

August 5, 2025

To:

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Subject: Comments on draft IFSCA (Reporting and Clearing of OTC Derivatives Contracts) Guidelines, 2025

The International Swaps and Derivatives Association, Inc. (ISDA) appreciates the opportunity to provide comments to International Financial Services Centres Authority (IFSCA) on the Consultation Paper for reporting and clearing of Over-The-Counter (OTC) Derivatives in IFSC, issued on 15 July 2025. Please refer to the table below for our feedback.

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Name of Organisation	International Swaps and Derivatives Association (ISDA)

S.No.	Para No.	Text of the Guidelines	Comments/ Suggestions/ Suggested Modifications	Detailed Rationale
1.	2	These Guidelines set out the requirements for reporting and clearing of Specified Derivatives Contracts booked in IFSC, where the underlying security is listed or traded on	These Guidelines set out the requirements for reporting and clearing of Specified Derivatives Contracts booked in IFSC; where the underlying security is listed or traded on	The term "Specified Derivatives Contract" is already defined in sections ii, iii, and xii under Section 3. Therefore, we would like to suggest edits accordingly to maintain consistency with the existing definition and to avoid duplication.

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		<p>a) A recognized Stock Exchange in IFSC (equity and bonds only)</p> <p>b) A regulated foreign Stock Exchange</p>	<p>a) A recognized Stock Exchange in IFSC (equity and bonds only)</p> <p>b) A regulated foreign Stock Exchange</p>	
2.	3.i.	<p>“booked in IFSC”, in relation to a specified derivatives contract, means the entry of such contract on the books of a person –</p> <p>a) who is a party to a specified derivatives contract; and</p> <p>b) whose place of business for which the book relates to, is in IFSC</p>	<p>“booked in IFSC”, in relation to a specified derivatives contract, means the entry of such contract on the books of a Specified Person –</p> <p>a) who is a counterparty to a Specified Derivatives Contract; and</p> <p>b) whose place of business for which the book relates to, is in IFSC</p>	<p>For global investors operating under an international model, an IFSC employee may assist overseas affiliates in booking trades into the affiliates' books. This practice attracts global investors to establish a presence in the IFSC. In instances where the book is owned by overseas affiliates, we believe these transactions fall outside the scope of this guideline. To prevent any confusion, we recommend specifying that the guideline applies only when the IFSC entity is a counterparty to the transaction. We also recommend clarification that inter-branch transactions (e.g. between IFSC branch and another branch of the same legal entity regardless of whether the other branch is located in India or outside India) would not fall within the scope of the reporting and clearing obligations.</p> <p>Further, as ‘Specified Derivatives Contract’ is a defined term. To maintain consistency, we have replaced the term ‘specified derivatives contract’ with the term</p>

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				‘Specified Derivatives Contract’.
3.	3.ii.	<p>“Credit Derivatives Contract” means an OTC derivatives contract the value of which is derived from either of the following underlying assets:</p> <p>(a) bonds listed on a recognized Stock Exchange in IFSC or on a regulated foreign Stock Exchange; or</p> <p>(b) bond derivatives listed on a regulated foreign Stock Exchange;</p> <p>or</p> <p>(c) bonds held in India by an IFSC based entity which is also registered with SEBI as a Foreign Portfolio Investor (FPI) and eligible to issue Offshore Derivative Instruments (ODIs) as per the SEBI (Foreign Portfolio Investors) Regulations, 2019 (as amended from time to time)</p>	<p>Suggest to delete the following category:</p> <p>c) bonds held in India by an IFSC based entity which is also registered with SEBI as a Foreign Portfolio Investor (FPI) and eligible to issue Offshore Derivative Instruments (ODIs) as per the SEBI (Foreign Portfolio Investors) Regulations, 2019 (as amended from time to time)</p>	<p>This is because ODIs are already recognized as a separate asset class in the IFSCA Banking Handbook – Conduct of Business Directions (“COB Handbook”). Having the same product listed under two different permissible asset classes (i.e. ODIs and Credit Derivatives Contract) could lead to confusion. Therefore, we recommend either modifying the COB Handbook to remove ODIs as a separate asset class or deleting sub clause (c) from the definition of ‘Credit Derivatives Contract’.</p>
4.	3.iii.	<p>“Equity Derivatives Contract” means an OTC derivatives contract, the value of which is derived from</p>	<p>Suggest to amend c) as follows:</p> <p>c) equity index or its derivatives listed on a</p>	<p>Regarding the addition in c) – Equity Derivatives Contract frequently use the index itself as the underlying reference assets, rather than only the listed index derivatives.</p>

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		<p>either of the following underlying assets:</p> <p>a) equity shares listed on a recognized Stock Exchange in IFSC or on a regulated foreign Stock Exchange; or</p> <p>b) equity derivatives listed on a regulated foreign Stock Exchange; or</p> <p>c) equity index derivatives listed on a regulated foreign Stock Exchange; or</p> <p>d) equity shares listed on a stock exchange in India and held in India by an IFSCA regulated entity, which is also registered with SEBI as a FPI, and is eligible to issue ODIs as per SEBI (Foreign Portfolio Investors) Regulations, 2019 (as amended from time to time)</p>	<p>regulated foreign Stock Exchange; or</p> <p>Suggest to delete the following category:</p> <p>d) equity shares listed on a stock exchange in India and held in India by an IFSCA regulated entity, which is also registered with SEBI as a FPI, and is eligible to issue ODIs as per SEBI (Foreign Portfolio Investors) Regulations, 2019 (as amended from time to time).</p> <p>Suggest to add the following category:</p> <p>e) Equity index or its derivatives listed on a recognized stock exchange in IFSC.</p>	<p>Hence, we would like to ensure that this is documented.</p> <p>Regarding the suggestion to delete sub clause (d), as ODIs are already recognized as a separate asset class in the COB Handbook. Having the same product listed under two different permissible asset classes (ODIs and Equity Derivatives Contract) could lead to confusion. Therefore, we propose either modifying the COB Handbook to remove ODIs as a separate asset class or deleting sub clause (d) from the definition of 'Equity Derivatives Contract'.</p> <p>Furthermore, we suggest permitting OTC derivatives that reference IFSC index to enhance and diversify the range of financial instruments available in the IFSC market.</p>
5.	3.v.	<p>"Indian securities" means securities listed on the stock exchanges in India or unlisted securities issued and traded in India</p>	<p>We would like to ask IFSCA to provide a clear definition of the term 'securities'.</p>	<p>To ensure clarity regarding what constitutes 'Indian securities' and 'IFSC listed securities,' we propose that a clear definition of 'securities' be provided within these guidelines. Without a precise definition, there may be ambiguity about which definition to follow. For instance, the definition of</p>

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				securities under the Securities Contract (Regulation) Act, 1956 (SCRA) is broad, including equities, debt securities, and exchange-traded derivatives. If the intent is to exclude derivatives from the term "securities," a clear definition should be established in these guidelines.
6.	3.vi.	"IFSC listed securities" means securities listed on a recognized Stock Exchange in IFSC	We would request IFSC Authority to provide a clear definition of the term 'securities'.	To ensure clarity regarding what constitutes 'Indian securities' and 'IFSC listed securities,' we propose that a clear definition of 'securities' be provided within these guidelines. Without a precise definition, there may be ambiguity about which definition to follow. For instance, the definition of securities under the Securities Contract (Regulation) Act, 1956 (SCRA) is broad, including equities, debt securities, and exchange-traded derivatives. If the intent is to exclude derivatives from the term "securities," a clear definition should be established in these guidelines.
7.	3.xiv.	"Trade Repository" means an entity which is engaged in the business of collecting, collating, storing, maintaining, processing or	Re. the words in italics, we would like to check if IFSCA has a trade repository recognition regime and how the recognition process in IFSC would be	In other jurisdictions, there are licensing regimes in place for trade repositories. For example, trade repositories are licensed by the Monetary Authority of Singapore (MAS) as licensed trade

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		disseminating electronic records or data relating to a Specified Derivatives Contract and <i>recognized by IFSCA.</i>	accordingly. Also, would IFSCA be licensing trade repositories, which in this case, would then also include "...licensed by IFSCA"?	repository (LTRs) or licensed foreign trade repositories (LFTRs) under the Securities and Futures Act 2001 . In Australia, derivative trade repositories are licensed accordingly as well.
8.	4.i.	A Specified Derivatives Contract shall be issued only by a Specified Person, on an underlying position/ holding of : a. IFSC listed securities or b. the securities listed on a regulated foreign Stock Exchange.	A Specified Derivatives Contract shall be entered into issued only by a Specified Person. on an underlying position/ holding of: a. IFSC listed securities or b. the securities listed on a regulated foreign Stock Exchange.	The term "Specified Derivatives Contract" is already defined in sections ii, iii, and xii under Section 3. Therefore, we would like to suggest edits here to maintain consistency with the existing definition and to avoid duplication.
9.	4.iii.	Unless specifically permitted, a Specified Derivatives Contract shall not be offered to a person resident in India.	The draft does not allow offering of 'specified derivatives contract', i.e., OTC credit and equity derivatives, to person resident in India, unless permitted by IFSCA. Further, suggest to define "a person resident in India". Under the SEBI FPI regulation, "resident Indian" shall have the same meaning assigned to the term "person resident in India" under the Foreign Exchange Management Act, 1999.	Harmonisation of rules and policies across authorities. We propose to align with RBI regulations, which allow issuance to Indian residents to the extent permitted by RBI or other relevant authorities. For e.g. RBI allows IBUs with FPI license to write CDS facing Indian entities – see 'Transactions in Credit Default Swap (CDS) by Foreign Portfolio Investors – Operational Instructions' circular Notifications - Reserve Bank of India .
10.	5.i.	A Specified Person must report the information on a Specified Derivative	We would suggest that in formulating the reporting requirements, IFSCA could follow CPMI-	Harmonisation of reporting rules globally for global OTC derivatives data to be monitored more effectively

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		Contract booked in IFSC in the format as specified by IFSCA or the trade repository.	IOSCO technical guidance on unique transaction identifier (UTI) , unique product identifier (UPI) and critical data elements (CDE) ¹ for alignment with major OTC derivatives jurisdictions in the long run.	and aggregable across jurisdictions (for cross border traders and cross border entities). We would appreciate it if IFSCA could consult the market on the detailed reporting format and requirements.
11.	5.iii.	The Specified Persons issuing the Specified Derivative Contracts booked in IFSC, will be required to report to the trade repository on the same day when the transaction is executed.	Where applicable, we would suggest aligning with the current SEBI ODI on reporting requirements and consistency with the information provision to the Clearing Corporation as per IFSCA circular IFSCA/CMD-DMIIT/NBE-DI/2024-25/001 dated May 02, 2024. Additionally, we suggest limiting the scope to Specified Derivative Contracts referencing IFSC-listed underlying assets, in line with SEBI ODI reporting requirements.	We would appreciate it if IFSC could consult the market on the detailed reporting format and requirements. If IFSCA intends to implement the reporting of UTI according to CPMI-IOSCO technical guidance, where the UTI generating party is determined under a waterfall framework in the technical guidance, we would like to raise to IFSCA's awareness that there would be implication on IFSC-based entities in that they will likely be UTI generating parties as the Regulatory Oversight Committee (ROC) has categorised India as an ASATP / T+0 jurisdiction, similar to the US, and ahead of T+1 (Europe, UK) and T+2 (Singapore, HK, Australia) – see FAQ by ROC .

¹ While this was initially drafted by CPMI-IOSCO, it was handed over to the Regulatory Oversight Committee (ROC), which has published version 3 of the technical guidance on CDE in Sep 2023, and is still reviewing consultation response to version 4 of the said guidance.

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12.	6. and Q3.	<p>Every Specified Person who is a party to a Specified Derivatives Contract shall, within one business day, cause the Specified Derivatives Contract to undergo clearing by a recognized Clearing Corporation, as per the guidelines specified by such a recognized Clearing Corporation.</p> <p>There is a perceived higher risk associated with non-centrally cleared derivatives vis-a -vis centrally cleared derivatives. In the proposed regulatory framework, central clearing of OTC derivatives has been made mandatory. Should the parties to the contract be given the option for bilateral clearing? If yes, what should be the margin requirements in the case of bilateral clearing ?</p>	<p>We propose to allow market participants flexibility in centrally clearing these derivatives contracts as a start.</p> <p>Bilateral settlement / clearing should be a viable option for market participants. This approach would also align with SEBI's ODI framework, which does not mandate clearing for ODIs issued by FPIs.</p> <p>On non-centrally cleared derivatives, IFSCA can consider applying NCCD margin framework in line with BSCS-IOSCO margin requirements and with global NCCD margin regimes when appropriate, i.e. when central clearing mandate is assessed to be ready for implementation, and when there is established custodian and collateral services that is accessible to market participants in scope, operational readiness of market participants in scope. In such time, IFSCA can apply a risk-based approach and consider the scoping of market participants according to their size and risk profile.</p>	<p>While G-20 leaders have called for all standardized OTC derivatives to be cleared through CCPs, the key word is 'standardized'. IFSCA should consider carefully the feasibility, risks, and benefits of the central clearing mandate before mandating a blanket central clearing for all OTC derivatives conducted by every specified person.</p> <p>From a market perspective, we would suggest that the authority consider a central clearing mandate when there is a liquid trading market in the contracts to be considered for such a mandate. IFSCA would need to conduct a detailed assessment of the market liquidity at each product level that IFSCA would like to capture in scope to assess if the market conditions support a clearing mandate, instead of issuing a blanket clearing mandate before such assessment and consultation with the market is done.</p> <p>So far, we do not know of any jurisdictions that have implemented central clearing mandate on OTC equity derivatives.</p> <p>For credit derivatives, jurisdictions such as the US, EU and UK have</p>

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			ISDA will be happy to share more on the implementation of NCCD margin framework and experiences of other jurisdictions.	<p>implemented central clearing mandate for the liquid index CDS, for example, iTraxx Europe Main and iTraxx Europe Crossover CDS. There are no central clearing mandates on single name CDS implemented in any jurisdiction.</p> <p>Please see <u>Annex A</u> for an overview of the implementation of clearing mandate in APAC jurisdictions.</p> <p>Additionally, CCPs need to be able to provide clearing services to major market participants before a clearing mandate is imposed. Currently, IFSC-based CCPs are not recognized by major global regulators. CCPs in IFSC would have to obtain the necessary recognition / registration and Qualified Central Counterparty status in the home jurisdictions of foreign bank branches to provide clearing services to foreign bank branches. This usually involves assessment of the equivalence of the supervisory and regulatory framework of the local jurisdiction against the Principles for Financial Market Infrastructures and regulations of foreign jurisdictions.</p>

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				<ul style="list-style-type: none"> • For EU, there would be a need for ESMA and the domestic regulator to sign an Memorandum of Understanding (“MoU”) for exchange of information, and determination of an equivalent framework. • For US, there would be a need to have a no-action relief (CFTC not inclined to continue to do so in future) or registration as an exempt Derivatives Clearing Organization (“DCO”), which requires MoU between the regulators too. • For UK, equivalence decision must first be reached by HM Treasury, followed by the signing of an MoU between BOE and the overseas regulator and BOE’s own recognition assessment and decision. <p>ISDA will be happy to share more on the key considerations for regulators before implementing a central clearing mandate to IFSCA in a bilateral meeting/seminar. In the meantime, this IMF paper, “Applying the Central Clearing Mandate: Different Options for Different Markets” is instructive.</p> <p>To the extent IFSCA is proposing to impose non-centrally cleared derivatives</p>

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				margin regime for these OTC equities or credit derivatives, we request for the substituted compliance provisions currently in place for other asset class derivatives to be extended to credit and equity derivative transactions as well.
13.	8.i.	The OTC derivatives issued should have a one-to-one correspondence with the underlying security. A Specified Person shall not issue the OTC derivatives contract without holding the underlying security or having a corresponding offsetting position in that security.	<p>We would suggest that IFSCA allow flexibility to issue/trade/hedge on a portfolio basis rather than a security-specific and one-to-one basis.</p> <p>In the case that IFSCA were to decide to retain this, we would suggest not to apply it to foreign or IFSC-listed securities.</p>	<p>This requirement should apply on a portfolio basis, rather than on a one-to-one, security-specific basis. ISDA promotes a comprehensive risk management framework that prioritizes efficiency, flexibility, and robustness. Macro-level hedging aligns with these principles by allowing firms to manage risk holistically, rather than in a fragmented, security-specific manner. ISDA also supports risk aggregation as a means to simplify risk management and optimize hedging strategies. Moreover, macro-level hedging reduces the operational burden of maintaining multiple one-to-one hedges.</p> <p>A one-to-one mapping between a derivative and its underlying may be acceptable when referencing Indian securities to be in line with SEBI's FPI rules. However, imposing this requirement on derivatives referencing foreign or IFSC-listed</p>

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				<p>securities may be unnecessarily restrictive, particularly as comparable jurisdictions do not impose such limitations. This could inadvertently hinder the development of the IFSC financial market.</p> <p>For example, OTC equity or index options are often not hedged on a one-to-one basis due to practical risk management considerations. Enforcing such a requirement may effectively prohibit the use of these instruments. We therefore recommend removing this restriction.</p> <p>Additionally, for OTC derivatives referencing equity or index derivatives listed on regulated foreign exchanges, hedging is typically conducted on those exchanges under the applicable foreign regulatory frameworks. These frameworks generally permit risk aggregation or netting, rather than strict one-to-one hedging. Excluding such derivatives from the one-to-one requirement would not compromise the integrity of the IFSC or Indian markets.</p>
14.	8.iii.	Both the counterparties to the OTC derivatives transaction shall report the trade to a	We suggest clarifying or revising this requirement to limit reporting obligations to IFSC-registered entities, and not	The draft appears to require both parties, including offshore counterparties, to report to an IFSC trade repository.

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		Trade Repository in IFSC.	<p>impose reporting on offshore counterparties.</p> <p>Please consider the following modification:</p> <p>If both the counterparties to the OTC derivatives transaction are Specified Persons, both the counterparties shall report the trade to a Trade Repository in the IFSC</p>	<p>This is not feasible, as many offshore counterparties would be unable or unwilling to establish infrastructure for such reporting.</p> <p>As set out in Section 5, the reporting obligations are on the Specified Person. Therefore we suggest that IFSC clarify that only the Specified Persons shall report the trade to ensure consistency.</p>
15.	Q1.	At present, the draft Guidelines at Annexure I propose to permit only IFSCA registered IBUs and Broker-Dealers to issue OTC Derivatives as mentioned at para 13 above. Should other categories of entities registered with IFSCA be permitted to issue such OTC derivatives? If yes, please specify the same.	IFSCA could include Funds and Fund Management entities, insurance companies, and pension funds that are set up in IFSC.	<p>These entities set up in the IFSC are regulated by IFSCA and operate within a robust prudential and conduct risk framework. These entities often engage in sophisticated investment and risk management strategies that may require the issuance of OTC derivatives to manage exposures, structure investment products, or offer tailored solutions to counterparties.</p> <p>Allowing such entities to issue OTC derivatives would:</p> <p>(i) Enhance Market Depth and Liquidity: Broadening the range of eligible derivative issuers would foster a more dynamic and liquid derivatives market in the IFSC, benefiting market participants and</p>

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				<p>improving price discovery. This is in line with the key recommendations detailed in ISDA's whitepaper 'Charting the next phase of India's OTC derivatives market²'.</p> <p>(ii) Promote Risk Management and Innovation: Fund managers frequently use derivatives for hedging, portfolio rebalancing, and return enhancement. Permitting them to also issue derivatives allows them to structure products and manage risks more effectively, supporting innovation in the IFSC.</p> <p>(iii) Ensure Competitive Parity: Similar global financial centres permit regulated fund managers and funds to issue OTC derivatives. Extending this permission within the IFSC would ensure regulatory parity and enhance the IFSC's competitiveness as a global financial hub.</p> <p>(iv) Maintain Regulatory Oversight: Since these entities are already under IFSCA's supervision, any extension of OTC</p>

² See page 69 of ISDA's whitepaper.

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				derivative issuance permissions can continue to be subject to IFSCA's risk-based regulatory and disclosure requirements, preserving market integrity and systemic safety.
16.	-	-	Modification required to "Qualified financial contract" list notified by the IFSCA under powers conferred on it under Section 4(a) of the Bilateral Netting of Qualified Financial Contracts Act, 2020 ("Netting Act")	We request for IFSCA to update the list of "Qualified financial contract" notified on 2 Feb 2021 under the powers conferred on it under the Netting Act to include credit and equity derivative transactions as defined in the draft guidelines.
17.	-	-	Modifications required to COB Handbook.	Given that IFSCA is permitting credit and equity derivatives to be undertaken by IBUs under the draft guidelines, we would request for corresponding and appropriate changes to be made to the COB Handbook, for IBUs to be aware of all its obligations when offering such OTC derivative transactions as a market maker.

Annex A - Overview of implementation of clearing mandates in APAC jurisdictions

Country	Product	Entity scope	Currency	Eligible CCP	Effective date
Singapore	Fixed-to-floating IRS	Banks with activity above SGD 20 billion	SGD, USD, EUR, GBP	ICE Clear, CME, Eurex Clearing, European Commodity Clearing, ICE Clear Credit, LCH, OTC Clearing	SGD, USD: October 1, 2018 EUR, GBP: 1 April 2020
Hong Kong SAR	IRS (fixed-float, basis, OIS)	AFIs, AMBs, LCs and Financial Services Providers above USD 20 billion	HKD, USD, EUR, JPY, GBP, AUD	CME, JSCC, LCH, OTC Clearing HK	HKD, USD, EUR, JPY, GBP: July 1, 2017 AUD: Oct 2019
China	Fixed-to-floating IRS	Only to participants of interbank bond market	RMB	SHCH	July 1, 2014
India	FX Forward	Inter-bank contracts only	INR/USD	CCIL	June 2, 2014
South Korea	Fixed-to-floating IRS	Financial Companies	KRW	KRX	June 30, 2014