

1. What is GIFT?

GIFT is being developed as a global financial and IT Services hub, a first of its kind in India, designed to be at or above par with globally benchmarked financial centres. GIFT's Master Plan facilitates Multi Services SEZ with International Financial Services Centre (IFSC) status, Domestic Finance Centre and the associated Social infrastructure. "GIFT SEZ Limited" has been formed by Gujarat International Finance Tec-City Company Limited (GIFTCL) for development of Multi Services SEZ at Gandhinagar with the prime focus on development of IFSC and allied activities in SEZ.

2. What is the purpose of setting up of GIFT City?

The purpose of setting up the GIFT City is to develop a world class smart city that becomes a global financial hub with the development of an International Financial Services Centre (IFSC). GIFT City is central business hub with state-of-the-art infrastructure and a first of its kind development in India. GIFT is attracting domestic and international financial services and IT/ITES sectors.

3. Who are the promoting entities of GIFT City?

The promoting entities of GIFT city are:

Gujarat Urban Development Company Limited (GUDCL)

GUDCL is the designated agency of Government of Gujarat to facilitate urban development by assisting state government and other agencies in formulation of policy, institutional capacity building, project implementation; to assist in raising funds from multilateral agencies for various projects to facilitate sustainable development of urban areas, both new and existing, in order to achieve high living standards and growth of economic activities.

Infrastructure Leasing and Financial Services Ltd (IL&FS)

Incorporated in 1987, the business architecture of IL&FS focuses on providing services in development of Core Infrastructure. Areas suitably complemented with an array of Financial Services. The various businesses are conducted through subsidiaries with IL&FS being a principal shareholder in each.

IL&FS has been promoted by the Central Bank of India (CBI), Housing Development Finance Corporation Limited (HDFC) and Unit Trust of India (UTI). Over the years, IL&FS has broad-based its shareholding and inducted Institutional shareholders including State Bank of India, Life Insurance Corporation of India, ORIX Corporation, Japan and Abu Dhabi Investment Authority.

4. Can we carry out domestic transactions from GIFT City?

GIFT City has two Zones: 1. Domestic and 2. Special Economic Zone (SEZ). All the domestic (Rupee denominated) transactions can be undertaken from GIFT domestic area.

5. What are the existing infrastructure facilities available at GIFT City?

Presently, GIFT City houses two state-of-the-art towers which are one of the tallest buildings in the state of Gujarat.

Following are some of the unique infrastructure available at GIFT City:

- **Data Centre:** A state of the art certified TIER IV Green Data Centre by Tata Communications with a capacity of 900 Racks is up and running
- **Automated Waste Collection System (AWCS):** AWCS and Segregation Plant is one of the unique next class infrastructure planned in GIFT City. It will maximise resource recovery/Minimal emissions, Minimise impact on environment, human intervention, space requirement, impact on health hazard and no waste visibility which will make city clean, green and healthy.
- **Water:** GIFT City is zero discharge city, water is drinkable from any tap.
- **Power:** GIFT City ensures 99.999% power reliability.
- **ICT:** GIFT City is connected with a fault tolerant optical fibre ring Infrastructure. The connectivity in GIFT City is provided by four major telecommunication service providers. GIFT uses advance of technology in form of unique IoT (Internet of Things) based C-4 (City & Command Control Centre) to monitor and manage city Infrastructure.
- **District Cooling System:** District Cooling System is introduced first time in India for any commercial use. The chilled water will be supplied till building level and it will reduce energy and maintenance cost, reduce noise & vibrations, improve quality.
- **Utility Tunnel:** All utility services except gas and sewerage from plants to various buildings will be routed through utility tunnel only. GIFT is planned to develop Utility Tunnel through city including DTA & SEZ areas.

6. Which are the commercial buildings available in GIFT Domestic area and buildings under constructions?

Currently, GIFT ONE and GIFT TWO each of 28 floors developed by IL&FS are ready and available for use.

Following are the other Developers in Domestic area:

- Brigade Group
- Prestige Group
- B. U. Bhandari Landmarks
- Jannadhar Housing (Affordable housing)
- State Bank of India (for own use)
- LIC (for own use)
- BSE Brokers Forum
- Sterling Hospital
- World Trade Centre (WTC)

7. Type of companies operating in commercial buildings in GIFT domestic area

Banks, Insurance companies, stock brokers, IT companies, BPO, KPO etc are already operating from GIFT ONE and GIFT TWO. Some of the names of companies operating from Domestic area are TCS, Oracle, Bank of Baroda, Maxim Integrated, Bank of India, Syndicate Bank, nCode Solution, infibeam etc.

8. Is there any internal transport facility for the use of general public?

GIFT city runs a Bus inside the GIFT City on regular interval. Everyone can use the bus facility. Apart from internal bus facility, GIFT also runs a Bus from Visat BRTS station (nearest BRTS stop) to GIFT at regular intervals for everyone to commute from and to Ahmedabad. GSRTC (State transport) also runs buses at regular intervals between Gandhinagar to GIFT City.

9. How is the quality of life in GIFT?

GIFT City offers high quality of life with its state-of-the-art infrastructure. GIFT is envisioned to be developed into a smart city that has world class commercial & real estate development, smart IT-enabled business environment, technology enabled smart infrastructure, strong transport network & proximity to an international airport, world class social infrastructure (educational institutes, international schools, state of the art hospitals and 5-Star rated hotels) and entertainment hubs.

10. Is there any School operational in the GIFT City?

Yes, Jamnabai Narsee Monjee School (ICSE Board) is operational in the GIFT City.

11. What are the social facilities planned in GIFT City?

GIFT City Business Club provides a great facility for various indoor and outdoor sports activities, 24*7 Restaurant, Gym and also facilities for organizing conference, meetings and workshops. Please visit <http://www.thegic.in/> for more details about the GIFT City Club.

12. What are the social facilities available nearby GIFT City?

Colleges: DAICC, NIFT, NID, IIT-Gandhinagar, IIM-A (30 km), Gujarat National Law University (10 km), Pandit Din Dayal Petroleum University

Schools: Podar International School, Delhi Public School (DPS) and many other renowned schools with State, CBSE, ICSE and IB board.

There are also many Clubs, Hotels, Restaurants, Theaters, Malls etc nearby GIFT City.

Please visit our page <http://www.giftgujarat.in/city-guide> on City guide for more details.

GIFT IFSC:

13. What is an International Financial Services Centre (IFSC)?

An IFSC is a jurisdiction that provides financial services to non-residents and residents, to the extent permissible under the current regulations, in any currency except Indian Rupee.

14. Where in India IFSC has been permitted?

GIFT SEZ in Gandhinagar, Gujarat has been designated as International Financial Services Centre. GIFT SEZ is the only place in India which is designated as IFSC.

15. What is the aim of setting up an IFSC in India?

The IFSC in GIFT seeks to bring to the Indian shores, those financial services transactions that are currently carried on outside India by overseas financial institutions and overseas branches/subsidiaries of Indian financial institutions to a center which has been designated for all practical purposes as a location having the same eco system as their present offshore location, which is physically on Indian soil.

Strategic objective of setting up the IFSC are:

- To create high value jobs by having production of financial services take place on Indian soil
- To create an avenue into financial globalisation which would benefit the Indian economy and give policy makers an enhanced set of instruments

16. Why Gujarat?

The State of Gujarat has emerged as the fastest growing region in the country with an annual Gross State Domestic Product of over 14% per annum over the past 10 years. In addition to housing one of the largest manufacturing bases in India, Gujarat also accounts for a disproportionately large share of the investor and entrepreneurial population in the country. A recently conducted talent study established that the manpower pool available in Gujarat, including non-resident Gujarati's, is amongst the largest pools available in the country.

Recognizing the potential of the State as a centre for the financial services industry, GIFT Project has been formulated as mega project to realize this vision of setting up an IFSC in India.

17. What are the benefits of setting up operations in GIFT-IFSC?

The IFSC in GIFT will provide numerous benefits to the entities for setting up operations. Key benefits are as follow:

- State-of-the-art infrastructure at par with other global financial centres
- Liberal tax regime for 10 years
- International dispute resolution mechanism through Singapore International Arbitration Centre
- Strong regulatory & legal environment

- Ecosystem of Banks, Insurance, Capital Markets, Law firms and consultancy firms
- A wholly transparent operating environment, complying with global best practices and internationally accepted laws and regulatory processes
- Pool of skilled professionals
- A modern transport, communications and internet infrastructure
- Only place in India which allows offshore transactions

18. Is IFSC similar to IT SEZ?

IT companies do not require approval from any regulator where as Banking, Insurance companies and capital market entities require approval from Regulator. i.e Banks from RBI, Insurance companies from IRDAI and Capital market players from SEBI. At present the units related to Banking, Insurance and Capital market are considered as IFSC Unit.

19. Are IT units and IFSC units allowed to operate from the same zone (SEZ) of GIFT City?

IT companies and IFSC units can operate from the same zone, GIFT SEZ. IT companies require approval from Development Commissioner, KASEZ only and can start operating post SEZ approval. However, financial services entities i.e. Banks, insurance companies and capital market players regulated by respective sectorial regulators are required to obtain approval from respective regulator i.e. RBI/SEBI/IRDAI apart from Development Commissioner approval.

20. What will be the currency in IFSC?

All the transactions should be in foreign currency (other than Rupee). IFSC units can carry out administrative and statutory expenses in Indian Rupees.

21. Who can open IFSC unit in GIFT IFSC?

Following are the entities which can open IFSC unit:

The financial services entity defined by RBI, SEBI and IRDAI under the IFSC regulations can set up IFSC Unit at GIFT IFSC. Following are key institutions permitted by respective regulator to set up IFSC Unit:

- **Banking Sector** – Regulated by Reserve Bank of India (RBI)
 - Indian banks (viz. banks in the public sector and the private sector authorised to deal in foreign exchange)
 - Foreign banks already having presence in India
- **Insurance Sector** – Regulated by Insurance Regulatory and Development Authority of India (IRDAI)
 - Indian Insurer
 - Indian Reinsurer
 - Indian Broker
 - Foreign Insurer
 - Foreign Reinsurer

- **Capital Market** - Regulated by Securities & Exchange Board of India (SEBI)
 - Stock Exchanges / Commodity Exchanges
 - Clearing Corporation
 - Depository
 - Broker
 - Investment Adviser
 - Portfolio Manager
 - Alternate Investment Fund
 - Mutual Fund
 - Any other intermediary permitted by SEBI

22. Which are the entities that have started operations from GIFT IFSC?

There are 12 Banks, 17 Insurance firms and around 100 Capital Market entities have set up office in GIFT IFSC. Details of the key institutions are as follow:

Banks: State Bank of India, ICICI Bank, HDFC Bank, IDBI Bank, Yes Bank, IndusInd Bank, Federal Bank, Kotak Mahindra Bank, Bank of Baroda, RBL Bank, Axis Bank, Indian Bank

Insurance: New India Assurance (Direct Insurance), GIC Re (Reinsurance), ECGC, National Insurance and around 13 Insurance intermediaries.

Capital Market: India INX (International Exchange), NSE IFSC (International Exchange) along with their Clearing Corporation. Intermediaries such as Edelweiss Financial Services, IIFL Securities, Globe Capital, Philip Capital, Motilal Oswal etc.

IT/ITes, Consultancy Units: J Sagar (Law firm), BeFree, Moon SEZ Consultants Exemplary Consultants, Cybage (IT company) and many other IT/ITes firms

23. Please provide the details of transactions being carried out by IFSC Banking Units.

IFSC Banking Units are considered similar to their overseas branch. Following are the details of key businesses being carried out by IBUs:

- Buyer's Credit
- Loan Syndication
- JV/WOS funding
- ECB
- Interbank lending & borrowing

IFSC Banking Units have crossed business transactions of around US\$ 18 bn (as on March 2019).

24. Can IFSC units open foreign currency account with the Banks operating in GIFT IFSC?

Yes, IFSC units can open foreign currency account with the banks operating in GIFT IFSC.

25. Can IFSC units pay administrative expenses in Rupee?

Yes, IFSC units can carry out administrative and statutory expenses in Indian Rupees.

26. What is the procedure to establish an SEZ IFSC unit in GIFT SEZ?

The following points describe the procedure to establish a unit in GIFT- IFSC:

- Obtain Provisional Letter of Allotment (PLOA) from any Co-developer in GIFT SEZ for securing the premises on lease
- Application in the prescribed Form F to be filed with the jurisdictional Development Commissioner, (Kandla SEZ) and GIFT SEZ along with copy of project report and other details / information (in quintuplicate)
- The Development Commissioner shall scrutinize the proposal of the unit and shall place the same before Unit Approval Committee for their consideration
- Unit Approval Committee shall approve or approve with modifications or reject the proposal within 15 days of its receipt
- The Development Commissioner shall issue “Letter of Approval” (LOA) for setting up unit subject to approval by the relevant regulator.
- SEZ unit will take approval from RBI or SEBI or IRDA for setting up IFSC unit for carrying out banking, capital market or insurance related activities in GIFT SEZ- IFSC as applicable.
- SEZ unit shall be required to confirm its acceptance with the terms and conditions of LOA to the Development Commissioner, GIFT SEZ within 45 days of receipt of LOA
- SEZ unit shall be required to enter into a lease agreement with co-developer and copy of registered lease deed shall be required to be submitted with the office of the Development Commissioner within 6 months of receipt of LOA
- The unit can then operate and avail all the benefits /exemptions/concessions as a unit in GIFT SEZ

27. Please provide web link to submit Form F online to Development Commissioner (DC), KASEZ.

<https://sezonline-ndml.co.in/>

28. What are the documents to be attached along with Form F to be submitted to DC, KASEZ?

The application is to be filed in 2 sets, one each for Development Commissioner office and GIFT SEZ Authority.

- Bank Draft of Rs 5000/- payable to REGIONAL PAY AND ACCOUNTS OFFICER, MUMBAI. (Payable at Gandhidham)
- Application in form “F” duly filled and signed by the Authorized Person.
- Self certified copy of incorporation, MOA,&AOA.
- Self certified copy of PAN of the company.
- Copy of Provisional Letter of Allotment issued by the Developer.
- List of Directors of the company.
- Certified copy of PAN card of the Directors.
- Passport size photographs of the Directors
- Copy of audited financial statement of the company for the last three financial years.

- Certified copy of resolution for setting up the unit in SEZ and authorizing the person to sign the application.
- Brief Project Report.

29. What are the reporting requirements for the companies to set up in the GIFT-IFSC?

The reporting requirements for the entities that set up in the GIFT-IFSC are mentioned in the regulations released by various regulating authorities.

30. Who are the regulatory bodies in GIFT-IFSC?

The following are the regulating bodies for various financial services:

- Banking: RBI
- Insurance: IRDA
- Capital Markets (including Asset Management): SEBI

31. What is the typical time frame for obtaining a license in the GIFT-IFSC?

Unit can apply to SEZ authority and sectorial regulator parallelly. Both the license can be obtained in 45 days from the date of application.

32. What is the tax framework in the GIFT-IFSC?

- Minimum Alternate Tax (MAT) - 9 % for IFSC units
- Security Transaction Tax (STT) - NIL
- Commodity Transaction Tax (STT) - NIL
- Dividend Distribution Tax (DDT) - NIL
- Long Term Capital Gain (LTCG) Tax – NIL
- Short Term Capital Gain (STCG) Tax - NIL
- Tax Holiday (10 years)

(GoG has also exempted stamp duty for entities having registered office in GIFT for capital market activities).

33. Who are the developers in GIFT SEZ IFSC?

- Hiranandani, Mumbai (Signature Tower – Operational)
- Brigade Group, Bangalore (BIFC Tower – Operational)
- Savvy Group, Ahmedabad (Pragya Tower – To be operational by July 2019)

34. What is the approximate Lease rental charged by co-developers in GIFT SEZ?

The approximate current prevailing lease rental charged by co-developers in GIFT SEZ is around Rs. 55-60 per sq.ft per month.

35. Who is the primary contact for further information on IFSC?

The primary contact for queries related to the setting up operations in the GIFT-IFSC is as follows:

- Mr. Sandip Shah, Lead – IFSC Banking & Capital Market, GIFT City Co. Ltd.:
sandip.shah@giftgujarat.in
Contact number: +91 79 61708 497
Mobile number: +91 75670 22882

1. Who can apply for setting up of IFSC Banking Unit (IBU) in GIFT-IFSC?

Currently, the following two types of entities can set up IBUs in GIFT-IFSC:

- Indian banks (viz. banks in the public sector and the private sector authorised to deal in foreign exchange)
- Foreign banks already having presence in India

2. Who is the regulator for banking activities in GIFT –IFSC?

The Banking activities in GIFT are regulated by the Reserve Bank of India (RBI). The IFSC Banking Units (IBUs) will be the regulated and supervised by the RBI.

3. Can Banks apply to Development Commissioner (DC) and RBI simultaneously?

Yes, Banks can apply to DC, KASEZ and RBI (regulator) simultaneously. The approval from DC is subject to the approval from Regulator i.e RBI.

4. Which regulations are applicable to the Banks operating from GIFT IFSC?

Foreign Exchange Management (International Financial Services Centre) Regulations, 2015 [G.S.R 218(E) dated 2nd March, 2015]

5. Any recent circulars for IFSC Banking Units from RBI post the Regulations?

The updated regulations on IFSC can be downloaded from <http://www.giftgujarat.in/download.aspx> under the heading “IFSC Regulations & Guidelines”.

6. What is the licensing criterion for setting up an IBU?

Indian Banks

- IBU will be treated on par with a foreign branch of an India bank
- Permission from RBI will be required for opening an IBU
- Banks can establish only one IBU in IFSC

Foreign Banks

- Will not treated as normal branch expansion in India
- Permission from home country regulator will be required
- Permission from RBI will be required for opening an IBU
- Banks can establish only one IBU per IFSC

7. What is the capital requirement for setting up an IBU?

The following capital requirements would be applicable for both Indian banks and foreign banks:

- The parent bank would be required to provide a minimum capital of US\$ 20 million or equivalent in any currency, other than INR.
- The IBUs should maintain the minimum prescribed regulatory capital on an on-going basis.

8. What are the reserve requirements for the IBU?

The liabilities of the IBU are exempt from both CRR and SLR requirements of the RBI. The same would be applicable for both Indian banks and foreign banks.

9. What are the resources and deployments of funds?

- The sources for raising funds, including borrowing in foreign currency, will be persons not resident in India
- Deployment of the funds (subject to FEMA, 1999) can be both persons resident in India as well as persons not resident in India

10. What are the prudential norms guiding the IBUs?

The following regulations are applicable for IBUs of both Indian banks and foreign banks:

- The IBUs are required to follow 90 days payment delinquency norm for income recognition, asset classification and provisioning, as applicable for Indian Banks
- The IBU's board may set out appropriate credit risk management policy and exposure limits as prescribed by the RBI
- The IBUs will be required to adopt liquidity and interest rate risk management policies prescribed by the RBI within the risk management and ALM framework of the bank
- The Bank's board must set overnight limits for each currency for the IBUs
- The IBUs will be required to follow Know Your Customer (KYC), Combating of Financing of Terrorism (CFT) and other Anti-Money Laundering (AML) instructions issued by the RBI
- The IBUs are prohibited from undertaking cash transactions
- The loans and advances of IBU will not be considered for computing PSL obligations of the Bank in India
- IBUs will be required to furnish information on their IFSC operations as prescribed by the RBI (e.g. Offsite reporting, audited financial statements for the IBU)

11. How is the IBU related to the Indian operations of the Bank?

The following measures have to be taken by both Indian banks and foreign banks to ring-fence the activities of the IBU:

- The IBUs would operate and maintain balance sheet only in foreign currency and would not be allowed to deal in INR except for administrative and statutory expenses using a special rupee account

- The IBUs are not allowed to participate in domestic call, notice, term, forex, money and other onshore markets and domestic payment systems
- The IBUs are required to maintain separate Nostro accounts with Correspondent Banks distinct from those of other branches in India

12. What are the activities permitted for IBUs?

The following activities are permitted for IBUs of both Indian banks and foreign banks:

- Transactions with non-resident entities other than individual/ retail customers/HNIs
- All transactions shall be in currency other than the INR
- Deal with the Wholly Owned Subsidiaries/ Joint Ventures of Indian companies registered abroad
- Have liabilities including borrowing in foreign currency only with original maturity period greater than one year. They can however raise short term liabilities from banks subject to limits as may be prescribed by the RBI
- Factoring/ forfeiting of export receivables
- All payment transactions must be undertaken via bank transfers
- Allowed to open Foreign Currency Current Account of units operating in IFSC and of non-resident institutional investors to facilitate their investment transactions.
- Transactions in all types of derivatives and structured products with the prior approval of their Board of Directors.

13. Which are the concerned departments at RBI for IFSC related queries?

Department of Banking Regulations (DBR) and Foreign Exchange Department (FED), RBI

14. Has RBI provided FAQs for IFSC?

RBI has provided FAQs for IFSC operations vide letter dated February 07, 2019. The same has been uploaded on GIFT website <http://www.giftgujarat.in/documents/RBI-FAQs-for-IFSC-March-01-2019.pdf> .

1. What are the jurisdictions applicable for capital market activities?

The following jurisdictions will be applicable for capital market activities in the GIFT-IFSC:

- **Indian Securities laws:** The SEBI Act 1992, the Securities Contracts (Regulation) Act, 1956 (42 of 1956), the Depositories Act, 1996 (22 of 1996), provisions of Companies Act, 2013 administered by SEBI
- **Foreign Jurisdiction:** A country other than India whose securities market regulator is a signatory to IOSCO's MMOU (International Organization of Securities Commission's Multilateral MoU) or a signatory to bilateral MoU with SEBI

2. Please provide the details of participants permitted by SEBI in IFSC.

- Stock Exchange
- Commodity Exchange
- Clearing Corporation
- Depository
- Investment Advisor
- Portfolio Manager
- Alternate Investment Fund
- Mutual Fund
- Any other intermediary

3. What is the eligibility criterion, shareholding limit and minimum net worth required to set up a stock exchange in the GIFT-IFSC?

Eligibility: Any Indian recognized stock exchange or any stock exchange of a foreign jurisdiction may form a subsidiary to provide the services of stock exchange in IFSC

Shareholding limit: The exchange needs to hold at least 51% of the paid-up equity share capital

Minimum Net Worth: Min. Net worth equivalent of INR 25 crores is required initially, which should enhance to INR 100 crores over a 3 year period

4. What is the eligibility criterion, shareholding limit and minimum net worth required to set up a clearing corporation in the GIFT-IFSC?

Eligibility: Any Indian recognized stock exchange or clearing corporation or any recognized stock exchange or clearing corporation of a foreign jurisdiction may form a subsidiary to provide the services of clearing corporation in IFSC

Shareholding limit: The stock exchange or clearing corporation needs to hold at least 51% of the paid-up equity share capital

Minimum Net Worth: Min. Net worth equivalent of INR 50 cr. Initially and it should enhance to INR 300 cr. over a 3 year period

5. What is the eligibility criterion, shareholding limit and minimum net worth required to set up a depository in the GIFT-IFSC?

Eligibility: Any Indian registered depository or any regulated depository of a foreign jurisdiction may form a subsidiary to provide the depository services in IFSC

Shareholding limit: The depository needs to hold at least 51% of the paid-up equity share capital

Minimum Net Worth: Min. Net worth equivalent of INR 25 cr. Initially and it should enhance to INR 100 cr. Over a 3 year period

6. What are the securities that the stock exchanges operating in IFSC are permitted to deal with?

The following securities can be dealt with in the exchanges operating out of the GIFT-IFSC with a specified trading lot size on their trading platform subject to prior approval of SEBI:

- Equity shares of a company incorporated outside India
- Depository Receipts
- Debt Securities issued by eligible issuers
- Currency and interest rate derivatives
- Index based derivatives
- Commodities
- Other such securities as specified by SEBI

7. What are the different categories of clients who can be provided financial services by various intermediaries operating within the IFSC?

The following clients can be provided financial services by the capital market intermediaries:

- a person not resident in India
- a non-resident Indian
- a financial institution resident in India who is eligible under FEMA to invest funds offshore, to the extent of outward investment permitted
- a person resident in India who is eligible under FEMA, to invest funds offshore, to the extent allowed under the Liberalized Remittance Scheme of Reserve Bank of India, subject to a minimum investment as specified by the Board from time to time

8. What are the different categories of clients who can be provided investment advisory or portfolio management services in IFSC?

The following clients can be provided investment advisory or portfolio management services:

- a person not resident in India
- a non-resident Indian
- a financial institution resident in India who is eligible under FEMA to invest funds offshore, to the extent of outward investment permitted
- a person resident in India who is eligible under FEMA, to invest funds offshore, to the extent allowed under the Liberalized Remittance Scheme of Reserve Bank of India, subject to a minimum investment as specified by the Board from time to time

9. What are the securities that a portfolio manager operating in IFSC shall be permitted to invest in?

A portfolio manager operating in IFSC shall be permitted to invest in the following securities:

- Securities which are listed in IFSC
- Securities issued by companies incorporated in IFSC
- Securities issued by companies incorporated in India or companies belonging to foreign jurisdiction

10. What are the different criterions that must be complied to issue debt securities?

The following criterions must be complied with by an issuer of debt security:

- The issuer is eligible to issue debt securities as per its constitution
- The issuer should not have been debarred by any regulatory authority in its home jurisdiction or any other jurisdiction, where it is operating or has raised any capital
- The issuer or its directors should not be convicted of any economic offence in its home jurisdiction or any other jurisdiction where it is operating or has raised any capital
- Any other criteria as may be specified by the Board

11. What is the minimum subscription amount per investor in case of a private placement?

The minimum subscription amount in case of private placement per investor shall not be less than USD100, 000 or equivalent or such amount as may be specified by SEBI from time to time.

12. Who are the eligible investors to make an investment in an alternative investment fund or a mutual fund operating in IFSC?

The following investors will be eligible to invest in AIFs and Mutual Funds:

- a person resident outside India
- a non-resident Indian
- institutional investor resident in India who is eligible under FEMA to invest funds offshore, to the extent of outward investment permitted
- person resident in India having a net worth of at least US Dollar one million during the preceding financial year who is eligible under FEMA to invest funds offshore, to the extent allowed in the Liberalized Remittance Scheme of Reserve Bank of India

13. What are the various securities an alternative investment fund or a mutual fund operating in IFSC is allowed to invest in?

The AIFs and mutual funds will be permitted to invest in the following securities:

- Securities which are listed in IFSC
- Securities issued by companies incorporated in IFSC
- Securities issued by companies incorporated in India or companies belonging to foreign jurisdiction

14. What is the minimum net worth requirement for an asset management company operating in the IFSC?

An asset management company of a mutual fund operating in IFSC shall have a net worth of not less than USD two million which shall be increased to USD ten million within three years of commencement of business in IFSC.

15. What are the recent circulars from SEBI on IFSC?

The updated IFSC regulations can be downloaded from <http://www.giftgujarat.in/download.aspx>.

16. What are the Tax incentives for Capital market participants?

- No Security Transaction Tax (STT)
- No Commodity Transaction Tax (CTT)
- No Dividend Distribution Tax (DDT)
- No Long Term Capital Gain Tax (LTCG)
- No Short Term Capital Gain Tax (STCG)
- No Stamp duty on Capital market transactions
- MAT reduced to 9%

17. Can Trading & Clearing Member open Branch in IFSC?

No, Trading & Clearing member cannot operate as a Branch in GIFT SEZ IFSC. As per the SEBI (IFSC) Guidelines, 2015, Trading & Clearing member desirous to start capital market activities from IFSC should open a separate company.

18. Is there any application format for applying to SEBI?

There is no particular application format provided by SEBI.

19. Are there any operating guidelines for Alternate Investment Funds to set up Fund in IFSC?

Yes, SEBI vide circular dated November 26, 2018 provided operating guidelines for Funds in IFSC.

20. Can Alternate Investment Funds invest in Indian domestic market?

Yes, AIFs can invest in Indian domestic market both listed as well as unlisted entities subject to applicable regulations. AIFs in IFSC can also invest in IFSC Exchanges and other global markets from GIFT IFSC.

1. Which are the entities eligible for setting up unit IFSC Insurance Office?

IRDAI issued initial business guidelines in April 2015 allowing the following category of participants.

1. Indian insurer
2. Indian reinsurer
3. Foreign insurer
4. Foreign reinsurer

With the initial set of regulations, 8 insurance entities started their operations in GIFT IFSC. This covers GIC RE, New India Assurance, Export Credit Guarantee Corporation (ECGC), J B Boda Insurance Brokers, Pioneer Insurance Brokers, Xperitius Insurance Brokers, Risk Care Insurance Brokers, Trinity Insurance Brokers.

In order to provide more clarity on business and operating issues, IRDAI came out with the following:

Insurance Regulatory and Development Authority of India {Registration and Operations of International Financial Services Centre Insurance Office (IIO) Guidelines, 2017. (“**Guidelines Ref No. IRDA/RI/GDL/SEZ/269/12/2017**”).

Also for IFSC Insurance Broking Office (IIBO) circular dated January 28th 2016 has been issued by IRDAI (Ref: IRDA/NL/CIR/MISC/019/01/2016)

2. Who can apply for registration under the IFSC Insurance Guidelines ?

1. Indian Insurer
2. Indian reinsurer
3. Foreign insurer
4. Foreign reinsurer
5. Indian Broker

It also covers Indian insurance co-operative society, Body corporate incorporated outside India and registered to transact insurance or reinsurance business

3. How to apply for registration of an IIO under the Guidelines?

a. Eligibility Criterion:

(i) Indian insurer/ reinsurer:

- Indian insurer/ reinsurer to be registered with IRDAI
- Insurer/ reinsurer to be in continuous operations for preceding five years

(ii) Foreign insurer/ reinsurer

- (Incorporated) Foreign insurer/ reinsurer to be registered or licensed for transacting insurance or reinsurance business in country of incorporation

- Due authorization by home country authority to set up an IIO in India
- Continuous operation of foreign applicant for preceding 5 years
- Compliance with applicable provisions on assigned capital, paid-up equity capital, solvency margin and net-owned funds
- Satisfactory track record of compliance in country of incorporation or other country in which it is functioning
- Foreign applicant is to be registered or certified in a National Regulatory Environment with whom the government of India has signed a DTAA.
- Minimum credit rating having at least good financial security characteristics in the manner prescribed from internationally renowned credit rating agencies for the last three years.

1. Application to IRDAI:

- Application in Form A- Indian insurer/ reinsurer
- Application in Form B- Foreign insurer/ reinsurer

Form A/ Form B to be submitted along with requisite documents as prescribed in the Guidelines.

4. What is the Application Processing fees ?

An applicant shall, along with the application, pay a non-refundable processing fee of Indian Rupees 50,000/- (Indian Rupees Fifty Thousand only) and applicable taxes if any, in favour of the Authority, by way of NEFT/RTGS payable at Hyderabad or through such other payment mode as may be stipulated by the Authority from time to time.

5. What are the Regulatory benefits of having an IIO in GIFT City ?

- Registered IIO may be permitted to transact direct insurance business within GIFT City, from other SEZs and outside India
- Registered IIO may be permitted to transact reinsurance business within GIFT City, from other SEZs and outside India
- Registered IIO may accept reinsurance business from domestic tariff area (DTA) subject to applicable regulations on order of preference.
- Registered IIOs would take dollar denominated transactions from the IFSC.
- Permissible retrocession of 90% of reinsurance business.

6. Which type of Insurance Business can be carried out from IFSC ?

Following Insurance Business can be carried out from IFSC :

- Life Insurance Business
- General Insurance Business
- Health Insurance Business
- Reinsurance Business
- Insurance/Reinsurance Broking

7. What is the time limit for commencement of operations?

An applicant granted a certificate of registration under these Guidelines shall commence operations within 12 months of the date of grant of certificate of registration.

Provided, however, that if the IIO is not able to commence the insurance business within the specified period of 12 months, it can before the time limit expires, but at least 30 days in advance, seek an extension of time in writing to Chairperson of the Authority for commencing business operations.

No extension of time shall be granted by the Authority beyond 18 months from the date of grant of certificate of registration.

8. How much Capital should be assigned for Reinsurance Business in IFSC?

- i. The Applicant shall demonstrate a minimum assigned capital of Indian Rupees Ten Crores (Rs. 10 Crores) or more.

Provided that, in case the applicant is Foreign Direct Insurer, Then such applicant shall possess paid-up equity capital as per provisions of Sec 6(1) of the Insurance Act, 1938.

- ii. Such capital may be held in the form of Government Securities issued by the Government of India or held as deposits with Scheduled Banks in India and shall be maintained by the IIO at all times during the subsistence and validity of its registration under these guidelines.

9. How much is the annual fee and in which manner it should pay?

The IIO shall be liable to pay annual fee of Rs. 1,00,000/- and applicable taxes, if any, for every financial year to IRDAI before 31st January of the preceding financial year.

The fee shall be remitted by NEFT/ RTGS payable at Hyderabad or through payment mode as may be stipulated by IRDAI.

10. Do companies need to maintain separate books of accounts for IFSC Business?

Yes, IFSC Insurance Office and Broking Office should maintain separate books of accounts. The unit can maintain Bank account with the banks operating in GIFT IFSC.

11. Who is the Nodal officer from IRDAI for IFSC related matters?

Shri N.M.Behera, Deputy General Manager (Non Life), IRDAI has been appointed as the Nodal Officer at IRDAI for IFSC matters.

You may reach him at nmbehera@irda.gov.in.