THIRD-PARTY FUND MANAGEMENT SERVICES IN IFSC

Third-Party Fund Management Services (*TPFMS*) is a regulatory framework introduced in IFSCA (Fund Management) Regulations, 2025 by way of amendment on July 24, 2025 to enable registered Fund Management Entities (FMEs) in IFSC to manage schemes on behalf of third parties. In essence, rather than only managing their own schemes, FMEs can now seek authorization as TPFMS and host schemes for third party fund managers (TPFs) who don't necessarily have to set up operations in the IFSC.

A. **Background**:

In continuation to IFSCA's efforts to create a globally benchmarked regulatory framework, a public consultation exercise was undertaken in October 2023 inviting suggestions from public and regulated entities. Further, the IFSCA received proposals from Industry Participants to add a chapter in the IFSCA (Fund Management) Regulations, 2022, to enable third party fund management services (informally known as Platform Play) for funds regulated by IFSCA, as mentioned in the IFSC Consultation Paper published on August 17, 2024, and thereafter introduced TPFMS through an amendment.

B. **Who can offer TPFMS?**

- Form of Entity: The FME must be incorporated in the IFSC as a company, LLP or other forms permitted by IFSCA, the same must be mentioned in its MoA/ LLP agreement.
- Net Worth**:** The FME wishing to offer TPFMS must maintain an additional net worth of USD 500,000, over and above the minimum requirement for its other activities.
- Fee: The fee structure for Registered FME (Retail and Non-Retail) includes USD 2,500 for application and USD 7,500 as authorisation fee, as well as a recurring fee of USD 2,000 for every TPF handled by it.
- Both FME(Retail) and FME (Non-Retail) are eligible to engage in TPFMS.

C. **Who can avail TPFMS?**

- Schemes: TPFs must engage only in Restricted Schemes, offered on private placement basis only to "accredited investors" or investors investing at least USD 150,000 and not having more than 1000 investors.
- Corpus Limit: The corpus of each such scheme must not exceed USD 50 million (or such other limit as may be prescribed).
- Other compliances: Third party must be incorporated either in India, IFSC or a foreign state, allocate adequate resources and experienced personnel, as well as meet the 'fit and proper' criteria under Regulation 9.

D. Appointment of KMP:

- FMEs must appoint a dedicated Principal Officer for each third-party managed scheme, responsible for fund, risk, and compliance oversight.
- In case of FME (Non-Retail), the Compliance Officer shall work for both, the self-managed scheme as well as the TPF.
- In case of FME (Retail), the Compliance Officer shall be separate for its Retail and Non-Retail schemes.
- For appointment of additional KMP, AUM from third-party schemes shall also be considered(excluding fund-of-funds) counts.

E. Risk and Disclosure Requirements:

For the Restricted Schemes under TPF, FMEs must clearly disclose in a dedicated section of the placement memorandum:

- Third-party details and persons effectively conducting business
- Segregation of responsibilities, and
- Potential conflicts of interest
- Risk management policy: FMEs must establish a comprehensive risk management policy to handle risks and conflicts in the TPF to ensure fund segregation, extend investor grievance mechanisms, conduct regular internal audits and any additional measures specified by the IFSCA.
- Liability of FME: Even though the fund is run on behalf of a third party, the FME remains fully liable for all regulatory obligations. The FME cannot absolve itself of responsibility by contract with the third party.

F. Conclusion:

This “platform play” model mirrors global practices adopted in leading fund jurisdictions such as Singapore, Mauritius and Luxembourg, where licensed fund managers provide regulated platforms for external or third-party managers to launch and operate their investment strategies. Such a framework acts as a gateway for global fund managers to access new markets efficiently, without the need to establish a full-fledged local entity or infrastructure. It facilitates cross-border capital flows, accelerates market entry, and supports innovation through pilot or niche strategies, while maintaining robust regulatory oversight through the licensed host entity.

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