Consultation Paper on the financial soundness criteria for existing Payment System Operators (PSOs) and applicants desirous of operating payment systems in IFSC.

A. Objective of the Consultation Paper

The International Financial Services Centres Authority ("IFSCA" or "the Authority") proposes to specify the financial soundness criteria for existing Payment System Operators (PSOs) and applicants desirous of operating payment systems in IFSC. The objective of this public consultation is to seek comments, views, and suggestions from stakeholders and public on such criteria.

B. Background

1. In exercise of the powers conferred under Section 34 B read with sub-section (1) and clauses (b) to (f) of sub-section (2) of section 38 of the Payments and Settlement Systems Act, 2007 (51 of 2007) ("PSS Act"), read with Section 12 and Section 13 of the International Financial Services Centres Authority Act, 2019, the Authority had issued the IFSCA (Payment and Settlement Systems) Regulations, 2024 ("PSS Regulations"), which were notified in the Official Gazette on October 14, 2024.

2. Sub-section (1) of Section 7 of the PSS Act specifies the factors that shall be considered by the Authority while issuing authorisation under the PSS Act including the financial status, experience of management and integrity of the applicant. The PSS Regulations lay down the framework for authorisation and regulation of payment systems in IFSC, including the process for grant of authorisation.

3. The application form prescribed by the Authority pursuant to sub-regulation (2) of regulation 4 of the PSS Regulations specifies the following categories of payment systems for which authorisation may be granted under the PSS Regulations:
   i. Real time or deferred large value payment system
   ii. Trade Repository

iii. Issuers of Legal Entity Identifier (LEI)
iv. Card Payment Networks
v. TREDS platforms
vi. Any other

4. Upon review of the extant PSS Regulations and payment system authorisation practices adopted across major jurisdictions, it has been felt necessary to specify the criteria of financial soundness that may be required to be satisfied by the existing PSOs as well as prospective applicants desirous of operating a payment system in IFSC.

C. Draft Circular and Proposal for Public Comments

1. The comments on the draft circular may be sent by email to Mr. Sanjay Khobragade, Manager, IFSCA at sanjay.mk@ifsca.gov.in, with a copy to Mr. Pavan Jindam, Deputy General Manager, IFSCA at pavan.jindam@ifsca.gov.in on or before August 28, 2026.

2. The comments may be provided in the following format (MS Word or MS Excel only):

<table>
<tr><td colspan="2">Name, Designation of the Person</td><td colspan="2"></td></tr>
<tr><td colspan="2">Contact No.</td><td colspan="2"></td></tr>
<tr><td colspan="2">Name of Organisation</td><td colspan="2"></td></tr>
<tr><td>Sr. No</td><td>Paragraph No. of the Draft circular</td><td>Comments/Suggestions along with revised Clause in line with the suggestion</td><td>Detailed rationale along with information</td></tr>
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DRAFT FOR COMMENTS

File Number **Date: XX-XX-XX**

To,

All Authorised Payment System Operators (PSOs) in International Financial Services Centre (IFSC)
All Applicant/s desirous of operating Payment System in IFSC.

Madam / Sir,

Subject: Financial soundness criteria for existing PSOs and prospective PSO applicant/s.

1. Reference is drawn to Section 10(2) read with Section 18 of the Payment and Settlement Systems Act, 2007 ("PSS Act") and Section 12 read with Section 13 of the International Financial Services Centres Authority Act, 2019 ("IFSCA Act") which empowers IFSCA ("the Authority") to issue such guidelines, as it may consider necessary for the proper and efficient management of the payment systems generally or with reference to any particular payment system or in the public interest.

2. Further, clause (vi) of sub-section (1) of section 7 of the PSS Act requires the Authority to consider the financial status of the applicant before the issuance of authorisation for commencing or carrying on a payment system.

3. Accordingly, the Authority proposes to lay down the financial soundness criteria as referred to in Annexure-I for – (i) existing PSOs in IFSC and (ii) Applicant/s seeking authorisation for operating various categories of Payment System in IFSC. Any company/entity/person in either of the above-mentioned categories (i.e. existing PSOs or Applicant/s) shall hereinafter individually be referred to as "**entity**"

4. Any entity operating an authorised Payment System as on the date of issuance of this circular shall comply with the financial soundness criteria within 6 months from the date of the issuance of this circular.

5. Any entity seeking authorisation to operate a Payment System as on the date of issuance of this circular shall comply with the financial soundness criteria before the issuance of authorisation by the Authority under Section 7 of the PSS Act to operate an authorised Payment System.

Annexure-I

Sr No	Category of Payment System	Financial soundness criteria
1	Large Value Payment Systems (LVPS)	The entity shall have sound financial status.
2	Trade Repository (TR)	The entity shall at all times, maintain net-worth equivalent to at least one year's operating costs, calculated on half yearly basis.
3	Issuer of Legal Entity Identifier (LEI)	The entity shall have a minimum net-worth of USD 0.2 million.
4	Card Payment Networks	The entity shall have sound financial status.
5	Trade Receivables Discounting System (TReDS)	The entity shall have a minimum net-worth of USD 1 million.

2. For the purpose of this Circular, the term "Net-worth" shall consist of paid-up equity capital, preference shares that are compulsorily convertible to equity, free reserves, balance in share premium account and capital reserves representing surplus arising out of sale proceeds of assets but not reserves created by revaluation of assets adjusted for accumulated loss balance, book value of intangible assets and deferred revenue expenditure, if any.

   Explanation – For the removal of doubts, it is clarified that compulsorily convertible preference shares may be issued either as a cumulative or non-cumulative preference shares, which shall be compulsorily convertible into equity shares in accordance with the terms of their issue, and the shareholders' agreement shall specifically prohibit any withdrawal of such preference capital at any time.

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