

Public Comments and Suggestions on the draft notification to enable operating lease, including any hybrid of operating and financial lease, of GPU and connected data centre equipment in IFSC

Sr. No.	Clause no. of the draft Notification / Annex	Text of the clause	Comments/suggestion/ suggested modification	Detailed rationale
1	Clause 13(v) – Any other matters that may be considered relevant for the proposed framework for leasing of GPU and connected data centre equipment in the IFSC.	“Any other matters that may be considered relevant for the proposed framework for leasing of GPU and connected data centre equipment in the IFSC.”	IFSCA may consider incorporating appropriate principles or guidance for assessing and monitoring technology obsolescence and residual-value risk associated with GPU and connected data centre equipment leased through the IFSC. Such guidance may identify broad parameters including the technology refresh cycle, remaining useful economic life, asset utilisation, expected secondary market demand, asset condition and estimated end-of-lease value.	<p>(1) GPU and connected data centre equipment have characteristics that distinguish them from conventional leased assets. Rapid technology advancement and short technology refresh cycles can materially affect the economic value of such equipment within a relatively short period. The consultation paper itself recognises that successive GPU generations can result in significant improvements in performance per watt and notes that obsolescence risk, rather than physical wear, is a principal determinant of asset value.</p> <p>(2) The consultation paper also identifies that operating leases can transfer obsolescence and residual-value risk to the lessor, who is better placed to price, manage and remarket the equipment. As GPU leasing is intended to facilitate access to high-value computing infrastructure and support the development of GIFT-IFSC as a regional hub for such leasing activity, a consistent approach to assessing these risks could strengthen the sustainability of the emerging leasing market.</p> <p>(3) IFSCA may therefore consider establishing broad principles or minimum parameters that financial institutions and lessors may take into</p>

				<p>account when assessing the technology lifecycle and residual value of leased GPU infrastructure. Such parameters could include the expected technology refresh cycle, remaining useful economic life, utilisation intensity, asset condition, expected demand in the secondary market and potential for redeployment or remarketing at the end of the lease.</p> <p>(4) Such guidance could support more consistent credit underwriting, lease pricing, risk assessment and residual-value estimation, while also helping lessors assess potential redeployment, remarketing and recovery strategies. It may consequently improve the ability of lessors and financial institutions to identify and manage the risks associated with rapidly evolving GPU technologies.</p> <p>(5) The proposed approach need not prescribe a single valuation methodology or impose a uniform risk model. Instead, IFSCA could establish broad principles or minimum considerations while allowing regulated entities to develop their own internal assessment methodologies based on their risk appetite, asset expertise and market conditions. This would provide regulatory clarity while retaining flexibility as GPU technologies, secondary markets and leasing models continue to evolve.</p>
2	Paragraph 13(iv) Annexure II, Part B (items 7–10)	Question inviting views on whether allied power, cooling and thermal	Part B should be included within the scope of the proposed financial product.	Paragraph 8 identifies the transfer of obsolescence and residual-value risk to a lessor better placed to price, manage and remarket it as the economic basis for the proposal. Part B is the portion of the cluster where that pricing is actually possible.

		<p>equipment set out in Part B of Annexure II should fall within the scope of the proposed product, and on the parameters for determining such inclusion.</p>	<p>On parameters: we suggest the operative test be that the equipment is dedicated to, and installed for, the leased compute — substantially the formulation the Authority has already used in Part B items 7 and 10 — rather than a closed list of equipment types.</p> <p>A functional test of this kind is consistent with Explanation 2 to the draft notification and would keep the scope durable as cooling architectures move from air to liquid and immersion, without requiring the matrix to be reopened.</p>	<p>Footnote 12 records a two-to-three year step change across successive accelerator generations, and states that obsolescence rather than physical wear determines value in that class. Power distribution, precision cooling and chiller plant do not follow that cycle; they track the design life of the facility and are not chip-generation dependent.</p> <p>Excluding Part B therefore removes from the lease the only component carrying a stable residual, and leaves the lessee to fund the envelope from its own balance sheet — which reproduces the capital constraint the proposal exists to relieve.</p> <p>Paragraph 5 already treats these assets as economically operable only as part of an integrated cluster. Aligning the scope of the product with that description also widens the pool of prospective lessors beyond those able to underwrite pure accelerator obsolescence, which is a condition for the regional hub outcome described at paragraph 11.</p>
3	Paragraph 4 read with clause 14(c) of the draft Framework for Leasing Activity in IFSC (consultation of 13 August 2026)	<p>Proposal that, following consideration of stakeholder feedback, operating lease of GPU and connected data centre equipment be included under</p>	<p>If this equipment is brought within the Leasing Framework, clause 14(c) of that draft will apply, restricting a Special Purpose Vehicle to holding Eligible products or equipment whose acquisition cost is USD 10 million or above for each item.</p> <p>We suggest that, as one of the modifications contemplated by paragraph 4, the threshold be applied to the aggregate acquisition cost of</p>	<p>Several categories in the draft notification have individual acquisition costs well below USD 10 million — rack-scale systems (item ii), server power supply units (item iv), networking and interconnect equipment (item v), and parts and accessories (item vi). Applied per item, the threshold would place most of the proposed scope outside the Special Purpose Vehicle structure.</p> <p>That result is difficult to reconcile with clause 14(b) of the draft Framework, which permits a Special</p>

		the Framework for Leasing Activity in IFSC, with such modifications as may be necessary.	Eligible products or equipment held within the Special Purpose Vehicle, rather than to each item individually.	<p>Purpose Vehicle to hold more than one Eligible product, and with paragraph 5 of this consultation, which describes the assets as economically operable only as part of an integrated cluster. The natural unit of ownership is the cluster; the threshold should be measured against it.</p> <p>The threshold as drafted appears calibrated to aircraft and ships, where a single unit routinely exceeds USD 10 million. An aggregate test preserves the evident purpose — reserving the ring-fenced vehicle for transactions of substance — while making it available to modular equipment classes.</p>
4	Annexure I, clause (i) read with Explanation 2	"processing units, whether or not containing, in the same housing, one or two of the following types of units: storage units, input units or output units, including various types of storage units and allied parts and accessories"; Explanation 2 refers to "accelerated computing equipment and systems".	Amend Explanation 2 to expressly include central processing units (CPUs) and general-purpose compute and storage servers deployed as part of, or in support of, an AI / high-performance computing cluster, including head nodes, management, orchestration and scheduling nodes, storage controller nodes and data pre-processing nodes, as well as combined CPU-accelerator modules ("superchips") in which a CPU and an accelerator are supplied as a single module, board or tray.	<p>Explanation 2 is drafted around "accelerated computing", which risks a narrow construction excluding the general-purpose CPU tier of a cluster. No production AI cluster is operable without CPU servers performing scheduling, orchestration, storage services, networking control and data preparation; these are procured, financed and deployed as part of the same integrated system.</p> <p>Further, current-generation rack-scale systems integrate CPU and accelerator on a single module, making any CPU/accelerator distinction unworkable at the point of supply.</p> <p>Ambiguity here would fragment a single integrated cluster into leasable and non-leasable components, contrary to paragraph 5 of the consultation paper, which recognises such assets as "economically operable only as part of an integrated cluster".</p>

5	Annexure I, clauses (ii) and (vi); Annexure II Part A, Sl. Nos. 2 and 6	Rack-scale artificial intelligence systems supplied and invoiced as one integrated system; parts and accessories including "trays, mounting hardware, spares and replacement parts".	Expressly include server racks, cabinets, enclosures, rack frames, sliding rails, blanking panels and hot aisle / cold-aisle containment structures within scope, whether supplied as part of an integrated system or separately. Add indicative CTH 9403 and 7326 to the Classification Matrix for such items.	<p>The rack or enclosure is the physical substrate of every deployment architecture — air-cooled, rear-door heat exchanger fitted, or direct liquid cooled — and is ordinarily supplied and financed together with the compute it houses.</p> <p>Racks and containment typically classify under headings (9403 / 7326) that do not appear in the Matrix, and "mounting hardware" under clause (vi) is insufficient to capture the enclosure itself.</p> <p>Explicit inclusion keeps the notified product technology-neutral across rack architectures and avoids classification disputes severing the enclosure from the leased system.</p>
6	Annexure I (new sub-clause); Annexure II — move from Part B to Part A	Part B, Sl. No. 9 currently lists "Chillers, liquid-cooling and immersion-cooling equipment, including CDUs" as allied equipment, inclusion of which is an open consultation question (item iv).	Include within Part A (core scope), and within the draft notification itself, direct liquid cooling (DLC) equipment integral to the compute: cold plates, coolant distribution manifolds, in-rack and in-row coolant distribution units (CDUs), quick-disconnect couplings, coolant hoses and piping internal to the rack or row, leak-detection apparatus, and rear door heat exchangers (RDHx). Indicative CTH: 8418, 8419, 8481.	<p>Current-generation rack-scale AI systems operate at rack densities exceeding 100 kW and are liquid-cooled by design; they are physically inoperable without cold plates, manifolds and CDUs. Paragraph 3 of the consultation paper states the intent of covering accelerated computing devices "together with the equipment/s without which such devices cannot be deployed in a data centre environment" — in-rack liquid cooling squarely meets that test and is core, not allied, equipment.</p> <p>These components are frequently supplied by the system OEM as part of the integrated system, with title and financing following the rack. Relegating them to Part B (conditional inclusion) would sever the lease of a single integrated system into two regulatory categories.</p>
7	Annexure II, Part B, Sl. No. 8	"Precision air-conditioning equipment for	Rear-door heat exchangers are heat-exchange units, correctly referable to CTH 8419 (or 8418 where refrigerant-	A passive or pumped-loop RDHx contains no air conditioning machinery and would not classify under 8415. While Explanation 3 correctly provides

		data centre environments — 8415 — CRAC, CRAH, in-row and rear-door cooling units".	based), rather than 8415. Add 8419 to the Matrix and reflect RDHx within Part A per the preceding comment, retaining CRAC / CRAH / in-row DX units under 8415 in Part B.	that the functional description governs and the CTH references are indicative, an inaccurate indicative reference invites avoidable disputes at the customs and regulatory interface. Heading 8419 does not presently appear anywhere in the Matrix and should be added.
8	Public Comment item (iv) — Annexure II, Part B (scope and parameters)	Whether allied power, cooling and thermal equipment specified in Part B should be included within the scope of the proposed product and, if so, the appropriate parameters for determining such inclusion.	<p>Yes — Part B should be included in full. The appropriate parameter is that the equipment be dedicated to, or predominantly serving, the leased compute, whether located in-rack, in-row or in dedicated plant / electrical rooms.</p> <p>Part B should additionally be expanded to include: uninterruptible power supply (UPS) systems and static converters at rack, row and room level (CTH 8504); battery cabinets and battery energy storage systems dedicated to IT load (CTH 8507); immersion-cooling tanks and dielectric coolant handling equipment (CTH 8418 / 8419); and heat exchangers, dry coolers and heat-reuse equipment serving the leased compute (CTH 8419).</p>	<p>A leased GPU cluster cannot ride through utility disturbance, and cannot be commissioned to hyperscale service levels, without dedicated UPS and battery systems; these are presently absent from both Parts of the Matrix even though server PSUs are included. Allied power, cooling and thermal assets share the technology-refresh and obsolescence profile of the compute they serve, are financed as a single package with it, and are precisely the assets a lessor must control to remarket a cluster.</p> <p>A "dedicated or predominant use" test confines the product to compute-serving plant and excludes shared building services, addressing any concern of scope creep into general real-estate or facility assets.</p>
9	Annexure I, clause (v); Annexure II, Part A, Sl. No. 5	"Network switches, network access controllers and connected networking and interconnect	Expand the illustrative coverage to expressly name: data processing units (DPUs) and SmartNICs; InfiniBand and Ethernet host adapters; scale-up fabric components (NVLink / NVSwitch-class switch trays, cable cartridges and backplanes),	Cluster-scale networking — scale-up and scale-out fabric, adapters and optics — represents a material share of total cluster capital cost and is integral to cluster operation. Scale-up fabric components and optics are in practice sometimes supplied, replaced or upgraded separately from the switch or compute trays; express naming avoids disputes as to whether such items fall within

		equipment — 8517, 8544".	whether supplied within a rack-scale system or separately; optical transceivers and modules; and active optical and direct-attach copper cables. Add indicative CTH 8542 and 9001 to Sl. No. 5 as applicable.	"connected networking and interconnect equipment" when supplied separately, consistent with clause (vi).
10	Annexure I, clause (i); Annexure II, Part A, Sl. No. 1	"Processing units, including storage units, input/output units and allied parts and accessories — 8471, 8473 — GPU / AI servers, compute nodes and storage units".	Expand the illustrative coverage to expressly name high-performance and parallel file storage appliances, all-flash and NVMe storage arrays, JBOD / JBOF enclosures, storage expansion shelves, and associated storage networking equipment, whether deployed within the compute rack or in dedicated storage racks.	AI training and inference workloads are storage intensive, and dedicated storage racks and parallel file systems are standard elements of a cluster bill of materials, procured and financed with the compute. Express naming confirms that storage deployed in dedicated racks — rather than "in the same housing" as a processing unit — remains within scope, which the current drafting of clause (i) leaves open to doubt.
11	Annexure I, Explanations 2 and 3 (general)	Technology-neutral descriptions covering successive technology generations, irrespective of configuration, presentation, supply or invoicing; decoupling of the financial product from	The technology-neutral drafting of Explanation 2 and the decoupling from tariff classification in Explanation 3 are strongly supported. It is suggested that Explanation 2 additionally confirm coverage irrespective of form factor — PCIe add-in cards, SXM / OAM mezzanine modules, combined CPU-accelerator superchips, and integrated compute, switch and CDU trays — whether supplied within a system or as spares, replacements or upgrades.	Footnote 12 of the consultation paper correctly identifies obsolescence, not physical wear, as the principal driver of asset value, with generational transitions occurring within two to three years. A lessor's ability to remarket, upgrade and redeploy assets across lessees — the core economic function recognised in paragraph 8 — requires that the notified product travel across generations and form factors without re-notification, and that mid-life component upgrades (accelerator modules, optics, trays) remain within the same financial product as the systems they refresh.

		customs tariff classification.		
12	----	Definitional Clarity	<p>(1) Provide clarity on hybrid leasing model for GPUs.</p> <p>(2) Clarification on inclusion of sub-lease and bundled services under “Financial Product”</p>	<p>(1) Financial lease is the activity of leasing where substantially all risks and rewards are transferred whereas such risks and rewards are not transferred in case of an operating lease . There is lack of clarity on the nature of hybrid leases for GPUs and circumstances under which a lease transitions from an operating lease or a financial lease to a hybrid lease.</p> <p>The Draft Notification should specify the accounting treatment and the regulatory capital treatment applicable to hybrid structures. Without such clarity, lessors and their auditors may face significant uncertainty.</p> <p>(2) The Draft Notification indicates that the lease itself is to be classified as a “financial product”. However, the Draft Notification does not address sub-leasing and bundled service (where the lease is packaged with maintenance, software, and managed services) frameworks.</p> <p>A Lessor registered with the IFSCA for leasing of GPUs may lease the equipment to a non-registered entity that may further sub-lease the GPU equipment. In such a scenario, the lessee (sub-lessor) may be required to register with the IFSCA. Therefore, it would be helpful for the Authority to clarify whether this classification and obligations extend to sub-leasing arrangements and bundled service agreements.</p>

13	-----	Eligibility and Registration Framework	<p>(1) Provide Clarity on Lessee Eligibility</p> <p>(2) Provide More Detailed Criteria for Lessor Eligibility</p>	<p>(1) Given that the Draft Notification distinguishes between public compute infrastructure (directed at startups, researchers, academia, and public institutions) and commercial requirements of cloud operators, colocation providers, hyperscalers, and enterprises, the Authority should clarify whether there are any restrictions on the category of permissible lessees - for instance, whether Indian-resident entities, overseas entities, or both may lease GPUs from GIFT IFSC.</p> <p>Since IFSC entities are treated as "persons resident outside India" under Foreign Exchange Management (International Financial Services Centre) Regulations, 2015 and the International Financial Services Centres Authority (Finance Company) Regulations, 2021, every GPU lease to an Indian-resident lessee would constitute a cross-border transaction.</p> <p>The aircraft leasing framework already restricts IFSC lessors from acquiring assets used solely by or for Indian residents, and applying a similar restriction to GPUs which, unlike aircraft and ships, are deployed at fixed locations to serve predominantly domestic workloads would render the framework commercially unviable and defeat its stated policy objective. The Authority should therefore expressly confirm that Indian-resident entities are permissible lessees and specify the applicable FEMA route and conditions.</p> <p>(2) The framework should clearly prescribe the eligibility criteria for entities seeking to act as lessors, including minimum net worth or capital</p>
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14	Part B – Annex II	Classification of allied power, cooling and thermal equipment	Link the classification to the leased GPU/compute cluster	<p>The Draft Notification states, “GPU and connected data centre equipment refers to accelerated computing devices together with the servers, storage, networking, interconnect and power equipment used directly or indirectly in connection with the deployment and operation of such devices in a data centre, such assets being economically operable only as part of an integrated cluster”.</p> <p>One of the primary requirements of being classified as a financial product is that the asset is a part of an integrated cluster. Therefore, classification of allied power, cooling and thermal equipment should be tied to the leased GPU/compute cluster. In the absence of such linkages, the notification may be used to lease general power, cooling and thermal equipment.</p> <p>Currently, the draft appears does not appear to contemplate such general leasing. However, should the Authority notify the present list of allied products, as provided under Part B of Annexure 2, as financial products, such leasing may occur.</p> <p>Such clarification may become a part of the forthcoming framework for leasing GPUs and Connected Data Centre Equipment.</p>

15	Para 6 of Background	Cross-Border Considerations	Address Ambiguity on Customs and Import Duties Treatment between SEZ and DTA Entities	<p>As India is entirely import-dependent for GPU equipment , the framework should address the customs and import duty treatment of GPUs and connected equipment brought into GIFT IFSC (which enjoys customs duty exemptions as a Special Economic Zone) and, importantly, the duty implications if leased equipment is subsequently deployed or sub-leased into the Domestic Tariff Area (DTA).</p> <p>Such clarification may become a part of the forthcoming framework for leasing GPUs and Connected Data Centre Equipment.</p>
16	Draft Notification; Paragraphs 2(i)-(vi) of Annexure I of the Consultation Paper	Specifies list of leasable GPUs and connected DC equipment (Part A of Annexure II) but does not include equipment in Part B of Annexure II	Part B of Annexure II should also be expressly included within the scope of the final notification as eligible leasable equipment	<p>(1) The draft notification presently does not expressly include this Part B equipment within the scope of equipment that may be leased from an IFSC.</p> <p>(2) We recommend that the equipment identified in Part B of Annexure II also be expressly included within the scope of the final notification as eligible leasable equipment.</p> <p>(3) From a commercial and financing perspective as well, it may therefore be artificial to require the GPU equipment to be financed or leased separately from the infrastructure that is integral to its operation. A customer procuring an AI compute deployment may seek a financing or leasing solution for the complete functional system rather than for individual components in isolation. Excluding the Part B equipment could result in different elements of the same deployment having to be financed under separate structures, increasing transaction complexity and</p>

				<p>potentially reducing the commercial utility of the proposed GIFT IFSC leasing framework.</p> <p>(4) The approach adopted for other asset-leasing businesses is instructive. For example, the aircraft leasing framework accommodates not only the aircraft itself but also engines and other components associated with the operation of the aircraft. A similar principles based approach would be appropriate for GPU leasing, recognising that the relevant leasable asset may comprise an integrated collection of equipment required to deliver the intended compute capacity.</p>
17	Draft Notification; Annexure I of the Consultation Paper	-----	The notification should expressly refer to Regulation 5(1)(iii)(g) of the FC Regulations to clarify that GPU leasing is being permitted as a non-core activity under this regulation of the FC Regulations.	<p>(1) We believe that this linkage should be made explicit in the operative notification. It is important for market participants to have clarity not only that GPU leasing constitutes a permitted “financial product” but also which precise provision of the FC Regulations permits the activity to be undertaken.</p> <p>(2) An express reference would therefore remove uncertainty as to the registration, regulatory and prudential treatment applicable to GPU leasing entities and would ensure that the proposed framework is fully integrated with the existing FC Regulations.</p>
18	Draft Notification; Annexure I of the Consultation Paper	-----	The notification should expressly clarify that Finance Companies / Finance Units undertaking only GPU operating leasing as a non-core activity are exempt from Regulation 4 exposure norms on the same basis as aircraft and ship leasing entities.	<p>While the proposed framework contemplates enabling GPU operating leasing as a financial product, the consultation paper does not expressly clarify the applicability of the exemption from the requirements of Regulation 4.</p> <p>(1) Operating leasing of aircraft and ships is treated as a permitted non-core activity under the FC</p>

				<p>Regulations and the relevant leasing frameworks. Accordingly, a Finance Company / Finance Unit undertaking only such operating leasing activities benefits from the exemption from Regulation 4, including the exposure ceiling. We submit that the same treatment should expressly extend to operating leasing of GPU and connected data centre equipment once such activity is notified as a permitted non-core activity under Regulation 5(1)(iii)(g) of the FC Regulations (as discussed in Sr. No. 17 above).</p> <p>(2) Application of a counterparty exposure ceiling calculated by reference to the lessor's eligible capital base could therefore materially constrain the size of individual deployments and require disproportionate equity capitalisation of the lessor. Such a result would be inconsistent with the prudential treatment.</p>
19	Paragraph 9 of the Consultation Paper	Leasing of identified GPU equipment, where the lessor owns and leases the hardware to a cloud operator, colocation provider or enterprise, including through sale-and-leaseback arrangements.	We recommend that this be revised to refer to situations "where the lessor owns or takes on lease" the relevant hardware.	<p>(1) The reference to the lessor "owning" the hardware could be read as limiting the proposed framework to structures where the IFSC lessor itself holds legal title to the relevant GPU and connected data centre equipment.</p> <p>(2) We recommend that this be revised to refer to situations "where the lessor owns or takes on lease" the relevant hardware.</p> <p>(3) GPU leasing structures may also involve the lessor taking the equipment on lease from an OEM, equipment owner or another financing entity and thereafter leasing or sub leasing such equipment to a cloud operator, colocation provider or enterprise. Such lease-in, lease-out and sub-</p>

				<p>leasing structures are common financing arrangements and may be particularly relevant in the development of the GPU leasing market.</p> <p>(4) Paragraph 3 expressly states that the equipment leased out by a financial institution in IFSC may be held by it “either on ownership basis or on lease-in-lease-out basis.” The proposed clarification would therefore not expand the scope of the framework beyond IFSCA’s stated intent; rather, it would ensure that the final regulation does not inadvertently create uncertainty regarding the permissibility of lease-in-lease-out structures.</p> <p>We accordingly suggest that the final notification recognises both ownership-based and lease-in-lease-out structures.</p>
20	Paragraph (ii) of the Draft Notification at Annexure I of the Consultation Paper	The current drafting refers to “rack-scale artificial intelligence systems supplied and invoiced as one integrated system”	Revise the draft to state as follows: “rack-scale artificial intelligence systems supplied as an integrated system, whether invoiced together or separately”	<p>(1) The components of a rack-scale AI system may be procured from different OEMs, vendors or system integrators and may therefore be supplied under separate purchase orders and invoiced separately. The fact that individual components are sourced or invoiced separately does not detract from their character as part of a single integrated rack-scale system when assembled and deployed.</p> <p>(2) We accordingly recommend that clause (ii) be revised to focus on the functional integration of the relevant equipment rather than the procurement or invoicing arrangements. This would ensure that an integrated rack-scale system remains within the scope of the notification irrespective of how its constituent components are procured or invoiced, while preserving the requirement that such</p>

				components collectively form an integrated system when deployed.
21	Main paragraph of the draft notification enclosed in Annexure I	Operating lease, including any hybrid of operating and financial lease of GPU and connected data centre equipment becomes a financial product.	Confirm that a lease of GPU and connected data centre equipment shall be classified as an operating lease, unless the lease contemplates or results in the transfer of ownership of the equipment to the lessee, whether during the lease term or upon its expiry without reference to IND AS 116, and additionally clarify that finance leases, including pure finance leases, of GPUs, AI accelerators and connected data centre equipment are also covered within the scope of the notified financial product.	<p>GPU equipment differs from conventional leased assets. Value of a GPU depends on computing performance and computing performance falls sharply with each new generation (typically two to three years). A GPU retains little value once a faster generation reaches the market.</p> <p>The above characteristics means a typical GPU lease will substantially meet the markers under Indian Accounting Standard 116 which identifies a finance lease. For example, (i) the lease term will often cover most of the asset's useful economic life, because that useful life is already short, (ii) the lease payments will often recover most of the asset's fair value, because the lessor has no secondary buyer and must recover cost from the one lessee it has, (iii) the asset will often qualify as specialised, because a GPU cluster is deployed for one customer's specific workload.</p> <p>This reflects the underlying nature of the GPU which is inherent in nature. This has a direct bearing on whether GPU leasing can proceed at all under the current draft. The draft notification permits only operating lease, including hybrid, as an eligible product. Further, what constitutes "hybrid" is also not defined. If a GPU lease meets substantially the IND AS 116 markers for a finance lease in the manner described above, it would fall outside the scope the notification permits. Hence, we request</p>

				that IFSCA confirms the classification outcome expressly.
22	Explanation 2 to the draft notification enclosed in Annexure I	Define connected data centre equipment	Retain the fixed list of connected data centre equipment in Explanation 2 and add a definition of “connected equipment”. The term connected equipment can be defined to mean the equipment set out in Explanation 2, and any other equipment that the leased GPU or accelerated computing equipment requires for deployment or operation in a data centre. It should not include equipment that serves the facility as a whole and is not dedicated to the leased GPU equipment.	<p>GPU technology is new to this market and still developing. The equipment that supports a GPU deployment today, such as particular cooling or power configurations, may look different within a year or two, as chip generations and data centre designs change.</p> <p>A fixed list drawn up now will fall behind these changes, and each update to the list would need a fresh notification from IFSCA. A definition of the term “connected equipment” should resolve this problem.</p>
23	Annexure II, Part B (items 7 to 10)	Lists cooling, air-conditioning, chiller and power distribution equipment as allied equipment in Part B, and invites comment on whether it should be included at all.	Move power, cooling and thermal equipment dedicated to the leased GPU pool from Part B into Part A as core equipment.	A GPU cluster cannot function without dedicated cooling and power distribution at current power densities. This is not ancillary infrastructure.
24	Para 9 of the consultation paper	Distinction between equipment leasing and GPUaaS	A lessor under an equipment lease of GPU and connected data centre equipment shall not, by reason only of being joined as a party to a contract between the Lessee and the Lessee's end customer, be treated as a provider of GPU as a Service or	In practice, a GPU leasing entity is sometimes named as a party to the contract between the data centre entity and its end customer and may receive income directly from that end customer rather than from the data centre entity.

			similar computing service, where the Lessor's rights and obligations under the contract with the end customer are limited to receipt of payment, enforcement rights, and step-in or comfort arrangements.	<p>This structure is commonly used to give the GPU leasing entity and its lenders direct payment rights and enforcement comfort against the ultimate source of cash flow.</p> <p>Receiving payment directly from the end customer, on its own, should not turn the GPU leasing entity into a GPUaaS provider.</p> <p>We ask IFSCA to confirm this expressly, so that payment structuring of this kind does not create uncertainty over how the lease is classified.</p>
25	11(1)(a) and (1)(b) of the Public consultation on framework for leasing activity in the IFSC	<p>(1) The Lessor may undertake the following activities in respect of Eligible products or equipment specified in Annexure II to this Framework:</p> <p>(a) Operating Lease; Or</p> <p>(b) Financial Lease, including hybrid of operating and financial lease.</p>	Redraft clause 11(1) so that a hybrid lease of GPU and connected data centre equipment falls within sub-clause (a) as operating lease and not within sub-clause (b) as financial lease.	As per clause 11(1)(b) hybrid lease is qualified as a financial lease. Therefore, a GPU lease with hybrid characteristics would fall under clause 11(1)(b) of this draft circular and would be classified as financial lease and hence not permitted to start with as per the draft circular on GPU leasing. Further, if hybrid lease sits within clause 11(1)(b), then a typical GPU lease structure is classified as financial lease by default, and clause 13(1) then treats that activity as core activity, bringing capital adequacy and exposure norms into consideration which does not seem to be the intention. If prudential norms apply to a GPU Lessor, the product may not work in practice. GPU deals are funded mainly through third-party debt, and a Lessor built this way may not meet the 8% capital adequacy ratio. The 25% exposure ceiling raises a similar problem, since a GPU Lessor will often lease to only one data centre entity, and cannot spread its business across multiple lessees the way this norm assumes.

				<p>If the GPU product is meant to operate as operating lease in substance and in intent as per the consultation paper circulated, this should be clarified directly.</p> <p>Therefore, we ask IFSCA to confirm that a GPU hybrid lease falls within clause 11(1)(a) as operating lease and accordingly GPU leasing entities are not brought within financial lease treatment.</p>
26	6(3) and 14(c) of the Public consultation on framework for leasing activity in the IFSC	<p>The Lessor intending to set up an entity for the purpose of holding each asset separately shall obtain a separate registration under regulation 5(1)(iii)(m) of Finance Company Regulations;</p> <p>Provided that where the Lessor intends to set up an entity in the form of Special Purpose Vehicle, the requirement for separate</p>	<p>Extend a simplified or fast tracked registration process to any further asset holding entity that is a group entity of an already registered lessor.</p> <p>OR</p> <p>Prescribe a lower minimum acquisition cost threshold specific to GPU and connected data centre equipment in place of the USD 10 million threshold that currently applies uniformly across all eligible products.</p>	<p>GPU financing structures may require one entity per lender relationship for bankruptcy-remoteness, even where every such entity sits under the same ultimate beneficial owner. Requiring each such entity to complete the full first-time registration process, when its ownership and control are already known to the authority from a prior registration, adds time and cost.</p> <p>Aircraft and ships are priced above USD 10 million practically. A single GPU leasing entity financing one contract with one lender may be priced below this threshold.</p>

		<p>registration shall not apply.</p> <p>AND</p> <p>It shall hold only such Eligible product or equipment where the acquisition cost of each such product or equipment is USD 10 million or above</p>		
27.		<p>Complete list of HSN Codes to be included in proposal – reference to HSN codes is not made in the proposed notification and is to be included in the leasing framework suitably</p>		

Note: During the public consultation, comments were received from various stakeholders. Modifications, if any, were suitably carried out based on the comments received from the stakeholders and placed before the Authority.