



A BHATT & JOSHI PRACTITIONER HANDBOOK
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PAYMENT SERVICE PROVIDERS AT GIFT IFSC

A Practitioner's Handbook on the IFSCA (Payment Services) Regulations 2024 (Consol. 23 Apr 2024)



IFSCA (PAYMENT SERVICES) REGS 2024 · NOTIFIED 29 JAN 2024
FIVE PAYMENT SERVICES · SINGLE CERTIFICATE OF AUTHORISATION
RPSP USD 100k - 200k · SPSP USD 250k - 500k · ESCROW WITH IBU
INCOME-TAX \$80LA · CLAUSE 147 IT ACT 2025 · ZERO-RATED GST
FATF TRAVEL RULE · NO USD 1k DE-MINIMIS · PMLA 7 MAR 2023

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FOREWORD

Booklet XX of the Practitioner Series addresses Payment Service Providers at GIFT-IFSC. The operative instrument is the IFSCA (Payment Services) Regulations 2024 (notified 29 January 2024, consolidated 23 April 2024, with the Amendment Regulations of 15 April 2024 refining the escrow-service definition). The Regulations are benchmarked against the Singapore Payment Services Act 2019, the United Kingdom Payment Services Regulations 2017 and Electronic Money Regulations 2011, and the European Union Payment Services Directive 2 — and operate by a single Certificate of Authorisation under which a Payment Service Provider may offer any combination of the five enumerated payment services. India received approximately USD 129 billion in inward personal remittances in CY 2024 (the world's largest by share); outbound LRS flow exceeds USD 30 billion annually. The IFSC PSP framework was designed to absorb both flows within a regulated, dollar-denominated, tax-advantaged perimeter.

CHAPTER ONE

Why GIFT-IFSC for Payment Services

Citations: World Bank Personal Remittances data; RBI Annual Report 2024; Liberalised Remittance Scheme statistics; IFSCA Brochure on Payment Services and Payment Systems (January 2025); Cyril Amarchand Mangaldas FIG Paper No. 49 (August 2025).

¶ **1. The market sizing.** India is the world's largest recipient of inward personal remittances — USD 129 billion in CY 2024 according to the World Bank, or USD 137.7 billion according to the Reserve Bank's own data — accounting for approximately 14.3 per cent of global remittance flows. The outbound flow under the Liberalised Remittance Scheme has grown to over USD 30 billion annually across education, travel, asset acquisition and current-account uses. Together, the two flows constitute the principal cross-border payments demand pool that the IFSC Payment Service Providers framework was designed to address.

¶ **2. The five-element value proposition.** The IFSC value proposition rests on five distinct elements. (i) Dollar-denominated settlement onshore-of-foreign-soil — IFSC PSP e-money accounts and escrow accounts are held in convertible foreign currency, removing the FX-conversion friction that a mainland Indian payment service faces. (ii) Section 80LA tax holiday — 100 per cent deduction for any ten consecutive years out of the first fifteen. (iii) Regulatory parity with Singapore MAS, UK FCA and EU regulators — the IFSCA framework was benchmarked against the leading international PSP regimes and is intentionally interoperable. (iv) Light-touch capital — USD 100,000 at commencement, rising to USD 200,000 by the end of the third financial year for a Regular PSP. (v) Single authorisation covering up to five payment services — no need to multiply licences as the business scales horizontally.

¶ **3. The first-mover entrants.** The first-mover dynamic is now observable. Infibeam Avenues received the first in-principle PSP approval in October 2025 through its IFSC subsidiary IA Fintech IFSC Private Limited. EbixCash World Money (Buyforex) followed in January 2026 as the first AD-II-licensed entity to receive in-principle PSP approval. The early entrants demonstrate the framework's operational viability — the residual constraints are commercial and capital-allocation, not regulatory.

CHAPTER TWO

The IFSCA Payment Services Regulations 2024 – Architecture

Citations: Section 12 of the IFSCA Act 2019; IFSCA (Payment Services) Regulations 2024 notified 29 January 2024 (Notification IFSCA/GN/2024/002); consolidated 23 April 2024; Amendment Regulations of 15 April 2024.

"PAYMENT SERVICES" (VERBATIM, REG 2(y))

'payment services' means any of the activities that is specified in Part A of Schedule I of these regulations but does not include activities specified in Part B of Schedule I of these regulations;

Source: IFSCA (Payment Services) Regulations 2024, Regulation 2(y).

"PAYMENT SERVICE PROVIDER" (VERBATIM, REG 2(z))

'payment service provider' means a company authorised by the Authority, under these regulations, to provide one or more of the Payment Services;

Source: IFSCA (Payment Services) Regulations 2024, Regulation 2(z).

"PAYMENT SERVICE USER" (VERBATIM, REG 2(aa))

'payment service user' means any person, in IFSC or outside IFSC, that makes use of a Payment Service provided by a Payment Service Provider in the capacity of a payer or a payee, or both;

Source: IFSCA (Payment Services) Regulations 2024, Regulation 2(aa).

¶ **1. The five architectural components.** The architecture is structured in five components. (i) Definitions (Regulation 2) establishing the perimeter — payment services, PSP, payment service user, and the five service definitions in their own right. (ii) Application and authorisation (Regulations 3 to 10) — a two-stage in-principle and final authorisation process via the SWIT portal. (iii) Capital, fit-and-proper, and ongoing obligations (Regulations 11 to 24) — including the escrow-with-IBU rule that distinguishes the IFSC PSP framework from mainland Indian PA architecture. (iv) Significant PSP designation (Schedule I Part C) — based on transaction-value thresholds triggering enhanced obligations. (v) Five Schedules — Part A and B of Schedule I (services in and out); Schedule II (fit-and-proper); Schedule III (compliance and reporting); Schedule IV (capital adequacy); Schedule V (minimum net worth tiers).

¶ **2. The single-authorisation model and the mainland contrast.** A structurally important feature is the single-authorisation model. Unlike the mainland Indian taxonomy — where each payment service category (Payment Aggregator, Payment Aggregator - Cross Border, Pre-Paid Instrument issuer, Bharat Bill Payment System operator, AD-II money changer) requires a separate RBI authorisation under its own master direction — an IFSC PSP obtains a single Certificate of Authorisation that permits any combination of the five enumerated services. The architectural savings are material: a horizontally-integrated PSP

(cross-border money transfer plus merchant acquisition plus e-money issuance plus escrow) deals with a single application timeline, a single rulebook, and a single supervisor.

CHAPTER THREE

The Five Payment-Service Categories

Citations: Schedule I, Part A of the IFSCA (Payment Services) Regulations 2024; Regulation 2(j) (e-money definition); Regulation 2(l) (escrow service, as amended); Regulation 2(r) (merchant acquisition); Schedule I Part B (activities expressly excluded from PSP perimeter).

SCHEDULE I, PART A – THE FIVE PAYMENT SERVICES (VERBATIM)

1. The following activities, except the activities specified in Part B, are Payment Services for the purposes of these regulations: a) account issuance service (including e-money account issuance service); b) e-money issuance service; c) escrow service; d) cross border money transfer service; e) merchant acquisition service.

Source: IFSCA (Payment Services) Regulations 2024, Schedule I, Part A.

"E-MONEY" (VERBATIM, REG 2(j))

'e-money' means any electronically stored monetary value that — [issued on receipt of funds for making payment transactions, accepted by a person other than the issuer, and represents a claim on the issuer]. Explanation: The term 'e-money' does not include deposit from any person.

Source: IFSCA (Payment Services) Regulations 2024, Regulation 2(j).

"ESCROW SERVICE" (VERBATIM, REG 2(l), AS AMENDED APRIL 2024)

'escrow service' means the service provided by a payment service provider, under an agreement, whereby money is held by such payment service provider in an escrow account with an IFSC Banking Unit ('IBU') or an IFSC Banking Company ('IBC') on behalf of two parties that are in the process of completing a transaction;

Source: IFSCA (Payment Services) Regulations 2024, Regulation 2(l) (as amended by the IFSCA (Payment Services) (Amendment) Regulations 2024, 15 April 2024).

"MERCHANT ACQUISITION SERVICE" (VERBATIM, REG 2(r))

'merchant acquisition service' means any service of accepting and processing a payment transaction for a merchant under an agreement between the payment service provider and the merchant, which results in a transfer of money to the merchant pursuant to the payment transaction, regardless of whether the payment service provider comes into possession of any money in respect of the payment transaction;

Source: IFSCA (Payment Services) Regulations 2024, Regulation 2(r).

¶ **1. INR prohibition in e-wallets.** Two structural restrictions warrant attention. First, an IFSC PSP e-wallet — whether issued under the account-issuance service or the e-money issuance service — cannot hold Indian Rupees in any form. The stored value is restricted to USD, EUR, GBP and other Specified Foreign Currencies under the IFSCA (Banking) Regulations 2020. Storage of cryptocurrencies, stablecoins or any other virtual digital asset is prohibited. Counsel structuring an IFSC PSP product cannot port across a mainland INR-

denominated wallet experience; the offering must be redesigned in convertible foreign currency from inception.

¶ 2. **Escrow with IBU / IBC — mandatory.** Second, escrow funds must be held in an IBU or IBC — not in a PSP-managed pooled account, and not in an offshore bank account. Separate escrow accounts are required per payment service. This rule operates at two levels: it provides supervisory comfort that customer funds are ring-fenced under the IFSCA banking perimeter, and it creates a structural preference for the PSP to maintain a banking relationship with an IFSC Banking Unit (typically itself a multi-service IBU operating alongside corporate and wholesale banking).

CHAPTER FOUR

Net-Worth Tiers, RPSP vs SPSP, Registration

Citations: Schedule V of the IFSCA (Payment Services) Regulations 2024 (Net-Worth Tiers); Schedule I, Part C, paragraph 3 (Significant PSP designation thresholds); Regulations 3 to 10 (Application and Authorisation); Schedule II (Fit-and-Proper criteria).

NET-WORTH TIERS — RPSP AND SPSP (VERBATIM, SCHEDULE V PARAS 1-2)

1. A Regular Payment Service Provider shall have a minimum net-worth of USD 100,000 (or equivalent in a Specified Foreign Currency) on the date of commencement of operations. A Regular Payment Service Provider shall achieve a minimum net-worth of USD 200,000 (or equivalent in a Specified Foreign Currency) by the end of the third financial year (i.e., March 31) from the year of commencement of operations. 2. A Significant Payment Service Provider shall achieve a minimum net-worth of USD 250,000 (or equivalent in a Specified Foreign Currency) within ninety days of the date of being so designated by the Authority. A Significant Payment Service Provider shall achieve a minimum net-worth of USD 500,000 [...] by the end of the third financial year [...] from the year of designation as a Significant Payment Service Provider.

Source: IFSCA (Payment Services) Regulations 2024, Schedule V, Paragraphs 1 and 2.

SIGNIFICANT PSP DESIGNATION THRESHOLDS (VERBATIM, SCHEDULE I PART C PARA 3)

(a) the Regular Payment Service Provider carries on a business of providing one or more of the payment services [...] and (i) the monthly average, over a calendar year, of the total value of all payment transactions that are accepted, processed, executed exceeds — A. \$2 million [...] for any one of the payment services [...] or; B. \$4 million [...] for two or more of the payment services [...]; (b) [...] the average daily value, over a calendar year, of all e-money that is stored in any payment account issued by the Regular Payment Service Provider exceeds \$3 million [...]; (c) [...] the average daily value [...] of all e-money that is intended to be issued or issued [...] exceeds \$3 million [...].

Source: IFSCA (Payment Services) Regulations 2024, Schedule I, Part C, paragraph 3.

¶ **1. The two-tier net-worth scaling architecture.** The two-tier net-worth architecture (Regular and Significant) is the principal calibration mechanism in the framework. A Regular Payment Service Provider commences with USD 100,000 in owned funds and scales to USD 200,000 by the end of the third financial year. On crossing the Significant-PSP thresholds — USD 2 million monthly volume in a single service, or USD 4 million across two or more services, or USD 3 million in daily e-money stored value, or USD 3 million in daily e-money issued — IFSCA designates the entity as a Significant Payment Service Provider, with consequential capital scale-up to USD 250,000 within ninety days and USD 500,000 by end of the third financial year from designation. The architecture rewards early-stage capital efficiency while ensuring that operationally significant entities carry the appropriate capital buffer.

¶ 2. **The Relevant Persons designation and Nodal Bank.** Eligibility requirements layer the fit-and-proper criteria of Schedule II onto the entity, the directors and officers, and the controlling shareholders. The 'Relevant Persons' designation (Regulation 7) requires that key office-holders — the Chief Executive Officer, the Compliance Officer, the Principal Officer for AML, the Money Laundering Reporting Officer — must be IFSC-based full-time employees with the requisite professional qualifications. The Nodal Bank designation (typically the entity's own IBU or a designated IBC) is a single point of operational and supervisory contact for IFSCA. IFSCA retains the power to require a security deposit calibrated to risk.

CHAPTER FIVE

Sandbox and Innovation Track

Citations: IFSCA Framework for FinTech Entity in the IFSCs (Circular dated 27 April 2022); Standard Operating Procedure for the Inter-operable Regulatory Sandbox (12 October 2022); IFSCA Draft Consultation Paper on FinTech Sandbox Framework (19 September 2025).

¶ **1. The three sandbox tracks.** The IFSCA sandbox architecture sits adjacent to the PSP Regulations 2024 and offers three distinct tracks. (i) The FinTech Regulatory Sandbox (FRS) — live customer testing with a Limited Use Authorisation, twelve-month duration extendable by six months, with bounded regulatory relaxations under Chapter II of the FE Framework. (ii) The FinTech Innovation Sandbox (FIS) — isolated test environment for pre-product solutions, using market data made available by IFSC-regulated entities. (iii) The Inter-operable Regulatory Sandbox (IoRS) — for hybrid products that straddle the IFSC and one or more domestic Indian regulator perimeters (RBI / SEBI / IRDAI / PFRDA).

¶ **2. Sandbox as proof-of-concept route to full PSP.** A new applicant Payment Service Provider that is at the proof-of-concept stage — and not yet able to meet the Regular PSP net-worth and operational requirements — should enter through the sandbox rather than apply directly for full PSP authorisation. The sandbox dispensation permits bounded testing with a controlled customer base while the founder team develops the operational and capital architecture for a full PSP authorisation. The Draft Consultation Paper on FinTech Sandbox Framework of 19 September 2025 (consultation closed 10 October 2025) proposes a refreshed two-stage architecture and the new FinTech Sandbox Entity (FSE) terminology — counsel should monitor for the final notification.

CHAPTER SIX

Tax — Section 80LA, GST, and the TDS Exemption

Citations: Section 80LA of the Income-tax Act 1961; Section 115JB(7) (MAT on IFSC units); Clause 147 of the proposed Income-tax Act 2025; CBDT TDS-exemption notification regime; GST exemption for IFSC SEZ unit transactions under Notification 9/2017-IGST.

¶ **1. The four-element tax stack.** The tax profile of an IFSC PSP combines four elements. (i) Section 80LA — 100 per cent deduction of profits and gains for any ten consecutive assessment years out of the first fifteen from commencement of operations. The deduction sequencing is at the entity's election, typically aligned to the years of highest projected profitability after the initial ramp-up. (ii) Clause 147 of the proposed Income-tax Act 2025 — extending the deduction window to twenty consecutive years out of twenty-five with a 15 per cent concessional rate thereafter. (iii) MAT under Section 115JB(7) capped at 9 per cent of book profits (and disappplied under the new corporate-tax regime). (iv) TDS exemption — payments to an IFSC unit availing the Section 80LA deduction are exempt from withholding tax under the relevant CBDT notification, subject to a Form 1 statement-cum-declaration furnished by the IFSC unit to the payer.

¶ **2. GST — zero-rated export, nil inbound, regular DTA.** The GST position is structurally favourable. Payment-service fees from an IFSC PSP to an offshore service recipient are treated as export of services and are zero-rated under GST Notification 9/2017-IGST. Services received by an IFSC PSP from any source attract nil GST. The combination of zero-rated outbound and nil-GST inbound creates a structural pricing advantage over the mainland Indian PA/PG ecosystem. The exception is supplies to the Domestic Tariff Area (mainland India), which attract regular GST — counsel should structure the PSP's revenue stream to minimise DTA-side billing.

CHAPTER SEVEN

RBI / FEMA Interface and the FATF Travel Rule

Citations: Payment and Settlement Systems Act 2007; RBI Circular on Payment Aggregator - Cross Border RBI/2023-24/80 dated 31 October 2023; RBI Master Direction on Payment Aggregators dated 15 September 2025; FEMA Overseas Investment Rules 2022; IFSCA Circular on FCAs for IBUs under LRS dated 10 October 2024; FATF Recommendation 16 (Travel Rule); PMLA amendments of 7 March 2023 bringing virtual-asset service providers within scope.

¶ **1. The three RBI / FEMA interface points.** The PSS Act 2007 establishes the Reserve Bank's authorisation regime over mainland payment systems. The IFSC is carved out from the PSS Act's geographical perimeter by virtue of the SEZ Act 2005 and the IFSCA Act 2019 — but RBI and FEMA continue to govern the flow of funds to and from mainland India into and out of the IFSC PSP perimeter. The relevant interface points are three. (i) Inward flow from Indian residents — must be routed via the Liberalised Remittance Scheme, through an Authorised Person (typically the resident's mainland bank), into a Foreign Currency Account at the IBU; the IFSCA Circular of 10 October 2024 codifies this mechanism. (ii) Outward flow from the IFSC PSP to mainland — must be settled through regulated remittance channels with FEMA-compliant documentation. (iii) Capital flow from Indian parent to IFSC subsidiary — FEMA Overseas Investment Rules 2022 apply.

¶ **2. The PA-CB mainland comparator.** The mainland comparator for cross-border merchant acquisition is the RBI Payment Aggregator - Cross Border (PA-CB) circular of 31 October 2023. A non-bank PA-CB must hold INR 15 crore in net worth at the time of application, scaling to INR 25 crore by 31 March 2026, with FIU-IND registration as a pre-condition to RBI approval. The per-transaction cap is INR 25 lakh per unit of goods or services. An IFSC PSP doing cross-border money transfer or merchant acquisition for the same counterparty pool is not subject to the INR thresholds — it operates in convertible foreign currency under USD 100,000 / USD 200,000 net-worth tiers. The RBI Master Direction on Payment Aggregators of 15 September 2025 consolidates and elaborates the mainland framework; counsel should reference both as the operational comparators.

¶ **3. The FATF Travel Rule and India's full-information rule.** The FATF Travel Rule (Recommendation 16) requires that every cross-border payment carry full originator and beneficiary information — name, account number, address, and where available a national identifier or date and place of birth. India's PMLA was amended on 7 March 2023 to bring virtual-asset service providers within the reporting-entity perimeter, operationalising the Travel Rule domestically. India does not apply the FATF de-minimis threshold of USD 1,000 — full originator / beneficiary information is required at every transaction value, regardless of amount. For an IFSC PSP operating a cross-border money transfer service, the

Travel Rule populates not as an occasional reporting obligation but as a per-transaction data-architecture requirement.

CHAPTER EIGHT

Standard of Practice and AML Calibration on Cross-Border Flows

Citations: IFSCA (Anti Money Laundering, Counter-Terrorist Financing and Know Your Customer) Guidelines 2022 dated 28 October 2022; Prevention of Money Laundering Act 2002 and Rules; FATF 40 Recommendations; OFAC SDN List; EU Consolidated Sanctions List; UK OFSI Notices; UN Security Council Resolutions; Unlawful Activities (Prevention) Act 1967.

¶ **1. The four AML / CFT perimeters.** The AML/CFT calibration for an IFSC PSP is materially heavier than for most other IFSC business heads, because cross-border payment flows are the highest-risk operational footprint in the FATF taxonomy. Four overlapping perimeters apply: (i) the IFSCA AML/CFT/KYC Guidelines 2022; (ii) the PMLA 2002 and PMLA Rules (the PSP is a 'reporting entity'); (iii) the FATF 40 Recommendations as the international floor (notably Recommendation 10 on customer due diligence, Recommendation 16 on the Travel Rule, and Recommendation 22 on DNFBPs where the PSP serves DNFBP customers); (iv) sectoral guidance issued by FIU-IND from time to time.

¶ **2. The five-point sanctions screening cascade.** Sanctions screening is operationally consequential at five transaction points. (i) Customer onboarding — every payment service user is screened against OFAC SDN, EU Consolidated, UK OFSI, UN Security Council Consolidated and UAPA Schedule lists at the time of account opening. (ii) Beneficial-ownership diligence — natural-person controllers behind corporate customers are independently screened. (iii) Per-transaction screening — sender, beneficiary, intermediary bank and counterparty currency are all screened in real time. (iv) Periodic refresh — the customer file is re-screened at regulated intervals as the sanctions lists update. (v) Trigger-event screening — material adverse media, ownership change, or counterparty-jurisdiction change triggers an enhanced due diligence pass.

¶ **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. In a PSP context, this Standard operates at the level of the entity, the customer base, every individual transaction, and every correspondent banking relationship the PSP maintains. The Firm declines to advise on PSP structures whose customer-acquisition model presupposes weak sanctions diligence as a feature rather than as a defect to be remedied.

¶ 4. **The Firm's three-phase engagement model.** The Firm's engagement model for PSP work proceeds in three phases. (i) Pre-engagement — service-perimeter scoping (which of the five services are needed, with single-vs-multi-service calibration); FATF-jurisdiction screening of promoters; draft AML policy and Code of Conduct; PA-CB mainland-vs-IFSC comparative tax memorandum. (ii) Structuring and documentation — IFSCA SWIT authorisation file (entity, Relevant Persons designations, Nodal Bank identification, fit-and-proper, compliance architecture, IT-and-cyber framework, escrow-with-IBU agreement, Form 1 tax declaration template, sandbox dispensation application where applicable). (iii) Post-execution — annual fit-and-proper refresh, SPSP threshold monitoring, Travel-Rule operational audit, sanctions-screening refresh on every list update, and Section 80LA tax-compliance documentation.



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