

Obtaining Registration as a Broker Dealer in GIFT IFSC:

Regulatory Framework under IFSCA

Master Circular for Broker Dealers and Clearing Members

The International Financial Services Centres Authority ("IFSCA" / "Authority") has issued the Master Circular for Broker Dealers and Clearing Members bearing No. IFSCA/CMD/MIIT/MCBDCM/2026 dated May 12, 2026 ("Master Circular"), under Sections 12 and 13 of the IFSCA Act, 2019, read with regulation 45 of the IFSCA (Capital Market Intermediaries) Regulations, 2025 ("CMI Regulations") and regulation 72 of the IFSCA (Market Infrastructure Institutions) Regulations, 2021. It has come into force from the date of its issuance.

The CMI Regulations repealed the IFSCA (Capital Market Intermediaries) Regulations, 2021 and specify a unified framework for the regulation and supervision of Capital Market Intermediaries, which inter alia include Broker Dealers. The Master Circular consolidates all circulars pertaining to Broker Dealers and Clearing Members, for ease of doing business and the overall development of the IFSC ecosystem. This note covers the framework as it applies to Broker Dealers.

Key components

CMI Regulations	The IFSCA (Capital Market Intermediaries) Regulations, 2025, which repealed the 2021 Regulations and specify a unified framework for Capital Market Intermediaries, including Broker Dealers.
SWIT System (SWITS)	The Single Window IT System operationalised by IFSCA (https://swit.ifsc.gov.in), containing a Common Application Form created by merging several existing forms, including business-specific Annexure Forms.
Letter of Approval (LoA)	Approval from the Administrator (IFSCA) under the Special Economic Zones Act, 2005, which forms part of SWITS and is integrated with the SEZ Online System.
Type I / II / III Broker Dealers	Categories for system audit purposes: Type I trade through exchange provided terminals (e.g. NEAT, BOLT); Type II through API based terminals such as CTCL or IML, or IBT / DMA / STWT or SOR (and may also be Type I); Type III use the Algorithmic Trading facility (and may also be Type II).
Specified Broker Dealers	Broker Dealers specified from time to time by the Stock Exchange, on whom enhanced obligations apply in relation to IT redundancy, automated testing environments, DR drills and ISO certifications.

Software	Electronic systems or applications used for connecting to the Stock Exchanges and for trading and real-time risk management, including Internet Based Trading (IBT), Direct Market Access (DMA), Securities Trading using Wireless Technology (STWT), Smart Order Routing (SOR) and Algorithmic Trading (AT).
Technical Glitch	Any failure, interruption or malfunction, irrespective of cause, affecting the operational infrastructure of a Broker Dealer, leading to stoppage, slowing down or variance in the normal functions / operations / services of its systems for a contiguous period of five minutes or more.
Authorised Person	A person based in a foreign jurisdiction or in India, through whom a Broker Dealer is permitted to provide market access to investors.

Permitted activities

Permitted	Restricted / not permitted
- Trading on the recognised stock exchanges in the IFSC, on a proprietary basis or on behalf of clients. - Use of exchange provided terminals, API based terminals (CTCL or IML), IBT, DMA, STWT, SOR and Algorithmic Trading, subject to testing, system audit and prior approval of the Stock Exchange. - Issue of contract notes authenticated by digital signature, where the Broker Dealer holds a digital signature certificate from a Certifying Authority under the Information Technology Act, 2000. - Market access to investors through Authorized Persons based in foreign jurisdictions. - Market access to resident Indian investors through Authorized Persons based in India, under the Liberalized Remittance Scheme route, for exchange traded securities in IFSC.	- Activities prohibited (not permitted) under the SCRA and the SCRR; Rule 8 of the SCRR may be referred to. - Engaging in any business other than that of securities, in terms of Rules 8(1)(f) and 8(3)(f) of the SCRR, subject to the exceptions in the SCRR. - Use of client funds to satisfy the Broker Dealer's proprietary obligations or principal positions. - Diversion of client collateral for proprietary use or for the benefit of other clients. - Deployment or operation of any software in the securities market without the prior approval of the Stock Exchange, or unauthorized modification of approved software. - Sub-letting of the algorithmic trading or co-location facility to any other firm to access the exchange platform.

Permitted	Restricted / not permitted
- Offering or use of AI and ML applications and systems, subject to reporting to the Stock Exchange. - Operations from a Disaster Recovery site located within India but outside IFSC, which are deemed to have been conducted within IFSC. - Outsourcing of activities from outside the IFSC, under a Board-approved internal policy.	Undertaking any existing or new business activity in the IFSC while the requisite net worth is not maintained.

Registration with the IFSCA

Application	- Applications shall be filed exclusively through the SWIT System, for registration under the CMI Regulations, approval from SEZ authorities and GST registration, and NoC / requisite approval from appropriate regulators, if any. - Entities may also apply for Unified Registration under the CMI Regulations, in terms of the IFSCA circular dated February 13, 2026.
Eligibility	- Eligibility criteria prescribed under the Securities Contracts (Regulation) Rules, 1957 (SCRR) must be fulfilled. Rule 8 of the SCRR prescribes the qualifications for membership of a recognised stock exchange. - Under Rule 8(1), a person is not eligible for admission as a member if he is under twenty-one years of age; is not a citizen of India; has been adjudged bankrupt, is the subject of a receiving order in bankruptcy or has been proved insolvent; has compounded with his creditors without paying in full; has been convicted of an offence involving fraud or dishonesty; is engaged as principal or employee in any business other than securities, except as a broker or agent not involving personal financial liability, unless he severs that connection on admission; has been expelled or declared a defaulter by any other stock exchange; or has been refused admission previously, unless one year has elapsed. Rule 8(3) applies corresponding disqualifications to the continuance of membership.

	- Under Rule 8(4A), a company is eligible for membership if it is formed in compliance with the Companies Act, undertakes to comply with the financial requirements and norms specified by SEBI, its directors are not disqualified under Rule 8(1) or 8(3) and have not been directors of a company declared a defaulter or expelled by a stock exchange, and at least two of its directors have a minimum of two years' experience in dealing in securities, as portfolio managers or as investment consultants. Where a member is a firm, Rule 8(5) applies these tests to its partners. - The Broker Dealer shall be set up in the IFSC as a company, Limited Liability Partnership (LLP), body corporate, or a branch thereof, and registration is strictly contingent upon continuous adherence to the CMI Regulations. - A SEBI-registered Stock Broker desirous of undertaking securities market related activities in the IFSC must comply with the SEBI circular dated May 02, 2025 on the Separate Business Unit (SBU) route.
Net worth	The net worth is specified by the stock exchanges. The net worth for India INX is USD 135,000 whereas for NSE IX, it is USD 150,000.
Validity	- The certificate of registration is perpetual, unless suspended or cancelled by the Authority. - A valid Certificate of Registration under the CMI Regulations and a valid Letter of Approval under the SEZ Act, 2005 must be held at all times. The LoA is valid for 1 year if business has not commenced, or 5 years after commencement; its expiry or non-renewal may lead to enforcement action, including cancellation of registration.

Fees payable to the IFSCA

Fees are payable in terms of Schedule-I of Circular No. IFSCA-DTFA/1/2026 dated March 02, 2026 ("Fee Circular"), applicable for FY 2026-27 onwards.

Type of fee	Broker Dealer
Application fee (one-time)	USD 500
Registration fee (one-time)	USD 1,000
Recurring fee – flat (annual)	Nil

Type of fee	Broker Dealer
Recurring fee – conditional	Monthly turnover based fee @ 0.00010% of turnover
Activity based fee	Nil
Processing fee – change in management or control	20% of the registration fee

- The application fee is payable at the time of application, and an application not accompanied by it shall not be considered. The registration fee is payable within 15 days of intimation of the decision to grant in-principle approval; failure to pay may lead to closure of the application, and a rejected application is void ab initio. Fees are not refunded if registration is subsequently not granted.
- Fees are payable in USD to the designated account of the Authority.

Governance framework

Principal Officer	Based out of the IFSC and meeting the qualification and educational requirements under the CMI Regulations; responsible for the overall activities of the Broker Dealer in the IFSC. Where multiple registrations are held under the CMI Regulations, a Principal Officer is to be appointed / designated separately for each registration, save that an entity also registered as a depository participant, investment adviser, research entity, custodian or registered distributor may have the same person; an entity also registered as a Distributor shall have a separate official as vertical head for its distribution business.
Compliance Officer	Based out of the IFSC and meeting the qualification and educational requirements under the CMI Regulations. Where multiple registrations are held, the same person may act as Compliance Officer for ensuring compliance with all applicable regulatory and legal requirements for its capital market intermediary activities in the IFSC.
Code of Conduct	To be established based on Schedule II of the CMI Regulations.
Outsourcing policy	An internal policy for outsourcing of activities from outside the IFSC, approved by the Governing Board, is to be implemented prior to commencement of operations, defining the criteria for selecting service providers and mechanisms for continuous oversight. The Broker Dealer remains principally accountable for all outsourced functions.

Cyber security	A robust cyber security and cyber resilience framework is required under regulation 21 of the CMI Regulations, in compliance with the IFSCA Guidelines on Cyber Security and Cyber Resilience dated March 10, 2025, implemented proportionately to the scale and complexity of operations, nature of activity, interconnectedness with the financial ecosystem and corresponding cyber risks.
BCP-DR governance	Designated governance and response teams are to be constituted, empowered to decide on invocation of BCP, migration from the Primary Data Centre to the Disaster Recovery Site, allocation of resources and restoration of full operational capability.
Change in control	A Broker Dealer operating in a branch structure must intimate the Stock Exchange and the Authority within fifteen days of any direct or indirect change in control (regulation 23(1)). A Broker Dealer incorporated in the IFSC must obtain the prior approval of the Authority (regulation 23(2)), applying through the Stock Exchange.

Supervision and oversight

Inspection and surveillance by the Stock Exchanges

- Stock Exchanges must formulate a policy for periodic and ad-hoc inspection of members covering the risks posed to investors and the market, maintain a continuous risk-assessment framework, and establish a mandatory information sharing protocol between MIIs for entities holding multiple memberships. Repetitive and / or serious violations are to be brought to the notice of IFSCA.
- Inspections examine compliance with the IFSCA Act, 2019, the SEBI Act, 1992, the SCRA and the rules and regulations thereunder, exchange rules, and IFSCA circulars, and the efficacy of the investor grievance redressal mechanism and discharge of obligations towards clients for the preceding one year. Remedial, penal and disciplinary action must be initiated within six months of conclusion of the inspection, with any deviation justified to the Authority in writing.
- An Event Based Surveillance mechanism is to be established, with illustrative triggers including failure to furnish the net worth certificate or Annual Audited Accounts, non-submission of the Annual Compliance Audit Report under regulation 25(2), failure to co-operate in inspection proceedings, failure to submit any other information within timelines, and failure to report newly opened accounts within the specified time.
- Stock Exchanges, Clearing Corporations and the Depository must develop an early warning and information sharing mechanism to detect diversion of clients' securities by a Broker Dealer at an early stage, with thresholds decided in mutual consultation.

System audit

- The system audit is annual, conducted per the Norms, ToR and Guidelines of IFSCA and / or the Stock Exchanges, with separate ToRs for Type I, Type II and Type III Broker Dealers.
- The auditor must have minimum three years' experience in IT audit of securities market participants, no conflict of interest, and no pending cases indicating unsuitability. Maximum tenure is three years, with reappointment only after a 2-year cooling off period.
- The audit report with management comments is to be forwarded to the Stock Exchange within one month of its submission by the auditor; corrective action for each non-conformity within 3 months of submission of the report by the exchange; any follow-on audit within 6 months. Stock Exchanges report major non-compliances Broker Dealer wise to the Authority annually, within 4 months from the end of the audit period.

Technology, testing and technical glitches

- New or changed software must be tested in a simulated test environment, through mock trading sessions held at least once per calendar month, and through User Acceptance Testing. Prior approval of the Stock Exchange is required before deploying any software, with the decision communicated within fifteen working days of a complete application, and an undertaking must be submitted to the exchange accepting absolute liability for non-compliance.
- A technical glitch must be reported to the Stock Exchange within one hour of occurrence, followed by a Preliminary Incident Report within T+1 day and a Root Cause Analysis Report within fourteen days, submitted to every exchange of which the Broker Dealer is a member. Graded penalties apply, and exchanges publicly disseminate all instances of technical glitches with the corresponding RCA.
- Installed capacity of at least 150% of peak load must be maintained, peak load being the highest recorded stress point during a calendar quarter, with alerts on utilisation beyond seventy percent of installed capacity. Identified Broker Dealers must maintain BCP-DR infrastructure, with the DR Site in a different seismic zone, in full parity and near real-time replication meeting the RTO and RPO prescribed by the exchange.

Dealing with client

- Use of a unique client code for all clients is mandatory.
- Distinct, separate accounts must be operated for proprietary and client capital; any overlap is treated as a material breach of fiduciary duty and a violation of IFSCA guidelines. Client collateral must be used exclusively for the respective client's margin obligations or settlement pay-ins.
- The contract note for purchase / sale of securities must be issued to the client within 24 hours of execution of the contract.
- Whether the Broker Dealer conducts proprietary trading in conjunction with client-based business must be disclosed to clients upfront, at the time the KYC agreement is formalised.

- Settlement of funds is governed by the agreement with the client or the consent letter issued by the client, in a standardized format prescribed by the Stock Exchanges and duly executed at the time of client onboarding. The Stock Exchanges are to monitor clients' funds lying with Broker Dealers.
- Market access may be provided through Authorized Persons based in foreign jurisdictions, and through Authorized Persons based in India to enable access to resident Indian investors under the LRS route for exchange traded securities in IFSC, in terms of the framework at Annexure 5.
- Regulation 18 of the CMI Regulations requires adequate steps for redressal of investor grievances, in compliance with the IFSCA circular on Complaint Handling and Grievance Redressal dated December 02, 2024, read with the extension circular dated January 13, 2025.

AML compliance

AML obligations arise under the Prevention of Money-Laundering Act, 2002 and the IFSCA (Anti Money Laundering, Counter-Terrorist Financing and Know Your Customer) Guidelines, 2022, applicable to every IFSCA-regulated entity. Key requirements: Governance – a Board-approved AML-CFT/KYC policy, a Designated Director and Principal Officer (distinct individuals), and Senior Management accountability. Risk-based approach – enterprise-wide and product-level money-laundering/terrorist-financing risk assessments, reviewed at least biennially. Customer due diligence – risk rating and identity/beneficial-owner verification at onboarding, with enhanced diligence for high-risk customers and Politically Exposed Persons, and periodic CDD updation. Screening and reporting – sanctions-list screening with immediate freezing on a match, and suspicious transaction reporting to FIU-India. Record-keeping of CDD and transaction data as prescribed.

Surrender of registration

- A Broker Dealer may file an application with the Authority for surrender of its registration under regulation 14 of the CMI Regulations, through the respective Stock Exchange.
- The application must provide details of registration, the original Certificate of Registration, a list of all activities carried out, details of registration in any other capacity with IFSCA, a list of controlling shareholders and directors, details of material regulatory action taken or pending in the last three years against the Broker Dealer or any of its controlling shareholders or directors, ongoing material litigations, copies of the board and shareholder resolutions, and the reasons for surrender.
- An undertaking must be furnished covering whether any disciplinary proceeding is pending; whether any investigation, adjudication or enquiry by IFSCA is pending against the applicant or its controlling shareholders and directors; whether all fees have been paid, with the next due date; whether arrangements have been made for maintenance and preservation of records and other documents required under IFSCA regulations and guidelines; whether arrangements have been made to transfer its activities to another intermediary holding a valid certificate of registration; and whether any investor complaints are pending as on the date of the application.

- On approval of the surrender by IFSCA, the Stock Exchange releases the security deposit of a Broker Dealer engaged in trading on behalf of clients after twelve months from the date of approval. In the case of a Broker Dealer engaged only in proprietary trading for the last three years prior to the date of the application, the security deposit is released after six months from the date of approval.