From Developer to Enforcer: IFSCA's Initial Enforcement Actions (Part 3 of 3)

Penalties, Cancellations, the First Protective Order, and What Follows

Parts 1 and 2 of this three-part series traced how the International Financial Services Centres Authority ("**IFSCA**") came to publish 26 enforcement actions and what those actions concerned. This Part 3 examines the sanctions imposed: seven monetary penalties totaling INR 2.6 million, five cancellations of registration, the first protective order over investor money and the reasoning that connects them. It concludes with the considerations relevant to a Gujarat International Finance Tec-City ("**GIFT City**") entity.

The Range of Outcomes

IFSCA's published enforcement policy lists five outcomes: (i) directions; (ii) warnings; (iii) monetary penalty; (iv) suspension or cancellation of registration; and (v) prosecution. The enforcement actions show all but the last in use and reflect a calibrated approach to sanctions. Of the 26 actions, five ended in a warning, advisory or caution; four in a direction to pay fees or dues; three in a compliance direction; two in protective directions; seven in a monetary penalty (in six cases with directions attached); and five in cancellation. No registration has been suspended as distinct from cancelled, and no prosecution has been launched.

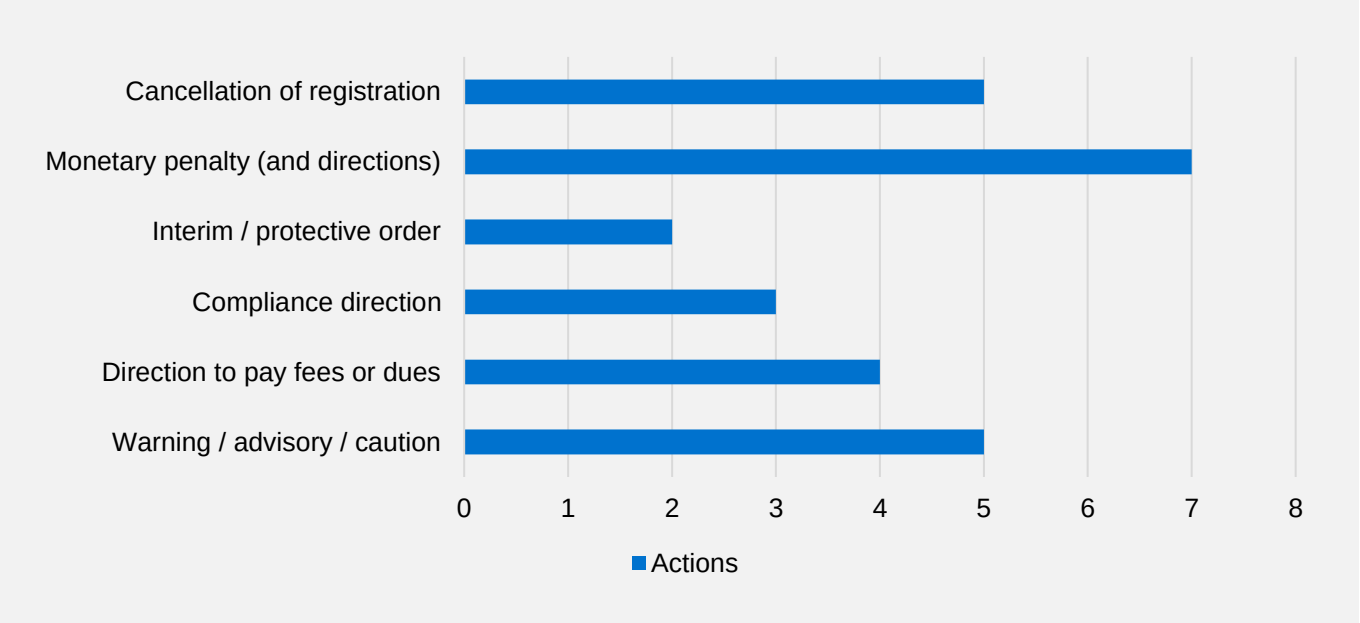

Figure 1: Outcomes across the 26 actions, ordered from least to most severe.

Two features of the distribution of the outcomes are pertinent:

- First, IFSCA has made substantial use of the sanctions available to it, including directions that carry operational consequences. Majortrend Capital was directed not to conduct any business until it restored its net worth and office; Transhermes Aero and Kredx Ventures were barred from new business until the outstanding dues were paid; Evermore Global was given three months to appoint a separate compliance officer; Mplier Venture Partners and Terazo Fintech had been barred from onboarding investors by letter more than a year before the respective penalty orders.

- Second, the Quasi-Judicial Authority for Enforcement ("**QJAE**") records when it has considered a harsher outcome and declined it. The Transhermes order states that suspending or cancelling the registration "*will be a disproportionate measure considering the facts and circumstances of the present case*", and the Nutana Aviation order reaches the same conclusion in almost the same words. The express consideration of proportionality, rather than its mere assumption, may be relevant to any subsequent appeal.

Monetary Penalties

Seven orders impose a penalty. The total is INR 2.6 million; the range is INR 0.1 million to INR 1 million, as set out below.

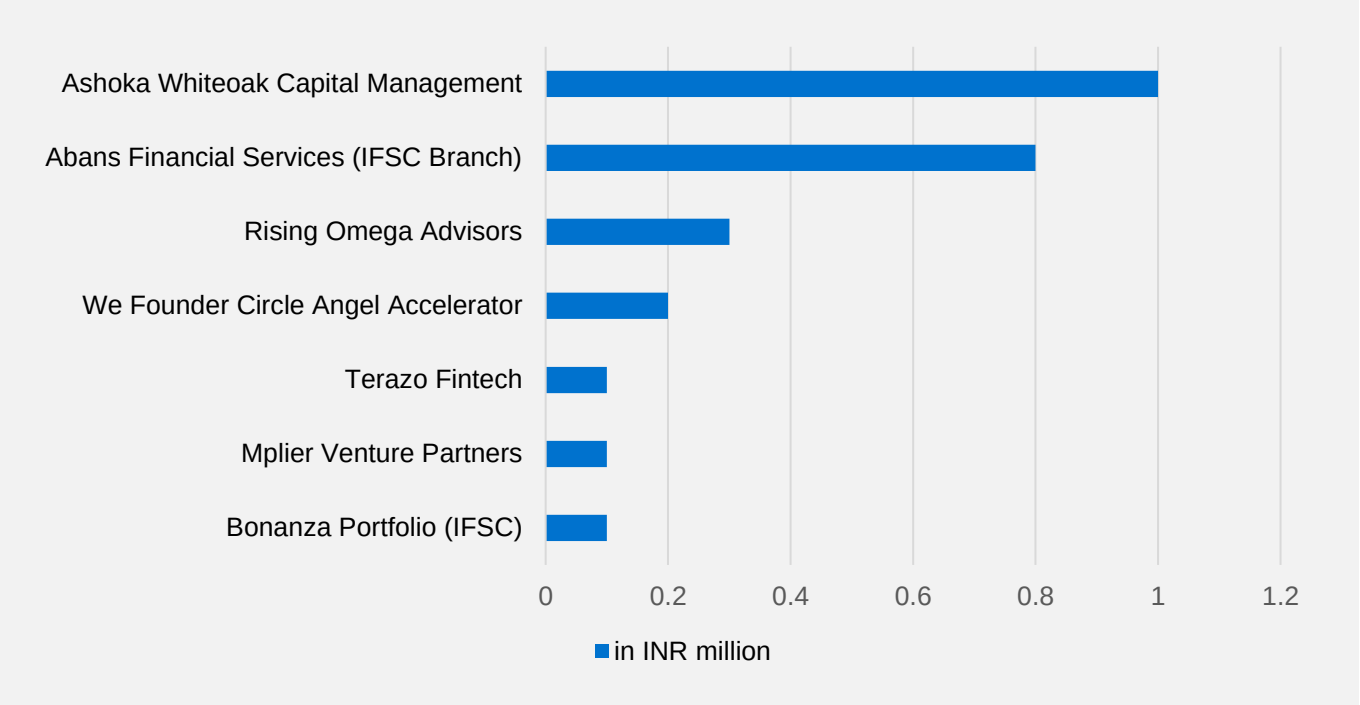

Figure 2: Monetary penalties in the enforcement orders as of August 25, 2026.

Entity	Date	Penalty	Statutory basis	Conduct found
Ashoka Whiteoak Capital Management (GIFT) LLP	June 2, 2026	INR 1 million	Sections 15EB and 15HB of the Securities and Exchange Board of India Act, 1992 ("**SEBI Act**")	Unregistered distribution; conflict of interest; no arm's-length segregation; and unregistered ancillary services.

Entity	Date	Penalty	Statutory basis	Conduct found
Abans Financial Services Ltd (IFSC Branch)	June 3, 2026	INR 0.8 million	Section 15EA of the SEBI Act	Compliance officer vacancy; investing before sponsor waiver; investor disclosure and NAV lapses; and defective reports.
Rising Omega Advisors Pvt Ltd	July 31, 2026	INR 0.3 million	Sections 15A, 15B and 15EA of the SEBI Act	Agreement mismatch; derivatives without consent; services without agreement; disclosure document; and inaccurate reports.
We Founder Circle Angel Accelerator LLP	April 6, 2026	INR 0.2 million	Sections 15EA and 15HB of the SEBI Act	Net worth shortfall while onboarding; first close below minimum; misleading reports; anti-money laundering; and undisclosed distribution.
Bonanza Portfolio (IFSC) Pvt Ltd	May 27, 2026	INR 0.1 million	Section 15HB of the SEBI Act	Global access without exchange no-objection certificate; and reliance on foreign broker's KYC.
Mplier Venture Partners LLP	May 27, 2026	INR 0.1 million	Section 15EA of the SEBI Act	Office closed and key managerial personnel absent on eight visits.
Terazo Fintech LLP	May 27, 2026	INR 0.1 million	Section 15EA of the SEBI Act	Office closed on six of eight visits and principal officer absent on all eight visits.

The amounts imposed reflect three principal considerations:

- ***The statutory floor***: Sections 15A, 15B, 15EA, 15EB and 15HB of the SEBI Act each prescribe a minimum penalty of INR 0.1 million and a maximum of INR 10 million; Sections 15A, 15B, 15EA and 15EB carry a per-day formulation, and Section 15EA alone adds an alternative ceiling of three times the gain made. Five of the seven orders imposed floor amounts only (We Founder Circle's INR 0.2 million being two floor penalties under two sections, and Rising Omega's INR 0.3 million being three floor penalties under three), and the Mplier order records that the QJAE "*has also taken note of other compliances and payment of annual fee by the Noticee as well as the corrective actions taken*" before concluding that "*the minimum penalty as provided under Section 15EA is being imposed on the Noticee*".

- ***The factors***: Each of the seven penalty orders considers Section 15J of the SEBI Act, which directs regard to the disproportionate gain made, the loss caused to investors and the repetitive nature of the default, and cites *Adjudicating Officer, SEBI v. Bhavesh Pabari* [(2019) 5 SCC 90] for the proposition that other factors may also be considered. In most of these cases, neither gain nor investor loss was quantified; accordingly, repetition was the only factor of material relevance and has, on its own, so far resulted in penalties below INR 1 million.

- ***The method***: The QJAE imposes penalties separately for each violation rather than as a composite amount. Where an order identifies breaches of both a regulation containing a specific penalty provision and a circular without such a provision, the QJAE imposes one penalty under the applicable specific provision and another under Section 15HB. In Rising Omega, the QJAE applied three sections to three failings (Section 15A for inaccurate reports, Section 15B for acting without a client agreement, and Section 15EA for the fund-management breach), the first use of Sections 15A and 15B in the IFSC.

The procedural requirements are consistent across the orders. Under Section 13(5) of the International Financial Services Centres Authority Act, 2019 ("**IFSCA Act**"), payment is due within 45 days in the foreign-currency equivalent calculated at the RBI reference rate prevailing on the date of the order, with simple interest at 12% per annum accruing on any late payment. An appeal may be filed before the Hon'ble Securities Appellate Tribunal ("**SAT**") within 45 days under Section 15T of the SEBI Act read with Section 13(4) of the IFSCA Act. Not every order, however, informs the noticee of this right of appeal: of the 26 orders, 10 end with a paragraph on appeal (nine to SAT under Section 15T of the SEBI Act, and one under Section 110 of the Insurance Act, 1938) and 16 do not, including the String AI cancellation and every finance company order.

Although modest in absolute terms, the penalties should not be regarded as indicative of the full extent of IFSCA's enforcement approach. The Ashoka Whiteoak order is the only case in which the QJAE identified a quantified gain (EUR 497,237 in distribution fees), and the penalties imposed under each of the two sections were five times the statutory minimum. It may reasonably be anticipated that a materially higher penalty will be imposed where an IFSC entity derives substantial profit from a breach or a fund investor suffers a quantified loss.

Cancellations

IFSCA has cancelled five registrations, representing the most consequential enforcement outcomes recorded to date. The relevant orders are summarized below:

Entity and category	Date	Basis of cancellation
Darwin Platform Aircraft Leasing (finance company)	July 29, 2024	Capital-infusion certificate never filed; commencement never intimated; office closed on four visits; and no reply to the notice. This was an *ex parte* order.
Prowess Insurance Brokers (insurance intermediary)	February 13, 2025	Fresh business written for approximately two years after the registration expired and after a direction to stop; reinsurance broking without a composite license; and brokerage booked as "*risk management fee*".
String AI IFSC (broker-dealer)	April 6, 2026	No broking client ever onboarded; INR 479.8 million of IT revenue as the sole business, contrary to Rule 8(3)(f) of the Securities Contracts (Regulation) Rules, 1957; office closed; trades placed from outside GIFT City; and information not furnished to the exchange.

Entity and category	Date	Basis of cancellation
Karvy Broking (IFSC) (broker-dealer)	May 21, 2026	No quarterly reports; terminals deactivated since December 2019; notice served by affixture; and "*for all practical purposes, the Noticee is not traceable and is deemed to be non-existent in GIFT-IFSC*". This was an *ex parte* order.
LMB Insurance Brokers (insurance intermediary)	June 2, 2026	Business never commenced; premises vacated without intimation; three years of unpaid fees; and advisory disregarded. Registration was cancelled notwithstanding an offer of full payment and a change of control.

A clear pattern runs through the five cancellations. Cancellation has followed either a registration that no longer corresponded to a functioning business (Darwin, Karvy, LMB, String AI) or a business operated outside the terms of its registration for a sustained period after being told to stop (Prowess). No cancellation has yet been imposed on the basis of investor harm, nor has any followed a contested hearing in which the entity established that it remained operational and compliant; in two of the five cases, the entity did not appear. The LMB order is particularly instructive. LMB appeared, withdrew its jurisdictional objection, offered to discharge all outstanding amounts, and disclosed a share purchase agreement dated April 5, 2026, under which an incoming shareholder intended to retain the registration. Nevertheless, the QJAE cancelled the registration. Accordingly, it should not be assumed that a change of control proposed after issuance of the notice will avert cancellation.

The Most Severe Actions

The assessment identifies three potentially relevant orders, depending on the criterion by which severity is evaluated:

- Assessed by its impact on an operating business, the String AI order constitutes the most severe action. In its second year, String AI generated revenue of INR 366.3 million, held an SEZ Letter of Approval covering IT services, and had applied to surrender its exchange memberships. IFSCA nevertheless cancelled the registration with immediate effect, holding that a broker-dealer certificate did not authorize the conduct of an unrelated business from GIFT City and that the SEZ approval could not expand the scope of activities permitted under the certificate. As the first cancellation of a broker-dealer registration in the IFSC, the order is likely to serve as an important precedent when the regulatory perimeter is next considered.

- Assessed by the nature and extent of the power exercised, the We Founder Circle *ex parte* ad-interim order dated July 13, 2026, is the most significant. The order followed earlier enforcement action against the same fund management entity. On April 6, 2026, the entity had been penalized for, *inter alia*, the absence of an enterprise-wide anti-money laundering risk assessment and inadequate internal controls and had been granted three months to remedy those deficiencies. On April 30, 2026, within that period, USD 100,000 in investor funds intended for a portfolio investment was diverted to a spoofed bank account following a business email compromise. 17 investors had received neither units nor a refund. Following three meetings, two written directions requiring a remedial plan, and the receipt of investor complaints, the QJAE issued an *ex parte* ad-interim order

under Section 11B(1) of the SEBI Act read with Sections 12 and 13 of the IFSCA Act. The order required the entity to deposit USD 100,000 into an earmarked IFSC bank account within 60 days, directed the IFSC banking units not to permit withdrawal of those funds, and restrained the entity from launching any new scheme. This was the first exercise in the IFSC of a pre-adjudication protective direction. On August 25, 2026, after the entity confirmed that the funds had been earmarked and the underlying investment terminated, the QJAE released the lien solely to facilitate refunds to the 17 investors within 30 days, reserved the merits pending investigation, and required a compliance report within one week of completion of the refunds. The orders were therefore directed towards restitution rather than punishment.

- Assessed by its regulatory significance, the LMB order is particularly instructive: IFSCA exercised the cancellation power by reference to the status of the registration, and neither an offer to remedy the defaults after issuance of the notice nor a proposed sale of the company was sufficient to preserve a registration that had never been operationalized.

Summary and Strategic Considerations

The 26 actions suggest the following considerations for an entity regulated in GIFT City:

1. Physical presence constitutes the threshold requirement and is assessed through on-site inspection. On any working day, an entity should be capable of demonstrating that its principal officer and compliance officer are present in GIFT City, its office is open and appropriately signposted, and its certificate is displayed. Evidence, including a lease deed, equipment records, quarterly reports identifying the key managerial personnel and a contemporaneous explanation for each absence, distinguished Jashvik from Terazo.

2. An advisory constitutes the first written warning and should not be regarded as the conclusion of the enforcement process. Entities that responded to an advisory but remained non-compliant were penalized, whereas entities that initially disregarded an advisory but had remedied every default by the hearing were not. The period afforded by an advisory should therefore be used to remedy the default and maintain contemporaneous evidence of remediation.

3. The timing of remediation materially influences the sanction imposed. A lapse remedied before issuance of the show cause notice has resulted in a late fee, whereas the same lapse remedied after issuance of the notice has resulted in a penalty; the QJAE has expressly stated that corrective action does not extinguish liability for a prior contravention. Accordingly, an entity that identifies a lapse should remedy and report it before an inspection rather than after receipt of a notice.

4. A registration that is no longer used should be surrendered, and the surrender process should be completed. Dormant registrations accounted for four of the eight broker-dealer actions and at least two of the five cancellations. Reporting and fee obligations continue until IFSCA completes the surrender process, and IFSCA has declined to recognize an unprocessed surrender application, an informal assurance from an exchange or a proposed change of control as effecting an exit.

5. For operating businesses, compliance with the scope of the registration and investor-facing obligations is now enforced with the same degree of scrutiny as physical presence, and contraventions in these areas attract more substantial penalties. Any proposed revenue stream, including distribution, ancillary services, global access or advisory services documented as portfolio

management, should be assessed against the scope of the registration before any fee is earned. Deadlines for investor disclosures, including NAV statements, portfolio statements, annual accounts and the disclosure document, should be treated as mandatory compliance deadlines.

Looking ahead, published enforcement orders are necessarily lagging indicators: the evidence underlying the 2026 orders was gathered in 2024 and early 2025, while the supervisory programme has continued. Three developments are likely to shape the next phase of enforcement:

- First, the annual compliance audit requirement for capital market intermediaries, introduced in June 2026, will create a continuing body of third-party findings on which IFSCA may act without conducting an inspection.

- Second, the We Founder Circle order demonstrates that investor complaints may result in protective orders within weeks, potentially directing greater enforcement attention towards funds with retail and angel investors.

- Third, the Ashoka Whiteoak and Abans orders, each comprising numerous findings and engaging with the Hon'ble Supreme Court and SAT authority, indicate that the QJAE is prepared to conduct contested proceedings involving larger institutions.

Two enforcement mechanisms remain unused: settlement under Section 15JB of the SEBI Act, which is available in the IFSC and may warrant consideration by a well-advised institution, and prosecution, which IFSCA identifies as a potential outcome but has not yet invoked.

GIFT City was established on the premise that its regulator would perform both developmental and regulatory functions. The 2026 enforcement record demonstrates the exercise of the latter function. To date, no penalty has been imposed on an entity that maintained an operational presence, complied with its reporting obligations and conducted business within the scope of its registration. Penalties and cancellations have instead concerned registrations that no longer corresponded to an operating business or businesses that operated beyond the scope of their registrations. The sequence of IFSCA's enforcement process, and the circumstances in which that process may culminate in significant sanctions, are therefore increasingly clear.

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