

IFSCA's New Pension Fund Regulations - A Brief Summary and Analysis

On March 30, 2026, the International Financial Services Centres Authority (**IFSCA**) notified the International Financial Services Centres Authority (Pension Fund) Regulations, 2026 (**IFSCA PF Regulations**).

The lead-up to the issuance of the IFSCA PF Regulations was as follows. In July 2024, an Expert Committee report on "Development of Pension Products at GIFT IFSC" had recommended enabling a pension framework in IFSC. On 5 December 2024, following IFSCA's recommendations, the Government of India notified "schemes operated by a pension fund" as a "financial product" for purposes of the IFSCA Act, 2019, thereby enabling IFSCA to frame pension-specific regulations for IFSC. In November 2025, IFSCA had released a consultation paper on proposed IFSCA (Pension Fund) Regulations, 2025, aimed at NRIs and foreign citizens, referencing the above notification and expert committee recommendations.

REGULATORY PURPOSE AND SCOPE

The IFSCA PF Regulations create a dedicated framework for registration, regulation and supervision of Pension Funds in an Indian IFSC. The objectives¹ of the IFSCA PF Regulations are:

- Establishing a robust framework for long-term retirement savings;
- protecting subscribers' interests through transparency and governance; and
- maintaining integrity of the pension ecosystem in the IFSC.

REGISTRATION REQUIREMENT AND PROCESS

No person can act as a Pension Fund in the IFSC without a registration certificate from IFSCA². To be registered as a Pension Fund, an application must be filed through the Single Window IT System (**SWIT**) with prescribed fees, documents and manner as specified by IFSCA³. The applicant must provide⁴:

- details of its corporate structure;
- 3 years' audited financial statements;
- proposed business plan and organisational set-up;
- key personnel; and
- risk management framework and any other information sought by IFSCA.

IFSCA may seek further information, call the applicant for personal hearing, and even inspect its office before grant of registration.

FORM OF ENTITY

- A Pension Fund must be⁵:
 - A company incorporated in the IFSC; or

¹ Reg. 2 IFSCA (Pension Fund) Regulations, 2026.

² Reg. 4(1) IFSCA (Pension Fund) Regulations, 2026.

³ Reg. 4(2) IFSCA (Pension Fund) Regulations, 2026.

⁴ Reg. 4(3) IFSCA (Pension Fund) Regulations, 2026.

⁵ Reg. 5(1) IFSCA (Pension Fund) Regulations, 2026.

- a branch of a company incorporated outside the IFSC. The branch form is permitted only if the entity is already registered/regulated as a pension fund (or similar) by a financial sector regulator in India or abroad.
- The Pension Fund should have a minimum of 4 directors, at least half of whom must be independent directors⁶.

ELIGIBILITY

To be registered as a Pension Fund:

- **Experience:** The applicant or its parent/associate must have at least 10 years' experience managing a pension fund, a retail fund, carrying on insurance business or operating a commercial bank. In this regard, "Associate" covers entities exercising control over at least 50% of voting power⁷.
- **Net-worth:** Net-worth worth of at least USD 1 million should be maintained at all times (at parent level where the applicant is a parent entity)⁸.

KEY MANAGERIAL PERSONNEL AND "FIT & PROPER" REQUIREMENTS

- The Pension Fund should have at least two Key Managerial Personnel (KMP) responsible for fund management, risk management etc⁹. One of the KMPs shall be a Compliance Officer, reporting directly to the Board and is responsible for overall compliance with these Regulations and other applicable laws¹⁰. The KMP/Compliance Officer must have¹¹:
 - Relevant post-graduate/professional qualification (finance, law, accountancy, business, economics, capital markets, banking, insurance, actuarial, CFA, FRM, or equivalent); and
 - Minimum 3 years' work experience in pension/fund management, fund operations, investment banking or asset management with direct responsibility.
- If the KMP/Compliance Officer has only a bachelor's degree in the specified disciplines, s/he must have 10+ years' relevant experience instead of 3 years¹².

FIT & PROPER

- Each Pension Fund must ensure that all its directors, KMP and controlling shareholders are "fit and proper" as per criteria in the First Schedule of the IFSCA PF Regulations¹³.
- A person declared "not fit and proper" by any regulator cannot seek registration or hold such positions until they again satisfy that regulator's criteria¹⁴.
- First Schedule tests cover fairness and integrity, and disqualifications such as conviction for moral turpitude/economic offences, pending charge-sheets, regulatory recovery actions, orders debarring access to financial markets, insolvency, wilful default, fugitive economic offender status, etc¹⁵.

ONGOING COMPLIANCE OBLIGATIONS

Pension Funds must at all times:

⁶ Reg. 5(2) IFSCA (Pension Fund) Regulations, 2026.

⁷ Reg. 5(4) IFSCA (Pension Fund) Regulations, 2026.

⁸ Reg. 5(5) IFSCA (Pension Fund) Regulations, 2026.

⁹ Reg. 6(1) IFSCA (Pension Fund) Regulations, 2026.

¹⁰ Reg. 6(2) IFSCA (Pension Fund) Regulations, 2026.

¹¹ Reg. 6(3) IFSCA (Pension Fund) Regulations, 2026.

¹² Proviso under Reg. 6(3) IFSCA (Pension Fund) Regulations, 2026.

¹³ Reg. 7(1) IFSCA (Pension Fund) Regulations, 2026.

¹⁴ Reg. 7(2) IFSCA (Pension Fund) Regulations, 2026.

¹⁵ First Schedule of IFSCA (Pension Fund) Regulation, 2026.

- Maintain a fully functional office in the IFSC with adequate infrastructure (IT systems, communication, data storage) for investment management, risk management, compliance and administration¹⁶.
- Develop and implement comprehensive internal policies and procedures for investment decision-making, risk management, compliance and grievance redressal, with regular review and updates¹⁷.
- Comply with the IFSCA (AML/CFT/KYC) Guidelines, 2022 as amended¹⁸.
- Maintain a clear organisational structure with segregated duties and defined reporting lines¹⁹.
- Ensure continual compliance with the IFSCA Act, the IFSCA PF Regulations, applicable subsidiary instructions and all other applicable laws²⁰.

SCHEMES

- Pension Funds are expected to launch “schemes”, with IFSCA’s approval.²¹ A “scheme” shall consist of a specific investment option or product offered by a Pension Fund having distinct investment objectives, strategies, and risk profiles.²²
- For each scheme launched by a Pension Fund, the Pension Fund will issue a “Scheme Information Document” (SID) containing all material information including investment objectives, asset allocation strategy and risk profile.²³

SCHEME STRUCTURE

- Each Scheme must be constituted as a trust²⁴. Prior approval of IFSCA is required for each new Scheme or any material modification of an existing Scheme, with SID and other information filed with IFSCA.²⁵
- A Trustee must be appointed before filing the SID and must meet the “fit and proper” criteria given in the First Schedule.²⁶ Approved schemes must be launched within 12 months of IFSCA’s approval letter.²⁷
- The Trustee should be:
 - Independent of the Pension Fund;
 - authorised/registered with IFSCA or another financial sector regulator to act as trustee; and
 - should have adequate infrastructure and manpower to IFSCA’s satisfaction.²⁸
- Trustees and their board/officials must at all times act in fiduciary capacity solely in subscribers’ interest, exercising care, diligence, skill and prudence; they must ensure priority of subscribers’ interests in all conflict situations and ensure strict compliance with SID, Regulations, subsidiary instructions and other laws.²⁹

PERMISSIBLE INVESTMENTS AND LIMITS

- The Third Schedule of the IFSCA PF Regulations lists the permitted asset classes in which Pension Funds may invest in. The following are some of the highlights of the rules prescribed by the Third Schedule:

¹⁶ Reg. 10(a) IFSCA (Pension Fund) Regulations, 2026.

¹⁷ Reg. 10(b) IFSCA (Pension Fund) Regulations, 2026.

¹⁸ Reg. 10(c) IFSCA (Pension Fund) Regulations, 2026.

¹⁹ Reg. 10(d) IFSCA (Pension Fund) Regulations, 2026.

²⁰ Reg. 10(e) IFSCA (Pension Fund) Regulations, 2026.

²¹ Reg. 13(2) IFSCA (Pension Fund) Regulations, 2026.

²² Reg. 12(2) IFSCA (Pension Fund) Regulations, 2026.

²³ Reg. 13(2)&(3) IFSCA (Pension Fund) Regulations, 2026.

²⁴ Reg. 13(1) IFSCA (Pension Fund) Regulations, 2026.

²⁵ Reg. 13(2) IFSCA (Pension Fund) Regulations, 2026.

²⁶ Reg. 13(4) IFSCA (Pension Fund) Regulations, 2026.

²⁷ Reg. 13(5) IFSCA (Pension Fund) Regulations, 2026.

²⁸ Reg. 33 IFSCA (Pension Fund) Regulations, 2026.

²⁹ Reg. 34 IFSCA (Pension Fund) Regulations, 2026.

- 100 % of a scheme's portfolio may be allocated in sovereign debt, such as Government of India bonds, and highly rated public sector bonds.³⁰
- A maximum of 40% of a scheme's portfolio may be allocated to corporate bonds, of which at least 70% shall be invested in securities that are rated BBB and above, and in case any such security is downgraded below the permissible rating, the investment shall be restored to investment grade within a period of 12 months to comply with the investment limits.³¹
- The total allocation to equities may be 100% of the portfolio, depending on the nature of the Scheme floated by the Pension Fund.³²
- Up to 100% of a scheme's portfolio may be invested in Indian equities.³³ A minimum of 50% of the domestic equity allocation shall be in large-cap stocks.³⁴ A maximum of 40% of the domestic equity allocation may be in mid- and small-cap stocks, and in the event of any breach arising from reclassification or change in market capitalization, a curing period of twelve months shall be permitted to restore compliance with the specified investment limits.³⁵
- Up to 100% of a scheme's portfolio may be allocated to foreign equities, subject to appropriate diversification across different developed and emerging markets.³⁶
- The Third Schedule of the IFSCA PF Regulations also prescribes Concentration Limits for Pension Funds. The following are some of the highlights of the Concentration Limits:
 - Exposure to securities (debt + equity) of one corporate issuer and related parties cannot exceed 10% of Scheme value. Government securities are exempt from this rule.³⁷
 - Counterparty/industry limits include:
 - Sponsor group debt: maximum 5% of sponsor-group net worth or Scheme AUM, whichever is lower.³⁸
 - Non-sponsor group debt: maximum 10% of non-sponsor-group net worth or Scheme AUM, whichever is lower.³⁹
 - Industry sector exposure: maximum 15% of total AUM across all Schemes of that Pension Fund.⁴⁰
 - Equity exposure in a single company:
 - Sponsor group: maximum 5% of paid-up capital;
 - non-sponsor: maximum 10% of paid-up capital.⁴¹
 - Term deposits: maximum 10% exposure per eligible bank.⁴²

FEES

- Any fees/charges on subscribers require prior IFSCA approval and must be disclosed in the SID⁴³.

³⁰ Third Schedule, Part A (I)(1), read with Regulation 19(2), IFSCA (Pension Fund) Regulations, 2026.

³¹ Third Schedule, Part A (I)(2), read with Regulation 19(2), IFSCA (Pension Fund) Regulations, 2026.

³² Third Schedule, Part A (I)(1), read with Regulation 19(2), IFSCA (Pension Fund) Regulations, 2026.

³³ Third Schedule, Part A (II)(2), read with Regulation 19(2), IFSCA (Pension Fund) Regulations, 2026.

³⁴ Third Schedule, Part A (II)(3), read with Regulation 19(2), IFSCA (Pension Fund) Regulations, 2026.

³⁵ Third Schedule, Part A (II)(4), read with Regulation 19(2), IFSCA (Pension Fund) Regulations, 2026.

³⁶ Third Schedule, Part A (II)(5), read with Regulation 19(2), IFSCA (Pension Fund) Regulations, 2026.

³⁷ Third Schedule, Part B (I), read with Regulation 21, IFSCA (Pension Fund) Regulations, 2026.

³⁸ Third Schedule, Part B (II)(1), read with Regulation 21, IFSCA (Pension Fund) Regulations, 2026.

³⁹ Third Schedule, Part B (II)(2), read with Regulation 21, IFSCA (Pension Fund) Regulations, 2026.

⁴⁰ Third Schedule, Part B (II)(3), read with Regulation 21, IFSCA (Pension Fund) Regulations, 2026.

⁴¹ Third Schedule, Part B (II)(4), read with Regulation 21, IFSCA (Pension Fund) Regulations, 2026.

⁴² Third Schedule, Part B (II)(5), read with Regulation 21, IFSCA (Pension Fund) Regulations, 2026.

⁴³ Reg. 39(1), IFSCA (Pension Fund) Regulations, 2026.

- Charges may include account opening, annual maintenance, investment management fee (as % of AUM) and transaction charges⁴⁴; full details must be disclosed in SID and related documents.⁴⁵

VALUATION AND NAV

- Scheme assets and liabilities must be valued daily at market prices under documented methodologies⁴⁶. Daily per-unit NAV must be calculated (assets minus liabilities divided by outstanding units) and declared daily.⁴⁷
- A Pension Fund may appoint a valuer registered with IBBI or IFSCA (or other specified person) for valuation functions⁴⁸.

WITHDRAWAL AND EXIT OPTIONS

- Pre-retirement:** After the 5-year lock-in, up to 75% of subscriber's contributions or a lower SID-disclosed limit can be withdrawn for specified purposes (higher education, marriage, critical illness, housing or other IFSCA-specified purposes). For critical illness, partial withdrawal may be allowed without any minimum lock-in.⁴⁹
- At retirement/superannuation/vesting period:** Upon a subscriber:
 - Contributing for minimum 10 years, or
 - attaining age 60 (superannuation),

whichever is earlier, the subscriber exiting must opt for Systematic Withdrawal Plan (**SWP**). On superannuation however, they may defer withdrawal up to age 75, with or without further contributions.⁵⁰

- Corpus structure at retirement/superannuation/vesting period exit:** At least 20% of accumulated corpus must be taken via SWP; balance may be taken lump sum. If the total corpus is below IFSCA-specified threshold, entire amount can be withdrawn as lump sum at retirement/superannuation.⁵¹
- Early exit (before superannuation/vesting):** A minimum 25% of total corpus must be used for SWP, and remaining may be withdrawn lump sum, again subject to the same threshold.⁵²
- In case of death of subscriber, the entire accumulated corpus is paid lump sum to nominee(s) or, if none, legal heir(s).⁵³

PORTABILITY AND NOMINATION

- A subscriber can change the Pension Fund up to two times per financial year. IFSCA may prescribe interoperability mechanisms with other pension systems, subject to bilateral arrangements and other approvals.⁵⁴
- A subscriber can nominate/change one or more nominees to receive corpus on death.

HEALTHCARE BENEFIT OPTION

- A Pension Fund may offer a healthcare benefit option, allowing allocation of a portion of contributions to a dedicated "Healthcare Sub-Account", disclosed in SID.⁵⁵

⁴⁴ Reg. 39(2), IFSCA (Pension Fund) Regulations, 2026.

⁴⁵ Reg. 39(3), IFSCA (Pension Fund) Regulations, 2026.

⁴⁶ Reg. 40(1), IFSCA (Pension Fund) Regulations, 2026.

⁴⁷ Reg. 40(2), IFSCA (Pension Fund) Regulations, 2026.

⁴⁸ Reg. 40(3), IFSCA (Pension Fund) Regulations, 2026.

⁴⁹ Reg. 14(1)(a), IFSCA (Pension Fund) Regulations, 2026.

⁵⁰ *ibid*

⁵¹ Reg. 14(2), IFSCA (Pension Fund) Regulations, 2026

⁵² Reg. 14(3), IFSCA (Pension Fund) Regulations, 2026

⁵³ Reg. 14(4), IFSCA (Pension Fund) Regulations, 2026

⁵⁴ Reg. 15, IFSCA (Pension Fund) Regulations, 2026.

⁵⁵ Reg. 17(1) IFSCA (Pension Fund) Regulations, 2026.

- The healthcare benefit option offered in a Scheme by the Pension Fund shall comply with the requirements specified in the Second Schedule. The key conditions given in the Second Schedule are⁵⁶
 - The healthcare sub-account has to be separate and distinct from main pension contributions;
 - Maximum 10% of total contributions can go into sub-account;
 - The funds must be invested in low-risk, highly liquid portfolio (govt bonds, money-market instruments);
 - Use restricted to hospital expenses as per SID;
 - Pre-retirement access at any time for medical emergencies/planned healthcare;
 - At retirement, unused balance may be used to purchase health insurance or rolled into main pension corpus.

GRIEVANCE REDRESSAL

Pension Funds should put in place grievance redressal mechanisms that comply with IFSCA circular “Complaint Handling and Grievance Redressal by Regulated Entities in the IFSC” dated 2 December 2024.⁵⁷ Pension Funds shall also formulate and implement a Grievance Redressal Policy setting out the framework and procedures for resolution of grievances from subscribers and such policy shall be periodically reviewed and updated, as may be necessary.⁵⁸

AUDIT

Pension Funds shall ensure that the financial statements are audited by an independent auditor in accordance with the applicable laws and auditing standards. The audit report, along with the audited financial statements and any accompanying observations or qualifications of the auditor, shall be submitted to IFSCA within 30 days of receipt of such report. Further, IFSCA may, where it deems necessary, require the conduct of a special audit or a concurrent audit of the Pension Fund.⁵⁹

CUSTODY

All scheme assets must be held in safe custody with an independent Custodian regulated under applicable law. The Custodian shall be responsible for the safekeeping of scheme assets, settlement of transactions, and reporting of holdings in accordance with applicable regulatory requirements.⁶⁰

DISTRIBUTORS

A Pension Fund may appoint one or more distributors for the purposes of marketing, soliciting, or servicing subscribers in relation to its schemes. Notwithstanding such appointment, the Pension Fund shall remain responsible for the conduct, compliance, and actions of the distributors with the applicable regulatory requirements and IFSCA PF Regulations. The Pension Fund shall ensure that the activities carried out by such distributors are in accordance with applicable laws.⁶¹

OVERRIDING EFFECT VIS-À-VIS PFRDA

- IFSCA is to be the primary regulator for all pension schemes operated from out of the IFSC.
- From the commencement of the IFSCA PF Regulations, any regulations notified by the Pension Fund Regulatory and Development Authority (**PFRDA**) shall not apply to an IFSCA-approved pension scheme to the extent of inconsistency with these IFSCA PF Regulations⁶².
- *Vide* a notification dated 1st October, 2025 issued by the Central Government under the IFSCA Act, section 25 of the PFRDA Act, 2013 has been made inapplicable to “financial products, financial services or financial institutions”

⁵⁶ Second Schedule, IFSCA (Pension Fund) Regulations, 2026.

⁵⁷ Reg. 29 IFSCA (Pension Fund) Regulations, 2026.

⁵⁸ Reg. 10(b) IFSCA (Pension Fund) Regulations, 2026.

⁵⁹ Reg. 30 IFSCA (Pension Fund) Regulations, 2026.

⁶⁰ Reg. 31 IFSCA (Pension Fund) Regulations, 2026.

⁶¹ Reg. 35 IFSCA (Pension Fund) Regulations, 2026.

⁶² Reg. 45 IFSCA (Pension Fund) Regulations, 2026.

in an IFSC (including pension funds at GIFT IFSC). Section 25 of the PFRDA Act prohibits pension funds from investing, directly or indirectly, subscriber funds outside India. Since pension funds operating in an IFSC are allowed to invest outside India, Section 25 of the PFRDA Act has been disappplied to them

ELP Comments

- *IFSCA Pension Fund Regulations will override regulations issued by the Pension Fund Regulatory and Development Authority (PFRDA) only to the extent there is a conflict. So, PFRDA regulations will apply to IFSCA-approved pension schemes to the extent of there is no inconsistency. In practice, most PFRDA regulations are drafted for NPS / domestic schemes, so direct application to IFSC schemes will usually be limited unless a specific notification or product structure brings them in.*
- *Where an IFSC player also offers onshore NPS products through a PFRDA-licensed pension fund or is involved in NPS-linked multiple scheme framework (MSF), the PFRDA (Exits and Withdrawals under the National Pension System) Regulations, 2015 (as amended up to 16 Dec 2025) will fully govern the NPS side of the business.*
- *The IFSCA PF Regulations independently regulate engagement of distributors for IFSC schemes and put full responsibility for their conduct on the Pension Fund. However, if the same distributor or group entity acts as a PoP for NPS in India and as a distributor for IFSC schemes, it must comply with PoP Regulations for NPS activities, and IFSCA distributor requirements for IFSC activities. The PoP conduct standards and service-charge caps can be a useful internal benchmark for IFSC-side distributor arrangements where IFSCA circulars are not yet granular.*

The full text of the International Financial Services Centres Authority (Pension Fund) Regulations, 2026 can be accessed [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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