

IFSCA Relaxes KMP Appointment Framework for FMEs

The International Financial Services Centres Authority (**IFSCA**), through its circular dated April 1, 2026 (**April 2026 Circular**), has amended the framework governing the appointment and change of Key Managerial Personnel (**KMP**) by Fund Management Entities (**FMEs**). While the April 2026 Circular merely omits a paragraph from an earlier circular issued by IFSCA dated February 20, 2025 (**February 2025 Circular**), the real impact of this amendment could be significant.

BACKGROUND

Under the International Financial Services Centres Authority (Fund Management) Regulations, 2022 (**FM Regulations 2022**), IFSCA's prior approval was required for an FME to appoint any KMP or to make any change to the KMPs appointed by an FME. Regulation 7 of the International Financial Services Centres Authority (Fund Management) Regulations, 2025 (**FM Regulations 2025**), which replaced the FM Regulations 2022, provides that:

- an FME has to appoint KMPs based out of IFSC who meet the requirements prescribed regarding educational qualification, work experience, etc., and
- that any appointment of and changes to the KMPs shall take place only in the manner as specified by IFSCA.

Pursuant to the aforementioned Regulation 7 of the FM Regulations 2025, IFSCA issued the February 2025 Circular, which provided that it was sufficient if an FME intimated (in the prescribed format) IFSCA of its proposal to appoint or change a KMP. The February 2025 Circular did not expressly state that the intimation of appointment or change had to be prior to the intimation. However, Paragraph 4 of the February 2025 Circular stated as follows:

“Comments of the Authority, if any, shall be communicated within seven (7) working days from the date of filing of the intimation with the Authority, which shall suitably be taken into consideration by the FME in effecting its proposal for appointment or change of the KMP.”

DELETION OF PARAGRAPH 4 OF THE FEBRUARY 2025 CIRCULAR

The practical effect of Paragraph 4 of the February 2025 Circular was that FMEs had to inform IFSCA of any appointment or change of any KMP not less than seven (7) working days prior to such appointment or change. Any objection to such appointment by IFSCA, if any, would have to be communicated to the FME within a period of seven (7) working days. If no such objection or other comment was received from IFSCA within the prescribed timeline, the FME could proceed without having to worry about any objection being raised by IFSCA subsequently in respect of such appointment or change.

The April 2026 Circular now removes the aforementioned Paragraph 4 in its entirety. On a plain reading of the February 2025 Circular, after omission of Paragraph 4, an FME can intimate IFSCA of the appointment or change of any KMP at any time immediately before the appointment or change of the KMP.

ELP Comments

- *Though the February 2025 Circular does not expressly state that the intimation of appointment or change of the KMP has to be prior to the appointment or change, the use of the word “proposal” in Paragraph 3 of the February 2025 Circular and the words “Proposed date of Joining” in the format of the intimation given in the Annexure to the February 2025 Circular make it clear that IFSCA’s intention is for the intimation to be given prior to the appointment or change of the KMP.*

- *Paragraph 5 of the February 2025 Circular provides as follows:*

“The FME and person(s) in control of the FME shall hold the responsibility of ensuring adherence to the eligibility criteria for the KMPs as specified by Authority.”

The aforementioned Paragraph 5 continues to be in full force and effect, and the amendment made to the February 2025 Circular by the April 2026 Circular does not dilute the substantive compliance burden on FMEs. The requirements relating to eligibility, qualifications and “fit and proper” criteria continue to apply in full. IFSCA also retains its supervisory authority to review appointments and take action where a KMP does not meet regulatory expectations. After the omission of Paragraph 4 of the February 2025 Circular, it is possible that at any time after the appointment of a new KMP, IFSCA can object to the appointment if it feels that such a KMP does not meet the prescribed eligibility criteria.

After the FM Regulations 2025 replaced the FM Regulations 2022, the change from prior approval to prior intimation was welcomed by FMEs. FMEs no longer had to wait for IFSCA to approve Principal Officers and Compliance Officers chosen by FMEs before their appointments could be confirmed. The requirement that IFSCA had to raise any objection to an appointment or change of a KMP within seven (7) working days meant that after such period, FMEs and the KMPs could breathe easy. Now, with the deletion of Paragraph 4 from the February 2025 Circular, IFSCA’s sword will dangle over KMPs appointed by FMEs for a long time. The omission of Paragraph 4 from the February 2025 Circular is unlikely to be welcomed by FMEs in GIFT-IFSC.

IFSCA’s April 2026 Circular can be found [here](#).

IFSCA’s February 2025 Circular 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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