

IFSCA Tightens Fund Management Regime in GIFT City: Accountability, Certification and Governance

30 April 2026

The first half of the new Financial Year has seen a flurry of regulatory activity from the International Financial Services Centres Authority (IFSCA) with 3 (three) circulars being issued during the first half of April 2026, signalling a clear move toward a more regulated and professionally accountable fund management ecosystem in Gujarat International Finance Tec-City (GIFT City).

In the past, IFSCA has adopted a consolidated approach to regulatory reform, issuing omnibus amendments to the IFSCA (Fund Management) Regulations, 2025 (FM Regulations) rather than a series of standalone circulars in a short span of time. The back-to-back nature of these circulars marks a departure from that practice and suggests a more targeted, issue-specific regulatory approach.

An equally important development is the shift in process. Traditionally, IFSCA has preceded regulatory changes with consultation papers, inviting industry feedback and suggestions on the proposed amendments, before finalising its position. However, the recent circular dated 10 April 2026, on the segregation of the role of the fiduciaries, was unanticipated by the industry as no prior consultation paper was released for the same.

Amendments / updates carried out through the 3 (three) circulars issued since the beginning of April 2026 collectively address professional certification for KMPs and relevant employees, KMP appointment processes and the governance of scheme fiduciaries.

Professional Certification Requirement for FME Employees

In the exercise of its powers under the IFSCA (Fund Management) Regulations, 2025 (FM Regulations), IFSCA, by way of a circular dated 1 April 2026, has mandated a certification course for KMPs and other employees of a fund management entity discharging core fund management activities, titled "Regulatory Framework for Fund Management in IFSC: AIFs and Retail Schemes", which will be conducted by The Institute of Company Secretaries of India (ICSI). This certification is required to be obtained on or before 30 September 2026.

While mandating the certification requirement for KMPs was predicted, the inclusion of "employees discharging core fund management activities" broadens the scope of certification considerably, while also adding subjectivity to this requirement. Any employee engaged in fund management activities, irrespective of their designation, must be certified. FME employees in support or non-operational roles, as well as those associated with trustees, intermediaries, and fund administrators, are encouraged to get the certification although it is not compulsory.

The onus to ensure that certification is duly obtained within the timeline stipulated by IFSCA is on the Fund Management Entity and the persons in control of the Fund Management Entity.

Comparison with SEBI's Approach

Under Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012 (AIF Regulations), NISM certification is mandated for two specific roles: (i) one key investment team member responsible for investment decisions must hold NISM certification in fund management; and (ii) the recently

introduced NISM certification requirement for Compliance Officer. The NISM certification requirement is restricted to persons identified as part of the Key Investment Team and as Compliance Officer. Securities and Exchange Board of India (SEBI) does not prescribe NISM certification for other fund personnel such as administrators, operations staff or support functions.

By contrast, the IFSCA has adopted markedly more onerous, entity-wide certification standard applicable to FMEs, requiring KMPs and employees engaged in core fund management activities to obtain the prescribed ICSI certification. This divergence in approach reflects a departure from the regulatory philosophy underscoring the SEBI certification requirement. Whereas SEBI employs a role-specific certification model targeting decision-makers, the IFSCA extends this requirement of professional certification across the entire fund management workforce, thereby raising the professional bar considerably for FMEs in GIFT City.

Notably, the IFSCA circular does not define the expression “core fund management activities.” In the absence of a regulatory definition, the expression may be interpreted to include activities integral to the fund management function such as investment decision-making, portfolio management, risk management, deal sourcing and evaluation, fund structuring, investor relations and compliance oversight. This lack of clarity introduces a degree of subjectivity in determining which employees fall within the scope of the mandatory certification requirement, leaving FMEs to exercise their own judgment in identifying the relevant personnel, potentially subject to regulatory scrutiny.

In addition, while SEBI had substituted the NISM certification requirement for the experience requirement for the Key Investment Team members, the certification requirement specified by IFSCA is in addition to, and not in substitution of, the experience requirements for KMPs. Despite the requirement to obtain the now prescribed ICSI certification, KMPs of a Fund Management Entity in IFSC are also required to possess professional experience of at least 3 to 5 years (depending on the conditions being met).

However, as a whole, the prescribed mandatory certification ensures compliance with professional standards, removing the need for prior IFSCA review.

Streamlining KMP Appointments

In another circular dated 1 April 2026 (Amendment Circular), IFSCA has amended its preceding circular dated 20 February 2025 on ‘Appointment and Change of Key Managerial Personnel by a Fund Management Entity’ (KMP Change Circular). The key change removes the requirement for FMEs to await IFSCA comments (within seven working days of filing the application for change of KMP) before effecting a KMP appointment or change. The KMP Change Circular, read with the Amendment Circular clarifies that FMEs need to notify the IFSCA of a change in KMP along with the required details and payment fees, and are free to effectuate such change in KMP without having to wait for comments from IFSCA on the same.

By doing away with this requirement, FMEs will no longer be subject to regulatory delays in onboarding senior personnel. However, responsibility for compliance with eligibility criteria under the FM Regulations (including ICSI certification) now rests entirely with the FME.

Fiduciary Governance and Segregation of Roles

On 10 April 2026, IFSCA issued another circular titled ‘Governance and oversight of Schemes in IFSC - Segregation of the role of Fiduciaries’ (Governance Circular) clarifying the governance and oversight obligations of the fiduciaries of Schemes launched by FMEs in GIFT City, for trustees (for schemes structured as trusts), boards of directors (for schemes structured as company), and designated partners (for schemes structured as limited liability partnerships).

Under IFSCA (TechFin and Ancillary Services) Regulations, 2025, a single entity can be registered as and provide both trusteeship and fund administrator. This has resulted in trustees doubling up as fund administrators, allowing a one-stop service provider for Schemes, from where the administration of the Schemes can be undertaken.

The Governance Circular, however, prohibits a FME from appointing an entity which is acting as a fiduciary to a scheme to also provide services such as fund administration, valuation, audit, and lending or financing to that scheme, either directly or through its associate. This is a broad restriction, extending to affiliated and associated entities, thus, preventing circumvention through group structures.

IFSCA's rationale behind mandating a segregation of roles, and thereby barring a trustee from undertaking fund administration as well is that such a dual role creates an inherent risk of conflict of interest as it blurs the line between fiduciary oversight and administrative functions.

While the concerns around overlapping trustee and administrative roles are not unique to the IFSC, the manner of mitigating concerns around such roles varies. In Singapore, the business trusts registered under the Business Trust Act 2004 (Act) of Singapore are regulated by the Monetary Authority of Singapore (MAS), and expressly provides for a trustee-manager model, where a single entity assumes both roles. It is to be noted that unlike the mandatory segregation laid down by the Governance Circular, the Act applicable to similar structures in Singapore does not mandate a structural separation. Any ancillary activities are instead governed through fiduciary duties, disclosure requirements and conflict management obligations. IFSCA's approach on restricting trustees from assuming any other role in funds is a stricter approach, which seems to be adopted with a view to enhance investor confidence in an emerging market.

It is also to be noted that such an issue is ordinarily routed through prior consultation with the industry and stakeholders through a consultation paper. The absence of a prior consultation process has precluded affected stakeholders from having the adequate opportunity to highlight their concerns before the regulator.

The Governance Circular came into force with immediate effect on 10 April 2026. Accordingly, for any new schemes set up on or after this date, a FME cannot appoint an entity acting as a fiduciary to also serve as fund administrator, valuer, auditor, or lender to the same scheme. For schemes which have already been taken on record by the Authority, or filed with the Authority as on the date of issuance of the Governance Circular, FMEs are required to take necessary steps to comply with the segregation requirements by 30 September 2026.

Conclusion

The abovementioned developments signal IFSCA's intent on building a fund management regime that is identified by professionalism and operational finesse. While the ICSI certification requirement raises the requisite knowledge base across FMEs, it does add a layer of additional requirement for appointment of KMPs in GIFT City, which has been highlighted as an uphill battle currently as well. The removal of IFSCA review prior to appointment of KMP while shifting the accountability onto FMEs, ensures mitigation of any delays for such appointment. Lastly, the fiduciary segregation requirement while intended to safeguard Schemes launched in GIFT City, takes a stern stance on the issue.

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