

Breaking down the amendments to the IFSCA ship leasing framework

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Introduction

The International Financial Services Centres Authority (IFSCA) issued the Framework for Ship Leasing, vide Circular No. F. No. 496/IFSCA/FC/SLF/2022-23/001 dated 16 August 2022, as amended and updated from time to time, (Shipping Framework) as an initiative towards establishing a global shipping industry in India. The Shipping Framework aimed at enabling ship leasing activities and business in International Financial Services Centres (IFSCs) in accordance with the mechanism laid down under the IFSCA (Finance Company) Regulations, 2021 (Finance Company Regulations). The Shipping Framework sets out guidelines for the entities registered under the Finance Company Regulations for undertaking financial lease or operating lease or a hybrid of financial and operating lease with respect to Ships and Oceans Vessels (*both as defined under the Shipping Framework*).

IFSCA has recently released a Circular bearing no. F. No. 496/IFSCA/FC/SLF/2025-26/01 dated 7 April 2025 (Amendment), announcing certain amendments to the Shipping Framework as highlighted below.

Key Features of the Amendment

I. Currency for undertaking the leasing transaction

The Amendment replaces Clause 3.L of the Shipping Framework which pertained to currencies applicable for undertaking any leasing transaction. Prior to the Amendment Clause 3.L of the Shipping Framework provided that all transactions undertaken by a lessor shall be in any freely convertible foreign currency and permitted the lessors to defray administrative expenses in Indian Rupees by maintaining a separate INR account.

Pursuant to the Amendment, lessors are now allowed to raise invoice in relation to the leasing transactions under Clause 3.E and 3.H of the Shipping Framework in any of the "specified foreign currencies" as listed under the First Schedule of the IFSCA (Banking Regulations), 2020 (IFSCA Banking Regulations), and collect payments in relation to such invoices into their foreign currency accounts maintained with an IFSC Banking Unit (as defined under the IFSCA Banking Regulations).

The Amendment went on to further clarify that lessors may open Special Non-Resident Rupee (SNRR) accounts with authorised dealers in India (outside IFSC) under the provisions of Schedule 4 of the Foreign Exchange Management (Deposit) Regulations, 2016 (Deposit Regulation), for business transactions outside IFSCs, and all the transactions in this SNRR account shall be subject to payment of applicable taxes in India and shall be reported to Reserve Bank of India as per the Deposit Regulation.

II. Additional Requirement for carrying out permissible leasing activities

The Amendment also modifies Clause 3.O.1(i) of the Shipping Framework originally inserted pursuant to the IFSCA circular dated 8 May 2024, bearing reference no. F. No 496/IFSCA/FC/SLF/2024-25/01 (2024 Circular). Vide the 2024 Circular, the IFSCA imposed restrictions on any transaction involving the transfer of ownership or leasehold rights of Ships or Ocean Vessels from a person resident in India to an entity set up in the IFSC, where the purpose of such transaction was to provide services solely to

persons resident in India.

Pursuant to the Amendment, it has now been clarified that the aforesaid transactions cannot be entered into in '*any single financial year*', thereby limiting any scope of interpretation. This effectively restricts the transfer of ownership or lease rights of a Ship or Ocean Vessels from a person resident in India to an entity set up in the IFSC, if the sole purpose is to provide services exclusively within India / to a person resident in India, in any single financial year.

Further, a second proviso has been added to Clause 3.O.1(i) stating that the restriction mentioned above will not apply if the Ship or Ocean Vessel being transferred has been newly acquired from an Indian shipyard.

III. **Impact of the Amendment**

By virtue of the amendment specified in paragraph (I) above, lessors can more effectively manage rupee-denominated business transactions outside the IFSC, ensuring regulatory compliance while facilitating domestic business linkages where necessary. This amendment further enhances operational flexibility for lessors by allowing them to conduct business in multiple foreign currencies, in line with those currencies specified under the IFSCA Banking Regulations. It also helps mitigate currency risks and streamline multi-currency operations, increasing efficiency.

Further, the intent behind the original restriction pursuant to the 2024 Circular was aimed at preventing misuse of the IFSC framework for purely domestic transactions by disallowing the re-registration of Indian-owned ships in an IFSC solely to gain regulatory or tax benefits without actual international operations and to promote the IFSC as a hub for international ship leasing and financing. The amendment specified at paragraph (II) above clarifies that transfer of ownership or lease rights of a Ship or Ocean Vessels from a person resident in India to an entity set up in the IFSC, is restricted if the sole purpose is to provide services exclusively to a person resident in India in any single financial year. However, the Amendment further went on to clarify that the aforesaid restriction does not apply if the vessel is newly constructed and acquired from an Indian shipyard.

This relaxation encourages the promotion of domestic shipbuilding and leasing activities, potentially supporting the growth of Indian shipyards.

Conclusion

The Amendment to the Shipping Framework strengthens the regulatory framework for ship leasing in IFSCs by refining restrictions on domestic leasing transactions, introducing exemptions to encourage domestic shipbuilding, and expanding permissible currency and account operations. These changes strike a strategic balance between regulatory oversight and industry promotion, thereby reinforcing India's ambition to position its IFSCs as global hubs for ship leasing and maritime finance.

- Arijit Sarkar (Partner), Aparna Arya (Senior Associate) & Shubha Ojha (Associate)



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