Comments on the Explanatory Note to the Draft International Financial Services Centres Authority (Amendment) Bill, 2026 – Variable Capital Companies (VCCs)

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Page No. of the Draft	Clause	Sub-clause	Comments/Suggestions/Suggested Modifications	Rationale
13	Section 13E (Incorporation of VCC)	-	Introduce a provision permitting conversion of existing IFSC fund structures (trusts, LLPs, companies, etc.) into VCCs without requiring liquidation or re-incorporation.	This will facilitate seamless migration of existing GIFT IFSC funds to the VCC framework while preserving regulatory approvals, contractual arrangements and business continuity.
21-23	Section 13W (Fund Management Entity, Fund Manager and Governance)	Investment Governance	Permit different Investment Committees for different sub-funds within the same VCC.	Different sub-funds may pursue different investment strategies and require separate governance and investment expertise.
21-23	Section 13W	Fund Manager / Key Managerial Personnel	Clarify that the Principal Officer and the Fund Manager may be the same individual, consistent with the existing FME framework under IFSCA regulations.	This ensures continuity with the existing regulatory framework and avoids unnecessary duplication of personnel.
10–11	Section 13B and Section 13L (Sub-funds)	-	Clarify that one VCC may establish multiple sub-funds with different investment strategies, including debt, equity, hedge, private equity, venture capital, fund of funds, infrastructure, real estate and hybrid strategies.	This aligns the VCC regime with international fund structures and provides commercial flexibility.
13	Section 13E (Incorporation) / New Provision	-	Introduce provisions enabling redomiciliation of foreign funds or sub-funds into GIFT IFSC through the VCC framework.	This will encourage migration of offshore fund structures into IFSC and improve India's competitiveness as an international fund jurisdiction.
21-23	Section 13W	Appointment of Fund Manag	Clarify that existing registered Fund Management Entities (FMEs) may sponsor and manage VCCs without requiring fresh registration solely because they manage a VCC.	This facilitates adoption of the VCC framework by existing regulated FMEs.

		ement Entity		
10-11	Section 13B (Objects of VCC) / Regulations		Introduce a dedicated framework for family-office VCCs with proportionate governance and compliance requirements for closely held structures.	This will promote the establishment of family offices in GIFT IFSC while maintaining appropriate regulatory oversight.
Regulations (No express provision)	New Provision	-	Expressly recognise side letters between the VCC and investors, subject to applicable laws and fair treatment principles.	Side letters are an accepted global market practice and provide flexibility for institutional investors.
11	Section 13C (2)	Taxation	Provide comprehensive clarity on the tax treatment of the VCC, each sub-fund and investors, including tax status, pass-through treatment, withholding tax, restructuring between sub-funds, capital gains and tax incentives.	Tax certainty is essential for fund managers and investors and is critical for the success of the VCC framework.
Regulations	New Provision	Minimum Investors	Clarify whether the minimum investor requirement applies at the VCC level or separately to each sub-fund, including treatment of single-investor or closely held sub-funds and the consequences of temporary non-compliance.	This will provide operational certainty and facilitate compliance planning.
Regulations	New Provision	Investor Operations	Provide detailed operational guidance on issuance, allotment, holding, transfer, redemption, switching of units/shares and maintenance of investor registers.	Detailed operational guidance will facilitate consistent implementation across the industry.