



CIRCULAR

IFSCA/CMD/SGrB/2024-25/1

September 24, 2024

To,

Recognised Stock Exchanges in the International Financial Services Centre (IFSC)

Recognised Clearing Corporations in IFSC

Recognised Depository in IFSC

Custodians in IFSC

IFSC Banking Units (IBUs)

Broker-Dealers in IFSC

Clearing Members in IFSC

Depository Participants in IFSC

Madam/Sir,

Subject: Trading and Settlement of Sovereign Green Bonds (SGrBs) in IFSC

1. The Government of India has been issuing Sovereign Green Bonds (SGrBs) to mobilize resources for green infrastructure in India. Considering the significant rise in international investors' commitment to net-zero goals, SGrBs have a huge potential for attracting capital from foreign investors into India.
2. With a view to facilitate wider non-resident participation in SGrBs, a scheme for trading and settlement of SGrBs in IFSC has been introduced by Reserve Bank of India (RBI) on August 29, 2024 (hereinafter referred to as "RBI Scheme"). This scheme will facilitate easier access for non-resident investors to invest and trade in SGrBs through IFSC, enhancing global climate capital flows into India.

A. Definitions

3. For the purpose of this circular,



- a. **Authorised Clearing Corporation (authorised CC)** shall mean a Clearing Corporation recognised by the International Financial Services Centres Authority (IFSCA).
- b. **Authorised Depository** shall mean a Depository recognised by IFSCA.
- c. **IFSC Banking Unit (IBU)** shall mean a banking unit set up in the IFSC.
- d. **Over-the-Counter (OTC) markets** shall mean markets where transactions are undertaken in any manner other than on stock exchanges and shall include transactions undertaken on electronic trading platforms authorised by IFSCA.

Eligible securities

- 4. Eligible securities shall include such securities as provided in Clause 5 of the RBI Scheme, as amended from time to time.

Eligible Market Infrastructure Institutions (MIIs)

- 5. All recognized stock exchanges, clearing corporations, and depositories in IFSC may participate in terms of the provisions of this circular.

Eligible Participants

- 6. Broker-Dealers, Clearing Members, Custodians and Depository Participants registered with IFSCA and eligible IBUs in IFSC may participate in terms of the provisions of this circular.

Eligible IBUs

- 7. An IBU of a bank in India and an IBU of a foreign bank, provided that the foreign bank has a branch or subsidiary licensed to undertake banking business in India, shall be eligible to participate in the RBI Scheme to facilitate transactions.

Eligible Investors

- 8. The following persons will be eligible to participate in the RBI Scheme as investors:



- a. Persons resident outside India as defined in Section 2(w) of the Foreign Exchange Management Act, 1999 and are not incorporated in High-Risk Jurisdictions subject to a Call for Action as identified by Financial Action Task Force (FATF);
- b. An IBU of a foreign bank which does not have a branch or subsidiary licensed to undertake banking business in India; or
- c. Persons resident outside India as treated under Foreign Exchange Management (International Financial Services Centre) Regulations, 2015, and are not incorporated in High-Risk Jurisdictions subject to a Call for Action as identified by FATF provided that such persons are not a branch, joint venture, subsidiary or trust of an entity incorporated in India.

Provided that funds / schemes, including the ones setup by entities incorporated in India, regulated by IFSCA under the IFSCA (Fund Management) Regulations, 2022 shall be considered as eligible investors under the RBI Scheme.

B. Participation in the Primary Market

9. The recognised stock exchange(s) at IFSC shall provide an electronic platform for placement of bids by eligible investors to participate in the primary auction conducted by RBI.
10. The authorised CC shall act as an aggregator/facilitator of bids received on exchange platform and submit bids to RBI's Core Banking Solution (E-Kuber) system, or any other platform / system as may be specified by the RBI in this regard.
11. Eligible investors desirous of participating in the auction of eligible securities shall:
 - a. open a demat account with a depository participant of authorised Depository; and
 - b. enter into an agreement with a depository participant of authorised Depository for handling the coupon payments and redemption proceeds for deposit into investors accounts.



12. Eligible investors shall submit competitive bids, through Broker-Dealer, Clearing Member or a Custodian, registered with the IFSCA or through eligible IBU, on the platform set up by the recognised stock exchanges.
13. The eligible investors shall enter into an agreement with clearing members, in order to facilitate transfer of funds in USD to authorised CC through respective clearing member to meet the settlement obligations during the primary auction.
14. The authorised CC shall ensure validation of funds before submission of bids to RBI's Core Banking Solution (E-Kuber) system, or any other platform / system as specified by the RBI in this regard. Additionally, the authorised CC shall ensure that its current account with the RBI is funded at the start of the day on the settlement date of the primary auction so as to meet the settlement obligations arising from subscriptions in the primary auction by the eligible investors.
15. In case of non-allotment of bid(s), the reversal of funds to the respective investor shall be undertaken in the following manner:
 - a. Reversal of funds for unallotted SGrBs shall be initiated by authorised CC on the same day and shall be refunded to respective clearing members by authorised CC in USD.
 - b. Clearing members in-turn shall return the funds to the respective eligible participant, and
 - c. Respective eligible participant shall refund the same to the investor.
16. Settlement of securities:
 - a) On settlement, the securities allotted to the eligible investors will be credited to the Constituent Subsidiary General Ledger (CSGL) account of the authorised CC on the settlement date.
 - b) The authorised CC shall undertake Value Free Transfer (VFTs) to credit the allotted securities to the CSGL account of the authorised Depository on the same day.



- c) The authorised Depository shall ensure that the securities are credited to the demat/ securities accounts of the eligible investors on the same day of settlement.

17. To enable eligible investors to take part in the auction of eligible securities, the eligible MIs shall put in place necessary operational procedures and guidelines, in terms of the RBI Scheme and this circular.

C. Participation in the Secondary Market

18. Eligible participants may facilitate transactions in eligible securities through OTC markets in IFSC.

19. Eligible investors can trade in the secondary market in the IFSC with other eligible investors and with eligible IBUs.

Provided that transactions between two eligible IBUs shall not be undertaken under the RBI Scheme.

20. The type of transaction in the eligible securities shall be delivery based i.e. either buy or sell, which would result in delivery.

21. The trades on the eligible securities shall be settled in USD currency.

22. The details of trade shall be immediately reported to the authorised CC, in the manner and format provided by authorised CC.

23. The settlement of these trades shall be done on a delivery versus payment model 1 (DVP-1) basis.

24. The authorised CC and authorised Depository shall put in place necessary operational procedures and guidelines to facilitate OTC settlement within the defined timeline.

25. The authorised CC shall not act as central counterparty for the purpose of settlement of transactions in the OTC markets.



26. In case of delay in transfer of securities or funds beyond the stipulated time specified for settlement by authorised CC, the trade would stand annulled, and the securities / funds shall be returned to the respective participants. In such cases, authorised CC shall report the cancelled trades to Clearing Corporation of India Ltd (CCIL), or any other agency as may be specified by the RBI in the manner and format specified.
27. The authorised CC shall publish time window(s) for trade reporting and settlement of transactions in the secondary market.

D. Other requirements

Coupon payment and redemption

28. The authorised Depository will receive coupon payments and redemption proceeds, in INR in their current account with RBI, for the securities held with them. The authorised Depository, in turn, shall credit the coupon payment and redemption proceeds in USD, to the accounts of eligible investors.
29. The authorised Depository shall credit the coupon payment and redemption proceeds on the same day / for the same value date to the accounts of the eligible investors, except in the following circumstances:
- a. The transfer of funds is delayed due to Anti-Money Laundering (AML)/ Combating the Financing of Terrorism (CFT) sanctions related concerns at the sender / receiver / correspondent bank.
 - b. If the coupon/redemption date coincides with Federal Holidays of United States of America, delaying the INR/USD conversion or a local holiday in jurisdiction of beneficial owner.
 - c. Delay(s) or errors in submission by the investor as required by the authorised Depository of account details/documents pertaining to withholding tax.
 - d. Any other extraordinary circumstances as specified by IFSCA from time to time.



Guidelines for Know Your Customer (KYC) / Compliance with AML

30. The eligible participants shall undertake KYC, Client Due diligence (CDD) and other due diligence of the eligible investors in terms of the IFSCA (Anti Money Laundering, Counter-Terrorist Financing and Know Your Customer) Guidelines, 2022 dated October 28, 2022, and any amendments thereto from time to time.

Taxation

31. The authorised Depository shall be responsible for withholding tax on coupon payment, as decided by the Government of India from time to time, before crediting the coupon payment into investor accounts.

Reporting requirements

32. The authorised CC shall report the secondary market transactions to CCIL or any other agency, in the manner and format, as may be specified by the RBI, at the earliest and no later than three hours after the close of trading hours for the eligible securities.

33. An end of day statement of holdings shall be submitted by the authorised Depository to the RBI, or any other agency specified by the RBI, in the manner and format as may be specified by the RBI.

34. The authorised Depository shall also submit the details of the beneficial owners, based on the information requested and provided by investors relating to their holdings, to the RBI in the manner, format and periodicity as may be specified by the RBI.

35. The eligible investors, eligible MIs and the eligible participants shall comply with the provisions of RBI Scheme dated August 29, 2024 as amended from time to time and also with the conditions and disclosures as may be specified by IFSCA.

This Circular is issued in exercise of powers conferred by Section 12 and 13 of the International Financial Services Centres Authority Act, 2019 to develop and regulate the financial products, financial services, and financial institutions in the International Financial Services Centres.



A copy of this Circular is available on the website of the International Financial Services Centres Authority at www.ifsc.gov.in

Yours faithfully,

Sd/-

Pavan Shah
General Manager
Division of Sustainable Finance
Department of Capital Markets
Email. pavan.shah@ifsc.gov.in
Tel: +91-079-61809844