

India just made GIFT City more bankable.

On 6 Jan 2026, the RBI notified the Foreign Exchange Management Guarantees Regulations, 2026. It sounds technical. It is. But the practical effect is simple: guarantees move from permission theatre to a more principle based framework, with clearer reporting and cleaner treatment of inbound and outbound guarantees.

Original RBI notice: <https://lnkd.in/dUdAB8DV>

Nishith Desai explainer: <https://lnkd.in/djqYyUFP>

So what does that do for GIFT City based funds?

First, it improves fund finance. NAV facilities, acquisition finance, portfolio support, and co investment structures often rely on guarantees or credit enhancement. When the rulebook is clearer, lenders price risk better, documents get signed faster, and facilities become easier to scale.

Second, it makes India linked structures easier to underwrite. Indian sponsors and operating companies have historically been cautious about providing cross border credit support because outbound guarantees could feel like a regulatory minefield. A cleaner FEMA guarantee regime reduces that uncertainty, which makes sponsor support for GIFT City vehicles more feasible.

Third, it helps inbound support too. The updated framework explicitly addresses inbound guarantees, which matters when overseas parents, investors, or creditworthy entities are asked to back obligations tied to GIFT City funds or SPVs. Better bankability equals easier capital formation.

Fourth, there is a direct IFSC angle. The regulations include carve outs for

guarantees issued by AD bank branches in an IFSC, strengthening the case for keeping more of the fund finance stack inside GIFT City rather than stitching it together across Mumbai, Singapore, and London.

Finally, it reduces compliance anxiety. Quarterly reporting through Form GRN, plus a late submission fee mechanism, makes this an auditable lifecycle process rather than an occasional panic driven filing exercise. That matters when you are explaining governance and operational risk to global LPs.

Net net: this is one of those unglamorous regulatory moves that quietly increases the credibility of GIFT City as an international fund jurisdiction.