

IFSCA'S COMPLAINT HANDLING MECHANISM: ENSURING TRUST IN THE FINANCIAL SERVICES MARKET IN GIFT IFSC

Abstract

GIFT IFSC is rapidly emerging as a global hub for cross-border financial services, offering a world-class regulatory and business environment, with more than 850 entities already registered or licensed by IFSCA to carry out various permissible activities. As a regulator, one of the primary objectives of IFSCA is to ensure that the interests of financial consumers are protected. An important element of investor protection is providing investors with effective mechanisms for complaint handling. A robust complaint handling mechanism assures investors that their concerns will be addressed in a fair, transparent and efficient manner.

IFSCA has issued a circular titled “Complaint Handling and Grievance Redressal by Regulated Entities in the IFSC”. This article provides details about the norms, and requirements specified by IFSCA for complaint handling. This article also emphasizes the significance of strengthening consumer protection in IFSC which is essential for building trust and confidence of investors for attracting foreign capital as India moves towards realizing the vision of Viksit Bharat @ 2047.



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Introduction

Under the Viksit Bharat Mission, the Government of India has set an ambitious target to transform India into a developed nation by 2047. To fuel economic growth during the Amrit Kaal, there is a need to attract tons of foreign capital into the country in a cost-efficient manner, supported by

ease of doing business.

While setting up International Financial Services Centres Authority (IFSCA) vide IFSCA Act, 2019 as a *four-in-one*, unified financial sector regulator of IFSCs in India, the intent of the Indian Parliament was clear that IFSCs should be able to bring back the financial services and transactions which thus far were being carried out in offshore financial

centres by Indians and also that a vibrant, state of the art and modern regulatory ecosystem promoting ease of doing business be created by IFSCA that is at par with best in class financial centres in the world.

The idea was that such foreign investment in the form of infusion of fresh capital in the Indian ecosystem shall help India in meeting its ambitious growth targets and create new job opportunities to the ever-increasing white colour job seekers in India.

IFSCA, having its head quarter at GIFT IFSC at Gujarat kick started its journey with effect from 1st October 2020 and very soon attracted the attention of the world. It came out with all relevant regulations/frameworks not only for traditional financial activities but also on very new and innovative areas on the strength of various notifications issued by the Government covering aircraft/ship leasing, foreign universities, GICs, bullion exchange etc. Resultantly, the GIFT IFSC is rapidly progressing to emerge as a global hub for cross-border financial services, offering a world-class regulatory and business environment, with more than 850 entities already registered or licensed by IFSCA to carry out various permissible activities.

When there are financial transactions and movement of monies, especially of higher value, the disagreements or complaints are bound to creep in. As a regulator, it is not only the function but also the duty of IFSCA to ensure to have an ecosystem that is so dynamic and vibrant that there should be no complaints between its regulated entities and their customers and, in case such situation does arise, there should be proper mechanism to address that in a most professional and undisruptive manner. In the absence of such a mechanism, any regulator or jurisdiction will run the reputational risk.

International investors are more likely to invest in financial centers where they know their grievances will be resolved efficiently. This is especially important for emerging financial hubs aiming to compete with global financial centres. A robust complaint handling mechanism assures investors that their concerns will be addressed in a fair, transparent and efficient manner. Acknowledging this very scenario, the IFSCA has come out with a circular titled “*Complaint Handling and Grievance*

Redressal by Regulated Entities in the IFSC”¹ providing the regulatory framework for the handling of complaints and redress of grievances by the regulated entities in the International Financial Services Centre (IFSC). The circular has come into force with effect from April 01, 2025.

Standards by Global Standard Setting Bodies

The framework on “*Complaint Handling and Grievance Redressal*” is guided by standards laid down by global standard setting bodies, as briefly outlined below:

- a. **IOSCO:** The International Organization of Securities Commissions (IOSCO) emphasizes investor protection as one of the core objectives of securities regulation, with Principle 31 *inter alia* focusing on the need for market intermediaries to establish efficient and effective complaint handling mechanisms.²
- b. **BCBS:** The Basel Committee on Banking Supervision (BCBS) stresses the importance of consumer protection in the context of financial inclusion, as outlined in the report titled “*Guidance on the application of the Core Principles for Effective Banking Supervision to the regulation and supervision of institutions relevant to financial inclusion*” released in 2016, highlighting that each jurisdiction needs to have a well-developed public infrastructure in which consumer protection laws (and other business laws) are consistently enforced and provide a mechanism for the fair resolution of disputes.³
- c. **IAIS:** The International Association of Insurance Supervisors (IAIS), through its Insurance Core Principle (ICP 19), mandates that insurers and intermediaries resolve complaints in a fair and timely manner to protect policyholders.⁴

¹ Circular is available on the website of IFSCA at <https://ifsc.gov.in/Document/Legal/complaint-handling-and-grievance-redressal-by-regulated-entities-in-the-ifsc02122024015438.pdf>

² *IOSCO Methodology for assessing implementation of the IOSCO Objectives and Principles of Securities Regulation* available at <https://www.iosco.org/library/pubdocs/pdf/IOSCOPD562.pdf>

³ BCBS Report on “*Guidance on the application of the Core Principles for Effective Banking Supervision to the regulation and supervision of institutions relevant to financial inclusion*” available at <https://www.bis.org/bcbs/publ/d383.pdf>

⁴ Insurance Core Principles (ICP 19.11: <https://www.iais.org/icp-online-tool/13530-icp-19-conduct-of-business>)

- d. **OECD:** The G20/OECD High-Level Principles on Financial Consumer Protection (updated in 2022 and endorsed by G20), set out the elements of an effective and comprehensive financial consumer protection framework. Principle 12, calls for accessible, affordable, and independent complaint handling systems, ensuring that these mechanisms are fair, accountable, and efficient.⁵

IFSCA's Policy on Grievance Redressal mandates fair, timely and efficient complaint resolution by regulated entities, fostering market integrity and consumer protection in GIFT IFSC

align the norms and procedures for complaint handling across the financial services in the IFSC to the extent possible. This will also promote ease of doing business, particularly for regulated entities having multiple registrations with IFSCA for undertaking various financial services in the IFSC.

Applicability

The regulatory framework on complaint handling issued by IFSCA is applicable on all entities regulated by IFSCA, dealing with any consumer or client other than their group entities, except for

entities such as foreign Universities, ancillary service providers, Book-keeping, Accounting, Taxation and Financial Crime Compliance Services (BATF) service providers, global/regional corporate treasury centres and entities engaged in aircraft leasing or ship leasing in the IFSC.

Objectives

IFSCA has issued the regulatory framework for complaint handling and grievance redressal by regulated entities in the IFSC with the following objectives:

- a. **Protecting the interests of Financial Consumers:** As a financial sector regulator, one of the core “regulatory” objectives of IFSCA is to protect the interests of financial consumers. Therefore, it is essential that there should be a robust mechanism for handling of complaints of consumers by the financial service providers in GIFT IFSC.
- b. **Enhancing Market Integrity:** A transparent and efficient grievance redressal system enhances market integrity by holding financial service providers accountable for their actions. It also helps in identifying systemic issues and gaps in the regulatory framework, thereby contributing to the overall stability of the financial system.
- c. **Building Investor Confidence:** Investor confidence is crucial for the growth of any financial market. By ensuring that consumer complaints are handled fairly and promptly, the IFSCA can foster a culture of trust and transparency, attracting more investors to the IFSC.
- d. **Ease of Doing Business:** As a unified financial sector regulator, one of the objectives is to

Salient Features

The salient features of the regulatory framework on complaint handling are as follows:

- a. **Policy:** The regulated entities shall have a policy on handling of complaints and grievance redressal, duly approved by their governing body or their Board of Directors, as applicable. The policy on Complaint Handling and Grievance Redressal shall be prominently disclosed on the website of the regulated entities or on a dedicated webpage of its Group Entity, as applicable, under the heading “Complaint Handling and Grievance Redressal”. The name and contact details of the Complaint Redressal Officer (“CRO”) and the Complaint Redressal Appellate Officer (“CRAO”) shall also be prominently displayed under this section.
- b. **Retail vs. Professional Consumers:** The framework differentiates between retail consumers and professional consumers, recognizing the varying levels of sophistication and vulnerability between the two categories of consumers. In respect of regulated entities dealing with

⁵ Updated G20/OECD High-Level Principles on Financial Consumer Protection <https://web.archive.oecd.org/temp/2022-12-15/622748-high-level-principles-on-financial-consumer-protection.htm>

retail consumers, the framework mandates additional requirements with stricter timelines ensuring that their grievances are addressed promptly.

c. Complaint Handling - Retail Consumers

Procedure: On receipt of a complaint, the Complaint Redressal Officer of the regulated entities shall make an assessment on the merits of the complaint. The regulated entities shall acknowledge acceptance of complaints, in writing, within 3 working days of receipt of the complaint. In case of non-acceptance, the regulated entities shall inform the complainant within 5 working days along with the reasons. The regulated entities shall dispose of a complaint preferably within 15 days but ordinarily not later than 30 days of acceptance of a complaint.

Appeal Mechanism: If dissatisfied with the outcome, complainants can file an appeal to the CRAO within 21 days of receiving the decision. The CRAO must resolve the appeal within 30 days.

d. Complaint Before the Authority: If the complainant remains dissatisfied after exhausting the entity's internal appeal process, the complainant may escalate the matter to IFSCA by sending an email to grievance-redressal@ifsc.gov.in within 21 days. Where a complaint is against a trading member or a clearing member or a depository participant or a bullion trading member or a bullion clearing member, the consumers shall first approach the relevant market infrastructure

institution before approaching IFSCA.

e. Record Maintenance: The regulated entities shall maintain records of all complaints, including correspondence, resolutions, and reasons for rejection, for the period as specified in the circular.

f. Reporting: The regulated entities shall file reports on the handling of complaints in the form and manner specified by the Authority. The regulated entities shall have a section with the heading "*Complaint Handling and Grievance Redressal*" in their Annual Report, if the entity is required to file an annual report for its business activities in the IFSC under the applicable laws. In case the entity is not required to file an annual report, the entity shall display the same on its website / dedicated webpage of its Group Entity, as applicable.

Conclusion

The Framework on Complaint Handling and Grievance Redressal by IFSCA is a transformative step for GIFT IFSC, ensuring enhanced consumer protection through fair and transparent grievance resolution. It promotes improved market discipline by holding financial service providers accountable, reducing misconduct and fraud. This framework is aimed at boosting investor confidence thereby contributing towards attracting global capital and supporting GIFT IFSC's growth as a leading financial hub. By aligning with global standards, it strengthens GIFT IFSC's reputation, reinforcing its position as a competitive and trustworthy International Financial Services Centre. MA

Obituary



The Institute and its members deeply mourn the sad demise of CMA Nalin Indravadan Mehta, a renowned cost accountant (NI Mehta & co.), who left for heavenly abode on 29th July, 2025. May God bless the family to have the courage and strength to overcome the irreparable loss.