



A BHATT & JOSHI PRACTITIONER HANDBOOK
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THE FINTECH PATHWAY AT GIFT IFSC

*A Practitioner's Handbook on the IFSCA
Framework for FinTech Entity (27 Apr 2022)*



FE FRAMEWORK · IFSCA CIRCULAR 27 APR 2022
AUTHORISATION + THREE SANDBOX TRACKS (FIS / FRS / IORS)
DRAFT SUCCESSOR SANDBOX FRAMEWORK 19 SEP 2025
INCOME-TAX ACT §80LA · FINTECH INCENTIVE SCHEME 2022
DPDP ACT 2023 §16 · DPDP RULES 2025 R.15 · PMLA 2002

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FOREWORD

Booklet XIII of the Practitioner Series sets out the FinTech pathway at GIFT-IFSC. The operative instrument is the Framework for FinTech Entity in the IFSCs (IFSCA Circular F.No. 521/IFSCA/FinTech/FE Framework/2022-23, dated 27 April 2022), read with the IFSCA (FinTech Incentive) Scheme, 2022 and the implementation Guidelines of 12 September 2022. A draft successor Sandbox Framework was put to public consultation on 19 September 2025; this booklet maps both the extant regime and the successor architecture, and identifies the FinTech Entity track, the three Sandbox tracks (Innovation, Regulatory, Inter-Operable), and the cash-grant scheme that ride on top.

CHAPTER ONE

Why GIFT-IFSC for FinTech

Citations: IFSCA Act 2019 Sections 12, 13, 20; Special Economic Zones Act 2005 Section 18; FE Framework Circular dated 27 April 2022.

¶ **1. A unified-regulator pitch.** GIFT City is the only multi-services Special Economic Zone in India constituted as an International Financial Services Centre under Section 18 of the SEZ Act 2005. By the operation of Section 13 of the IFSCA Act 2019, the International Financial Services Centres Authority exercises, within the IFSC perimeter, all the powers otherwise vested in the Reserve Bank of India, the Securities and Exchange Board of India, the Insurance Regulatory and Development Authority of India, and the Pension Fund Regulatory and Development Authority. For a fintech founder, this means that a single regulator issues a single authorisation across what would, onshore, be four separate licensing perimeters.

¶ **2. The comparative pitch.** The RBI Regulatory Sandbox (2019), the SEBI Innovation Sandbox (2019, refreshed 2022), the IRDAI Sandbox (2019, refreshed 2022) and the IFSCA Sandbox each address a different slice of the fintech regulatory perimeter. Only the IFSCA framework offers (i) a single authorisation across regulators, (ii) deemed-foreign-territory tax treatment for receipts in convertible foreign exchange, (iii) Section 80LA of the Income-tax Act 1961 (100% deduction of specified income for any 10 consecutive years out of the first 15), and (iv) a published cash-grant scheme under the IFSCA (FinTech Incentive) Scheme 2022. No other Indian jurisdiction combines all four.

¶ **3. The two tracks and the sandbox family.** The FE Framework recognises two parallel routes: direct Authorisation as a 'FinTech Entity' under Chapter I (for founders with a working product and revenue track record), and Limited Use Authorisation under Chapter II (for sandbox testing). The sandbox is itself a family of three tracks — FinTech Innovation Sandbox (FIS) for idea-stage testing, FinTech Regulatory Sandbox (FRS) for controlled live testing, and Inter-Operable Regulatory Sandbox (IoRS) for hybrid products that straddle more than one domestic financial-sector regulator's remit. Chapter II of the FE Framework is the chapter being re-architected by the 19 September 2025 draft Sandbox Framework; Chapter I (direct Authorisation) is unaffected.

CHAPTER TWO

Authorisation vs Sandbox – the choice of track

Citations: FE Framework clauses 4, 6, 12, 39, 42 and 51; IFSCA Draft FinTech Sandbox Framework, 19 September 2025 (proposed successor architecture).

GRANT OF AUTHORISATION AS FINTECH ENTITY (VERBATIM, CLAUSE 12)

The Authority may, after examining the application and on being satisfied that the applicant has fulfilled the eligibility criteria, grant Authorization to the Applicant as a 'FinTech Entity', subject to the conditions that the Applicant: (a) separately incorporates an entity in the IFSC; or (b) establishes a branch or a subsidiary of an Indian or foreign incorporated entity in IFSC.

Source: FE Framework Circular dated 27 April 2022, clause 12.

REVENUE-TRACK-RECORD GATE FOR DIRECT AUTHORISATION (VERBATIM, CLAUSE 6)

The Applicant must have: (a) a deployable solution/working product; and (b) a revenue earning track record in at least one of the last three financial years.

Source: FE Framework Circular dated 27 April 2022, clause 6.

¶ **1. Mapping fact pattern to track.** A founder who has neither a working product nor revenue cannot directly take Authorisation as a FinTech Entity. The sandbox is the entry vehicle. Within the sandbox family, the choice between FIS, FRS and IoRS turns on three variables: (i) whether the test uses real client money (FRS) or synthetic / market data (FIS); (ii) whether the product cuts across more than one domestic regulator's remit (IoRS); and (iii) whether the founder is already regulated by RBI / SEBI / IRDAI / PFRDA or a foreign financial regulator. Sandbox dispensation is capped at twelve months, with a single six-month extension on request.

SANDBOX DURATION / EXTENSION (VERBATIM, CLAUSE 39)

The duration of the sandbox testing stage shall be a maximum of twelve months which may be extended further by six months upon request of the FE.

Source: FE Framework Circular dated 27 April 2022, clause 39.

NON-RELAXABLE REQUIREMENTS – KYC AND AML (VERBATIM, CLAUSE 42)

The Authority may consider granting exemptions/ relaxations if any, which could be in the form of exemption from certain regulatory requirements, depending on the FinTech solution to be tested. However, no such exemptions would be granted from the customer/investor protection /Know-Your-Customer (KYC) requirements and Anti-Money Laundering (AML) rules.

Source: FE Framework Circular dated 27 April 2022, clause 42.

¶ **2. Clause 42 in practice.** Clause 42 is the IFSCA red line. Sandbox dispensation can relax capital requirements, fit-and-proper timing, reporting cadence, and certain product-level disclosures — but never KYC, customer protection or AML. A founder who wishes the sandbox dispensation to absolve

them of source-of-funds diligence on test customers, or of sanctions screening on counterparties, is reading the framework wrongly. The Standard of Practice this Firm reproduces in every opinion takes its content from precisely that red line.

¶ **3. The 2025 successor architecture – what to expect.** The 19 September 2025 draft Sandbox Framework, if notified in its current form, will replace Chapter II of the 2022 Framework. The principal architectural changes are (i) a two-stage Preliminary / Final Application via the Single Window IT System (SWIT), (ii) the introduction of a 'FinTech Sandbox Entity' (FSE) status as the operative term-of-art (replacing 'Limited Use Authorisation'), (iii) a mandatory Testing Partner condition for live-money tests, and (iv) extension of records retention to seven years (from five). Chapter I remains untouched.

CHAPTER THREE

Eligibility – Domestic and Foreign Applicants

Citations: FE Framework clauses 2(h), 2(i), 4 and 5; FATF "High-Risk Jurisdictions subject to a Call for Action" list.

DEFINITION OF "FINTECH" (VERBATIM, CLAUSE 2(h))

'FinTech' includes financial technology solutions which result in new business models, applications, process or products in financial services regulated by the Authority or advanced/innovative technology solutions which aid and assists activities in relation to financial products, financial services and financial institutions;

Source: FE Framework Circular dated 27 April 2022, clause 2(h).

DEFINITION OF "FINTECH ENTITY" (VERBATIM, CLAUSE 2(i))

'FinTech Entity' means an entity authorized by the Authority under the appropriate framework and shall include both Domestic and Foreign FinTechs;

Source: FE Framework Circular dated 27 April 2022, clause 2(i).

FATF GATE FOR FOREIGN APPLICANTS (VERBATIM, CLAUSE 4(ii))

Where the Applicant is from Outside India — An entity from FATF compliant countries/jurisdictions;

Source: FE Framework Circular dated 27 April 2022, clause 4(ii).

¶ **1. The eligibility gates.** For Indian applicants, the qualifying gates are: a Companies Act 2013 / LLP Act 2008 entity (or a branch of one); recognition by DPIIT as a fintech start-up; or status as a regulated entity in the RBI / SEBI / IRDAI / PFRDA ecosystem; an IFSC presence in the form of a separately incorporated entity, a branch, or a subsidiary. For foreign applicants, the gate is simpler in form but heavier in content: the applicant must be from a country or jurisdiction that is FATF-compliant. In operational terms, that excludes any entity from a jurisdiction currently on the FATF 'High-Risk Jurisdictions subject to a Call for Action' list (commonly known as the FATF blacklist), and warrants enhanced diligence for entities from the FATF 'Increased Monitoring' list (grey list).

¶ **2. Fit and proper.** Fit-and-proper screening applies independently of the FATF gate. The Guidelines for implementation of the IFSCA (FinTech Incentive) Scheme 2022 set out the operative criteria — integrity, reputation and character; absence of convictions and restraint orders; competence including financial solvency. The Firm advises that the fit-and-proper file be assembled before the SWIT application is filed, not after a deficiency letter is received.

FIT-AND-PROPER CRITERIA (VERBATIM, INCENTIVE-SCHEME GUIDELINES, CLAUSE 3.2)

For the purpose of clause 3.1, the criteria for determining 'fit and proper person' would include - (i) integrity, reputation and character; (ii) absence of convictions and restraint orders; (iii) competence, including financial solvency.

Source: IFSCA Circular F.No. 389/IFSCA/FIP/2021-22 dated 12 September 2022, clause 3.2.

CHAPTER FOUR

Permissible Activities – the catalogue

Citations: FE Framework Annexure I; IFSCA (TechFin and Ancillary Services) Regulations 2025 (notified 8 July 2025, effective 10 July 2025).

¶ **1. The four heads.** Annexure I to the FE Framework groups permissible activities under four heads. (i) Banking-aligned solutions — digital remittance and payments, neo-banking, open banking, BNPL, crowd-lending, digital lending. (ii) Capital-markets-aligned solutions — crowdfunding platforms, personal-finance management, WealthTech, RoboAdvisory, sustainable-finance products, alternate trading platforms, tokenisation of securities to the extent permitted by the IFSCA bullion / securities framework. (iii) Insurance-aligned solutions — InsurTech, embedded insurance, cyber-risk insurance, climate-risk insurance, parametric products. (iv) TechFin and allied solutions — RegTech, SupTech, SpaceTech, Climate / Green Tech, AI / ML for financial services, Distributed Ledger Technology, biometrics, KYC / AML / CFT solutions, cyber-security for FIs.

¶ **2. The TAS overlap.** The IFSCA (TechFin and Ancillary Services) Regulations 2025, notified on 8 July 2025 and effective 10 July 2025, codify a separate registration pathway for 23 enumerated technology services that support regulated finance but do not themselves involve regulated dealing. For a founder whose proposition is pure RegTech, SupTech, or back-office AI/ML for financial-services consumption, the 2025 TAS Regulations may be the cleaner pathway than the FE Framework. The draft 2025 Sandbox Framework expressly recommends that founders test eligibility under the TAS Regulations before applying for sandbox dispensation under the FE Framework.

¶ **3. Virtual digital assets — the candid position.** The FE Framework does not carve out a virtual-digital-asset (VDA) pathway. Annexure I lists Distributed Ledger Technology and Web 3.0 as TechFin solutions; it does not list crypto-asset broking, custody or exchange as authorised activities. Any digital-asset proposition that involves dealing in crypto-assets is outside the current Authorisation perimeter pending the IFSCA framework on bullion and tokenised securities. The Firm declines to advise founders that GIFT-IFSC offers a current pathway for spot crypto-asset broking or exchange.

CHAPTER FIVE

Sandbox Lifecycle — Entry, Testing, Exit

Citations: FE Framework Chapters II and III; clauses 39, 42, 51 and 56; Draft Sandbox Framework dated 19 September 2025.

¶ **1. Five stages.** The sandbox lifecycle has five stages. (i) Screening — IFSCA screens the application within 30 working days; a deficiency letter, if issued, allows the applicant to rectify within a specified window. (ii) Evaluation — a dedicated Evaluation Committee considers the application for the appropriate Sandbox track and recommends entry, modification, or rejection. (iii) Grant of Limited Use Authorisation — IFSCA issues the LUA specifying the regulatory relaxations granted, the perimeter of permitted testing, the maximum number of test customers, the ceiling on transaction value, and the reporting cadence. (iv) Testing — not exceeding twelve months, with a single six-month extension on request. Interim reports as specified. (v) Exit — four options: full Authorisation as FE; modified regulatory dispensation outside the sandbox; further extension; or voluntary exit on 30 working days' notice.

EXPIRY OF LIMITED USE AUTHORISATION (VERBATIM, CLAUSE 51)

At the end of the testing period, the Limited Use Authorization as FinTech Entity granted to the Applicant including the legal and regulatory requirements relaxed by the Authority, shall expire.

Source: FE Framework Circular dated 27 April 2022, clause 51.

¶ **2. The expiry trap.** On expiry of the LUA the founder cannot continue offering the tested service to live customers in reliance on the sandbox dispensation. Either the founder migrates to direct Authorisation under Chapter I (if eligibility gates are then satisfied), or the service must be wound down. Founders frequently mis-plan exit; the Firm recommends building the Chapter-I application in parallel during the testing window, not after expiry.

¶ **3. Revocation.** Revocation grounds are codified in Chapter III — misrepresentation in application, breach of the perimeter of the LUA, failure to report material incidents, and any conduct prejudicial to customer interest or to the integrity of the IFSC. Revocation is not appealable as of right; the Authority's decision is subject to writ jurisdiction only.

CHAPTER SIX

Tax and Cash-Grant Incentives

Citations: Income-tax Act 1961 Section 80LA, Section 47(viib), Section 10(4D); IFSCA (FinTech Incentive) Scheme 2022; Guidelines dated 12 September 2022.

¶ **1. Section 80LA — the headline.** An IFSC unit that earns income from approved activities is eligible, on satisfaction of conditions, for a 100% deduction of that income under Section 80LA of the Income-tax Act 1961, for any ten consecutive assessment years out of the first fifteen. The deduction window has been the subject of successive Finance Act amendments; the Firm advises that the precise window be confirmed with tax counsel against the Finance Act in force on the date of Authorisation, not on assumption.

FEE STRUCTURE — FOREIGN SANDBOX APPLICANTS (VERBATIM, ANNEXURE VIII)

Following Fee structure shall be applicable on Foreign FinTech Applicants in case of IFSCA FinTech Regulatory/Innovation Sandbox (Limited Use Authorization): (a) Application Fee : USD 100 (b) Limited Use Authorization Fee: USD 500 (c) Extension Fee (post 12 months): USD 500.

Source: FE Framework Circular dated 27 April 2022, Annexure VIII. Superseded for new applicants by the consolidated Fee Circular dated 8 April 2025 — verify current quanta before filing.

¶ **2. The six-grant menu.** The IFSCA (FinTech Incentive) Scheme 2022, gazetted on 2 February 2022 and operationalised by the Guidelines of 12 September 2022, provides cash grants — not loans — in six categories: FinTech Start-up Grant (up to INR 15 lakh); Proof of Concept Grant (up to INR 50 lakh); Sandbox Grant (up to INR 30 lakh); Green FinTech Grant (up to INR 75 lakh, the highest in the Scheme, signalling IFSCA's policy priority); Accelerator Grant (up to INR 10 lakh per accelerator cohort); and Listing Support Grant (up to INR 15 lakh) for FinTech Entities listing on an IFSCA-recognised stock exchange. All grants are subject to the fit-and-proper screening at clause 3.2 of the Guidelines.

¶ **3. A note on the Green FinTech Grant.** The Green FinTech Grant is materially the largest grant in the Scheme. The Firm reads this as an unambiguous policy signal that IFSCA wishes to position GIFT-IFSC as a leading jurisdiction for climate-finance technology, ESG data products and sustainable-finance plumbing. Founders with a proposition in carbon-credit trading infrastructure, climate-risk insurance distribution, ESG ratings methodology, sustainability-linked debt origination, or transition-finance tracking should weigh the Green FinTech Grant against their projected first-year burn.

CHAPTER SEVEN

Cross-Border, Currency and Data

Citations: IFSCA Act 2019 Section 20; IFSCA (Banking) Regulations 2020 (consolidated 14 July 2023); Digital Personal Data Protection Act 2023 Section 16; DPDP Rules 2025 Rule 15.

¶ **1. Currency — Section 20.** Section 20 of the IFSCA Act 2019 is the operative currency rule. Transactions in an IFSC are conducted in such foreign currency and with such persons as may be specified by IFSCA. The specified foreign currencies include USD, EUR, JPY, GBP, CAD, AUD, CHF, HKD, SGD, AED and RUB (the inclusion of RUB is significant for Russia-trade structures, but is subject to the sanctions discipline the Firm reproduces in its Standard of Practice). INR is permitted only where expressly authorised by IFSCA and is settled in convertible foreign exchange.

¶ **2. The SNRR carve-out.** A Special Non-Resident Rupee (SNRR) account is permitted for limited administrative expenses (employee salaries, statutory payments, rent). A founder who needs to receive customer money in INR for the tested service should re-examine whether the service is offshore in substance or onshore dressed up as IFSC; the IFSCA does not consider currency conversion to be a substitute for genuinely offshore activity.

¶ **3. DPDP — Section 16 and Rule 15.** The Digital Personal Data Protection Act 2023 was enacted on 11 August 2023 and operationalised in tranches; Section 16 — the transfer of personal data outside India — is operationalised by Rule 15 of the DPDP Rules 2025 (notified 13 November 2025). The cross-border regime is structured as a 'negative list' — transfers are permitted unless the destination is on a Central Government notification list. Sectoral data-localisation directions of the RBI (payment-systems data localisation, 2018), SEBI, and IRDAI continue to apply in their respective domains until expressly displaced. The cross-border provisions of Section 16 operationalise eighteen months after 13 November 2025 — approximately mid-May 2027.

¶ **4. What good privacy practice looks like today.** For a fintech entity processing personal data of Indian customers while operating from GIFT IFSC, the live operative regime until mid-2027 is the sectoral one. The privacy notice should enumerate the destinations to which personal data is or may be transferred (operational data centres, back-up sites, vendor processors), the legal basis for each transfer, and the applicable safeguards. This is not an academic exercise: a client whose privacy notice omits a back-up site in a particular jurisdiction will find the deficiency surfaced on first IFSCA audit, and the audit will be conducted in 2026 — before Section 16 even formally bites.

CHAPTER EIGHT

Compliance, Reporting and the Standard of Practice

Citations: FE Framework Chapter IV; IFSCA (Banking) Regulations 2020 (consolidated 14 July 2023); Prevention of Money Laundering Act 2002 and Rules; FATF Recommendations.

¶ **1. The reporting calendar.** An authorised FinTech Entity files audited financial statements with IFSCA within 30 days of signing; notifies any material regulatory or enforcement action against the entity or its key managerial personnel within 15 days; appoints a Compliance Officer (resident, full-time) and an Authorised Representative for SWIT correspondence; maintains AML / KYC / CFT controls (non-relaxable, including in the sandbox); implements the IFSCA cyber-security framework (annual VAPT, board-approved incident-response plan, 6-hour reportable-incident clock).

¶ **2. The AML floor.** PMLA 2002 applies in IFSC by virtue of its applicability to reporting entities, which includes IFSC entities undertaking regulated financial activity. The Firm advises clients to calibrate AML controls to the FATF Recommendations as the floor, not the ceiling — in particular Recommendation 10 (customer due diligence), Recommendation 16 (wire transfers) and Recommendation 22 (designated non-financial businesses and professions, where the FinTech business model has a DNFBP interface).

¶ **3. Standard of Practice.** Standard of Practice. The Firm advises and assists clients exclusively in matters consistent with applicable U.S., European Union, United Kingdom, United Nations and Indian sanctions and anti-money-laundering regimes. The Firm does not advise on, structure or facilitate transactions whose principal purpose or principal effect is to bring a designated person into a regulated market in a manner that is foreseeably exposed to a sanctions perimeter the parties cannot lawfully discharge. The FE Framework is read in this light; the IFSCA gate-keeping function under clause 42 (which preserves KYC and AML even in the sandbox) operationalises the same principle in regulatory form.

¶ **4. Engagement note.** For founders with operational complexity (multi-jurisdictional founder team, multi-currency revenue stream, hybrid regulator-perimeter products), early engagement with the Firm shortens the SWIT application turnaround and avoids the most common deficiency letters — (i) FATF-jurisdiction documentation for foreign promoters; (ii) source-of-funds chain for promoter contributions; (iii) data-flow diagrams for the privacy notice; (iv) draft policies for AML, cyber, fit-and-proper, and outsourcing that are calibrated to the IFSCA template rather than copied from an onshore regulator's template.



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