

IFSCA notifies the Third-Party Fund Management Framework in IFSC, Gift City

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On 24 July 2025, the International Financial Services Centres Authority (IFSCA) notified the International Financial Services Centres Authority (Fund Management) (Amendment) Regulations, 2025 operationalising the third-party fund management framework, allowing global fund managers to piggy-back on the platform operated by existing fund management entities.

Background

Under the extant IFSCA (Fund Management) Regulations, 2025 (**FME Regulations**) fund managers are required to set up on ground presence by registering themselves as FMEs for launching and managing their schemes in the International Financial Services Centre (IFSC), GIFT City. Industry stakeholders have long advocated for a flexible structure that allows external fund managers to use a platform-play model similar to those in leading financial centres and manage their schemes in GIFT IFSC by leveraging the structure of existing fund managers.

IFSCA has now rolled out an additional framework under the existing FME Regulations paving way for, what is typically known as the 'platform-play model of fund management'. The platform-play model enables Fund Management Entities (FMEs) registered with IFSCA under the FME Regulations to launch and manage restricted schemes on behalf of third-party fund managers without requiring them to set up their physical presence in the IFSC, GIFT City.

Key highlights of the Third Party Fund Management Framework

1. Who can offer third-party fund management services?

FMEs are permitted to offer third-party fund management services after obtaining specific authorisation from the IFSCA. Such FMEs, if set-up as company or LLP are required to have enabling provision in their charter documents to offer such third-party fund management services.

2. Who can avail the third-party fund management services from the registered FMEs?

Third-party fund managers including entities registered or regulated, for the purposes of fund management, portfolio management, investment advisory or any other similar activity with the concerned financial sector regulator in the country of their incorporation and fulfilling the following criteria are permitted to avail third-party fund management services from the FMEs:

- (a) They should be incorporated either in India, IFSC or foreign jurisdiction;
- (b) They should allocate adequate resources to discharge their functions;
- (c) Persons responsible for their functions should have adequate and requisite experience; and
- (d) The third-party fund managers, their officers, directors/ partners/ designated partners, key managerial personnel and controlling shareholders should be fit and proper persons.

The framework also allows even those third-party fund managers to avail the platform-play services whose ultimate or interim parent entity are not engaged in the fund management services.

3. What is the net worth requirement for FMEs offering third-party fund management services?

FMEs offering third-party management services are required to continuously maintain an additional net worth of USD 500,000 or such other amount as prescribed by the IFSCA, over and above the minimum net worth required for their other permitted activities under the FME Regulations and for other activities conducted within or outside the IFSC, GIFT City.

4. What can be the size of scheme corpus launched under third party fund management services?

The restricted schemes launched under the third-party fund management arrangement can have a maximum corpus of USD 50 million. Since the FME Regulations require a minimum of USD 3 million as corpus for launching a restricted scheme, it implies that schemes launched under third-party fund management services can have a corpus size between USD 3 million to USD 50 million.

5. What are the key personnel requirement for schemes managed under third-party fund management services?

The FMEs offering third-party fund management services are required to fulfil the following key personnel requirement:

- (a) *Principal officer for each scheme*: A separate principal officer must be appointed for every scheme managed under a third-party fund management arrangement for overall scheme activities including overseeing the fund management, risk management, and compliance.
- (b) *Compliance officer*: A compliance officer is required to be designated for the schemes managed under the third-party fund management services. While the compliance officer of Registered FME (Non-retail) may act as the compliance officer of the schemes launched under the third-party fund management, Registered FME (Retail) is required to designate separate compliance officers for its retail and restricted schemes.
- (c) *Additional key managerial personnel (KMP)*: Registered FME (Retail) offering third-party fund management services are required to appoint an additional KMP in terms of the FME Regulations.

6. What is the FME contribution requirement for schemes launched under third-party fund management services?

The third-party fund manager is considered an associate of the FMEs. Accordingly, the minimum FME commitment required to be brought in by the FME or its associates can be brought in by the third-party fund manager.

7. What are the disclosures requirements for restricted schemes under third-party fund management arrangement?

FMEs managing restricted schemes under the third-party fund management services are required to comply with disclosures norms including disclosures in the private placement memorandum, as are applicable to other restricted schemes launched in the IFSC, GIFT City.

8. What are the liabilities and responsibilities of the FME offering third-party fund management services?

To strike a balance between ease of business and accountability, FMEs offering third-party fund management services to assume liability and responsibility for any obligation arising in connection with the third-party fund management service, irrespective of any indemnity arrangement agreed between the FME and third-party fund manager. The FMEs are responsible for all the acts of omissions and commission of the third-party in relation to the third-party fund management service. The FMEs and their fiduciaries have been cast with the responsibility of ensuring compliance with the regulatory compliances under the FME Regulations.

The FMEs are required to have the following risk management measures in relation to third party fund management services:

- (a) Internal policy to identify and address the unique risks associated with third-party fund management and conflicts emerging therefrom.
- (b) Segregation of funds and operational independence for all the schemes, whether under self-management or third-party fund management.
- (c) Extension of extant investor grievance redressal mechanism to the investors of third-party fund management arrangement.
- (d) Internal policy of period internal audits, and review to ensure compliance with the regulatory requirements, and submission of the reports thereon to the fiduciaries.
- (e) Other measures as may be prescribed by the IFSCA.

Additionally, the FMEs are required to ensure that

- (a) Third-party fund managers are eligible, qualified and capable of undertaking entrusted functions, and that such third-party fund managers are onboarded with due care and caution.
- (b) The schemes set up by the FME under the third-party fund management arrangement are treated to be the schemes of the FME.
- (c) The liability of the FME towards any restricted scheme and its investors is not affected due to the third-party fund management services.
- (d) The activities undertaken by the third-party are monitored by the FME and in doing so, the FME may issue necessary instructions.
- (e) The FMEs have an option to terminate the third-party fund management arrangement at any time, in the interest of the investors or on the directions of the IFSCA.
- (f) It reviews the services rendered by each third-party on an ongoing basis and periodically shares these reports with the respective fiduciaries.
- (g) A suitable indemnity mechanism is in place requiring the third-party to indemnify the FME from any potential liabilities arising from the funds managed under the third-party fund management arrangement.
- (h) It complies with other applicable requirements as specified by the IFSCA.

Conclusion

The introduction of the third-party fund management framework is a welcome move, aligning the fund management regime in IFSC GIFT City with global practices and positioning it as an attractive jurisdiction for global asset managers seeking a cost-efficient entry route into IFSC GIFT City without establishing a local presence. The platform-play model will be equally welcomed by small and first-time fund managers who wish to tap into the fund management ecosystem in IFSC GIFT City without burdening themselves with the costs associated with setting up their own FME.

To sum up, one must laud IFSCA for favourably considering industry demand for allowing third-party fund management and for positioning the fund management regime in IFSC GIFT City as a fully developed and inclusive framework offering solutions to the diverse fund management requirements of investors and fund managers alike.

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