

Foreign Currency Settlement System

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Foreign Currency Settlement System Latest News

Recently, the union Finance Minister launched a Foreign Currency Settlement System (FCSS) at the International Financial Services Centre (IFSC) in Gujarat International Finance Tec-City (GIFT City).

About Foreign Currency Settlement System

- It is established under a comprehensive legal and regulatory framework of the **Payment and Settlement Systems Act, 2007**.
- It is authorised by **International Financial Services Centres Authority (IFSCA)**.
- **Key Features**
 - It enables **foreign currency transactions** between **IFSC Banking Units (IBUs)** to be settled locally instead of routing through the traditional correspondent banking route.
 - It provides a **structured framework** for the settlement **of foreign currency transactions**, enabling market participants to process cross-border payments with greater speed, reliability, and legal certainty.

- Initially, the system will **support US dollar transactions**, with scope to add other foreign currencies over time.
- It is operated by the **CCIL IFSC Limited (CCIL IFSC)**, a subsidiary of **Clearing Corporation of India Limited**.
 - Currently, foreign currency transactions in GIFT IFSC are processed **via correspondent banking routes i.e through multiple Nostro account relationships** (accounts held with foreign banks) and intermediaries to route funds.
 - That chain of relay can lead to settlement lags of **36 to 48 hours**.

What is the International Financial Services Centres Authority?

- It is a **statutory authority** established under the **International Financial Services Centres Authority Act, 2019**.
- The IFSCA is a unified authority for the **development and regulation of financial products**, financial services, and financial institutions in the International Financial Services Centre (IFSC) in India.
- The IFSCA aims to develop a **strong global connection** and focus on the needs of the Indian economy as well as to serve as an international financial platform for the entire region.
- **Headquarter:** GIFT City, Gandhinagar, in Gujarat

Source: BS

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