

Participation of Payment Service Providers in International Payment Systems

The International Financial Services Centres Authority (IFSCA) has issued a circular dated June 06, 2025, addressing all Payment Service Providers (PSPs) in IFSC regarding their participation in international payment systems. This circular outlines key policies and compliance requirements that PSPs must adhere to when engaging with international payment networks.

Drawing reference from section 18 of the Payment and Settlement Systems Act, 2007 (PSS Act) read with section 13 of the IFSCA Act, 2019, the Authority has established guidelines to regulate payment systems affecting domestic transactions within the IFSC.





Legal Framework and Authority

Payment and Settlement Systems Act, 2007

Section 18 empowers the Authority to lay down policies relating to the regulation of payment systems including international payment systems affecting domestic transactions.

IFSCA Act, 2019

Section 13 grants the Authority power to give necessary directions to system providers, system participants, or any other person regarding the conduct of business relating to payment systems.

Regulatory Scope

The Authority can issue general or specific directions to agencies involved in payment systems to ensure proper conduct of business operations within the IFSC.

Policy for International Payments



External Payments

PSPs may participate as/be members of international payment systems for making or receiving payments to/from banks/financial institutions outside IFSC after obtaining prior approval of the Authority.



Authorization Requirement

International payment systems permitting PSPs to make or receive payments among themselves or other financial institutions in IFSC require authorization from the Authority under sub-section 1 of section 7 of the PSS Act.



Domestic Transactions

PSPs may participate in international payment systems for transactions with other PSPs or financial institutions in IFSC after confirming compliance and obtaining prior Authority approval.



Compliance Requirements



Review Participation

Every PSP must review its participation in international payment systems in light of the policies outlined in the circular.



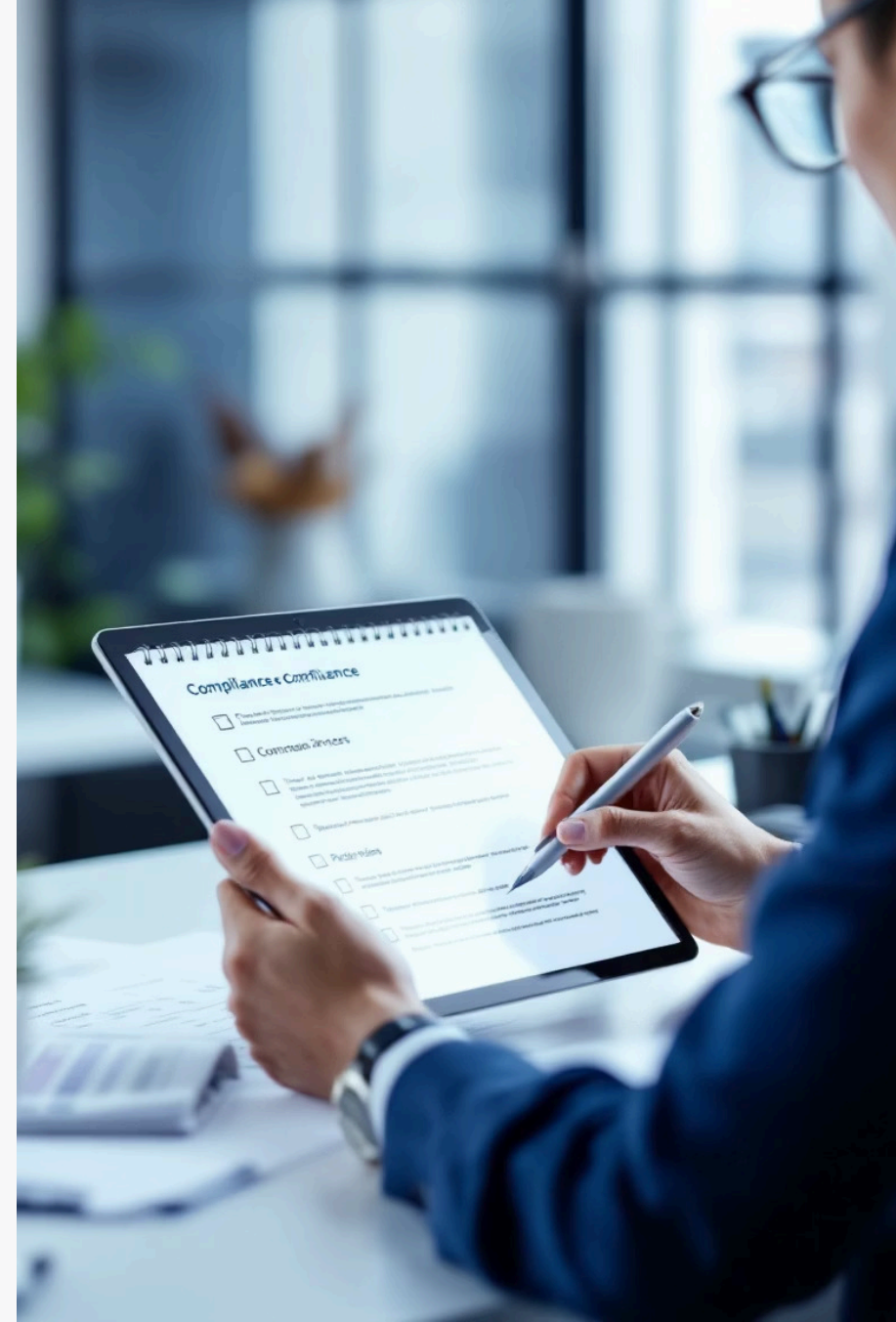
Report Compliance

PSPs must intimate the Department of Banking Supervision about their compliance within 30 days from the date of the circular.



Share System List

PSPs must share with the Authority a list of all international payment systems in which they were participants as of May 31, 2025.



Domestic vs. International Transactions

Domestic (IFSC) Transactions

These are transactions occurring between PSPs or financial institutions within the IFSC jurisdiction. Any international payment system facilitating such transactions requires specific authorization from the Authority under the PSS Act.

The circular emphasizes that domestic transactions, even when processed through international systems, fall under the regulatory purview of the Authority.

International Transactions

These involve payments to or from banks and financial institutions outside the IFSC. PSPs may participate in international payment systems for such transactions after obtaining prior approval.

The distinction is important as it determines the level of regulatory oversight and authorization requirements applicable to the payment systems being used.

Authorization Process

Identify Payment System Type

Determine whether the international payment system will be used for external transactions only or will also facilitate domestic (IFSC) transactions.

Verify Compliance

For systems handling domestic transactions, verify that the system has obtained or is eligible for authorization under sub-section 1 of section 7 of the PSS Act.

Submit Approval Request

Prepare and submit a formal request to the Authority for prior approval to participate in the international payment system.

Implement Upon Approval

Once approved, implement participation in accordance with the conditions specified by the Authority.



Reporting Timeline

30

Days

Maximum time allowed for
PSPs to report compliance
after circular issuance

May 31

2025

Cut-off date for reporting
international payment
system participation

June 06

2025

Date of circular issuance by
IFSCA

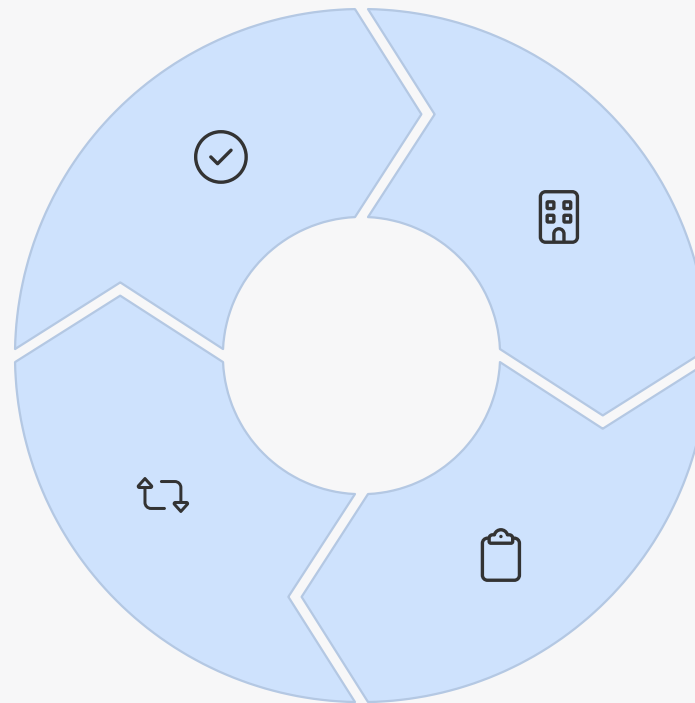
Key Takeaways for Payment Service Providers

Prior Approval

Always obtain Authority approval before participating in any international payment system

Ongoing Monitoring

Maintain awareness of payment system compliance status



Domestic Transactions

Systems handling IFSC transactions require specific authorization under PSS Act

Compliance Review

Review and report current participation within 30 days of circular

This circular, signed by Supriyo Bhattacharjee, Chief General Manager of the Department of Banking Regulation, establishes clear guidelines for PSPs operating within the IFSC. By following these policies, PSPs can ensure regulatory compliance while participating in international payment systems.