

## Obtaining a Payment Services Provider (PSP) Licence in GIFT IFSC: Regulatory Framework under IFSCA

### IFSCA (Payment Services) Regulations, 2024

The International Financial Services Centres Authority (“IFSCA”) has, through the IFSCA (Payment Services) Regulations, 2024 (“PSP Regulations”), introduced a regulatory framework distinct from India’s domestic payment regime governed by the Payment and Settlement Systems Act, 2007 (“PSS Act”).

The IFSCA PSP regulatory framework is designed to:

- facilitate foreign-currency denominated payment flows,
- enable cross-border money movement without FEMA friction, and
- attract global PSPs.

### Key components

Payment Service Provider (PSP)	A company authorised by IFSCA to provide one or more payment services under the Regulations. This is the principal regulated entity under the framework.
Regular Payment Service Provider (RPSP)	A PSP authorised under the Regulations other than a Significant Payment Service Provider.
Significant Payment Service Provider (SPSP)	A PSP designated as “significant” by IFSCA based on transaction or e-money thresholds specified in Schedule I.
Payment Service User (PSU)	Any person, in IFSC or outside IFSC, who uses a payment service as a payer, payee, or both.
Merchant	Any person, in or outside IFSC, who accepts payments for goods or services through electronic or online payment modes.
Agent	Any person acting on behalf of a PSP in relation to payment services.
Third-Party Service Provider	Any person providing services to a PSP, directly or indirectly, as part of the PSP’s service delivery chain.
Nth-Party Service Provider	A service provider that forms part of a third-party’s own supply chain, supporting the PSP indirectly.
Safeguarding Institution	An IFSC Banking Unit (IBU) or IFSC Banking Company (IBC) with which customer funds are safeguarded through escrow, trust, guarantee, or undertaking.
Nodal Bank	An IBU or IBC identified by the PSP for: <ul style="list-style-type: none"> <li>• escrow accounts,</li> <li>• security deposits, or</li> <li>• other regulatory purposes, with the bank’s explicit concurrence.</li> </ul>

## Permitted activities

The PSP Regulations provide for what constitutes as a payment service and what is excluded.

<b>Payment services (Schedule I, Part A)</b>	<b>Excluded activities (Schedule I, Part B)</b>
<ol style="list-style-type: none"> <li>1. Account issuance service (including e-money accounts issuance service)</li> <li>2. E-money issuance service</li> <li>3. Escrow services</li> <li>4. Cross-border money transfer services</li> <li>5. Merchant acquisition services</li> </ol>	<p>Following activities are not payment services for the purpose of the regulations.</p> <ol style="list-style-type: none"> <li>1. Pure technology or infrastructure providers Entities providing software, platforms, APIs, messaging systems, cloud or IT infrastructure without handling or controlling funds at any stage.</li> <li>2. Intra-group payment arrangements Payment or settlement mechanisms operating solely within a corporate group, with no third-party users or external offering.</li> <li>3. Securities and financial market settlement systems Clearing, settlement, custody, or payment activities that are incidental to capital market operations and regulated under separate IFSCA market infrastructure frameworks.</li> <li>4. Limited-purpose / closed-loop instruments Instruments usable only within a restricted ecosystem or for a specific purpose, and which are non-transferable and non-redeemable for cash.</li> <li>5. Agents or intermediaries without fund possession Entities that merely facilitate payment instructions or onboarding, but never receive, hold, or settle customer funds.</li> <li>6. Ancillary payment activity to a principal regulated business Payment-like functions that are incidental to another core regulated activity (e.g., fund administration, treasury support), where payment is not the primary service.</li> </ol>

	<p>7. Cash-only transactions</p> <p>Transactions conducted entirely in physical cash, with no account-based or digital payment mechanism.</p>
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## Registration with the IFSCA

All PSPs (unless exempt) require authorisation under Regulation 3.  
 Mandatory incorporation as a company with registered office in IFSC.

### PSP classification:

	<b>Regular Payment Service Provider (RPSP)</b>	<b>Significant Payment Service Provider (SPSP)</b>
	Can provide services in Schedule I (Part A)	Satisfies conditions in Schedule I (Part C)
For payment services (other than e-money account issuance): 1. Average monthly transaction value over a calendar year exceeds:		Monthly average of total value of all payment transaction processed over a calendar year exceeds: <ul style="list-style-type: none"> <li>• USD 2 million for any single payment service, or</li> <li>• USD 4 million across two or more payment services.</li> </ul>
2. For e-money account issuance:		The average daily outstanding balance of e-money <b>stored</b> across all payment accounts exceeds USD 3 million, measured over a calendar year.
3. For e-money issuance:		The average daily peak value of e-money issued or intended to be issued in a single day exceeds USD 3 million, calculated over a calendar year.

### IFSCA Authorisation

Application Fee (one-time)	USD 1,000
Authorisation Fee (one-time)	USD 25,000
Annual Recurring Fee	USD 5,000

### Net worth requirements

Initially	USD 100,000	USD 250,000
Within 3 <sup>rd</sup> Financial Year end	USD 200,000	USD 500,000

## Pre-requisites for PSPs in GIFT IFSC

Before making an application to the GIFT City authorities, following requirements should be taken care of:

1. Possess the necessary infrastructure, including adequate office space, equipment, and communication facilities.
2. Satisfy the net worth requirement.
3. Financial soundness of the applicant and fit and proper requirements.
4. The applicant or its group entities must not have been refused authorization by the authority in the past.
5. Relevant persons of the Applicant possess adequate experience.

## Process / timeline:

1. In-principle approval:  
The IFSCA will issue an “in-principle approval” letter to the applicant and shall require the applicant to satisfy conditions as specified in these regulations and by the IFSCA.
2. Certificate of Authorisation:  
The FISCA will grant a Certificate of Authorisation to the applicant after it is satisfied that all the conditions laid down have been complied with.
3. Commencement of operations:  
The PSP shall commence its operations within 6 months from the date of issuance of Certificate of Authorisation.
4. Nodal Bank:  
PSP to identify an IBU as its Nodal Bank for operations and submit requisite declarations from the bank.

## PSP Governance Framework

The governance arrangements shall, at minimum, include the following components namely:

1. role and composition of the Board and any committees or sub-committees;
2. senior management structure;
3. reporting lines between management and the Board;
4. ownership structure;
5. internal governance policy;
6. design of risk management and internal controls;
7. procedures for the appointment of board members and senior management;
8. processes for ensuring performance accountability.

## Standard Operating Procedures

A PSP shall:

1. Formulate clear and comprehensive rules and procedures for the Payment Services provided by it.
2. Provide sufficient information to enable Payment Service Users to have an accurate understanding of the risks, fees and other material costs they shall incur by availing such Payment Service(s).
3. Risk management policy:  
Develop a policy for management of risk, procedures, and systems to identify risk that arise while providing payment service(s). Such policy shall be subject to periodic review by the Board of the Payment Service Provider.
4. Link related risks:

A PSP that establishes a link, with one or more Payment Systems, shall identify, monitor and manage link-related risks.

### **Risk management of third-party service relationships**

1. A PSP shall put in place a risk-based framework to assess the criticality of services that they receive or plan to receive from a Third-party Service Provider.
2. The framework shall consider various factors relevant to identifying a service as “critical” including the financial, operational and strategic importance of the service to the Payment Service Provider.
3. The level of tolerance for disruption acceptable to the Payment Service Provider regarding critical business operations that rely or plan to rely on the Third-party Service Provider.
4. The nature of any data or information shared by the Payment Service Provider with the Third-party Service Provider under a Service Relationship.
5. The ease of substitutability of a service or lack thereof.

The PSP shall require the Third-party Service Providers to have clearly defined processes for identifying and investigating of incidents that impact the Third-party Service Provider’s ability to deliver agreed-upon services.

The PSP shall maintain complete, up-to-date records of their Third-Party Service Relationship.

### **Grievance redressal mechanism**

1. A PSP shall put in place an Internal Grievance Redressal Policy.
2. A PSP shall maintain records regarding queries, complaints and grievances received by it and redressal of such complaints and grievances.

## **Duties**

### **Duty towards Applicable Funds**

1. Duty to protect applicable funds, which are the funds received from the Payment Service User.
2. The PSP to hold the applicable funds in an escrow account with an IBU.
3. The agreement between the Payment Service Provider and the IBU maintaining escrow account shall include a clause enabling the bank to use the money in the escrow account only for purposes mentioned in these regulations.
4. Separate escrow accounts shall be opened for holding applicable funds pertaining to each payment services being opted by the user.

<b>Credit to escrow account</b>	<b>Debit to escrow account</b>
<p>Credits to the escrow account shall be permitted for:</p> <ol style="list-style-type: none"> <li>1. Amounts received towards issue</li> <li>2. Load / reload of e-money wallets</li> <li>3. Refunds received for failed / disputed / returned / cancelled transactions</li> </ol>	<p>Debits to the escrow accounts shall be permitted for:</p> <ol style="list-style-type: none"> <li>1. Payments to Merchants/Payment Service Providers for the services obtained by the Payment Service User</li> <li>2. Payment to the IBU or IBC for processing funds transfer instructions of the payment service user</li> <li>3. Payments towards applicable taxes</li> </ol>

	4. Refunds towards cancellation of transactions resulting in loading/reloading of balances 5. Any other payments due to the Payment Service Provider as per the terms of contract entered into with the Payment Service User.
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### **Duty towards Payment Service Users**

1. A PSP shall at all times protect the interests of the user
2. A PSP shall at all times comply with the disclosure requirements (Schedule VII).
3. Explicit non-guarantee disclosures: A PSP shall provide the below information at least once in publicly available material:
 

*“< Name of Payment Service Provider > is authorised by the International Financial Services Centres Authority to provide payment services . Please note that this does not mean you will be able to recover all the funds that you paid to the “< Name of Payment Service Provider > if the “< Name of Payment Service Provider >’s business fails”*
4. A PSP shall ensure that materials provided to customers or potential customers, are clear, complete, accurate, understandable and not misleading, regardless of the delivery channel.
5. A PSP shall issue, free of charge, a confirmation to a Payment Service User for every transaction undertaken by the Payment Service User. The confirmation shall at a minimum, contain the following:
  - a. Name of beneficiary (if applicable);
  - b. Transaction amount;
  - c. Date transaction was completed;
  - d. The beneficiary’s account or wallet number (if applicable);
  - e. The originating source of transaction (if applicable);
  - f. The contact information of the Payment Service Provider’s dispute resolution mechanism.

### **Anti-money laundering compliances**

A PSP shall at all times with International Financial Services Centres Authority (Anti Money Laundering, Counter-Terrorist Financing and Know Your Customer) Guidelines, 2022 (“**AML, CTF & KYC Guidelines**”).

The Payment Service Provider using agents for providing its services shall:

1. maintain an up-to-date list of such agents;
2. include such agents in their AML/CTF programmes and monitor them for compliance with these programmes.

### **Operate with secure IT systems and other infrastructure**

1. A PSP shall at all times secure its information technology systems and other infrastructure used for providing Payment Services from unauthorised access and manipulation.
2. A PSP shall have a Cyber Security policy outlining the policies and procedures.

## Documentation

1. Every PSP shall submit periodic reports to the IFSCA in prescribed manner.
2. Copy of audited financial statements, balance sheet, profit and loss statement, cash or fund flow statement within 3 months of its finalisation.
3. Maintain and preserve the following books of accounts, records and documents, in a format suitable for electronic retrieval, for a minimum of ten (10) years from the date of commencement of operations, namely: -
  - a. a copy of the balance sheet at the end of each accounting period;
  - b. a copy of profit and loss account for each accounting period;
  - c. a copy of the auditor's report on the accounts for each accounting period;
  - d. a statement of net worth for each quarter;
  - e. documentation relating to compliance with International Financial Services Centres Authority (Anti Money Laundering, Counter-Terrorist Financing and Know Your Customer) Guidelines, 2022;
  - f. documents relating to account opening of each client and any power of attorney or signature authority forms of the clients;
  - g. relevant records and documents relating to its activities in capital markets;
  - h. such other books of accounts, records and documents as may be specified by the Authority from time to time.
4. A PSP shall maintain a log of all the transactions undertaken for at least 10 years. This data shall be made available for scrutiny to the IFSCA or any other agencies.
5. Maintain requisite internal policies including risk management, grievance redressal.