

FSCA Mandates Segregation of Fiduciary and Operational Roles in IFSC Funds

The International Financial Services Centres Authority (**IFSCA**), through its circular dated April 10, 2026 (**Circular**), has introduced a new rule which is intended to improve governance standards and oversight of schemes in the International Financial Services Centres (**IFSC**), emphasizing the need for clear segregation of the role of “fiduciaries” in schemes managed by.

As per Regulation 17(2) of the International Financial Services Centres Authority (Fund Management) Regulations, 2025 (**FM Regulations**), before filing any scheme’s document with IFSCA, the relevant Fund Management Entities (**FME**) are required to appoint the following fiduciaries:

- Trustees, where the scheme is set up as a trust;
- Board of directors, where the scheme is set up as a company; and
- Designated partners, where the scheme is set up as a limited liability partnership.

Further, under Regulation 17(5) of the FM Regulations, “fiduciaries” are required to comply with the Code of Conduct specified in the Third Schedule, which requires them to maintain high standards of service, exercise due diligence, ensure proper care, and apply independent professional judgment while discharging their responsibilities.

In effect, Regulation 17 of the FM Regulations imposes a fiduciary duty on trustees, directors or designated partners of schemes in the IFSC.

Against this backdrop, the Circular provides that a fiduciary appointed to a scheme must remain independent and should not provide specified operational or service functions to the same scheme, either directly or through any associate.

The services which cannot be rendered by a scheme’s fiduciary to the same scheme, whether directly or through its associate, are as follows:

- Fund administration
- Valuation services
- Audit services
- Lending or financing services

For schemes that have already been taken on record by IFSCA, or which have filed fund documents with the Authority prior to issuance of the Circular, FMEs are required to take necessary steps to comply with this segregation requirement by September 30, 2026.

ELP Comments

- *In GIFT-IFSC and in the domestic tariff area, AIFs are usually set up in the form of trusts, and the trustees of such trusts are usually professional trustee companies. Many of such trustee companies belong to financial service groups which provide various services to AIFs, including fund accounting, custodianship and fund administration. All of these service providers will have to take steps to de-link trusteeship services from other services, which fall under the prohibited list given in the circular.*
- *Pursuant to this circular, the trustee of a scheme cannot provide fund administration services to such scheme through any affiliate. 'Fund administration' is a commercial term that does not have a clear legal definition, but 'fund accounting', NAV calculation, investor reporting, capital call/distribution processing, and financial statement preparation would likely fall under the ambit of 'fund administration' services.*
- *There seems to be no restriction on the trustee of a scheme providing custodian services to such scheme or acting as the RTA of such scheme.*

IFSCA's circular dated April 10, 2026, can be found [here](#).

We hope you have found this information useful. For any queries/clarifications, please write to us at insights@elp-in.com or write to our authors:

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