days of year-end, had not been initiated. More troublingly, in February 2026, Vantage had quietly rolled out a significant upgrade to its core transaction-matching engine. No audit was commissioned before or after this upgrade. The concerns did not stop there. Vantage's disaster recovery site had gone untested for over eighteen months and the Business Continuity Plan remained frozen in time. Furthermore, transaction data was being archived in a proprietary format readable only through discontinued third-party software, raising questions about data retrievability.

As part of its 2026 growth strategy, Vantage's Board explored diversifying into the issuance and management of 'Transition Bonds' to support 'hard-to-abate' sectors like steel and cement.

However, during a strategy session, the Board noted a lack of enthusiasm from institutional

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investors. A preliminary market study commissioned by Vantage highlighted that while the potential for transition finance was high, the absence of a finalized Climate Finance Taxonomy in India and the lack of sector-specific decarbonization roadmaps were creating significant regulatory uncertainty and heightening risk perception among global funds.

On the business expansion front, Vantage's Board approved the launch of two non-core activities, foreign exchange advisory and investment advisory services. Rather than establishing separately identifiable departments for each, both activities were folded into a single shared team with no firewalls or conflict-of-interest protocols. Mehta, the CFO, reassured the Board that a unified desk was perfectly reasonable for advisory functions. Meanwhile, a cluster of investor complaints had accumulated, with exporters alleging mis-selling of products. These complaints had been pending for over sixty days without acknowledgment. Compounding the problem, Vantage had never formulated a Board-approved grievance redressal or customer compensation policy.

It was Ragini, the newly appointed Company Secretary, who first connected the dots. Her comprehensive compliance review note made one thing unmistakably clear, Vantage's growth ambitions had quietly outpaced its compliance foundations.

Based on the above facts, answer the following questions :

- (a) Outline the IT/IS audit timelines and auditor eligibility for an ITFS operator, highlighting Vantage's specific failures regarding platform upgrades.
- (b) Explain the core elements of the IFSCA's investor protection framework and the time-bound grievance redressal mechanism applicable to regulated entities.
- (c) Identify the primary barriers hindering the utilization of the IFSCA's Transition Bond framework, specifically regarding taxonomy and risk perception.
- (d) Examine the structural requirements for a finance company undertaking non-core activities, specifically regarding department separation and conflict-of-interest firewalls.

(5 marks each)

Attempt all parts of either Q. No. 4 or Q. No. 4A

4. (a) Kurentis Jewels Private Ltd, a Mumbai-based manufacturer and exporter of gold jewellery with ITC(HS) code 7113 products forming the core of its operations, sought registration as a Bullion Trading Member on the India International Bullion Exchange (IIBX) at GIFT City IFSC. The Company's latest audited balance sheet as at March 31, 2025 reflected paid-up share capital of ₹ 8 crore, general reserves of ₹ 9 crore, securities premium of ₹ 2 crore and a revaluation reserve of ₹ 3 crore created upon upward revision of its factory premises. The profit and loss account showed a debit balance of ₹ 1.50 crore on account of accumulated losses. Additionally, deferred expenditure not yet written off stood at ₹ 0.50 crore. Kurentis engaged Mehul Shah, a Practising Company Secretary, to certify its net worth for submission to IIBX. Mehul Shah sought clarification about the components to be included under the applicable regulatory definition before issuing the certificate.

Compute the net worth as per the applicable IFSCA regulatory definition and assess whether the Company meets the prescribed eligibility threshold for registration as a Bullion Trading Member.

(5 marks)

- (b) Peridian Securities IFSC Ltd., a GIFT City-based stock broker registered with IFSCA, onboarded a new client, Chandrakar, on March 14, 2025 after completing his KYC process in full. The physical KYC documents were retained at Peridian's compliance

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vault and scanned images were prepared for upload. However, due to an internal system migration, Peridian uploaded Chandrakar's KYC data onto the KRA's system only on March 22, 2025, eight working days after KYC completion. Subsequently, Chandrakar approached Polaris Clearing Corporation IFSC Ltd, another regulated entity at GIFT City, to open a clearing account. Polaris downloaded his KYC details from the KRA system and proceeded with onboarding. Separately, it emerged that Peridian had shared Chandrakar's KYC data with its associate company, Peridian Wealth Advisors, for cross-selling purposes, without his explicit knowledge. IFSCA's inspection unit flagged both irregularities during a routine compliance audit.

Examine the conduct of Peridian Securities against the KYC obligations under the IFSCA framework and analyse the specific violations arising from the facts, indicating the consequential compliance exposure.

(5 marks)

- (c) Zulfik Fintech Solutions Ltd ('Zulfik'), incorporated in Singapore, is listed on the NSE IFSC Exchange at GIFT City. Following a rapid expansion phase, Zulfik's board appointed Das, a senior finance professional holding a Chartered Financial Analyst degree, as its compliance Officer in January 2025, on the grounds that no qualified Company Secretary was available within its GIFT City office at a short notice. Das began discharging compliance functions, including filing periodic disclosures with NSE IFSC and coordinating with the depository. In March 2025, IFSCA's surveillance division

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noticed material discrepancies in Zulfik's shareholding pattern filings, documents that had been certified and submitted under Das's authorisation. The controlling shareholder, Zulfik Holdings Pvt. Ltd., had also failed to report a creeping acquisition, a matter that Das had been informed about internally, but had not escalated to the exchange. IFSCA initiated a show-cause proceeding against Zulfik, questioning both the validity of the appointment and the adequacy of compliance oversight exercised.

In light of IFSCA's listed entity regulations, evaluate the validity of Zulfik's compliance officer appointment and outline the specific regulatory obligations that were breached.

(5 marks)

OR (Alternate Question to Q. No. 4)

- 4A. (i) Viksol Re IFSC Ltd., a reinsurance start-up promoted by a Singapore-based insurance group, commenced underwriting operations at GIFT City in November 2024 without obtaining registration from IFSCA, relying on its parent company's international standing as sufficient authorisation. Concurrently, Apex MGA Services IFSC, a Managing General Agent operating at GIFT City, entered into a binding authority arrangement with Hartwell Re, a foreign reinsurer based in Bermuda, enabling Hartwell Re to underwrite IFSC risks through Apex's platform. Neither Apex nor Hartwell Re had sought to determine whether their specific operational structure attracted any distinct registration obligation under the applicable IFSCA framework. When IFSCA's regulatory oversight division conducted a market inspection in January 2025, it flagged Viksol Re's unauthorised commencement of business and simultaneously questioned whether Apex MGA's

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arrangement with Hartwell Re had been structured and registered in compliance with the schedule governing such relationships. Both entities reached out to you, as you are a practising Company Secretary specialising in IFSC regulatory matters.

In this backdrop, advise Viksol Re and Apex-Hartwell on the applicable registration obligations.

(5 marks)

- (ii) Crestline Financial Group, a banking and asset management conglomerate regulated in the United Kingdom, an FATF-compliant jurisdiction, resolved to establish a support services hub at GIFT City to provide technology, risk analytics and compliance support exclusively to its non-resident group entities spread across Europe and Southeast Asia. Crestline incorporated Crestline IFSC Services Ltd at GIFT City as a wholly-owned subsidiary and applied for registration as a GIC Unit under the IFSCA framework, proposing to operate under a Captive Centre model. During the application review, IFSCA's registration desk raised a query noting that Crestline IFSC Services Ltd, in its business plan, had included a proposal to also extend certain data processing services to Pinnacle Fintech India Private Ltd, a domestic Indian resident entity that was an associate, but not a group entity of Crestline Financial Group. IFSCA sought Crestline's written response on whether such inclusion was consistent with the eligibility conditions and operating scope applicable to a registered GIC Unit, before proceeding with the grant of registration.

Applying the IFSCA's eligibility framework for GIC Units, advise Crestline IFSC Services Ltd.

(5 marks)

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- (iii) Goldstream International DMCC, a Dubai-based precious metals supplier with nine years of continuous operations in the global bullion market, applied to the India International Bullion Exchange (IIBX) at GIFT City for registration as a Qualified Supplier-Limited Purpose Trading Members (QS-LPTM). Goldstream's latest audited financial statements reflected a net worth of USD 8.2 million. The entity held active membership of the Dubai Multi Commodities Centre (DMCC) for the preceding six consecutive years and submitted its common application form along with supporting documents to IIBX, as prescribed. As part of the onboarding process, India International Depository IFSC Ltd (IIDIL) initiated due diligence for opening a Bullion Depository Receipt (BDR) account in respect of bullion proposed to be vaulted with an IFSCA-registered Vault Manager linked with IIDIL. During review, IIBX flagged that Goldstream had not furnished evidence of maintaining the prescribed minimum interest-free security deposit and sought clarification on whether all eligibility conditions had been cumulatively satisfied before proceeding further.

Examining each eligibility condition applicable to a QS-LPTM and assess whether Goldstream International DMCC satisfies the prescribed requirements for onboarding on IIBX.

(5 marks)

5. (a) Bharat Precision Engineering Ltd., a public unlisted Indian company engaged in high-precision manufacturing, resolved at its board meeting in February 2025 to list its equity shares on NSE IFSC, a permitted international exchange at GIFT City, under the direct listing scheme. During due diligence, the following material facts emerged,

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the Company had outstanding fixed deposits accepted from the public amounting to ₹ 4.2 crore, still within their maturity period. One of its promoters, Sikandar, was also a promoter of Trident Alloys Ltd, which is currently under a capital market debarment order issued by SEBI. The Company had cleared a loan default with Punjab National Bank eighteen months prior to the application date, with no subsequent default occurring and its net worth was positive, all regulatory filings were current and no winding-up proceedings were pending. Bharat Precision's legal counsel, Priya, was tasked with assessing whether the Company met all eligibility conditions for proceeding with the direct listing.

Advise Priya, with structured legal analysis.

(5 marks)

- (b) NewPay IFSC Ltd, a payment solutions FinTech registered at GIFT City under the IFSCA framework, developed a cross-border remittance product designed to serve retail customers across India and the United Kingdom. Seeking to pilot the product within the UK's regulatory perimeter, NewPay's Chief Executive, Brar, approached IFSCA requesting a formal referral to the Financial Conduct Authority (FCA) of the United Kingdom, relying on her understanding that a FinTech Bridge existed between IFSCA and the FCA. Simultaneously, a Singapore-based FinTech, PaySphere Pte Ltd., was referred to IFSCA by the Monetary Authority of Singapore (MAS) under an overseas regulatory referral mechanism, seeking GIFT City access for its digital lending solution. NewPay's legal team raised an internal query regarding whether the rights, obligations and testing conditions applicable to NewPay's outbound referral to the FCA would mirror those governing PaySphere's inbound referral from MAS or whether each engagement operated on independently negotiated terms.

Analyse the legal basis governing NewPay's outbound referral to the FCA and PaySphere's inbound referral from MAS.

(5 marks)

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- (c) Clearwater Audit Associates IFSC LLP, a professional services firm registered at GIFT City, was engaged by Kuwait Capital Fund IFSC, an IFSCA-regulated fund, to provide a suite of financial services. The engagement letter, signed in January 2025, covered various assignments including, expressing an opinion on whether Kuwait's financial statements presented a true and fair view as at March 31 2025, reviewing Kuwait's interim financial statements for the quarter ended December 2025, with a scope expressly stated to be narrower than a full audit, compiling Kuwait's annual financial statements from client-supplied data, bundled with the preparation of its business tax return for a single consolidated fee and also, classifying and recording Kuwait's daily fund transactions in its books of account on an ongoing basis. Nalini Desai, an independent director on Kuwait's board, expressed concern at a board meeting that certain assignments may not be in line with the ancillary services under the IFSCA framework and may warrant specific regulatory scrutiny before payments were released to Clearwater.

In light of Nalini Desai's concern, classify each assignment undertaken by Clearwater Audit Associates under the IFSCA ancillary services framework and assess whether her regulatory apprehension regarding the bundled arrangement is legally founded.

(5 marks)

Attempt all parts of either Q. No. 6 or Q. No. 6A

6. In 2023, an Internationally reputed Australian university, Deakin University established an International Branch Campus (IBC) in Gujarat International Finance Tee-City after receiving approval from the International Financial Services Centres Authority under the IFSCA (Setting up and Operation of International Branch Campuses) Regulations, 2022.

The campus was initially permitted to offer the following postgraduate programs :

- Master of Business Analytics
- Master of Cyber Security
- Master of Financial Technology.

The University promoted the campus as a global education hub integrated with the financial services ecosystem of GIFT City. Within three years of operations, several regulatory and legal issues emerged.

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In 2026, the university launched a Bachelor of Arts in Sociology and Media Studies without prior approval from the International Financial Services Centres Authority. The university justified this decision by arguing that Global Universities require academic autonomy and interdisciplinary programs to enhance student learning.

However, several stakeholders argued that such programs were not related to financial services, fintech, or technology, which are the primary focus of educational activities within GIFT City.

The university also charged tuition fees in US dollars, arguing that International Branch Campuses operate within a Global Financial Ecosystem. Some Indian students complained that currency fluctuations significantly increased the cost of their education.

They filed a complaint before the International Financial Services Centres Authority claiming the fee structure was unfair.

Students enrolled in the Master of Financial Technology program claimed that the curriculum taught at the GIFT City campus differed significantly from the program offered at the university's main campus in Australia.

Students alleged that :

- fewer research modules were offered
- certain advanced courses were omitted
- faculty expertise was limited.

The university also recruited several professors from Europe and the United States to teach specialized courses. During a compliance inspection, it was discovered that some faculty members were working on short-term business visas instead of employment visas.

In view of the above scenario, answer the following questions.

- (a) Discuss the concept of International Branch Campus (IBC) indicating eligibility requirement. Whether the introduction of unrelated programs violates the regulatory framework governing foreign universities in GIFT City.
- (b) Charging fees in foreign currency is legally permissible or not. Whether the university has violated academic equivalence requirements.
- (c) Whether the practice of university violates Indian immigration and employment regulations. Can a university do promotion of foreign courses of its parent entity in IFSC ?

(5 marks each)

OR (Alternate Question to Q. No. 6)

- 6A. XYZ International Ltd., a Global Financial Services Company headquartered in Singapore, plans to establish a full-fledged banking unit (IFSC Banking Unit-IBU) in the Gujarat International Finance Tec-City. XYZ International Ltd. submits an application to IFSCA for approval to set up a banking unit.

The company plans to offer multi-currency accounts and trade finance services to overseas corporates. The company has proposed to use a digital onboarding system for KYC verification of clients, integrating a KYC Registration Agency. During pre-approval consultation, IFSCA identifies potential regulatory compliance requirements related to the following :

- Minimum capital requirements
- Governance and board composition
- AML/CFT obligations
- Risk management systems
- Customer protection and disclosures.

XYZ also wants to onboard clients from multiple jurisdictions, including high risk countries. which could increase regulatory scrutiny.

In view of the above scenario, the following issues are identified :

- Regulatory Approval;
- Capital and Governance Compliance;
- AML/CFT Compliance;
- KYC and Client Onboarding;
- Cross-Border Transactions.

Accordingly, you are engaged by XYZ. International Ltd. to deal with the following :

- (i) What steps must XYZ complete to legally establish a banking unit in IFSC ?
- (ii) What minimum capital and governance standards must be met ?
- (iii) How can the company ensure compliance with anti-money laundering and counter-terrorism financing regulations ?
- (iv) How should XYZ integrate KYC Registration Agencies into its onboarding process ?
- (v) What restrictions or reporting obligations exist for foreign currency operations ?

(3 marks each)