



Tax alert: Regulatory framework for listing of securities on international stock exchanges located in IFSC

20 September 2024

On 20 August 2024, the International Financial Services Centres Authority (IFSCA), notified International Financial Services Centres Authority (Listing) Regulations, 2024 (IFSCA Listing Regulations). These regulations provide the regulatory framework for the listing of specified securities, debt securities, depository receipts, and other permitted financial products on recognised stock exchanges in the IFSCs in India.

IFSCA Listing Regulations has replaced the existing IFSCA (Issuance and Listing of Securities) Regulations, 2021 (“ILS Regulations 2021”) which was notified on 16 July 2021.

In a nutshell



- IFSCA Listing Regulations will establish a unified framework for listing securities and financial products on international exchanges within IFSC.



- Companies incorporated in India, IFSCs, and Financial Action Task Force (FATF) compliant foreign jurisdictions can issue and list their securities in IFSC.
- Provide easier access to Indian Company particularly start-ups. to access large pools of foreign capital.



IFSCA Listing Regulations are designed to boost the IFSC's attractiveness for capital raising by simplifying eligibility criteria and enhancing disclosure requirements for listing of various types of securities, including IPOs and debt securities.



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Background:

- In January 2024, Government of India had notified the Direct Listing Scheme, providing the legal framework for direct listing of equity shares of public Indian companies on the international exchanges in the IFSC.
- In February 2024, IFSCA constituted a Standing Committee on Primary Markets (Committee), to advise IFSCA on policy and regulatory matters for the development of a vibrant and robust primary market in GIFT IFSC. The Committee recommended that the IFSCA's regulatory framework for listing of companies should be aligned with other international financial centres such as Singapore, Hong Kong, USA and UK. Following extensive deliberations in the Committee and after public consultations, it was decided to replace the existing ILS Regulations 2021 with the IFSCA Listing Regulations. Key Highlights of IFSCA Listing Regulations are provided below:

Key Highlights:

Sl. No.	Parameters	Regulatory Requirement
A	Applicability & Criteria	
1	Applicability	<ol style="list-style-type: none">Initial public offer of specified securities by an unlisted entity and Special Purpose Acquisition Company;Follow-on public offer of specified securities by a Listed Entity;Rights issue or a preferential issue or a qualified institutions placement of specified securities by a Listed Entity;Issuance and listing of depository receipts, debt securities and secondary listing by an entity;Listing of Commercial Paper or Certificates of Deposit or other financial products as permitted by IFSCA.
2	Specified securities	Equity Shares and Convertible Securities (i.e., convertible into or exchangeable with equity shares of the issuer at a later date and includes convertible debt instruments and convertible preference shares)
3	General Eligibility Criteria	<ol style="list-style-type: none">Issuer must be incorporated in an IFSC, India or a foreign jurisdiction;Issuer must operate in conformity with its constitution and be eligible to issue the securities under its home jurisdiction's laws;Indian companies listing equity shares must meet additional eligibility criteria under Foreign Exchange Management (Non-Debt Instrument) Rules, 2019 (FEMA Non-debt Rules) and Companies (Listing of equity shares in permissible jurisdictions) Rules, 2024.Supra-nationals or a multilateral or a statutory institution, municipalities or any similar body and entities those offering sovereign debt can also list debt securities;Issuers or its promoters/ directors cannot list if they are:<ul style="list-style-type: none">— debarred from accessing the capital market; or— classified as wilful defaulters; or— fugitive economic offenders.
4	Form and Currency for issuance of securities	<ol style="list-style-type: none">Dematerialised Form: Securities and other permitted financial products must be freely transferable and held in dematerialised form. Debt securities and financial product can also be held with an international central securities depository;Currency: Securities and financial products must be denominated in a specified foreign currency as per applicable IFSCA Regulations.

B	Listing of Specified Securities	
1	Eligibility Criteria for IPO	<ul style="list-style-type: none"> i. Operating revenue of at least US\$ 20 million in the last financial year or averaged over the last 3 financial years; ii. Pre-tax profit of at least US\$ 1 million in the last financial year or averaged over the last 3 financial years, as per consolidated audited accounts; iii. Post-issue market capitalization of at least US\$ 25 million; and iv. Any other eligibility criteria specified by the IFSCA <p>Explanation: Financial Year means Financial Year followed by the issuer in accordance with the applicable laws of its home jurisdiction.</p>
2	IPO in case of Superior Rights (SR) equity shares	<p>In case of SR equity shares, IPO of ordinary shares shall be allowed subject to following:</p> <ul style="list-style-type: none"> - Issue of SR equity shares had been authorized by a shareholders' resolution; - SR equity shares have been held for a period of at least 3 months prior to filing of draft offer document.
3	Eligibility Criteria for OFS	<p>Holding Period for Offer for Sale:</p> <ul style="list-style-type: none"> i. Securities must be held for at least one year before filing the draft offer document; ii. For equity shares received on conversion, the holding period includes both the convertible securities and depositary receipts and the resultant equity shares; iii. Conversion of such equity shares should be completed before filing of draft offer document, with full disclosure in the draft offer document. <p>Exceptions to the One-Year Holding Requirement:</p> <ul style="list-style-type: none"> — If equity shares were acquired through a merger or amalgamation involving business and invested capital which had been in existence for over one year before the scheme's approval; — If equity shares were issued as a bonus on securities held for at least one year before filing of draft offer document, provided: — Issued from free reserves and share premium as at the end of the previous financial year preceding the financial year in which offer document is filed; — Not issued by utilisation of revaluation reserves or unrealized profits.
4	Filing of offer document	<p>If Issue size exceeds US\$ 50 million, issuers shall file offer document with IFSCA for seeking observations (Exemption provided for issuers with proposed issue size of US\$ 50 million or less).</p>
5	Offer Timing	<p>Offer shall be made within a period of not more than 12 months from:</p> <ul style="list-style-type: none"> — Date of issuance of observations by IFSCA (for issue size above US\$ 50 million); — Date of receipt of the offer document by IFSCA (for issue size of US\$ 50 million or below).
6	Pricing	<ul style="list-style-type: none"> — Fixed price or Book building mechanism. — Indian company shall also comply with requirements prescribed in the FEMA Non-debt Rules.

7	Offer Period	IPO shall be opened for minimum 1 working day and maximum 10 working days. If the issuer has a simultaneous offer in another jurisdiction, the offer period can be the same period as applicable in that jurisdiction.
8	Lock-up	<ul style="list-style-type: none"> — Pre-issue shareholding of promoters and controlling shareholders shall be locked up for a period of 180 days except to specified securities lent to stabilising agent for the purpose of Green Shoe Option during the specified period. — SR equity shares shall be locked up after IPO until their conversion to ordinary shares or 1 year from the date of allotment in the IPO, whichever is later.
9	Price stabilization through green shoe option	An issuer may provide green shoe option for stabilising the post list price of its specified securities subject to specified conditions.
10	Minimum Public Offer and Shareholding	<p>Indian Company: In accordance with the Securities Contracts (Regulation) Rules, 1957</p> <p>Foreign Company: Minimum public offer as well as minimum public shareholding of 10% of the post issue capital.</p>
11	Underwriting	Disclosures regarding underwriting arrangements shall be made in the offer document.
12	Monitoring Agency	Optional - Issuer may choose to appoint a Credit Rating Agency (CRA) registered with the IFSCA or registered with any other regulator in India / Foreign jurisdiction as a monitoring agency for monitoring the use of proceeds of IPO.
C	Listing of Debt Securities	
1	Listing of Debt Securities	<ul style="list-style-type: none"> — Issuer may list its debt securities by filing listing application with recognized stock exchanges along with a copy of the offer document / information memorandum; — With effect from April 1, 2025, the issuer must obtain at least one credit rating from CRA registered with the IFSCA or with a regulator in a foreign jurisdiction. — For public issue of debt securities on a recognised stock exchange, the issuer shall comply with requirements such as appointment of trustee, creation of debenture redemption reserve and such other requirements as may be specified by IFSCA
2	ESG Labelled Debt Securities	Additional requirements for listing of “Green”, “Social”, “Sustainability” and “Sustainability linked” debt securities are specified in the IFSCA Listing Regulations.
D	Listing of Depository Receipts (DRs)	
1	Eligibility	An issuer incorporated outside an IFSC to make an issue of DR only if - <ul style="list-style-type: none"> — Authorised to issue DRs as per laws of its home jurisdiction; and — Underlying securities are in dematerialised form, fully paid and free from all encumbrances
2	Minimum Offer Size /	US\$ 700,000, or any other amount as may be specified by IFSCA.

	subscription amount	
3	Pricing	Fixed Price or Book Building Process.
4	Offer Period	Issue to be kept open for minimum 1 working day and maximum 10 working days
5	Allotment	5 working days from the date of closure of issue.
6	Listing	The issuer shall list the DRs within the time period as specified by the recognized stock exchange(s).
E	Listing of Special Purpose Acquisition Companies (SPAC)	
1	Eligibility	<ul style="list-style-type: none"> — Target business combination has not been identified prior to the IPO; — SPAC has provisions for redemption and liquidation; and — Sponsor has good track record in SPAC transactions, business combinations, fund management or investment banking activities and the same shall be disclosed in the offer document.
2	Ineligibility	A SPAC shall be ineligible to list specified securities, if the issuer or its sponsors is debarred from accessing capital market; or is a wilful defaulter; or is a fugitive economic offender.
3	Offer Timing	Within 12 months from date of issuance of observations by IFSCA
4	Issue size	<ul style="list-style-type: none"> — Total value of the issue must be at least US\$ 50 million, or such amount as specified by IFSCA; — Sponsors to hold minimum 15% and not more than 20% of post issue paid up capital. — Prior to the IPO, sponsors shall have aggregate subscription in all securities of at least US\$ 10 million in the SPAC, or an amount equivalent to at least 2.5% of the issue size, whichever is lower or any threshold as may be specified by IFSCA.
5	Pricing	Fixed price mechanism
6	Offer period	Issue to be kept open for minimum 1 working day and maximum 10 working days
7	Underwriting	<p>A public issue of specified securities may be underwritten by an underwriter subject to following conditions:</p> <ul style="list-style-type: none"> — At least 50% of the underwriting commission to be deferred until successful completion of the business combination, and to be deposited in an escrow account. — In case of liquidation, the underwriter shall have no right on the deferred commission.
8	Application and Allotment	<ul style="list-style-type: none"> — Minimum application size shall be US\$ 100,000; — Allotment of shares shall be on proportionate or discretionary basis, as disclosed in the offer document; — Allotments, payments and refunds to be completed within 5 working days from the close of issue.
9	Other key obligations of SPAC	<ul style="list-style-type: none"> — IPO proceeds to be kept in an interest-bearing escrow account controlled by an independent custodian until consummation of SPAC's business combination.

		<ul style="list-style-type: none"> — Business combination to be completed within the timeline disclosed in the offer document subject to maximum of 36 months from the date of listing on the recognized stock exchange(s). — In case of failure of completion of business combination within the timeline, escrow account to be liquidated and SPAC to be delisted in the manner specified in the offer document. — In case of liquidation and delisting, Sponsor shall not participate in the liquidation proceedings. — Sponsor shall not transfer / sell any securities prior to the completion of a business combination.
10	Post business combination requirements	<ul style="list-style-type: none"> — The resulting entity shall comply with eligibility criteria set out in the IFSCA Listing regulations within 180 days to continue listing on the recognized stock exchanges. — Shareholding of sponsors, controlling shareholders, directors and key managerial personnel of the resulting entity to be locked up for a period of 1 year from the date of closing of the business combination.
F	LISTING OF OTHER FINANCIAL PRODUCTS	
1	Listing of Funds and Investment Trusts	An issuer may list a fund or an investment trust on a recognised stock exchange in terms of IFSCA (Fund Management) Regulations, 2022.
2	Listing of other financial product	Commercial Papers, Certificates of Deposits and other financial products may be listed in such manner and subject to such conditions as may be specified by IFSCA.
G	Other Requirements	
1	Obligations and Disclosure Requirements	Listed entity shall make timely disclosure and filings of documents / information as specified under the IFSCA Listing Regulations.
2	Compliance Officer	Listed Entity shall appoint a qualified company secretary as the compliance officer. In case where the entity is incorporated outside India, a company secretary or equivalent shall be appointed as compliance officer.

- Department of Economic Affairs, Ministry of Finance, Government of India vide notification dated 28 August 2024 amended the Securities Contracts (Regulation) Rules, 1957 (SCRR) to ease the listing requirements for Indian companies seeking to list on IFSCs at par with global standards. Key highlights of the amended SCRR are as follows:

Sl. No.	Parameters	Key Amendment
1	Minimum Public Offer	For public Indian companies listing its securities on IFSC, the minimum offer and allotment to the public as per the offer document shall be at least 10% of the post-issue capital.
2	Continuous Listing Requirements	The continuous listing requirement for such companies has also been set at 10%, as outlined under Rules 19 (2)(b) and 19A of the SCRR.

Key Takeaway

IFSCA Listing Regulations are expected to provide a fillip to the IFSC as an investment and capital raising financial centre. This is expected to bring investors and companies together to contribute to the growth of the financial

centre. Considering that international financial centres act as hubs for fund raising by companies around the world, the IFSCA Listing Regulations have been notified to position the IFSC as an attractive destination for raising of capital, both through equity and bonds. IFSCA Listing Regulations will enable Indian and foreign issuers to access capital through issue and listing of securities on the stock exchanges in the IFSC and are expected to promote ease of doing business for the issuers to access capital market through listing of securities on the stock exchanges in the IFSC with greater flexibility and efficiency.

Source: Notification no. IFSCA/GN/2024/006 issued by IFSCA vide notification dated 20 August 2024.

Press Release issued by IFSCA dated 30 August 2024.

Notification no. G.S.R. 518(E) issued by Ministry of Finance dated 28 August 2024.

Press Release issued by Ministry of Finance dated 29 August 2024.



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