

Obtaining Registration as a Depository Participant in GIFT IFSC:

Regulatory Framework under IFSCA

Capital Market Intermediaries Regulations, 2025

The International Financial Services Centres Authority ("IFSCA" / "Authority") has notified the IFSCA (Capital Market Intermediaries) Regulations, 2025 ("CMI Regulations") vide F. No. IFSCA/GN/2025/003 dated April 11, 2025, under Section 28 read with Sections 12(1) and 13(1) of the IFSCA Act, 2019, Section 30 read with Section 28C of the SEBI Act, 1992, and Section 25 read with Section 23G of the Depositories Act, 1996. The CMI Regulations came into force on the date of their publication in the Official Gazette.

The CMI Regulations repealed the IFSCA (Capital Market Intermediaries) Regulations, 2021 and specify a unified framework for the registration, regulation and supervision of eleven categories of Capital Market Intermediaries, of which the Depository Participant is one. This note covers the framework as it applies to Depository Participants. Operational requirements (account opening, dematerialisation, security deposit, charges and the like) are prescribed by the bye-laws and operating instructions of the recognised depository.

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CMI Regulations	The IFSCA (Capital Market Intermediaries) Regulations, 2025, which repealed the 2021 Regulations and specify a unified framework for Capital Market Intermediaries, including Depository Participants.
Depository Participant (DP)	A participant of a recognised depository, registered as a depository participant with the Authority under the CMI Regulations.
Recognised Depository	A depository recognised by the Authority. The DP must be admitted as a participant of a recognised depository in the IFSC (India International Depository IFSC Limited) and comply with its bye-laws.
SWIT System (SWITS)	The Single Window IT System operationalised by IFSCA, through which applications for the Certificate of Registration are processed.
Letter of Approval (LoA)	Approval from the Administrator (IFSCA) under the Special Economic Zones Act, 2005, processed through SWITS and integrated with the SEZ Online System.
Unified Registration (Master Key)	Facility to apply for registration for multiple capital market activities together, in terms of the IFSCA circular dated February 13, 2026.
Principal Officer / Compliance Officer	Designated officers based out of the IFSC, who must meet the qualification and experience requirements in Regulation 9 of the CMI Regulations.

Permitted activities

Permitted	Restricted / not permitted
- Acting as a participant of a recognised depository in the IFSC, and opening and maintaining beneficial owner accounts for clients. - Processing dematerialisation and rematerialisation requests and executing debit instructions on behalf of beneficial owners, in accordance with the depository's bye-laws. - Operating through a company, LLP, body corporate or a branch thereof set up in the IFSC. - Holding multiple registrations under the CMI Regulations, subject to maintaining the highest of the applicable net worth requirements. - Outsourcing of activities from outside the IFSC, under an internal policy approved by the Governing Board. - Maintaining records in electronic form, provided the integrity of the data processing system is maintained at all times.	- Undertaking DP activities in the IFSC without a Certificate of Registration from the Authority. - Mixing the securities of a beneficial owner with the securities of other beneficial owners or with the DP's own securities; separate accounts must be opened in the name of each beneficial owner. - Increasing charges / fees for services without advance notice of at least seven days to the beneficial owners. - Operating without maintaining the minimum net worth specified by the recognised depository, which must be maintained at all times. - Acting contrary to the Code of Conduct, including manipulative, fraudulent or deceptive practices, and creating a false market. - Changing control of an IFSC-incorporated DP without the prior approval of the Authority.

Registration with the IFSCA

Application	- The application form, along with documents and the application fee, is submitted through the SWIT System. A DP applicant must make the application along with additional information through the recognised depository. - The recognised depository examines the eligibility of the applicant under the CMI Regulations, the applicable Acts, rules, regulations and its bye-laws, and forwards the application to the Authority with its recommendation within thirty days of receipt of the complete application. - An application that is not complete in all respects is liable to be rejected. The applicant must also comply with any additional norms specified by the Authority. - Entities may also apply for Unified Registration for multiple capital market activities, in terms of the IFSCA circular dated February 13, 2026.
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Eligibility	• The applicant must be present in the IFSC as a company, Limited Liability Partnership (LLP), body corporate, or a branch thereof (regulation 6). • The applicant, its principal officer, directors / designated partners, key managerial personnel and controlling shareholders must be fit and proper persons at all times. A person is not fit and proper if, among other things, convicted of an offence involving moral turpitude, an economic offence or an offence against securities laws; subject to a pending charge sheet or framed charges in economic offence matters; subject to a pending recovery proceeding by a financial regulator; declared insolvent and not discharged; debarred by a regulator from accessing financial products or services, with the order in force; of unsound mind as found by a court; financially unsound or a wilful defaulter; or a fugitive economic offender. • In considering registration, the Authority takes into account, among other things, the qualification and experience of the principal officer and compliance officer, adequacy of infrastructure (office space, equipment, communication facilities and manpower), satisfaction of net worth requirements, financial credit worthiness, and the fit and proper status of the applicant and its key persons. • The applicant must also meet the admission criteria of the recognised depository under its bye-laws.
Net worth	• The minimum net worth for a Depository Participant is the amount specified by the recognised depository, that is, USD 135,000. It must be maintained at all times. • “Net worth” means paid-up share capital (or capital contribution) and reserves created out of profits, securities premium account and the profit and loss balance, less accumulated losses, deferred expenditure and miscellaneous expenditure not written off, excluding reserves from revaluation, write-back of depreciation and amalgamation. The “liquid assets” definition applies only to broker dealers, clearing members and investment bankers, and so does not apply to a DP. • Where the DP is a branch, the net worth may be maintained at the parent level in the home jurisdiction, provided it is earmarked for the IFSC branch. • The net worth requirement is separate from, and in addition to, any net worth required for other activities in or outside the IFSC. An entity operating in multiple CMI categories maintains the highest of the applicable minimums.
Grant of registration	• If the Authority is of the opinion that registration cannot be granted, it communicates the deficiencies and allows thirty days to rectify them. Registration may be refused, with reasons, only after the applicant has had an opportunity to make written submissions.

	Registration is granted subject to conditions deemed fit by the Authority, and may be withdrawn only after a reasonable opportunity of being heard.
Validity	The Certificate of Registration is perpetual, unless suspended or cancelled by the Authority.

Governance framework

Principal Officer	Based out of the IFSC and responsible for the overall activities of the DP and for ensuring that employees comply with the CMI Regulations. Qualification: a professional qualification or a post-graduate degree or diploma (minimum one year) in finance, law, accountancy, business management, commerce, economics, capital market, banking, insurance or actuarial science, or a CFA / FRM; a graduate degree in any field suffices with at least ten years' experience in the financial services market. Experience: at least three years in the financial services market. - Where multiple registrations are held, a principal officer is designated for each registration separately, save that an entity registered as a broker dealer, clearing member and depository participant may have the same person for these activities.
Compliance Officer	A separate officer, based out of the IFSC, who is a senior officer reporting to the board or governing body and capable of understanding the financial statements and the regulatory requirements for the DP's activities in the IFSC. Qualification: as for the Principal Officer; a Bachelor of Law degree also suffices. Experience: at least two years in the financial services market, or two years in a compliance role in any company. - Where multiple registrations are held, the same person may act as Compliance Officer for all of them. The DP must ensure that the Compliance Officer has adequate freedom and power to discharge his or her duties.

Specific obligations of Depository Participants

- Compliance with depository rules:** the DP must comply with the applicable laws, including the bye-laws, rules and regulations specified by the recognised depository.
- Segregation:** separate accounts must be opened in the name of each beneficial owner, and the securities of each beneficial owner must be segregated and not mixed with those of other beneficial owners or with the DP's own securities.

- **Internal controls:** the DP must have adequate mechanisms for reviewing, monitoring and evaluating its internal accounting controls and systems.
- **Data integrity:** where records are maintained in electronic form, the integrity of the data processing system must be maintained at all times.
- **Daily reconciliation:** the DP must reconcile its records with the depository on a daily basis.

Code of Conduct for Depository Participants

- No increase in charges / fees for services rendered without proper advance notice of at least seven days to the beneficial owners.
- Promptness and diligence in opening a beneficial owner account, in dispatch of the dematerialisation and rematerialisation request forms, in execution of debit instructions, and in all other activities undertaken on behalf of beneficial owners.
- Adequate steps to ensure continuity in data and record keeping, with data and records not lost or destroyed and up-to-date back-ups of electronic records and data always available.
- Satisfactory internal control procedures and adequate financial and operational capabilities, to take care of losses arising from theft, fraud and other dishonest acts, professional misconduct or omissions.

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.