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POLICIES OF FUNDS & FMES GIFT City, IFSC

Policies of Funds & FMEs



1. **Valuation Policy** (Reg.119(3)(b) + 6Sch.)
2. **Conflict of Interest Policy** (3Sch.Part D(b))
3. **Investment Policy** (Reg.67(2)+3Sch.Part A(h))
4. **Cyber Security and Cyber Resilience Policy** (Reg.122)
5. **Risk Management & Internal Controls Policy** (Reg.7(2) + 123)
6. **KYC, AML & CFT Policy** (3Sch.Part A(n)of KYC, CFT & AML Guidelines)
7. **ESG Policy** (Reg.72)
8. **Advertisement Code Policy**- V Sch. of IFSCA (Capital Market Intermediaries)
9. **Distribution Policy** (4Sch.Part B(I)+Reg100)
10. **Gift and Entertainment Policy** (3Sch.Part C (e)(x))
11. **Privacy Policy** (IT Act 2000)
12. **POSH Policy** (Sec-19 of SHWW Act 2013))

Ensures transparency and consistency in asset valuation for the Funds, aligning with global best practices.

- ❖ The assets held by the FME shall be consistently valued according to the policies and procedures.
- ❖ The valuation policies and procedures approved by the FME should seek to address conflict of interest.
- ❖ Disclosure of the valuation policy and procedures shall be made in offer document and on the website of the FME to ensure transparency of valuation norms to be adopted by FME (for retail schemes).
- ❖ The FME shall maintain these policies in electronic form till 5 years from winding up of the Scheme.

Clauses to include :

- **Valuation Methodology:** Defining fair value accounting as per IFRS and discounted cash flow or any fair market-based methods.
- **Independence and Oversight:** Valuation to be conducted by a third-party valuer registered with IFSC.
- **Illiquid Asset Valuation:** Outlining methods for valuing illiquid or unlisted assets, considering market conditions and investor disclosures.

Conflict of Interest Policy - III Sch. Part D(b) of IFSCA (FM) Regs. 2025.



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- ❖ Is designed to uphold the fiduciary responsibilities of FMEs toward their investors, ensuring transparency and integrity in all operations.
- ❖ FME shall establish and implement written policies and procedures to identify, monitor and appropriately mitigate conflicts of interest throughout the scope of business.

Clauses to include

- **Disclosure Obligations:** FMEs must fully disclose any actual or potential conflicts of interest to investors as they arise or are anticipated, ensuring informed decision-making.
- **Compliance Oversight:** Designation of a compliance officer responsible for monitoring adherence to all relevant laws and immediate redressal of investor grievances.
- **Arm's Length Transactions:** Transactions involving associates or related parties, should be conducted on an arm's length basis, prioritizing investor interests and adhering to regulatory provisions.

- ❖ To framework for various fund management activities of the FME.
- ❖ The Investment Policies must be presented to the investors in simple language with adequate information.

Clauses to include

- **Permissible Investments:** Specifying the types of permissible investments and restrictions, such as unlisted equity shares, equity-linked instruments, or units of other funds, as per Regulations.
- **Leverage & Borrowing Policies:** Mentioning the conditions under which the fund may employ leverage or borrow, ensuring compliance with regulatory provisions and investor disclosures.
- **Exit Strategies:** Explaining potential exit routes for investment such as public listings, trade sales, or buybacks, to provide clarity on liquidity and return timelines.

- ❖ To protect the confidentiality, integrity, and availability of information assets, ensuring robust defenses against evolving cyber threats.
- ❖ Have a robust cyber security and cyber resilience framework in accordance with the requirements as may be specified by the Authority from time to time.

Clauses to include

- **Governance Structure:** Recruiting of a designated Chief Information Security Officer responsible for implementing and overseeing cyber security measures. The Board of AMC should constitute a Technology Committee to review and strengthen cyber security policies regularly.
- **Risk Assessment and Management:** Implementing appropriate controls to mitigate identified risks, ensuring alignment with standards such as ISO 27001 and guidelines from the National Critical Information Infrastructure Protection Centre (NCIIPC).
- **Monitoring and Auditing:** Establish continuous monitoring systems to detect anomalies and potential security breaches. Conduct regular audits, preferably by CERT-In empaneled auditors.

Risk Management & Internal Controls Policy- Reg.7(2) + 123.



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- ❖ Enforcing risk management systems and internal controls to safeguard investor interests and maintain financial stability.
- ❖ The appointment of an additional KMP who shall act as a Compliance Officer and ensure implementation of compliance and risk management policies and practices at the FME.
- ❖ FME shall have adequate internal procedures and controls, given the types of business in which it engages, including any activities which have been outsourced, with the aim of protecting the interests of clients/investors and their assets and ensuring proper management of risk.

Clauses to include

- **Leverage Management:** If the Fund uses leverage, a detailed risk assessment and investor approval (two-thirds by value) are required for any deviations from disclosed leverage levels.
- **Business Continuity Plan (BCP):** A BCP must outline procedures to handle emergencies or operational disruptions, ensuring minimal impact on Fund operations and investor interests.

- ❖ For prevention of money laundering and terrorist financing activities.
- ❖ Every Regulated Entity shall formulate an AML-CFT policy, which shall be duly approved by the Governing Body or by a committee to whom such power has been delegated by the Governing Body.
- ❖ Regulated Entity shall develop a KYC Policy which shall be the part of its AML-CFT policy.

Clauses to Include

- **Customer Due Diligence (CDD):** FMEs must establish procedures to verify the identity of investors and beneficial owners before onboarding, ensuring the legitimacy of funds and compliance with regulatory standards.
- **Vigilance:** Implement continuous monitoring systems to detect and report suspicious transactions or activities, ensuring timely identification of anomalies that may indicate illicit activities.
- **Independent Audit:** Conduct periodic independent audits to assess the effectiveness of the AML/CFT framework, ensuring that policies and procedures are adequately designed and implemented.

- ❖ To ensure transparency, accountability, and alignment of interests between fund managers and investors.
- ❖ FME managing AUM above USD 3 billion shall establish a policy on governance around material sustainability-related risks and opportunities.

Clauses to include

- **Identification & Assessment of Risks:** providing how details about the FME identifies, assesses and manages material sustainability-related risks
- **Establishing & disclosure of Processes:** provide for the process of factoring sustainability related risks and opportunities into fund manager's investment strategies and processes, including, where relevant, data and methodologies used;
- **Negative Statement:** to be provided, in case where the sustainability related risks are not incorporated in the decision making, a negative statement

- ❖ To ensure fair and transparent marketing practices as per IFSCA (Capital Market Intermediaries) Regs .
- ❖ FME to follow the mentioned steps to ensure accurate, true, fair, clear, complete, unambiguous and concise advertisements.

Clauses to Include

- **Truthful Representation:** Advertisements must present accurate and clear information, avoiding any statements that could mislead clients through direct claims, omissions, or implications.
- **Risk Disclosure:** Marketing materials should prominently disclose associated risks, ensuring that slogans or claims are not exaggerated and are consistent with the fund's nature and risk-return profile.
- **Consistency with Regulatory Standards:** All promotional content should align with the guidelines set forth by the IFSCA, ensuring compliance with the established advertisement code.
- **Prohibition of Misleading Statements:** Advertisements must not contain any statements that may directly or indirectly mislead.

- ❖ With respect to distributions made by the **INVESTMENT TRUST** and the **HOLDCO AND/OR SPV**, FME shall declare distributions to the unit holders / investors in accordance with the **distribution policy** as provided in regulation 100

Clauses to include

- **Distribution Frequency:** Specify that distributions to unit holders shall be declared and made at least once every six months in each financial year and shall be made no later than 15 days from the date of such declaration.
- **Clawback Provisions:** Include clauses that allow the fund to reclaim distributed profits from fund managers if certain performance thresholds are not met over the fund's lifecycle, protecting the interests of investors.

- ❖ All business interactions should uphold the highest standards of integrity and transparency in IFSC,
- ❖ No Fund Manager or Principal Officer shall accept any gift or entertainment, which is not in adherence to the policy formed by the FME.

Clauses to Include

- **Prohibition of Solicitation:** Employees are strictly prohibited from soliciting any gifts or entertainment from clients, vendors, or any third parties to prevent undue influence or the appearance of impropriety.
- **Value Limits and Approval Processes:** Establish clear thresholds for acceptable gift and entertainment values, requiring prior approval from compliance or management for offerings that exceed these limits to maintain transparency and control.
- **Record-Keeping and Monitoring:** Maintain detailed records of all gifts and entertainment provided or received, facilitating regular audits and ensuring compliance with both internal policies and external regulatory requirements.

- ❖ A Privacy Policy is mandated under **IT Act, 2000** and Rule 4 of the **IT (Reasonable Security Practices and Procedures and Sensitive Personal Data or Information) Rules, 2011**.
- ❖ The body corporate shall provide a privacy policy for handling of or dealing in personal information including sensitive personal data or information and ensure that the same are available for view by such providers of information who has provided such information under lawful contract.

Clauses to Include

- **Data Retention Policy:** Outline the duration for which personal data is retained and the criteria for its disposal once the purpose is fulfilled.
- **Policy Updates:** Communicate the procedure for notifying users about changes to the privacy policy, ensuring transparency and continued compliance.

- ❖ The FME being the employer holds the duty to ensuring safe environment for the female employees and need to form policies and committees as per Section 19 of **THE SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013.**
- ❖ The law requires the employer to formulate internal committees and guidelines to implement the Act and also raise awareness by orientation or any other mode.

Clauses to Include

- **Definition of Sexual Harassment:** Provide a detailed explanation of what constitutes sexual harassment, including examples of unwelcome acts or behavior, whether physical, verbal, or non-verbal.
- **Internal Complaints Committee (ICC):** Describe the constitution of the ICC, including the composition, tenure of members, and their roles and responsibilities in handling complaints.



THANK YOU

For any queries on drafting of
Policies of Funds & FMEs in GIFT City
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