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Understanding the Proposed TCSP and SPV Framework for Aircraft Leasing: Next Step in GIFT City's Aviation Ecosystem



Introduction

Over the last few years, the regulatory architecture for aircraft leasing in the Gujarat International Finance Tec-City (**GIFT City**) has evolved steadily. The Government of India first recognised aircraft leasing as a “*financial product*”, following which the International Financial Services Centres Authority (**IFSCA**) introduced the basic registration framework for lessors through the IFSCA (Finance Company) Regulations 2021 (**Finance Company Regulations**) and the IFSCA's circular on “*Framework for Aircraft Lease*” of 18 May 2022. Entities were thus permitted to establish themselves in GIFT City as Finance Companies or Finance Units for undertaking aircraft operating lease and financial lease activities^[1].

However, in the IFSCA's recent “*Consultation Paper on proposed regulatory framework for Trust and Company Service Providers (TCSP) and Special Purpose Vehicles (SPVs) for Leasing Activities in IFSC*”, of 17 March 2026 (**Consultation Paper**), the GIFT City regulator noted that although aircraft leasing entities have been set up in IFSC, many such entities continue to function as sub-lessors, while ownership, primary financing, structuring and professional services remain offshore^[2]. According to the consultation paper, the absence of a formal regime for specialised service providers and structuring vehicles is naturally limiting and affects the ability of GIFT City to compete with established jurisdictions such as Ireland, Singapore, Hong Kong and the UAE.

It is against this backdrop that the Consultation Paper proposes a new framework for Trust and Company Service Providers (**TCSPs**) under the IFSCA (TechFin and Ancillary Services) Regulations 2025, and for Special Purpose Vehicles (**SPVs**) under the Finance Company Regulations. Public comments were invited up to 6 April 2026. To clarify, these are only proposals at this stage and will come into force only upon publication in the Official Gazette if adopted.

¹ R3 and R5 of the IFSCA's Finance Company Regulations.

² Consultation Paper at ¶13 states that, under the present structure, “*IFSC entities often function as sub-lessors, while ownership and primary financing of aircraft largely remain in offshore jurisdictions,*” and that “*the full economic and ecosystem benefits, including financing, structuring, and professional services, are yet to be fully realised within the IFSC.*”

Our article discusses the key features of the proposed framework and its practical implications for the aircraft leasing ecosystem in GIFT City.

What the Consultation Paper seeks to achieve

The central objective of the Consultation Paper is to deepen the institutional ecosystem around aircraft leasing in IFSC^[3]. Rather than merely permitting leasing activity at the lessor-level, the IFSCA now proposes to formally recognise the supporting layer that exists in more mature jurisdictions, namely specialised service providers who assist with incorporation, administration, governance, compliance and transaction structuring through SPVs. The Consultation Paper also expressly states that the proposed framework is intended to enhance operational efficiency, strengthen governance and AML/CFT safeguards, improve investor confidence and facilitate globally comparable structuring capabilities within IFSC.

In practical terms, the proposal attempts to move GIFT City from being a jurisdiction where an entity can act as a lessor, to one where the broader legal and corporate infrastructure for aviation finance can also be based.

Proposed introduction of SPVs under the Finance Company Regulations

Annexure 1 to the Consultation Paper proposes to amend the Finance Company Regulations to introduce the concept of a “*Special Purpose Vehicle*”. The draft defines an SPV as a Finance Company which is promoted, managed or administered by a TCSP for undertaking one or more permissible activities under R5, which includes finance leases and operating leases^[4]. The draft also proposes to insert a new permissible activity for “*leasing or financing activity undertaken by a Special Purpose Vehicle*”^[5].

This is a significant development. Under the existing framework, an entity undertaking core leasing activity would generally fall within the category requiring a minimum owned fund of USD 3 million, with prudential and corporate governance requirements applying, whereas an entity undertaking only non-core activities generally falls within the USD 0.2 million category^[6]. However, the consultation paper now proposes a separate schedule entry for SPVs under which the minimum

³ Consultation Paper at ¶1, which states that the objective of the proposal is to “*strengthen the institutional, governance, and operational framework supporting leasing and financing, enhance global competitiveness, ensure regulatory clarity, and align IFSC with leading global leasing jurisdictions*” and at ¶4 says the framework is intended to facilitate “*efficient transaction structuring, operational continuity, and robust governance.*”

⁴ Annexure 1 proposes the insertion of R2(1)(n), which defines “*Special Purpose Vehicle (SPV)*” to mean “*a Finance Company which is promoted or managed or administered by a Trust and Company Service Provider for undertaking one or more of the permissible activities specified under sub-regulation (1) of regulation 5*”.

An additional proposal is for insertion of R2(1)(o), which defines “*Trust and Company Service Provider (TCSP)*” by reference to the TechFin and Ancillary Services Regulations.

⁵ Proposed insertion of R5(1)(iii)(ma), which adds as a permissible activity: “*leasing or financing activity undertaken by a Special Purpose Vehicle.*”

⁶ Under the existing regime, the minimum owned fund requirement differs by activity class. See also, Q.16 under the IFSCA FAQs on Finance Company/Finance Unit.

owned fund would be only the paid-up share capital required under the Companies Act 2013^[7], with the IFSCA retaining discretion to revise this depending on the circumstances. The draft further proposes that SPVs be exempt from R4 of the Finance Company Regulations (prudential requirements), and R8 (corporate governance and disclosure requirements)^[8].

This proposed treatment appears to recognise a transaction-specific SPV to be materially different from a full-service Finance Company, by lighter regulations around the vehicle itself, but more intensive regulations on the service provider managing it.

Proposed regulation of TCSPs`

The other aspect of the Consultation Paper is the creation of a dedicated regime for TCSPs under the IFSCA (TechFin and Ancillary Services) Regulations 2025. A TCSP may act as an agent for setting up trusts, companies, LLPs or other bodies corporate. It may act, or arrange for another person to act, as trustee, director, company secretary, nominee shareholder, partner or designated partner. It may also provide registered office, business address, correspondence or administrative address services^[9]. The draft also requires the applicant to demonstrate that TCSP services will be carried on as a distinct and adequately resourced line of business, with arm's length segregation from its other activities through a separately identifiable business team^[10].

The draft makes it clear that no entity may commence TCSP services in IFSC without obtaining a separate certificate of registration from the IFSCA, and that even existing TechFin and Ancillary Service Providers would need separate registration^[11] if they wish to carry on such trust and company services. Their registration would be valid for 5 years, unless otherwise specified by the Authority.

The compliance and governance obligations are extensive for a TCSP, such as fit and proper compliance for the entity and its key persons, various Board-approved policies, record keeping relating to ultimate beneficial owners, services provided and specific technology systems with audit abilities^[12]. In addition, every TCSP would be required to appoint a Principal Officer and Compliance Officer (both to be whole-time employees based out of IFSC), possessing specified qualifications and experience^[13]. The consultation paper also contemplates supervisory and

⁷ Proposed insertion of Serial no 4 in the Schedule to the Finance Company Regulations.

⁸ We refer to the proposed Schedule entry for SPVs and the exempted provisions listed thereunder in Annexure 1 of the Consultation Paper.

⁹ Proposed R10D(1) at Annexure 2 of the Consultation Paper.

¹⁰ We note that the proposed R10D(2) requires the applicant to demonstrate that TCSP services are conducted as *"a distinct and adequately resourced line of business,"* supported by proper governance, systems and personnel. It also requires an undertaking that TCSP activities will be maintained at arm's length through a *"separately identifiable business unit."*

¹¹ Proposed R10B(4) clarifies that even an existing TechFin and Ancillary Service Provider must seek separate registration if it wishes to provide TCSP services.

¹² See R10E, R10F and R10I.

¹³ Proposed R10G, R10J.

reporting requirements, capital adequacy, professional indemnity insurance, business continuity planning, complaints handling and conflict management. Thus, the heavier compliance burden is intended to sit largely at the TCSP level (rather than the SPV level).

Indian Resident Nexus and proposed Flexibility

Although a TCSP may generally provide services only to non-residents from acceptable jurisdictions, the Consultation Paper interestingly carves out an exception for IFSC SPVs. It provides that a TCSP may support the establishment, administration or ongoing support of an SPV in IFSC even where the services are undertaken at the request of (or for the benefit of) a person resident in India, including an airline, lessor or lender, so long as the TCSP's contractual and fiduciary duties are owed to the SPV in IFSC and the resident person does not exercise ownership or control over the SPV¹⁴. Thus, even transactions originating in India can be structured through vehicles in the IFSC.

Why This Matters

The practical importance of the proposals in the Consultation Paper are in the direction of travel they suggest. The Consultation Paper expressly recognises that many current IFSC leasing structures still leave many valuable parts of the transaction offshore. The Consultation Paper notes that IFSC entities often act only as sub-lessors, while ownership, primary financing, structuring and professional services remain outside India. The proposed TCSP–SPV model appears to be aimed at capturing more of that value within GIFT City itself.

Concluding remarks

The Consultation Paper indicates the next regulatory step for GIFT City's aircraft leasing regime. The first phase, *inter alia*, enabled foreign aircraft and engine lessors to establish a regulated presence in IFSC. The proposed second phase seeks to build the wider ecosystem that typically supports aviation leasing activities and transactions in established international leasing hubs. This is thus a meaningful development for potential lessors, financiers, trusteeship companies, corporate service providers and transaction advisors.

Stakeholders are expected to monitor developments closely, including whether these proposals are adopted in substantially their present form.

The content of this article is intended to provide a general guide to the subject matter. Specialist advice should be sought about your specific circumstances.

For further information on this topic please contact Tuli & Co

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¹⁴ Proposed R10H(2). The Explanation also adds that a resident person who “sponsors, originates, or finances a SPV shall not be regarded as a service recipient of the TCSP merely by reason of such association.”

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