

# Gujarat International Finance Tec-City



## International Financial Services Centre (IFSC)

A Financial & Technology Gateway of India

# Contents

Sr. No.	Contents	Page no.
01	About GIFT City	03
02	GIFT City Business Platforms	04
03	City Infrastructure, Buildings and Amenities	05
04	GIFT : International Financial Services Centre (IFSC)	07
05	IFSC Incentives, Tax and Regulatory framework	12
06	IFSC Business Opportunities – Banking, Insurance, Capital Markets	15-29
07	Fund Regime in GIFT IFSC	30
08	Global In-House Centres in IFSC	43
09	Fintech in IFSC	45
10	Aircraft Leasing in IFSC	47
11	Finance Company in IFSC	50
13	Other Developments in the IFSC	55
14	How to set up office in GIFT City	57
15	Existing notable companies in GIFT City	58
16	Emerging Business Opportunities	59

# About Gujarat International Finance Tec-City (GIFT City)

## A Global Financial & IT Hub

India is one of the fastest growing economies in the world and a large user of the International Financial Services. As India seeks to expand its economic and strategic activities globally, a dedicated International Financial Services Centre (IFSC) will provide a platform to undertake these services efficiently.

In April 2015 the Government of India took the initiative to develop an IFSC at Gujarat International Finance Tec-City (GIFT City) a Special Economic Zone (SEZ) to help India realize its potential in the international financial services industry. GIFT City IFSC provides a strategic location to develop an efficient platform for all inbound and outbound foreign currency transactions.

The Government of Gujarat through its undertaking Gujarat Urban Development Company Limited ("GUDCL") has established "Gujarat International Finance Tec-City Company Limited" ("GIFTCL") to develop and implement GIFT City. GIFT City is an integrated development on 886 acres of land with a plan to develop 62 million sq. ft. of Built Up area constituted of **commercial space of 67%, residential space of 22% and social space of 11%**.

GIFT City consist of a conducive Multi-Service SEZ and an exclusive Domestic Tariff Area (DTA), Total area of 261 acres has been demarcated as SEZ and additional 625 acres has been marked as DTA. This City is a vertical city which will optimize land area consumption for development. The city is located on the banks of River Sabarmati connecting the Business capital (Ahmedabad) and Political capital

(Gandhinagar) of Gujarat State. The city has seamless transport connectivity internally and connected to different parts of the world through Ahmedabad International Airport situated just 20 Kms away.

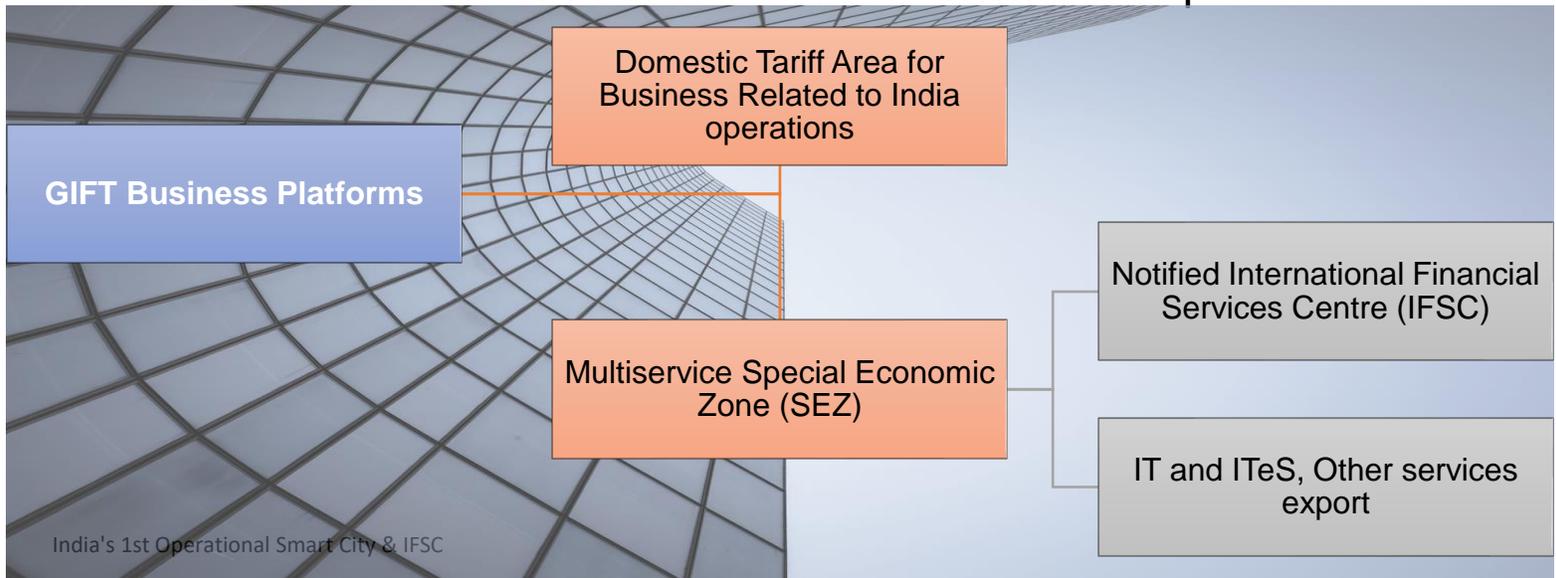
The futuristic infrastructure development at GIFT City has won several awards and accolades at various forums. The infrastructure developed in GIFT City, such as District Cooling System (DCS), Automated Waste Collection System (AWCS), and Underground Utility Tunnel contribute to making of the city as world's leading Smart city.

Social infrastructure in the city includes an International school, Medical facilities, proposed hospital, International Exhibition Complex, GIFT City Business club with Indoor and outdoor sports facility, recreation area, multi cuisine restaurants. It also includes a 5-star hotel and integrated well-planned residential housing projects making this City a truly "Walk to Work" City.

GIFT IFSC Ranked 1<sup>st</sup> in the Sept 2020 report by the Global Financial Centres Index, London as one of the IFSC which could become more significant in next few years.

*GIFT City is a well-planned, smart, technology-enabled city, with world-class office and residential facilities developing to become a financial and technology gateway of India.*

## Business Hub for International and Domestic Operations



# Hub for International and Domestic Business



## A preferred business destination for National & Global IT/ITeS companies



### Ideal destination for IT/ITeS Companies to setup following businesses in, Domestic Area and Special Economic Zone (SEZ) Area

- Operation Hub
- Back Office
- High End Processing
- Shared Services
- Global Delivery Centre
- KPO & BPO
- Vertical IT/ITeS Parks
- FTWZ

#### Technology offerings and platforms

- Artificial Intelligence
- Data Analytics
- Robotics
- E-commerce
- Tier IV Data Centre

- Research and Development
- Data/Information management
- Innovation Centre
- ERP/Software and application development
- Web/Digital Content Development

# Unique Infrastructure and Amenities

Infrastructure plays a pivotal role in supporting the business environment and quality of life in GIFT City. A judicious combination with the latest technology and global best practices in infrastructure service delivery are in place. All of these come together to provide an international standard of working and living.



## Water Treatment Plant

24x7 Potable water from any Tap throughout city.  
Concept of zero discharge city with recycling and reuse of wastewater through water treatment plants.

## District Cooling Plant

District cooling system (DCS) is an Energy efficient and sustainable air conditioning system as it conserves up to 30% energy as compared to traditional air conditioning systems.



## Underground Utility Tunnel

GIFT City developed the vision of “DIGGING FREE CITY” by placing all the utilities in a TUNNEL across the city so that there is no need to excavate the roads in future for repair, maintenance, renovation of any utility.



## Automated Waste Collection & Segregation Plant

Each building is connected through Automatic waste Collection and Transportation System for waste disposal with minimum human intervention.



# Operational buildings in GIFT City



**GIFT One Tower**  
Basement + 28 floors  
0.8 Mn Sq. Ft BUA (DTA)  
Tallest Tower in Gujarat



**GIFT Two Tower**  
Basement + 28 floors  
0.8 Mn Sq. Ft BUA (DTA)  
Tallest Tower in Gujarat



**Signature Tower by Hiranandani Group**  
16 floors  
0.3 Mn Sq. Ft BUA (SEZ)



**Brigade Tower by Brigade Group**  
14 floors  
0.4 Mn Sq. Ft BUA (SEZ)



**Hotel Grand Mercure**  
Brigade Group Hotel - 150 Rooms



**GIFT City Business Club**



**Jamnabai Narsee School**  
ICSE Board  
1200 students



**Tata communications Tier IV Data Centre**  
900 Racks



**PRAGYA TOWER (SEZ- IFSC)**  
24 Storey - 0.5 Mn Sq. Ft BUA

# *International Financial Services Centre (IFSC)*



# IFSC & Government of India's vision for GIFT City

## Definition and establishment of IFSC in India

### What is IFSC?

- An IFSC caters to the customers outside the jurisdiction of domestic economy. Such centers deal with the flow of finance, financial products and services across the borders.
- IFSC as envisaged under the Indian context “is a jurisdiction that provides financial services to non-residents and residents (Institutions), in any currency other than Indian Rupee(INR)”
- IFSC is set-up to undertake financial services transactions that are currently carried on outside India by overseas financial institutions and overseas branches/subsidiaries of Indian financial institutions

### IFSC in India

- In India, an IFSC is approved and regulated by the Government of India under the Special Economic Zones Act, 2005
- Government of India has approved GIFT City as a Multi Services Special Economic Zone ('GIFT SEZ') and has also notified this zone as India's IFSC
- The launch of the IFSC at GIFT City is the first step towards bringing financial services transactions relatable to India, back to Indian shores
- IFSC unit is treated as a non-resident under extant Foreign Exchange Management regulations

## Features and objective of establishment of GIFT IFSC



“My vision is that in ten years from now, GIFT city should become the price setter for at least a few of the largest traded instruments in the world, whether in commodities, currencies, equities, interest rates or any other financial instrument.” The concept of IFSC is simple but powerful. It aims to provide on-shore talent with an offshore technological and regulatory framework. This is to enable Indian firms to compete on an equal footing with offshore financial centres.”

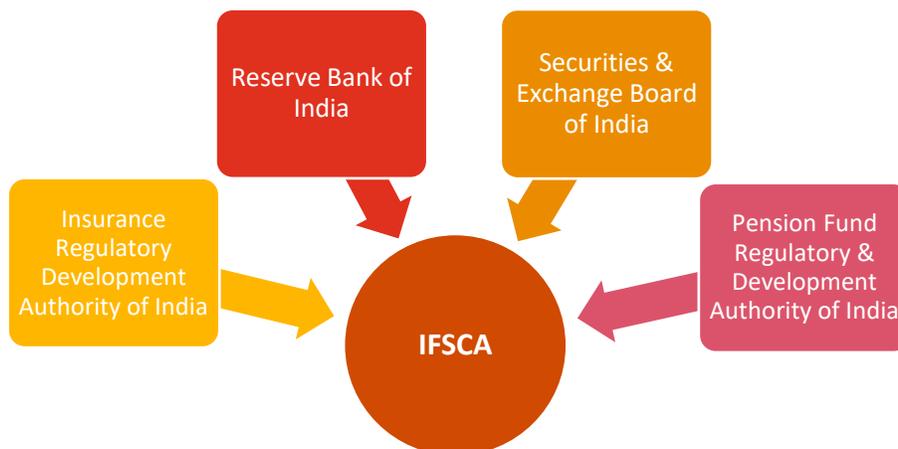
Shri Narendra Modi, Hon'ble Prime Minister of India

“The first IFSC in India has been set up at GIFT City, Gandhinagar, Gujarat. An IFSC enables bringing back the financial services and transactions that are currently carried out in offshore financial centers by Indian corporate entities and overseas branches / subsidiaries of financial institutions (FIs) to India by offering business and regulatory environment that is comparable to other leading international financial centers in the world like London and Singapore. It would provide Indian corporates easier access to global financial markets. IFSC would also compliment and promote further development of financial markets in India.”

**Ministry of Finance, GoI**

# Potential for IFSCA

## Unified Regulator – International Financial Services Centres Authority (IFSCA)



Regulatory powers of four financial services regulators in India vested in IFSCA with respect to regulation of financial institutions, financial services and financial products in the IFSC, making it a unified regulator for the IFSC

## Potential for IFSC in India



 India is a large purchaser of international financial services

 IFSC can be a significant contributor for achieving self-reliance in International financial services raising overseas bonds / capital, trading in INR -USD derivatives

 IFSC can become India's gateway to world financial market (for outbound and inbound investments)

 Leasing & financing of aircrafts of major Indian airlines currently done overseas

## IFSC Opportunities

 Access to large hinterland economy

 Connecting ~30 mn strong Indian diaspora globally to India through IFSC

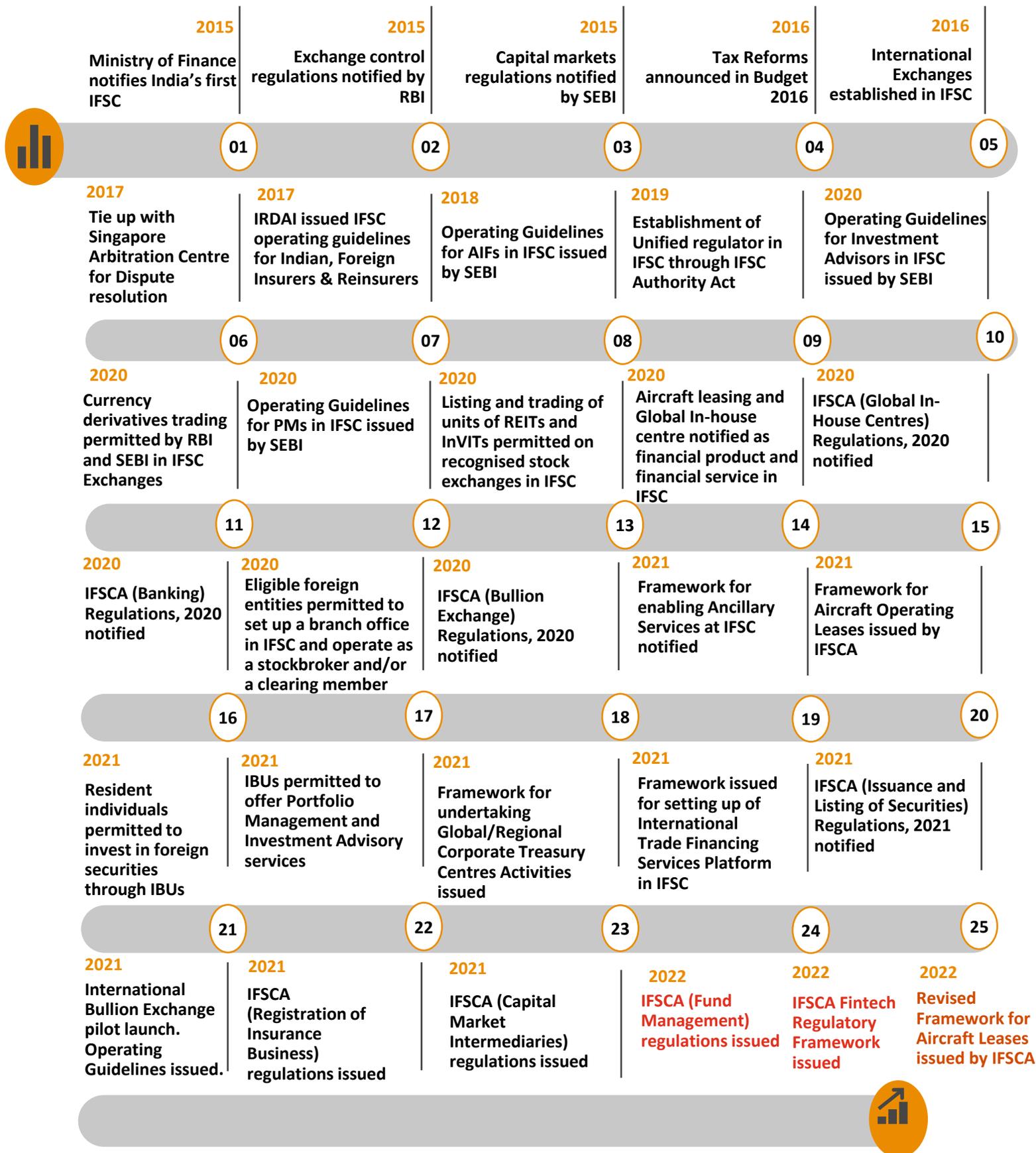
 Inbound and outbound gateway for International financial services

 Providing easy access to Global Investors to participate in India growth story

 Opportunity to Global investors to set up business in the areas of asset management, banking, investments (especially green finance and social impact capital), insurance and reinsurance

# IFSC Journey So Far

## Key reforms and developments so far



## Gujarat International Finance Tec-City (GIFT City) – India’s only approved IFSC

- 01 A free trade zone with various tax incentives enabling flow of finance, financial products and services across borders
- 02 Globally benchmarked IFSC developed by the Government of Gujarat through a joint venture
- 03 Fully integrated with the best-in-class infrastructure, connectivity, people, technology and legal framework

### Current players and ecosystem in IFSC at GIFT City

Sr No	Participants	Key business activities and features	Volume and No. of players
1	International Stock exchanges	<ul style="list-style-type: none"> <li>• Dollar denominated products</li> <li>• No transaction cost (other than brokerage)</li> <li>• Trading - 22 hours</li> <li>• Two International exchanges</li> </ul>	<ul style="list-style-type: none"> <li>• Average daily trading value on IFSC Exchanges USD 4.29 Bn</li> <li>• On March 10, 2021, IFSC Exchange (India INX) derivatives turnover touched a new high of USD 30.30 Bn executing more than 1.5 Mn Contracts.</li> </ul>
2	IFSC Banking units	<ul style="list-style-type: none"> <li>• External Commercial Borrowing (ECB) Lending</li> <li>• Loan syndication and trade finance</li> </ul>	<ul style="list-style-type: none"> <li>• 21 Banks Licensed, Domestic Banks -15, Foreign Banks - 6</li> <li>• Total Banking Transactions touched approx. USD 135 Bn (as of May 2022)</li> <li>• Total Banking Asset size: USD 31 Bn + (May- 2022)</li> </ul>
3	Brokers & Intermediaries	<ul style="list-style-type: none"> <li>• Broking services</li> <li>• Proprietary trading</li> </ul>	<ul style="list-style-type: none"> <li>• 100+ brokers, Depository</li> <li>• Clearing corporations, Custodian</li> </ul>
4	Insurers & Intermediaries	<ul style="list-style-type: none"> <li>• Non-life, Reinsurance business</li> <li>• Insurance intermediaries</li> </ul>	<ul style="list-style-type: none"> <li>• 19+ Companies</li> <li>• Sum insured - USD 30 Bn+</li> </ul>
5	Ancillary services	<ul style="list-style-type: none"> <li>• Legal, Accounting, Bookkeeping and Taxation Services,</li> <li>• Management Consulting Services,</li> <li>• Assets Management Support Services and Trusteeship Services</li> </ul>	<ul style="list-style-type: none"> <li>• 51 entites</li> </ul>

Dispute resolution - Singapore International Arbitration Centre (SIAC)

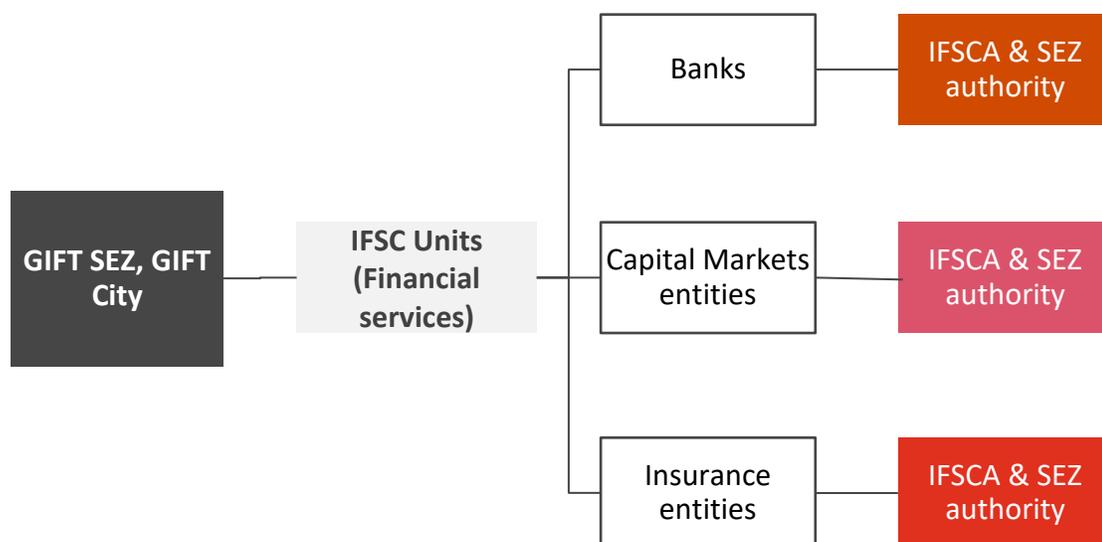
Well connected through Airports, public transport

Over 200 Financial Services entities registered

~12000 employees in GIFT City

# Overview of IFSC framework

## Regulatory Framework



Financial Institution being a branch or entity in IFSC deemed as a 'person resident outside India' for Exchange control purposes

## Tax Framework for IFSC

Particulars	Units in IFSC	Investors
<b>Income-tax</b>	<ul style="list-style-type: none"> <li>100% tax exemption for 10 consecutive years out of 15 years</li> <li>MAT / AMT @ 9% of book profits applies to Company / LLP as a unit in IFSC. MAT not applicable to companies in IFSC opting for new tax regime</li> <li>Dividend income distributed by Company in IFSC to be taxed in the hands of the shareholder.</li> </ul>	<ul style="list-style-type: none"> <li>Interest income paid to non-residents               <ul style="list-style-type: none"> <li>✓ Monies lent to IFSC units not taxable</li> <li>✓ Long Term Bonds &amp; Rupee Denominated Bonds listed on IFSC exchanges taxable at lower rate of 4%</li> </ul> </li> <li>Transfer of specified securities listed on IFSC exchanges by a non-resident or Category III AIF located in IFSC not treated as transfer - Gains accruing not chargeable to tax in India</li> <li>Specified securities include Bond, GDR, Foreign currency denominated bond, Rupee-denominated bond of an Indian company, Derivatives, Unit of a Mutual Fund, Unit of a business trust, Unit of Alternative Investment Fund and Foreign currency denominated equity share of a company</li> </ul>
<b>Goods and Services Tax</b>	<ul style="list-style-type: none"> <li>No GST on services –               <ul style="list-style-type: none"> <li>✓ received by unit in IFSC</li> <li>✓ provided to IFSC / SEZ units or Offshore clients</li> </ul> </li> <li>GST applicable on services provided to DTA</li> </ul>	<ul style="list-style-type: none"> <li>No GST on transactions carried out in IFSC exchanges</li> </ul>
<b>Other taxes duties</b>	<ul style="list-style-type: none"> <li>State Subsidies – Lease rental, PF contribution, electricity charges</li> </ul>	<ul style="list-style-type: none"> <li>Exemption from STT, CTT, stamp duty in respect of transactions carried out on IFSC exchanges</li> </ul>

# Exemptions and Subsidies

## Exemptions under the Companies Act, 2013

**CSR provisions** not applicable for 5 years from commencement

**Resident director** mandatory after first year of incorporation

**Internal audit** applicable only if provided in AOA

No requirement to set up **Audit Committee, Nominations and Remuneration Committee**

**Limits on Managerial Remuneration** not to apply

IFSC Company can follow **same financial year** as holding company – No approval required

**EGM** at any place within or outside India subject to all shareholders' approval

Exemption to foreign companies from offering for subscription in the securities, **requirements related to prospectus**

## Newly introduced State Subsidies Incentives available under IT/ITeS policy of Gov. of Gujarat

### A. Special Incentives for IT City / Township, Cloud Ecosystem, Data Centres and R&D institutes

IT City / Townships	Capex: One time support of 25% of CAPEX subject to maximum of INR 500m
Facilitating infrastructure	Opex (Rentals): First two years: 50% of monthly rentals subject to a maximum of INR 10k First three years subsequently: 25% of monthly rentals subject to a maximum of INR 5k
Cloud System for CLS	Capex: One-time support of 25% of eligible CAPEX up to INR 200m
Data centre projects	Capex: One-time support of 25% of eligible CAPEX up to INR 1.5bn Opex: Power tariff subsidy of INR 1/ unit (5 years)
Establishing R&D institutes	One-time support of 60% of machinery cost up to INR 50m

# Exemptions and Subsidies

## Newly introduced State Subsidies Incentives available under IT/ITeS policy of Gov. of Gujarat

### B. Other Capex and Opex related subsidies

Capital Subsidy	Capital subsidy @ 25% of capital expenditure (one-time) <ul style="list-style-type: none"><li>• Upto INR 2000m where gross fixed capital investment by entity exceeds INR 2500m</li><li>• Upto INR 500m where capital investment is less than INR 2500 m</li></ul>
Subsidy for operating expense	Opex Subsidy @ 15% of operating expenditure (for 5 years) <ul style="list-style-type: none"><li>• Upto INR 400m where gross fixed capital investment by entity exceeds INR 2500m</li><li>• Upto INR 200m where gross fixed capital investment is less than INR 2500m</li></ul>
Electricity duty reimbursement	100% Reimbursement of Electricity duty for 5 years
Reimbursement of Provident Fund contribution by employer	100% of EPF amount contribution (upto 12%) <ul style="list-style-type: none"><li>• 100% for female employees</li><li>• 75% for male employees</li></ul>
Interest subsidy	Interest subsidy (for 5 years) of upto 7% on term loan or actual interest paid, max INR 10 mn per annum
Employment generation incentive	Reimbursement of 50% of one month employment cost to company (one-time) upto a maximum of  INR 50k for men INR 60k for women

---

# Banking in GIFT - IFSC

# IFSC Banking

- IFSCA (Banking) Regulations, 2020 notified by IFSCA
- The new IFSCA regulation supersedes the earlier RBI IBU guidelines

## Eligibility and Permissible Activities

- Indian and Foreign banks can set-up an IBU as a branch – Indian Bank includes any bank formed under any Act and a subsidiary of a foreign bank incorporated in India, but excludes co-operative banks
- Foreign banks not having presence in India may also be permitted to set up an IBU
- Parent bank to satisfy the following conditions:
  - Provide necessary capital to the IBU, subject to a minimum capital of US\$20 million or as specified by IFSCA, which shall be maintained at the parent bank in the manner specified by IFSCA
  - Obtain No Objection letter from its home regulator for setting up IBU in IFSC
  - Submit an undertaking to provide liquidity to IBU, whenever needed.
- IFSCA Banking Regulations were recently liberalized to enable IBUs provide wide spectrum activities now aligned with those permitted under RBI Banking Regulations Act, 1949

### Commercial Banking

ECB and Trade finance; Factoring services ; Guarantee and indemnity business; Equipment leasing and hire purchase business; Offer structured deposits; Lending to AIFs

### Private Banking

Offer structured deposits; Distributor of MF units, Insurance and other financial products



### Capital Market division

Trading member of stock exchanges for ETC derivatives, IRF and commodity derivatives; Arbitrage between NDFs and currency derivatives; Issue of Perpetual Debt Instruments; Undertake money market operations; Invest in Indian securities under FPI route; Investments in global and IFSC exchanges; etc

### Services

Underwriting; Custodian of securities; Trustee and Fiduciary services; Operating investment scheme(s); Retailing of Government Securities; Act as sponsor; Trade execution services for offshore entities

## Prudential Regulatory Requirements

### Maintenance of ratios

- IBUs to maintain LCR at IBU level
- LCR and NSFR may be maintained at parent level with IFSCA's permission
- Leverage ratio to be maintained by parent bank at the level specified by home regulator and subject to the regulations applicable to parent bank

### Exposure ceiling

- IBU shall adhere to norms and guidelines relating to exposure ceiling as may be specified by IFSCA

### Reserve requirements

- The liabilities of IBU exempt from SLR and CRR requirement.
- IBUs to maintain a Retail Deposit Reserve Ratio on daily basis at 3% of the deposits raised from QIs and QRIs and outstanding as on end of previous working day

# IFSC Banking

## Tax regime for IBU's in IFSC

1

100% tax exemption for any 10 consecutive years out of first 15 years at IBU's choice

2

Tax regime for investment division of an OBU, where OBU commences operations before 31 March 2024 to be as follows:

Nature of income	Proposed income-tax rate (excluding surcharge and cess)
Capital gains on equity shares	10% for LTCG, 15% / 30% for STCG
Capital gains on debt/ derivatives/offshore securities	Exempt
Dividends and interest income (except for interest under section 194LD)	10%
Business income from a securitization trust	Exempt
Income from offshore securities	Exempt

3

Income of non-resident on transfer of Non-Deliverable Forward ('NDF') contracts entered with IBU - exempt from tax, provided IBU commences operations before 31 March 2024

---

# Insurance in GIFT-IFSC

# IFSC Insurance

IFSCA (Registration of Insurance Business) Regulations, 2021 is issued in October 2021 to replace the IRDAI IIO Guidelines.

## Eligibility and permissible activities

### Direct Insurance – Indian Insurance companies & Foreign Insurers

Offshore direct insurance business including Direct insurance business from global subsidiaries of Indian conglomerate companies / individuals present in any offshore location

Direct insurance business in IFSC & Other SEZs



### Reinsurance – Indian and Foreign Insurers

Offshore reinsurance business of cedents/ insurers present in any offshore location

Reinsurance business of the cedents in the IFSC

Reinsurance business emanating from India subject to IRDA regulations on reinsurance prescribed in India

## Eligibility conditions to set up an Insurance or Reinsurance office in IFSC



- The Applicant and its promoters, partners or controlling shareholders shall be from a FATF compliant jurisdiction and comply with international standards set by the FATF to combat money laundering and terrorist financing
- Fit and Proper criteria to be maintained by such personnel
- The Indian insurer or reinsurer, Foreign insurer or re-insurer, Branch Office of foreign insurer or Lloyd's India registered by the IRDAI setting up a place of business in IFSC shall satisfy the additional eligibility conditions
- A public company or a Wholly owned Subsidiary (WoS) desirous of setting up an IIO in an IFSC shall be a company limited by shares formed and registered under the Companies Act, 2013
- An insurance co-operative society desirous of setting up an IIO in an IFSC shall be a cooperative society registered under the Co-operative Societies Act, 1912, or Multi-State Cooperative Societies Act, 1984 or any other law for the time being in force relating to co-operative societies.
- A Body corporate incorporated outside India, not being of the nature of a private company, desirous of setting up its place of business in an IFSC shall meet with certain requirements
- Other net-worth and minimum paid up capital requirements to be followed



- IIO as 'place of business' of Indian Insurer, 'branch office' of the foreign insurer, foreign re-insurance, MGA or Lloyd's shall maintain solvency margin in the home country as stipulated by its home country regulatory or supervisory authority.
- A public company, a wholly owned subsidiary of an insurer or a re-insurer, an insurance co-operative society or a body corporate registering an IIO in an IFSC shall maintain such solvency margin as may be specified by the IFSCA.

## Insurance Intermediary Guidelines



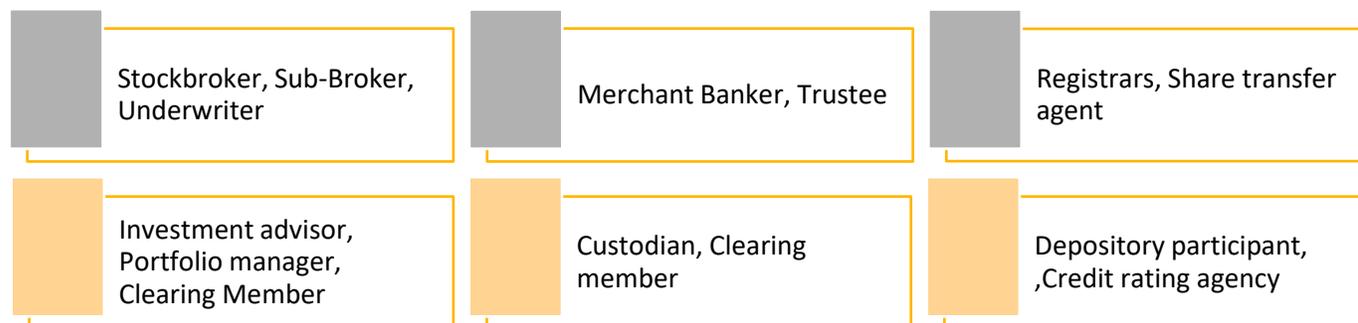
- Any person or entity (applicant) who holds a valid certificate of registration issued by the IRDAI in India, may seek authorization to act as an IIO.
- The permitted categories of Insurance Intermediaries are as follows:
  - Insurance Broker;
  - Corporate agent;
  - Surveyor and loss assessor;
  - Third Party Administrator - health services;
  - Any other category as may be recognized by the IRDAI.

---

# Capital markets in GIFT-IFSC

# IFSC Capital Markets

## Participants



## List of Products traded and eligible investors on IFSC exchanges

➤ BSE and NSE have set up their Exchanges in GIFT City - India INX Ltd. and NSE IFSC Ltd. respectively.

Index Futures & Options	Single Stock Futures & Options	Commodities Futures	Currencies Futures & Options	Debt
NIFTY 50 Index	India INX – 100+ F&O Stock	Gold (10 troy ounce)	Euro – US Dollar	Medium Term Notes
NIFTY Bank Index	NSE IFSC – 200+ F&O Stock	Silver (500 troy ounce)	Pound – US Dollar	FCY Bonds
NIFTY IT Index	Global Stocks – 5+ F&O Stock trading offered	Copper	Japanese Yen – USD	Depository Receipts
S&P BSE Sensex		Brent Crude Oil	Australian Dollar – US Dollar	Green/Social/Sustainable Bonds (FCY)
S&P BSE India 50			Switzerland Franc – US Dollar	
India50		Access through INX Global Access Platform	Quant – INR	Masala Bonds (INR)
		INR – USD Dollar		

Average daily trading volume US\$ 4.29 bn and the exchanges operate for around 22 hours a day

### All Contracts Trade and Settle in US Dollars \$

Security	Contract Tenor
Single Stock	3 Monthly expiries
Equity Indices	3 Monthly expiries 7 weekly expiries for Bank Nifty Options
Commodities	3 Monthly expiries
Currencies	3 Monthly expiries

### Eligible investors

Person resident outside India (Foreign investors)

Non-Resident Indian (Permitted by SEBI but subject to RBI concurrence)

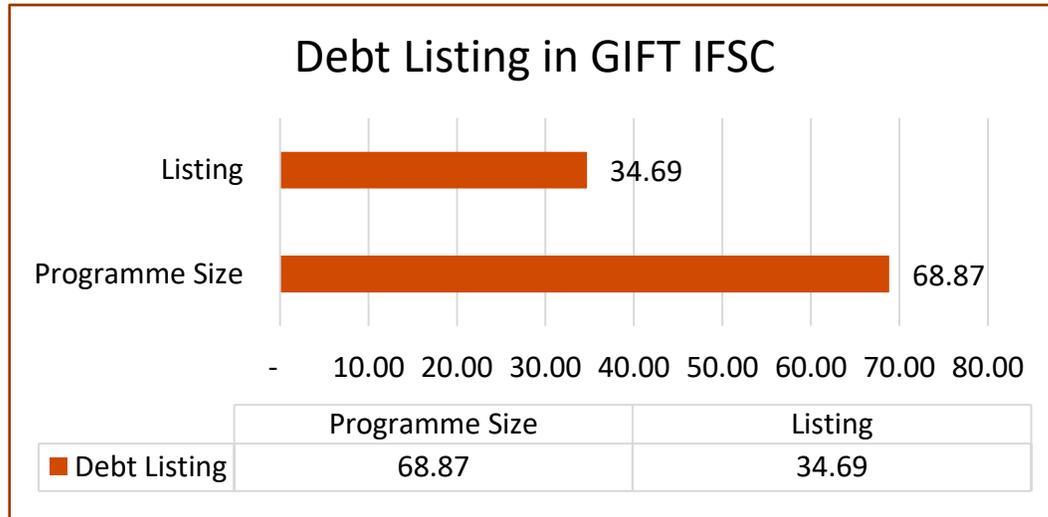
Non-individual resident in India who is eligible under FEMA

An individual resident in India subject to LRS limit

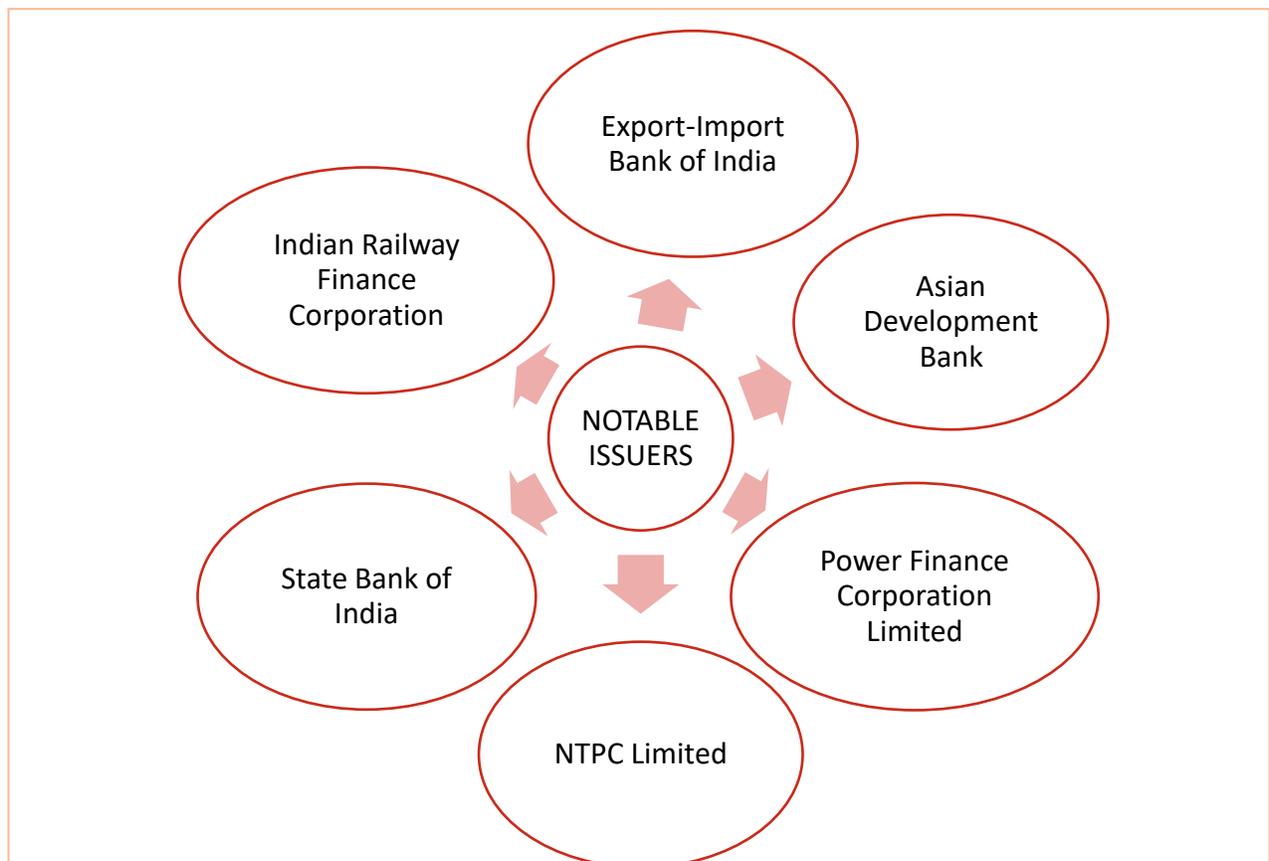
- Foreign investors in IFSC exchanges classified as a) FPIs registered with SEBI and, b) Eligible Foreign Investors (foreign investors other than FPIs)
- Investments by FPIs and EFIs in IFSC exchanges treated as 'capital asset' and resultant gains chargeable to capital gains tax in India
- Regulations notified for Issuance and Listing of Securities in IFSC
- Branch of non-bank custodian permitted to become a clearing member of a clearing corporation in IFSC

# Bond Listing on GIFT IFSC Exchanges

## Debt Listing at GIFT IFSC Exchange

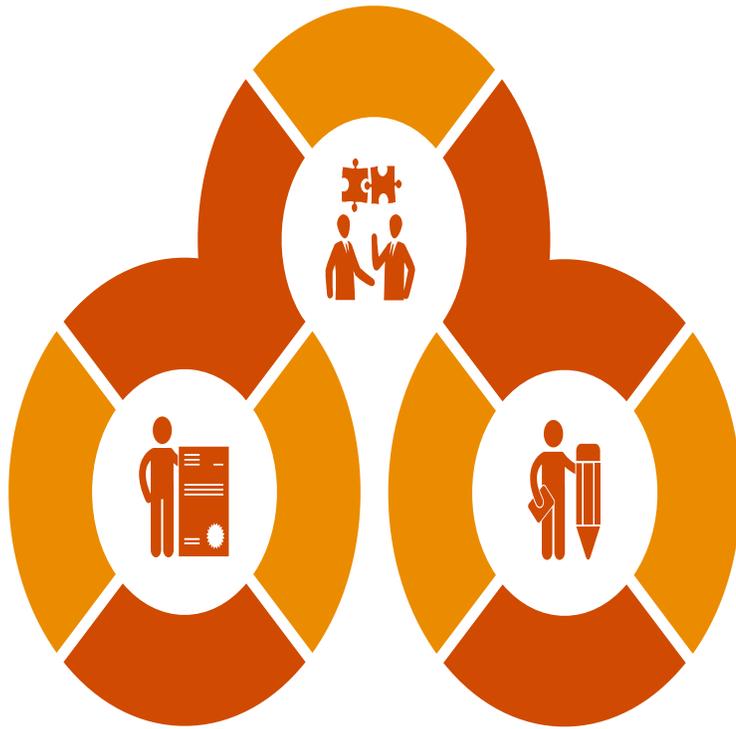


The chart given below highlights the aggregate Debt Program & Debt Listing in GIFT IFSC Exchanges. Debt Program: USD 68+ Bn and Debt Listing: USD 34+ Bn.



# Product and Eligible Investors

## Segregated Nominee Account Structure (SNA Structure)



- SNA is equivalent to an Omnibus structure prevalent in offshore jurisdictions
- This means that foreign portfolio investors can now trade on GIFT situated exchanges namely India INX and NSE IFSC through authorized brokers
- The FPIs will not need to register and go through the compliance hurdle. The broker will not have to upfront declare the identity of these foreign investors but will need to provide the beneficiary information to the regulator in case of suspicious transactions



Globally, SNA structure is popularly known as an Omnibus Trade structure with its own variants and is prevalent in all major offshore exchanges outside India. This is the first time such a structure is allowed in India

## Products traded and eligible investors on IFSC exchanges

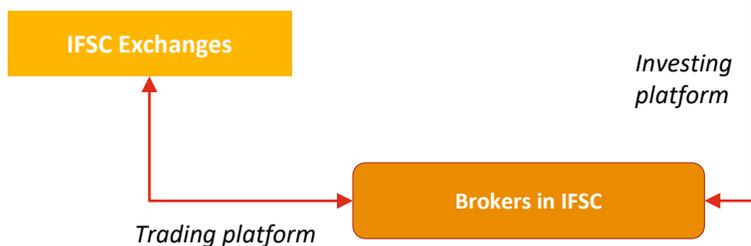
Entities Eligible to become Providers	Compliance requirement for Provider	KYC requirements for end Clients	Order limit, Position limit and Margining
<ul style="list-style-type: none"> <li>• SEBI registered brokers in IFSC</li> <li>• SEBI registered FPI's (Cat I &amp; Cat II)</li> <li>• Trading or Clearing Members of international stock exchanges (FATF jurisdiction)</li> </ul>	<ul style="list-style-type: none"> <li>• Provider to register with IFSC exchanges or Clearing corporation</li> <li>• To fulfil eligibility criteria including minimum net worth</li> <li>• Share end client information with IFSC exchanges</li> </ul>	<ul style="list-style-type: none"> <li>• Provider to conduct due diligence of clients as per global standards for KYC, AML</li> <li>• Each end client to provide LEI to ensure only one account</li> <li>• Each end client will be offered an (UCC) by Exchanges / Clearing corporation</li> </ul>	<ul style="list-style-type: none"> <li>• Order limit, Position limit and Margining</li> <li>• Margining is at gross open position level</li> <li>• Reporting of positions at level of end client, provider, Trading and Clearing Member, as applicable</li> </ul>

# Membership of stock exchanges and clearing corporation in IFSC

In an attempt to streamline the laws pertaining to different capital market intermediaries operating in the IFSC such as, broker dealers, portfolio managers, depository participants, credit rating agencies, custodians, etc., the IFSC Authority has issued 'IFSCA (Capital Market Intermediaries) Regulations, 2021' to provide a comprehensive regulatory framework for various capital market intermediaries based on internationally recognised principles.

A stock-broker may set up a presence in IFSC by establishing a branch or forming a company or LLP or body corporate or partnership firm or proprietorship firm or any other form as may be permitted by the IFSCA. Branch structure is permitted only when the broker is already registered or regulated in India or a Foreign Jurisdiction for conducting similar activities.

## Broking units in IFSC - Structure



**Target Investors**

- a person resident outside India;
- a non-resident Indian;
- a non-individual resident in India who is eligible under FEMA and
- an individual resident in India subject to LRS limit.

## Key Guidelines for setting up and operating as branch of foreign broker in IFSC



### Eligibility of foreign entity

- The entity is from a FATF compliant jurisdiction
- It is a stock-broker / clearing member regulated by a securities market regulator in its home jurisdiction
- It has adequately ring fenced the operational, technology and financial aspects of its branch in IFSC from its overseas operations

### Registration Process

- The entity is required to obtain a certificate of registration from the IFSCA prior to commencement of operations of its branch office
- No separate registration required for a IFSCA registered stock-broker, to act as a clearing member in IFSC
- Registration fees - USD 1,000

### Designated Director/Compliance Officer

- The branch is required to have a designated director/ compliance officer for ensuring timely execution of compliance and regulatory reporting functions

### Trading servers

- The trading servers of the entity shall be located within the IFSC.

## Net Worth and Deposit Requirements (in USD)

Stock Broker	
Net Worth	BMC Deposit
1,35,000	15000 – 75,000*

Cleaing Member	
Net Worth	BMC Deposit
13,50,000	75,000

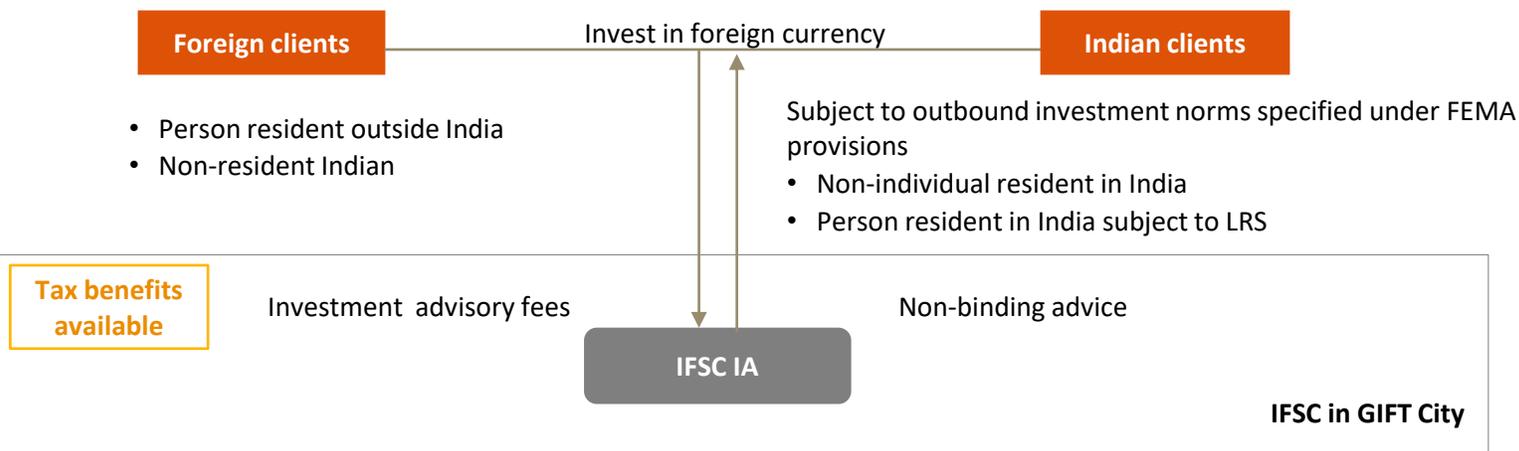
Self Clearing Member	
Net Worth	BMC Deposit
6,75,000	75,000

\*Based on type of membership

# Investment Advisers in IFSC

## Evolution of Investment Advisers (IA) regime in IFSC

The IFSC Authority has issued 'IFSCA (Capital Market Intermediaries) Regulations, 2021' to provide a comprehensive regulatory framework for various capital market intermediaries including investment advisers based on internationally recognized principles.



## Minimum requirements

### Registration Process

- Investment Adviser ('IA') can be set up as a branch or forming a Company or a Limited Liability Partnership or Body Corporate or partnership firm or proprietorship form or any other form as permitted by IFSCA

### Net Worth

- Minimum net worth for IA in IFSC – USD 500,000 for entities incorporated in India and USD 1 Mn for foreign entities. In case IA in IFSC is unable to satisfy this requirement, net worth of its parent can be considered.
- Maintain net worth separately and independently for each activity undertaken, as required under other relevant regulations.

### Investment Advisory Services

- An IA in IFSC can provide services only to :
  - a person resident outside India;
  - a non-resident Indian;
  - a non-individual resident in India who is eligible under FEMA to invest funds offshore, to the extent of outward investment permitted; and
  - an individual resident in India who is eligible under FEMA to invest funds offshore, to the extent allowed in the Liberalized Remittance Scheme of Reserve Bank of India.

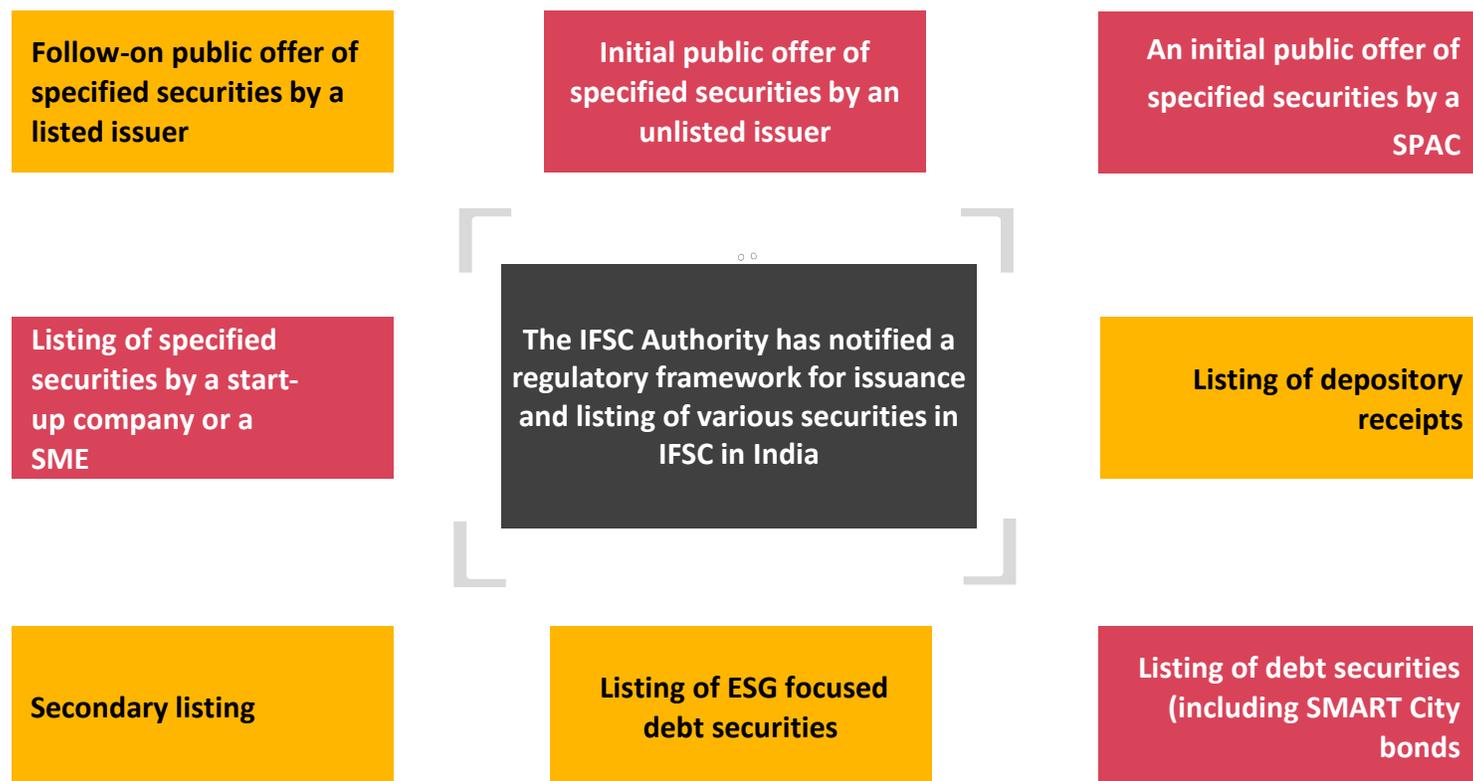
### Separate license

- Certain persons shall not be required to seek separate registration as an investment adviser in IFSC subject to criteria specified

IFSC (Capital Market Intermediaries) regulations, 2021

# Issuance and listing of securities in IFSC

International Financial Services Centres Authority (Issuance and Listing of Securities) Regulations, 2021



## Eligibility Criteria

- Companies incorporated in IFSC/ India/ Foreign jurisdiction are eligible to list their securities in IFSC stock exchanges
- Various other entities like multilateral institutions, municipality/ statutory bodies established under Central or State Act, SPVs notified by Central or State Governments etc. have also been permitted to list debt securities in IFSC stock exchanges

## Fee structure

Type of Listing	Fee amount
<b>IPOs and FPOs of specified securities</b>	0.05% of the offer size
<b>Startup and SME Companies</b>	
- Listing without public offer	NIL
- Listing with public offer	0.025% of the offer size
<b>Special Purpose Acquisition Companies</b>	0.05% of the offer size
<b>Depository Receipts</b>	0.05% of the offer size
<b>Debt Securities</b>	
- Public issue	0.00025% of the offer size subject to a minimum fee of USD 1,000/-
- Private Placement	USD 1,000/- (Refer note)
<b>Secondary listing (without public offer) - specified securities, debt securities and depository receipts</b>	NIL

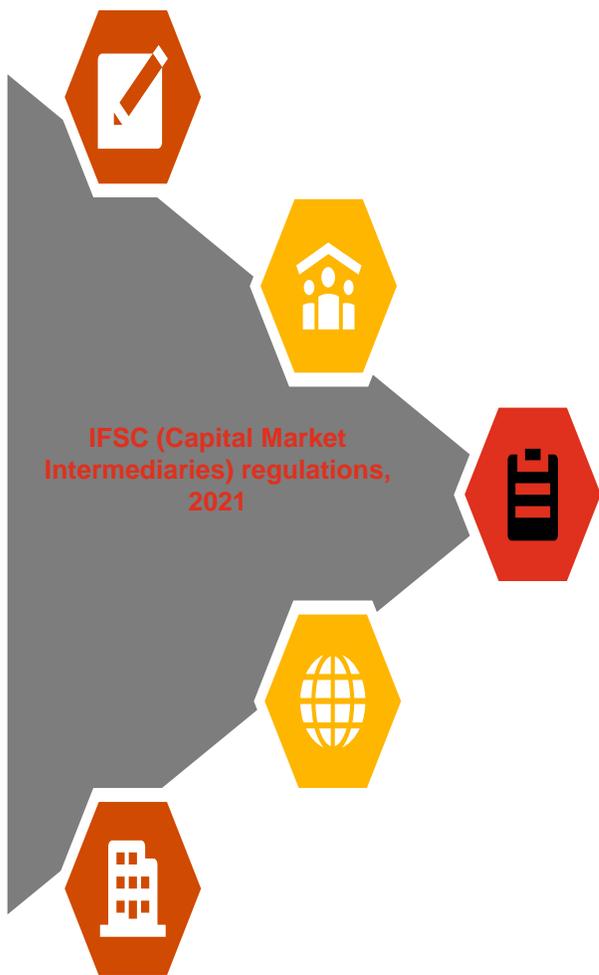
In the case of primary listing simultaneously on both the exchanges in IFSC, a total fee of USD 1,000 shall apply

# Recognition as Custodian of assets/securities

## Custodian regime in IFSC

The IFSC Authority has issued 'IFSCA (Capital Market Intermediaries) Regulations, 2021' to provide a comprehensive regulatory framework for various capital market intermediaries including custodians based on internationally recognized principles.

## Minimum requirements



### Registration Process

- Custodian can be set up as a branch or forming a Company or a Limited Liability Partnership or Body Corporate or partnership firm or proprietorship form or any other form as permitted by IFSCA

### Net Worth

- Minimum net worth for IA in IFSC – USD 7 Mn for entities incorporated in India and for foreign entities it should be as prescribed by IFSCA from time to time

### Branch Structure

- Branch structure is permitted only for an intermediary which is already registered or regulated in India or a Foreign Jurisdiction for conducting similar activities

### Financial Segregation

- A custodian operating as branch in IFSC shall ensure financial segregation by allocating the amount specified by IFSCA towards its branch in IFSC and shall submit a declaration to the IFSCA in this regard

### Other conditions

- Separate agreement with each client providing details regarding the various circumstances relating to custody
- Adequate mechanisms for the purpose of reviewing, monitoring and evaluating systems, controls, procedures and safeguards
- Adequate internal controls to prevent manipulation of records and documents

## Validity of Registration

The certificate of registration with IFSCA shall be valid for such period as may be prescribed by the authority unless it is suspended or cancelled by the authority.

# Other Recent Developments

## Listing and trading of units of REITs and InvITs on stock exchanges in the IFSC

- The IFSCA has prescribed the regulatory framework for Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (InvITs) in IFSC
- REITs and InvITs incorporated in FATF compliant jurisdictions permitted to list on the stock exchanges in GIFT IFSC.
- Additionally, the REITs and InvITs that are already listed in any of the permissible jurisdictions other than IFSC (currently USA, Japan, South Korea, United Kingdom excluding British Overseas Territories, France, Germany, Canada and India) or India have been permitted to list and trade on the recognised stock exchanges in the IFSC, subject to compliance with their respective laws of home jurisdiction.

## Transactions executed at Disaster Recovery Site and Introduction of NLT facility

- The IFSCA has clarified that the trades executed from the Disaster Recovery Site (site located outside GIFT-IFSC) of the stock exchanges in the IFSC shall be deemed to have been executed at GIFT-IFSC.
- The IFSCA has notified operational framework for the Negotiated Large Trade (NLT) facility in the derivatives segment on the IFSC stock exchanges. This shall facilitate a vibrant capital market ecosystem in GIFT-IFSC and attract global investors and foreign capital.

# International Bullion Exchange(s)

## International Bullion exchange(s) in GIFT-IFSC

- On 31 August 2020, the GOI, notified the bullion spot delivery contract and bullion depository receipt (with bullion as underlying) as Financial Products and related services as Financial Services under the IFSCA Act, 2019.
- Subsequently, the IFSCA on 11 December 2020 notified IFSCA (Bullion Exchange) Regulations, 2020 to provide a framework for recognition of bullion exchanges, its clearing corporations, depositories and vaults.
- The Bullion Exchange regulations envisage to provide an integrated platform for all the market intermediaries including trading members/clearing members, bullion depositories, vault managers, etc. so as to facilitate transparency and traceability in the bullion market and standardization of bullion contracts.
- Operating Guidelines on Bullion Exchange, Bullion Clearing Corporation, Bullion Depository and Vault Manager issued by IFSCA

## International Bullion Exchange is scheduled to go live soon

Particulars	Key guidelines
<b>Bullion Exchange</b>	<ul style="list-style-type: none"><li>• Entities eligible to become members of the Bullion Exchange-<ul style="list-style-type: none"><li>• IBUs;</li><li>• Subsidiaries/ Branches of entities dealing with financial products set up in IFSC;</li><li>• Banks authorized by RBI and Nominated Agencies authorized by Directorate General of Foreign Trade (DGFT) to deal in bullion</li></ul></li><li>• Eligibility criteria for a member setting up operation in IFSC-<ul style="list-style-type: none"><li>• either through subsidiary or branch or any other mode as permitted by the IFSCA;</li><li>• shall be from FATF compliant jurisdiction;</li></ul></li><li>• Trading members shall have at least 1 employee having experience of minimum 3 years and sound knowledge in precious metals industry;</li></ul>
<b>Bullion Clearing Corporation</b>	<ul style="list-style-type: none"><li>• A licensed bank or a registered broker with the IFSCA permitted to act as clearing member subject to meeting the eligibility criteria of the Bullion Clearing Corporation;</li><li>• The Clearing Member should have a physical presence at GIFT-IFSC;</li><li>• Clearing Member may be a Trading-and-Clearing Member, Professional Clearing Member, Self-Clearing Member;</li><li>• Minimum net worth of USD 10 million;</li></ul>
<b>Vault Manager</b>	<ul style="list-style-type: none"><li>• Minimum net worth of USD 7 million which shall be maintained at all times;</li><li>• Furnish a refundable security deposit of USD 75,000 with the Bullion Depository prior to making application to the IFSCA;</li><li>• Before accepting physical bullion from a depositor, ensure that it meets the technical specifications specified by the bullion exchange;</li></ul>

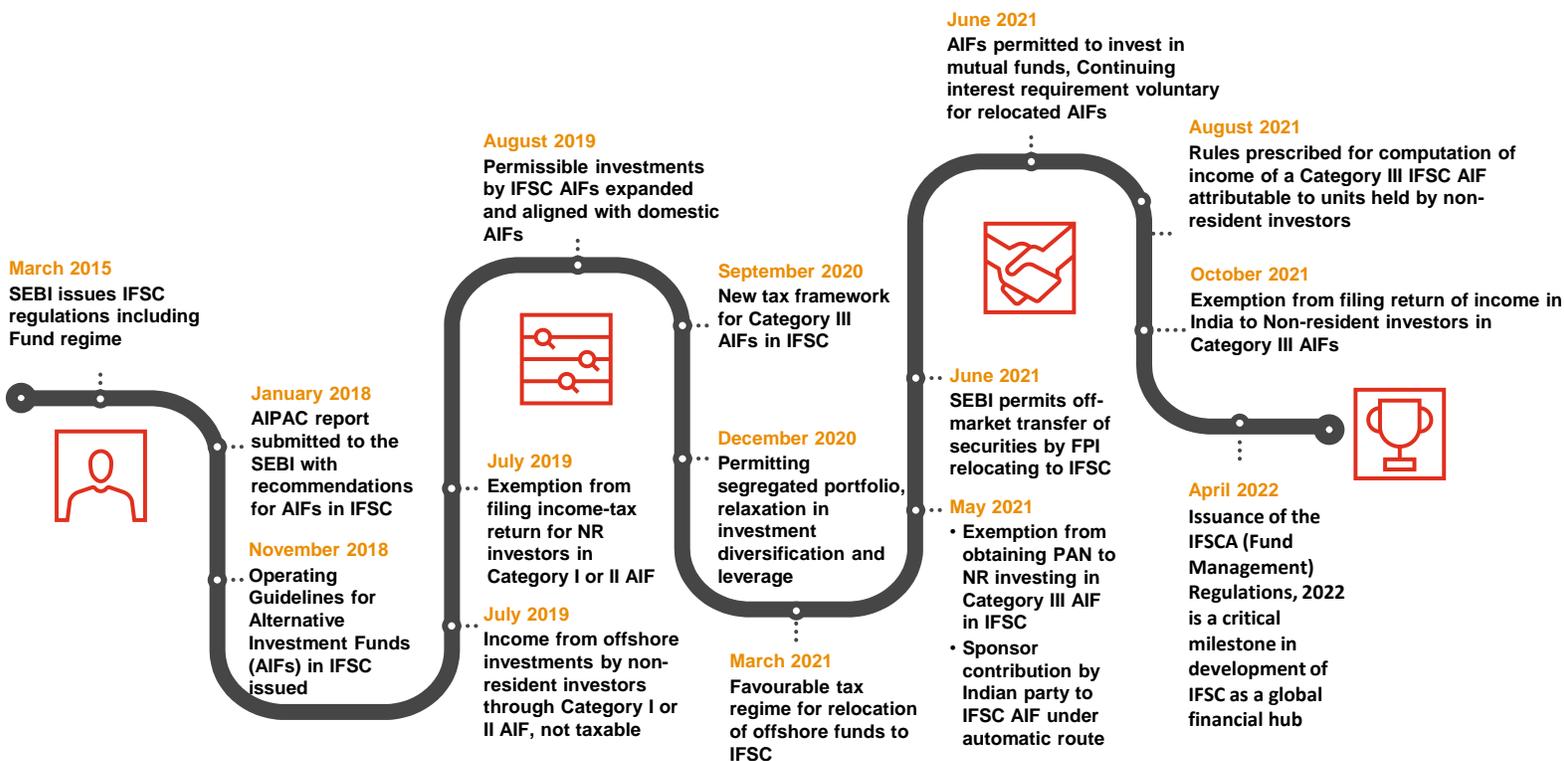
---

# Fund regime in GIFT-IFSC

# Fund Management Entities (FMEs) in IFSC

Based on the comprehensive report submitted in January 2022 by the Expert Committee on Investment Funds, draft regulations were issued by IFSCA for public comments. On April 2022, the IFSCA issued IFSCA (Fund Management) Regulations, 2022.

## Journey of Fund regime in IFSC



Existing Fund Managers of AIFs and existing Portfolio Managers to seek fresh registration under the new Regulations within 6 months

# Fund Regime

## Cornerstone of the regulations



**Regulating Fund Manager v. Fund**

A paradigm shift in exercise of regulatory oversight through regulation of Fund Managers as compared to regulation of Funds under the earlier regime



**Regulatory Oversight**

Fund Manager to obtain registration from IFSCA and requirement for launching of Funds/ Schemes to be fine-tuned based upon the investor classes



**Risk-based Approach**

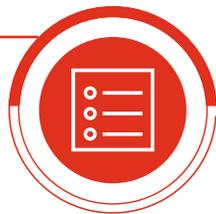
Three categories of FME have been notified:

- With least regulatory oversight
- With moderate regulatory oversight
- With high regulatory oversight

## Snapshot and basic construct of the regulations

### Fund Management Entity

- Authorised FME
- Registered FME (Non – Retail)
- Registered FME (Retail)



### Fund/ Schemes

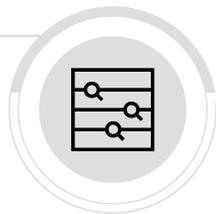
- Venture Capital Schemes
- Restricted schemes (non-retail schemes)
- Retail Schemes



**IFSCA (Fund Management) Regulations, 2022**

### Focus Areas

- Special Situation Funds
- ETFs
- ESG



### Other Fund Management Activities

- Portfolio Management Services
- Investment Trusts
- Family Investment Funds



The notified Regulations mention that the respective Schemes 'may' be construed as Category I/ II/ III AIF under inter alia the Income-tax Act, 1961

# Fund Regime

## Categories of FME

### Authorised FME

- Pooling of money from accredited investors or investors investing above USD 250,000
- Invest in start-up or early-stage ventures through Venture Capital Scheme
- Family Investment Funds
- Minimum net worth: USD 75,000

### Registered FME (Non-Retail)

- Pooling of money from accredited investors or investors making capital commitment above USD 150,000
- Portfolio Management services, Multi Family Offices, Investment Manager for private placement of REITs and InvITs
- Minimum net worth: USD 500,000
- Allowed to undertake all activities of Authorised FMEs

### Registered FME (Retail)

- Pooling of money from all investors or including retail investors
- Public offer of Investment Trusts (REITs and InvITs), Launch of ETFs
- Minimum net worth: USD 1,000,000
- Allowed to undertake all activities of Authorised FMEs and Registered FME (Non-retail)

## Categories of Schemes

### Venture Capital Scheme

- Launched by FMEs – schemes that invest primarily in start-ups, early-stage VC undertakings involved in new products, services, technology etc. Also includes an Angel Fund
- Offered only on a private placement basis (including accredited investors) and shall have less than 50 investors
- 'Green channel' for subscription by investors

### Restricted Scheme

- Offered only to relevant persons on a private placement basis (including accredited investors) and shall have less than 1,000 investors
- 'Green channel' if subscription is to be raised only from accredited investors
- Launched by Registered FME

### Retail Scheme

- Schemes offered to all investors including retail investors
- Schemes can be:
  - filed with regulator only after approval from fiduciaries;
  - launched only after incorporating all comments from regulator in the offer document
- Launched by Registered FME (Retail)

# Fund Regime

## Key attributes of FME

Particulars	Categories of FME		
	Authorised FME	Registered FME (Non-Retail)	Registered FME (Retail)
<b>Types of schemes managed</b>	<ul style="list-style-type: none"> <li>Venture Capital Schemes offered on a private placement basis</li> </ul>	<ul style="list-style-type: none"> <li>Venture Capital Schemes and Restricted Schemes offered on a private placement basis</li> </ul>	<ul style="list-style-type: none"> <li>All schemes including Retail Schemes offered to all investors including retail investors</li> </ul>
<b>Legal structure of FME</b>	<ul style="list-style-type: none"> <li>Company, limited liability partnership (LLP) or branch thereof</li> </ul>		<ul style="list-style-type: none"> <li>Company</li> </ul>
<b>Minimum no. of employees (based out of IFSC)</b>	1 (1 Principal Officer for overall activities)	2 (1 Principal Officer for overall activities + 1 Compliance and Risk Manager)	3 (1 Principal Officer for overall activities + 1 Compliance and Risk Manager + 1 Additional Key Managerial Personnel for fund management)
<b>FME Experience</b>	<ul style="list-style-type: none"> <li>FME to employ such employees who shall have relevant experience</li> </ul>		<ul style="list-style-type: none"> <li>FME/ holding company to have &gt; 5 years of experience in managing AUM of at least USD 200mn with more than 25,000 investors; or</li> <li>At least 1 person in control holding more than 25% shareholding in the FME to have at least 5 years of experience in financial services</li> <li>FME to employ such employees who shall have relevant experience</li> </ul>
<b>Experience and professional qualification of Key Managerial Personnel</b>	<ul style="list-style-type: none"> <li><b>Professional Qualification</b> : A professional qualification or post-graduate degree or post graduate diploma (minimum 2 years) in finance, law, accountancy, business management, commerce, economics, capital market, banking, insurance or actuarial science from a recognised university/ institution or a certification from any organization/ institution/ association/ stock exchange which is recognised/ accredited by Authority or a regulator in India or Foreign Jurisdiction</li> <li><b>Experience</b> : At least 5 years in related activities in the securities market or financial products including in a portfolio manager, broker dealer, investment advisor, wealth manager, research analyst or fund management</li> </ul>		
<b>Minimum number of Directors / Partners in the FME</b>	-	-	4 (At least 50% to be independent and not associated with FME)

# Fund Regime

## FME Contribution: Skin-in-the-game

Targeted Corpus (TC)	Minimum / Maximum	Types of Schemes		
		Venture Capital Scheme/ Close ended Non-retail scheme	Open ended Non-retail scheme	Retail schemes
Less than USD 30 million	Minimum	2.5% of TC	5% of TC	Lower of: (a) 1% of AUM of the scheme or (b) USD 200,000
	Maximum	10% of TC	10% of TC	-
More than USD 30 million	Minimum	USD 750,000	USD 1,500,000	Same as above
	Maximum	10% of TC	10% of TC	-

- Contribution requirements to be fulfilled by FME or its associates within 45 days, unless exempted and to be maintained on ongoing basis
- The contribution requirements by the FME is not mandatory in following cases:
  - In case of VC schemes and Restricted schemes (Non-retail):
    - At least 2/3rd of the investors in the scheme by value permit waiver of such contribution;
    - At least 2/3rd of the investors in the scheme are accredited investors; or
    - FOF scheme investing in a scheme which has similar such requirements (applicable in case of Retail schemes)
  - In case of relocation of funds/ schemes established or incorporated or registered outside India to IFSC

# Fund Regime

## Key attributes of Schemes

Particulars	Categories of Schemes		
	Venture Capital Scheme	Restricted Scheme	Retail Scheme
<b>Legal Structure</b>	Company, LLP or Trust		Company/ Trust
<b>Type of Fund/ Scheme</b>	Close-ended	Open-ended or Close-ended	
<b>Corpus</b>	Minimum – USD 5 million Maximum – USD 200 million	Minimum – USD 5 million Maximum – No limit	
<b>Minimum number of investors in the scheme</b>	-	-	
<b>Maximum number of investors in the scheme</b>	< 50	< 1000 or such higher limit as may be prescribed by the IFSCA	No restrictions
<b>Minimum contribution or capital commitment from an investor in the scheme</b>	Accredited investors – None Other than Accredited investors: <ul style="list-style-type: none"> <li>• USD 250,000</li> <li>• Employees/ Directors/ Designated Partners/ Partners of FME – USD 60,000</li> </ul>	Accredited investors – None Other than Accredited investors – <ul style="list-style-type: none"> <li>• USD 150,000</li> <li>• Employees/ Directors/ Designated Partners/ Partners of the FME – USD 40,000</li> </ul>	Open-ended schemes – None Close-ended schemes - Minimum investment to be USD 10,000 No restriction to close-ended schemes investing less than 15% in unlisted securities
<b>Maximum holding by a single investor in the Fund or Scheme</b>	None	None	25%
<b>Asset classes</b>	Primarily in unlisted securities of start-ups, specified VCUs	<ul style="list-style-type: none"> <li>• Several asset classes including listed securities, unlisted securities, derivatives, etc</li> <li>• Close ended schemes – Up to 20% of corpus may be invested in physical assets such as real estate, bullion, art or any other physical asset as specified</li> </ul>	Several asset classes including listed securities, unlisted securities, derivatives, etc

# Fund Regime

## Key attributes of Schemes (...continued)

Particulars	Categories of Schemes		
	Venture Capital Scheme	Restricted Scheme	Retail Scheme
<b>Investment restrictions</b>	<ul style="list-style-type: none"> <li>At least 80% of AUM to be invested in companies incorporated for &lt; 10 years or other venture capital schemes</li> <li>Investment in its associate subject to prior approval of 75% investors in the scheme by value</li> </ul>	<ul style="list-style-type: none"> <li>Investment in associate entities subject to prior approval of 75% investors in the scheme by value</li> </ul>	<ul style="list-style-type: none"> <li>Cap on investment in single investee company – 10% of AUM; 15% subject to prior approval of the fiduciaries (not applicable in case of Index schemes)</li> <li>Cap on investment in a single sector – 25% of AUM (50% for financial service sector) (not applicable in case of sectoral / thematic / Index schemes)</li> <li>Cap on investment in its associate – 25% of AUM</li> </ul>
<b>Cap on investment in unlisted securities</b>	None	<ul style="list-style-type: none"> <li>Open ended scheme – 25% of the corpus of the scheme</li> <li>Close ended scheme – No such restriction</li> </ul>	<ul style="list-style-type: none"> <li>Open-ended: 15% of the AUM of the scheme</li> <li>Close-ended – 50% of the AUM of the scheme</li> </ul>
<b>Leverage</b>	<p>Permissible subject to disclosure of maximum leverage and methodology for calculation of leverage in the placement memorandum</p> <ul style="list-style-type: none"> <li>deviations subject to approval of 2/3<sup>rd</sup> investors by value</li> </ul>		<p>Permissible only for meeting temporary liquidity requirement (for meeting redemptions or dividend payments) up to 20% of the AUM of the scheme and the duration of such borrowing to not exceed 6 months</p>
<b>NAV disclosure</b>	<ul style="list-style-type: none"> <li>Yearly</li> </ul>	<ul style="list-style-type: none"> <li>Open-ended scheme – Monthly</li> <li>Close-ended scheme – Half-yearly</li> </ul>	<ul style="list-style-type: none"> <li>Open-ended scheme – Daily</li> <li>Close-ended scheme – Weekly</li> </ul>

# Fund Regime

## Special Situation Funds

### Permitted to invest in:

- stressed loan available for acquisition
- security receipts (SRs) issued by an Asset Reconstruction Company (ARC) registered with the RBI
- securities of investee companies whose
  - stressed loans are available for acquisition,
  - against whose borrowings, SRs are issued by an ARC,
  - whose borrowings are subject to corporate insolvency resolution process, etc.

<b>Category of FME to launch a Special Situation Fund</b>	Registered FME
<b>Type of Fund</b>	Close - ended fund
<b>Legal structure of the Fund</b>	Company or LLP or Trust
<b>Permissible Investments</b>	Only in special situation assets
<b>Leverage</b>	Not permissible other than to meet day-to-day operational requirements
<b>Scheme corpus, eligible investors, investment conditions</b>	As may be specified by IFSCA from time to time
<b>Computation of NAV, contribution by FME in the Fund/ scheme and other disclosure/ valuation norms</b>	To apply as applicable to close - ended Restricted schemes

# Fund Regime

## Exchange Traded Funds (ETFs)

- Registered FMEs (Retail) permitted to launch ETFs in IFSC
- Units of ETFs to be mandatorily listed on at least one of the recognised stock exchange in IFSC
- Simplified framework may be prescribed by recognised stock exchange(s) for intermediaries to act as market makers

Important Aspects

**NAV:** Daily basis

**Redemption:** Option available to investors

**Material deviation:** consent of at least 2/3<sup>rd</sup> of investors by value

Types of ETFs	Equity/ Debt Index	Replicates index of IFSC/ Indian/ foreign jurisdiction $\geq 95\%$ (equity)/ $90\%$ (debt) of total assets
	Gold/ Silver Index	Investment in gold/ silver, bullion, ETCD (with underlying as gold) $\geq 90\%$ of AUM
	Commodity Index	Invest $\geq 90\%$ in specified commodity or related security/ investment
	Active Managed	FME has discretion over composition of portfolio subject to investment policies
	Other	Subject to approval of Exchange

## Environmental, Social and Governance (ESG)

FME managing AUM > USD 3 billion

- Establish policy on governance around material sustainability-related risks and opportunities
- Disclosure in annual report:
  - How the FME identifies, assesses and manages material sustainability-related risks;
  - Process of factoring sustainability-related risks and opportunities into investment strategies

ESG Fund

- FME launching ESG scheme to make disclosure in the prescribed manner regarding:
  - investment objective,
  - investment policy and strategy
  - material risk, benchmark, etc.
- Scheme documents shall disclose whether sustainability-related risks are incorporated in decision making
  - Negative statement to be included when sustainability-related risks are not incorporated

# Fund Regime

## Portfolio Management Services (PMS)

Eligible FME and clients	<ul style="list-style-type: none"> <li>• Person resident outside India/ NRI</li> <li>• Individual/ non-individual resident in India, eligible to invest offshore as per prescribed regulations and</li> <li>• Multi-family office</li> <li>• Minimum ticket size: USD 150,000             <ul style="list-style-type: none"> <li>- minimum investment threshold shall not apply to an accredited investor</li> </ul> </li> </ul>
Permitted Investments	<ul style="list-style-type: none"> <li>• Securities/ financial products in IFSC, India or foreign jurisdiction</li> <li>• Discretionary PMS: listed/ to-be listed securities, money market instruments, units of investment scheme</li> </ul>
Investment Restrictions	<ul style="list-style-type: none"> <li>• Investment in derivatives, with express consent</li> <li>• Segregation of client's funds/ portfolios from FME's funds/ portfolios</li> </ul>
Others	<ul style="list-style-type: none"> <li>• Dealing with client's funds             <ul style="list-style-type: none"> <li>- aligned with the existing Capital Market Intermediaries Regulations (CMI)</li> </ul> </li> <li>• Provide advisory services subject to compliance with CMI</li> </ul>

## Family Investment Fund



### Eligibility conditions

- Set-up in form of a Company, LLP or Contributory Trust
- For Contributory Trusts:
  - the beneficiaries should be identifiable, though not specifically named in Trust deed
  - the share of each beneficiary should be capable of being determined
  - addition of further contributors shall not make existing beneficiaries unknown or their shares
- Minimum corpus - USD 10 million within 3 years
- Borrowing/ leveraging permissible



### Permissible Activities and Instruments

- Permissible activities
  - Activities related to managing Family Office as specified by IFSCA
- Permissible investments:
  - Securities issued by unlisted entities;
  - Securities listed/ to-be listed on stock exchanges (and other investment schemes), in IFSC, India or foreign jurisdictions;
  - Money market instruments/ debt or derivatives;
  - Asset-backed or mortgage-backed securitized debt instruments;
  - Units of mutual funds and alternative investment funds in India and foreign jurisdiction;
  - Investment in Limited Liability Partnerships;
  - Physical assets like real estate, bullion, art, etc., or
  - Any other securities or financial products may be specified

# Fund Regime

## Tax framework

Under the new Fund Management regulations:

Venture Capital Scheme shall be construed as Category I AIF under Income tax Act, 1961 and Restricted Scheme (Non-Retail) shall be construed either as Category I/ II / III AIF (as the case may be)

 Category I and II AIFs	 Category III AIFs*	 Manager (FME) in IFSC
<ul style="list-style-type: none"> <li>• Tax pass through status for AIFs (except for business income)</li> <li>• Investors taxed as if investments directly made by them</li> <li>• Investors can claim losses (subject to condition - holding units for 12 months)</li> <li>• To the extent beneficial, investors can avail benefit under the Tax Treaty</li> <li>• Income from offshore investments earned by offshore investors through AIF, not taxable in India</li> <li>• PAN and Income-tax return filing exemption, subject to conditions</li> </ul>	<ul style="list-style-type: none"> <li>• Tax paid at Fund level – FPI tax principles to apply</li> <li>• Exemption<sup>#</sup> from tax on income from               <ul style="list-style-type: none"> <li>- transfer of securities (excl. shares of Indian company) including debt, derivatives, offshore securities, etc.</li> <li>- securities issued by non-resident (not being a PE) with no accrual of income in India</li> <li>- securitization trust chargeable under the head ‘PGBP’</li> </ul> </li> <li>• Income on transfer of shares in an Indian company is taxable<sup>#</sup> at:               <ul style="list-style-type: none"> <li>- STCG - 15% if STT paid, else 30%;</li> <li>- LTCG - 10%</li> </ul> </li> <li>• Income in respect of securities (such as interest, dividend) is taxable<sup>#</sup> at 10% (5% in case of interest income referred to in section 194LD).</li> <li>• AMT not applicable</li> <li>• Investors exempt from tax on any income received from the Category III AIF or on transfer of its units</li> <li>• PAN and Income-tax return filing exemption, subject to conditions</li> </ul>	<ul style="list-style-type: none"> <li>• 100% corporate tax exemption for 10 consecutive years out of block of 15 years</li> <li>• MAT/ AMT rate reduced to 9%               <ul style="list-style-type: none"> <li>- However, companies choosing new tax regime to be exempt from MAT</li> </ul> </li> <li>• Dividend income               <ul style="list-style-type: none"> <li>- Dividend is taxable in the hands of the shareholders</li> </ul> </li> <li>• No GST on Management fees</li> </ul>

\* All units of Cat III AIF to be held by non-residents other than units held by sponsor or manager

# Income taxed at lower rate/ exempted to the extent of income attributable to units held by non-resident investors

## Attribution mechanism

- The CBDT has notified rules prescribing the method of computation of income of the Category III AIF in IFSC attributable to units held by non-resident investors.
- The key aspects of the attribution mechanism is as follows:
  - The attribution mechanism is based on the Assets Under Management (AUM) of the AIF.
  - Income arising from transfer of security is attributable on the basis of the average of daily aggregate AUM of the AIF over the period of holding of the security. Income received in respect of securities is attributable on the basis of the AUM as on the date of receipt of income.
  - The term ‘AUM’ has been defined as the closing balance of the value of assets or investments of the AIF as on a particular date.

# Relocation of Offshore Fund to IFSC

## Relocation of offshore funds to IFSC

The Finance Act, 2021 brought in amendments in the income-tax laws to incentivise existing funds located in overseas jurisdictions to consider relocating to IFSC.



### Amendments vide Finance Act, 2021

#### Tax neutrality to offshore funds and grandfathering of past investments

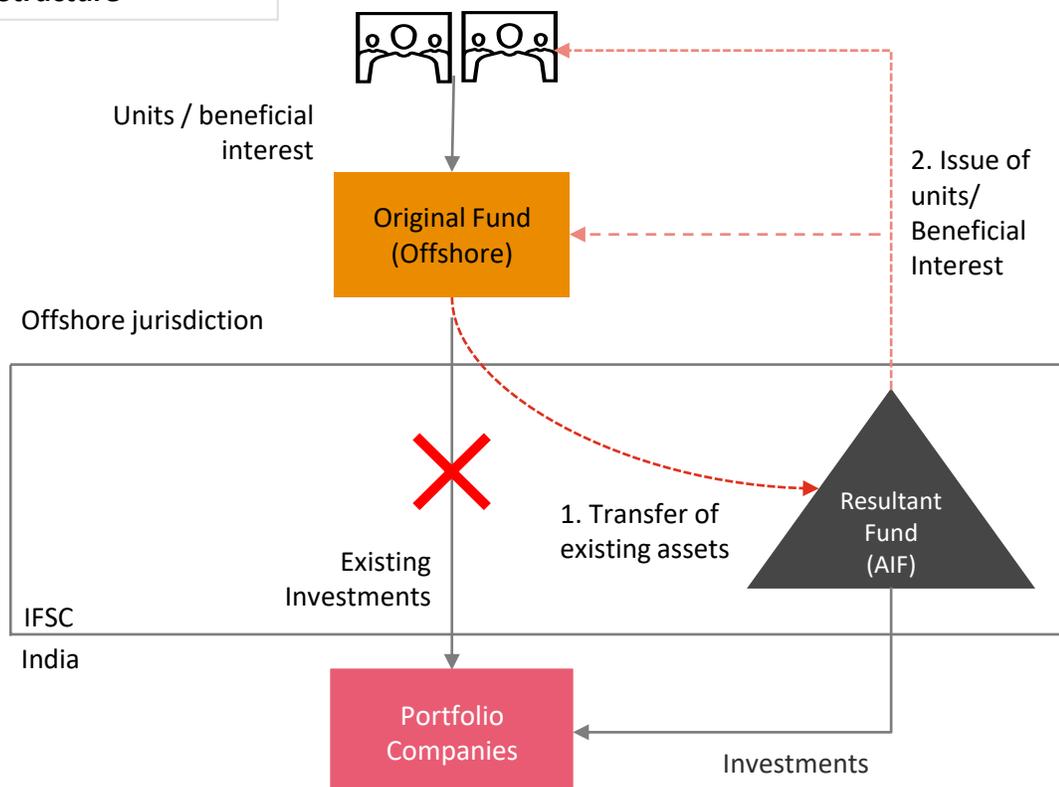
- Transfer of assets of Offshore Fund or its WOS to Resultant Fund, upon relocation to IFSC on or before 31 March 2023 – not regarded as transfer
- Consideration for transfer can be discharged to non-resident shareholders of Offshore Fund or to Offshore fund itself, in the form of units/ beneficial interest of Resultant fund
  - Exemption provided to non-resident shareholders of Offshore Fund / Offshore Fund on such transfer
- Capital gains exemption on future sale by Resultant Fund – For exempted “grandfathered” investments
- Period of holding and cost to previous owner available to Resultant Fund
- Deemed income provisions not applicable
- Carry forward losses of portfolio company not impacted



### Regulatory relaxations

- Off-market transfer of securities permitted to facilitate relocation
- Continuing interest requirement for Manager / sponsor has been made voluntary for Resultant Fund

### Relocation to IFSC Structure



---

# Global In-House Centres in GIFT-IFSC

# Global In-House Centres (GIC) in IFSC at GIFT City

- Gov. of India, on the recommendation of the IFSC Authority (IFSCA), notified GIC as financial service to provide services relating to financial products and financial services.
- The IFSCA notified the IFSCA (GIC) Regulations, 2020 ('GIC Regulations') to provide for a framework to recognize and operationalise GICs in the IFSC.

A 'GIC' in IFSC can provide support services, directly or indirectly, to entities within its financial services group.

Including but not limited to,

- Banks, Non-banking financial companies, Financial intermediaries, Investment banks, Insurance companies, Re-insurance companies, Actuaries, Brokerage firms, Funds, Stock exchanges, Clearing houses, Depositories, and Custodians, for carrying out a financial service in respect of a financial product.

## Salient Features

### Mode of conducting business

- GIC to conduct its business in any mode permitted by the IFSCA, including branch mode.

### Eligibility criteria

- GIC shall exclusively cater to its financial services group wherein the entities served must be located in FATF compliant jurisdiction. A 'financial services group' is defined as any entity which is regulated by a financial services regulator includes its holding, subsidiary or associate companies, branch, or subsidiary of a holding company to which it is also a subsidiary
- GIC shall provide services to non-resident entities only
- The support services provided by the applicant entity to its financial services group should be for the purpose of carrying out a financial service in respect of a financial product

### Currency

- A GIC shall deal in freely convertible foreign currency only, however, it may defray its administrative expenses in INR by maintaining an INR account.

### Approval required

- IFSC Authority under GIC Regulations
- Development Commissioner SEZ under SEZ Act, 2005

## A GIC set up within the IFSC shall be entitled to all concessions applicable to IFSC Units

100% Income tax exemption for 10 consecutive years out of 15 years	MAT / AMT @ 9% of book profits applies to unit in IFSC. MAT not applicable to companies in IFSC opting for new Tax regime	NIL GST on services received by unit in IFSC, OR Services provided to IFSC/ SEZ units or Offshore clients	GST applicable on services provided to DTA. State subsidies applicable to IFSC units.
--	--	---	--

---

# Fintech in GIFT-IFSC

# Framework for FinTech in IFSC

## Overview of Fintech Regulatory Framework in IFSC

### Overview

- The Framework on FinTech/ TechFin enabled through a circular dated April 27, 2022
- The Framework is aimed at giving boost to the establishment of a world class FinTech Hub at GIFT IFSC comparable with other International Financial Centres
- This Framework is broadly divided in following **two** parts:
  - **Direct Authorization of FinTechs and TechFins;**
  - **FinTech Sandbox**

### Eligibility of the Applicant

- Indian applicant:
  - An entity registered with DPIIT as start-up related to FinTech; or
  - A company or LLP incorporated in India; or
  - Branch of Company/ LLP in IFSC; or
  - An entity working directly or indirectly in the ecosystem regulated by RBI / SEBI/ IRDAI/ PFRDA
- Foreign applicant - entity from FATF compliant jurisdiction

### Permissible Activities under this framework

- Can undertake any one of the following activities:
- Provide FinTech solutions which results in new business model, applications, process or products in financial services
  - Provide Tech Fin services / solutions in form of advanced or emerging technology solutions in allied areas/ activities which aids and assist activities in relation to financial products / services / institutions – [See **Allied Activities** section below]
  - See section below [Opportunities] for further details.

### Mandatory requirements of the Applicant

- Use technology in the core product or service, business model, distribution model or methodology; or
- Have presence of deployable solution/working product; and
- Have Revenue earning track record in at least 1 of the last 3 financial years

## Opportunities [Illustrative List]

### Banking Sector

- Remittance and payments
- Digital lending
- Buy Now Pay Later
- Crowd lending
- Digital bank (Neo Banking / Challenger Bank)
- Open Banking

### Capital Markets and Fund Management

- Crowd Funding
- Personal Finance
- Wealth Tech
- Robo Advisory
- Sustainable Finance Products
- Alternate trading platforms

### Insurance sector

- InsurTech
- Innovative technologies for insurance life cycle (underwriting, claims management for life / health products)
- Digital innovation for global health cover
- Innovation in commercial insurance
- Digital platform for settlement of balances between insurance companies
- Open insurance
- Embedded insurance
- Cyber insurance

### Allied Activities

- Agritech
- Accelerators
- Climate/ Green/ Sustainable Tech
- Defense Tech
- Regulatory Tech
- Space Tech
- Supervisory Tech
- Technology solution providing digital banking
- Technology solution aiding Trade Finance
- Solutions / services for BFSI domain covering certain aspects like metaverse, AI/ML, cyber security, KYC/AML, Quantum Tech, Web 3.0

---

# Aircraft Leasing in GIFT-IFSC

# Aircraft Leasing in GIFT-IFSC

- As per the Central government notifications issued from time-to-time, operating lease, including any hybrid of operating and financial lease of providing aircraft or helicopter and engines of aircraft or helicopter or any other part thereof AND lease of ground support / ramp handling equipment can be considered as 'financial product' under the IFSCA regulatory framework.
- In May 2022, a revised framework for aircraft operating and finance lease has been notified. Key considerations are as below:

## Eligibility and General conditions (*illustrative list*)

- Lessor is required to be a Finance Company (FC) / Finance Unit (FU) registered with IFSCA
- Lessor can be set-up as Company or LLP or a Trust or in any other form as may be specified by the IFSCA from time to time
- Promoter should be from a FATF compliant jurisdiction. An entity in IFSC, intending to undertake aircraft lease only through its wholly owned subsidiary(ies) is required to comply with all the norms and requirements under the Aircraft leasing framework
- An applicant cannot undertake permissible activities as a Lessor unless it has obtained a certificate of registration from the IFSCA under Finance Company Regulations
- The Lessor shall comply with the Cape Town Convention and Protocol and all other applicable statutory obligations, regulatory requirements, standards, policies, directions and guidelines in this regard
- Transactions to be undertaken in freely convertible foreign exchange only.
- Lessor is also required to furnish information to IFSCA through annual compliance requirements prescribed



## Aircraft Operating Lease

### Permissible Activities

- Operating lease for an aircraft lease arrangement including sale and lease back, purchase, novation, transfer, assignment, and such other similar transactions in relation to aircraft lease;
- Operating lease for an aircraft ground support equipment;
- Asset Management Support Services for assets owned or leased out by the entity or by its wholly owned subsidiary (ies) set up in IFSCs in India;
- any other related activity with the prior approval of the IFSCA

### Minimum Capital requirement

- A minimum owned fund of USD 0.2m (as defined under IFSCA Finance Company Regulations) is to be maintained at all times
- IFSCA may specify maintenance of additional capital, if any



## Aircraft Finance Lease

### Permissible Activities

- Financial lease or a hybrid of financial and operating lease for an aircraft lease arrangement including sale and lease back, purchase, novation, transfer, assignment, and such other similar transactions in relation to aircraft lease;
- Financial lease or any hybrid of financial and operating lease for an aircraft ground support equipment;
- Permitted activities under the Aircraft Operating Lease Framework;
- Any other related activity with the prior approval of the IFSCA.

### Minimum Capital requirement

- A minimum owned fund\* of USD 3m is to be maintained at all times by the entity as per the Finance Company Regulations
- IFSCA may specify maintenance of additional capital, if any

### Prudential and Other Requirements

- These activities shall be subject to the KYC, AML and other prudential requirements for undertaking permissible core activities prescribed under the IFSCA Finance Company Regulations

*\*Minimum owned fund shall mean the paid-up-capital and free reserves balance in share premium account and capital reserves representing surplus arising out of sale proceeds of asset, excluding reserves created by revaluation of an asset, as reduced by accumulated loss balance, the book value of intangible assets and deferred revenue expenditure, if any;*

# Aircraft Leasing in GIFT-IFSC

## Overview of Tax Framework

Key Direct tax parameters	Units in IFSC
Corporate tax/ Withholding tax	<ul style="list-style-type: none"> <li>100% profit linked deduction for any 10 consecutive years out of first 15 years of operations, at the option of the Company</li> <li>Depreciation on aircraft and aircraft engines is allowed at 40% on a written down value (WDV) basis</li> <li>Unabsorbed depreciation can be carried forward to the subsequent years to be set off against future profits, without any time limit.</li> <li>Post tax holiday, 22% (plus applicable surcharge and cess) for domestic companies that opted to forego certain deductions (with an exception of deductions available to IFSC)</li> </ul>
Minimum alternate tax (MAT)	<ul style="list-style-type: none"> <li>MAT @ 9% (plus applicable surcharge and cess) of book profits applies to a Company setup as a unit in IFSC</li> <li>- Not applicable to companies in IFSC opting for new tax regime of 22%</li> </ul>
Withholding tax (WHT) on interest payment	<ul style="list-style-type: none"> <li>No WHT on interest paid to non-residents by units in the IFSC i.e. interest income exempt from tax</li> </ul>
WHT on lease rentals	<ul style="list-style-type: none"> <li>No WHT on aircraft lease payments, in the nature of royalty, paid to non-residents by units in the IFSC (provided operations commence before 31 March 2024) i.e. operating lease rentals exempt from tax</li> </ul>
Capital gains on disposal of aircraft	<ul style="list-style-type: none"> <li>100% profit linked deduction available on capital gains arising on transfer of aircraft or aircraft engine leased by IFSC unit to domestic company (provided operations commence before 31 March 2024)</li> </ul>
Key Indirect tax parameters	Units in IFSC
Import of goods/ services into the IFSC: <ul style="list-style-type: none"> <li>Procurement on outright purchase basis</li> <li>Procurement on operating lease basis</li> </ul>	<ul style="list-style-type: none"> <li>Import of aircraft/ aircraft engine into the IFSC is not subject to basic custom duty (BCD). However, aircraft / aircraft engine required to be landing in SEZ for such exemption to apply. Currently, only Nagpur Airport is a designated SEZ for above condition to be fulfilled</li> <li>Leasing of aircraft/ aircraft engine into the IFSC is not subject to Integrated Goods and Services Tax (IGST), provided services are procured for authorized operations in an SEZ</li> </ul>
Leasing (operating lease) of aircraft/ aircraft engine to an Indian airline company by a unit in the IFSC	<ul style="list-style-type: none"> <li>Import of aircraft/ aircraft engine by an Indian airline company (operator) from an Indian lessor located in the IFSC is not subject to BCD, provided the aircraft is imported by the operator (or on behalf of the operator) for scheduled air operations</li> <li>Leasing of aircraft/aircraft engine by a unit in the IFSC to an Indian airline company is subject to IGST under forward charge at the rate of 5% on lease rental payments</li> </ul>
Stamp duty	<ul style="list-style-type: none"> <li>Exemption on all activities related to setting up of units in the IFSC and acquisition of any movable property (including aircraft) or immovable property for a period of 10 years commencing from 4 August 2020, may not be available for sale of an aircraft</li> </ul>

---

# Finance Company in GIFT-IFSC

# Finance Company in IFSC

## Form of Set-up



### Performing core and specialised activities

- Form of set up - subsidiary, joint venture, company, branch or any other form specified by IFSCA



### Performing non-core activities

- Form of set up - subsidiary, joint venture, company, branch or any other form specified by IFSCA
- LLP or Trust form also permitted if only non-core activity is performed

## Registration Requirements

- Obtain a certificate of registration from IFSCA
- Finance Company (FC) / Finance Unit (FU) cannot accept deposits and not registered with the IFSCA as a Banking Unit
- Applicant entity and/or its promoters shall be from a FATF compliant jurisdiction
- If an investing entity in a FC/ FU is carrying out a regulated financial activity in its home jurisdiction, it shall obtain a no-objection certificate from its home country regulator for setting-up a FC/ FU in the IFSC
- FC/ Parent of FU to maintain a minimum owned fund depending on proposed activity to be undertaken or any higher amount as may be specified by IFSCA
- Parent of FU shall provide the capital on an unimpaired basis at all times.

## Permissible activities



### Permitted core activities

- Lend in the form of loans, commitments and guarantees, securitisation, and sale and purchase of portfolios
- Undertake investments activities as principal
- Equipment leasing
- Financial lease transactions for aircraft lease and ship lease
- Buy or Sell derivatives;
- Global/Regional Corporate Treasury Centres
- any other core activity as may be permitted by IFSCA



### Specialised activities

- Credit enhancement;
- Factoring and forfaiting of receivables
- any other specialised activity as specified by IFSCA



### Permitted non-core activities\*

- Merchant Banking
- Authorised person
- Registrar and Share Transfer Agent
- Trusteeship services
- Investment Advisory services
- Portfolio Management services
- Distribution of mutual fund units
- Distribution of insurance products
- Trading, clearing or professional clearing member of IFSC exchanges and clearing corporations
- Transactions permitted under the framework for aircraft and ship operating lease
- Asset Management support services
- any other non-core activity, with prior approval of IFSCA

\*after seeking a specific registration with IFSCA, wherever applicable

# Finance Company in IFSC

## Prudential Regulatory requirements



➔ **General Prudential requirements** —● As may be specified by the authority

➔ **Capital Ratio**

- Minimum 8% of regulatory capital to risk-weighted assets or at such percentage as may be specified by the IFSCA

➔ **Liquidity Coverage Ratio (LCR)**

- To be maintained on stand alone basis at all times, as may be determined by IFSCA
- Parent of FU may be allowed to maintain on behalf of FU on specific approval

➔ **Exposure Ceiling (EC)**

- The sum of all the exposures of a FC/ FU to a single counterparty or group of connected counterparties shall not exceed 25% of its available eligible capital base without the approval of the IFSCA

## Operating guidelines for Finance Company in IFSC

### Source of Funds

- Source of funds shall be raised from both non-residents as well as residents \*

### Derivative and Speculative transactions

- For Core activities – allowed to Buy and Sell derivatives
- For non-core activities - Allowed to participate in derivative transactions only for the purpose of hedging their underlying exposures.
- Core and Non-core activities - Not permitted to undertake or fund any speculative transaction

### Non-core activities

- A FC/ FU intending to undertake either a single or a combination of non-core activities, shall fulfil the following conditions:
  - it shall carry out each such activity through separately identifiable department;
  - It shall ensure a fire wall between various non-core activities so that no conflict-of-interest situation arises;
  - It shall formulate Board approved grievance redressal and customer compensation policy to deal with such complaints.

The FC/ FU may undertake transactions in financial products and financial services as part of permissible activities as specified with both residents\* and non-residents.

**\*Any dealings with residents shall be subject to the provisions of FEMA**

# Global/Regional Corporate Treasury Centre

Global/ Regional Treasury services is one of the permitted core activities by Finance Companies/Finance Units in IFSC

## Eligibility

- Carry out Treasury Activities and Treasury Services for the Group Entities – acting as in-house centre
- Form of set up - subsidiary, joint venture, company, branch or any other form specified by IFSCA
- Parent of Finance Unit to provide the capital on an unimpaired basis at all times

## Registration and NOC

- To be registered under Finance Company regulations
- If an investing entity is a FC and carrying out a regulated financial activity in its home jurisdiction, it shall obtain a NOC from its home country regulator
- Minimum capital requirement of USD 3 Mn

## Eligible service recipients

- Group Entities registered under any law for the time being in force with any competent or statutory body in its home jurisdiction; and
- To be domiciled in a jurisdiction not identified in the public statement of FATF as 'High-Risk Jurisdictions subject to a Call for Action', unless they are domiciled in any country specified by the GOI by an order or by way of an agreement or treaty.

## Currency of Operations

- Freely foreign exchange currency only
- A transaction can be undertaken in non-freely convertible currency if the underlying trade flows of its Group entities are denominated in non-freely convertible currency
- Treasury Centre may transact in rupee derivatives only where the foreign currency leg is in a freely convertible currency

## Opportunities

### Cash Management

- Cash Pooling
- Cash Forecasting
- Central Processing of Payments
- Managing relationships with financial institutions
- Investment of funds of Group entities
- Engaging as an in-house centre providing virtual accounts to Group entities to undertake settlements without physical remittance of funds

### Corporate finance advisory/transaction services

- Intra-group financing
- Raising of funds, by way of debt or equity by the Group Entities
- Capital budgeting
- Provisioning of guarantees, performance bonds, standby letters of credit or other credit risk instruments in respect of the borrowing of money by the Group Entities
- Remittances to or on behalf of the Group entities

### Corporate treasury management services

- Treasury management system
- Business planning and co-ordination including economic or investment research and analysis
- Acting as a re-invoicing centre
- Management of interest rate risk, foreign exchange risk, liquidity risk, credit risk, commodity risk or and any other financial risk of the Group entities

### Compliance services for Group entities

- Advising or providing services in relation to the Group entities' compliance on any or all of the following:
  - Accounting standards;
  - Internal treasury policies;
  - Regulatory requirements in relation to treasury management.

# Global/Regional Corporate Treasury Centre

## Activities

### Investing in any of the following financial instruments

- Deposits
- Bank deposits and deposits with recognized financial institutions
- Inter-company deposits
- Certificates of deposits
- Bonds and Debentures including listed in recognized stock exchanges in IFSC
- Notes
- Virtual accounts
- Money-market funds
- Repo and Securities lending

### Transaction in respect of any of the following contracts

- Foreign exchange contracts including hedging for commodities
- Commodity derivatives
- Forward or futures contracts including
- Purchase of credit enhancements or derivatives with the intent of reducing credit risk
- Swap Contracts
- Options Contracts
- Commodities contracts.

### Working Capital management

- Factoring and forfaiting activities for its Group entities
- Borrowing by collateralizing inventory held by its Group entities
- Advances and structured credit facilities against future sales/ exports by its Group entities

### Other Treasury Activities

- Structured finance transactions
- Foreign exchange transactions
- Transacting or investing in stocks and shares of any entity listed on recognized stock exchanges
- Extending credit facilities to any or all Group entities by raising short-term or long-term debt
- Raising of equity and any other form of capital

---

# Other Developments in the GIFT-IFSC

# Ancillary Service Providers in IFSC

- The IFSC Authority notified a framework for enabling ancillary services at IFSC
- The framework shall be applicable to all ancillary service providers engaged in one or more permissible ancillary services within the IFSC.

## Permissible Ancillary Services



## Salient Features



### Eligibility

- The entity set up in the IFSC in the form of a company or a limited liability partnership or a registered partnership firm, their branch thereof may act as an ancillary service provider in IFSC.

### Service Recipients

- Entity(ies) set up in the IFSC;
- Entities from foreign jurisdictions for various permissible ancillary services in the IFSCs in India or overseas;
- Indian entities who propose to open, set up or carry out operations in IFSCs or foreign jurisdiction, provided consideration is received in freely convertible foreign currency.

### Currency

- Ancillary service provider to transact in freely convertible foreign currency only. However, it may defray its administrative expenses in INR by maintaining an INR account

### Fees

- Application Fee : USD 1,000
- Authorisation Fees per activity : USD 2,000 (for 5 years)

## Ancillary Service Provider in IFSC shall be entitled to all concessions applicable to IFSC Units

100% Income tax exemption for 10 consecutive years out of 15 years	MAT / AMT @ 9% of book profits applies to unit in IFSC. MAT not applicable to companies in IFSC opting for new Tax regime	NIL GST on services received by unit in IFSC, or Services provided to IFSC/ SEZ units or Offshore clients	GST applicable on services provided to DTA. State subsidies applicable to IFSC units.
--	--	---	--

# How to set up office in IFSC at GIFT City?



# Companies operating in GIFT City

## Notable companies in the GIFT SEZ- IFSC

1. BANKING	2. INSURERS AND INTERMEDIARIES	3. CAPITAL MARKETS
<ul style="list-style-type: none"> <li>State Bank of India</li> <li>Yes Bank</li> <li>IDBI Bank</li> <li>Bank of Baroda</li> <li>Indian Bank</li> <li>Axis Bank</li> <li>HDFC Bank</li> <li>Kotak Bank</li> <li>ICICI Bank</li> <li>IndusInd Bank</li> <li>RBL Bank</li> <li>Federal Bank</li> <li>Standard Chartered Bank</li> <li>HSBC Bank</li> <li>Citi Bank</li> <li>Barclays</li> <li>Deutsche Bank</li> <li>Bank of America (Non-IFSC)</li> </ul>	<p><b>Insurers</b></p> <ul style="list-style-type: none"> <li>GIC Re</li> <li>ECGC</li> <li>The New India Assurance company</li> <li>ICICI Lombard</li> </ul> <p><b>Intermediaries</b></p> <ul style="list-style-type: none"> <li>J B Boda and Co Pvt Ltd</li> <li>Unison Insurance Brokers</li> <li>Xperitus Insurance Brokers</li> <li>Pioneer Investcorp Ltd</li> <li>Trinity Group</li> <li>Marsh Insurance Brokers</li> <li>Allied Insurance Brokers</li> <li>Bharat Re Insurance Brokers</li> </ul>	<p><b>Exchanges</b></p> <ul style="list-style-type: none"> <li>NSE IFSC LTD.</li> <li>INDIA INX LTD.</li> </ul> <p><b>Trading members</b></p> <ul style="list-style-type: none"> <li>Edelweiss IFSC Ltd</li> <li>IIFL IFSC Ltd</li> <li>Phillip Capital IFSC Ltd</li> <li>Stockholding Sec. IFSC Ltd</li> <li>Motilal Oswal Finsec IFSC Ltd</li> <li>50+ SEBI registered entities</li> </ul> <p><b>Clearing Corporation</b></p> <ul style="list-style-type: none"> <li>NSE IFSC Clearing Corporation</li> <li>India Int. Clearing Corporation</li> </ul> <p><b>Others</b></p> <ul style="list-style-type: none"> <li>Depository</li> <li>Clearing Banks</li> <li>SEBI registered Custodians</li> <li>Fund Administrator</li> <li>Trustee company</li> </ul>

## Notable companies in the Domestic Tariff Zone (DTA)

Financial Services	IT & ITeS	Others
<ul style="list-style-type: none"> <li>SIDBI</li> <li>Bank of India</li> <li>IDBI Bank</li> <li>Bank of Baroda</li> <li>HDFC Bank</li> <li>Andhra Bank</li> <li>Canara Bank</li> <li>Syndicate Bank</li> <li>GSC Bank</li> <li>MCX</li> </ul>	<ul style="list-style-type: none"> <li>Oracle</li> <li>Tata Consultancy Ltd (TCS)</li> <li>InfiBeam</li> <li>BeFree</li> <li>Maxim Integrated</li> <li>N-Code solutions</li> <li>Software Technology Parks of India (STPI)</li> </ul>	<ul style="list-style-type: none"> <li>GERC</li> <li>GNFC</li> <li>Kennis</li> <li>TATA Chemicals Ltd</li> </ul>

# Emerging Business Opportunities in IFSC

## Capital Markets

- Global access to capital market intermediaries
- Availability of foreign products on IFSC exchanges
- NSE IFSC-SGX Stock Connect

## International Bullion Exchange

To create a comprehensive ecosystem for bullion exchange and its players

## Aircraft leasing and financing

- Analyze ancillary products and infrastructure in a phased manner such as fuel hedging, leasing of ground support / ramp handling equipment and permitting MRO service providers to set up shop in IFSC for the benefit of IFSC lessors
- Demarcate special geographical areas within the Indian sub-continent for parking and servicing of aircrafts leased from IFSCs to support the sector
- With the revised Framework in place for aircraft operating and finance leases, stage is now set for development of full-fledged Aircraft leasing ecosystem in India

## Ship Acquisition, Financing and Leasing

- Expert committee was constituted to examine global practices on Ship Financing and Leasing and identify and recommend opportunities for IFSC
- The committee submitted its Report SAFAL (Ship Acquisition, Financing and Leasing) to IFSC Authority providing measures extending to SAFAL products and services, including ancillaries.
- It has proposed notifying vessel leasing or operating lease of any equipment as a 'financial product' to enable ship leasing entities to set up a unit in IFSC.
- It has also proposed the introduction of a new category of 'Indian IFSC-controlled tonnage' with global benchmarking of regulation, tonnage tax and other tax and seafarer regimes, besides overcoming pricing and other limitations of the existing ROFR regime for import of bulk cargoes.
- Direct and indirect tax changes have been proposed based on the competitive gaps identified through the financial models developed for India-IFSC.
- The Central Government has recently notified operating lease of any equipment as a financial product under the International Financial Services Centers (IFSC) Authority Act, 2019. With this, the IFSCA is now empowered to develop and regulate leasing of all equipment which shall include aircrafts, ships etc.

## Fintech

Key Fintech driven businesses sectors and businesses that can thrive in GIFT IFSC under the newly introduced Fintech / Sandbox Framework:

- Longevity Finance
- Neo Banks for NRIs
- Sustainability finance
- Digital Asset Exchange for alternative investments
- Trade Finance optimization
- Insurance solutions
- Digital lending
- Quantum computing, web 3.0 and other emerging technologies

## Fund Management

- Best in class regulatory regime for different categories of Funds like Environmental Social and Governance, Special Situation Funds, Family Office Funds, etc.
- Framework for pooling of global funds in India now possible with ease of regulations
- Competitive tax framework for attracting foreign funds
- Green channeling for accredited investors for select schemes
- Once the Fund Management entity is regulated, schemes therein is not sought to be regulated. This is in lines with the global best practices

# Emerging Business Opportunities in IFSC

## Other Developments

- GIFT IFSC notified zone for Global In-house Centers and High-end processing
- Expert committee constituted to recommend setting up of Longevity Finance Hub in GIFT IFSC
- Expert Committee constituted for creating a framework for transfer of stressed loans from domestic lenders to financial institutions in IFSC

## CONTACT US:

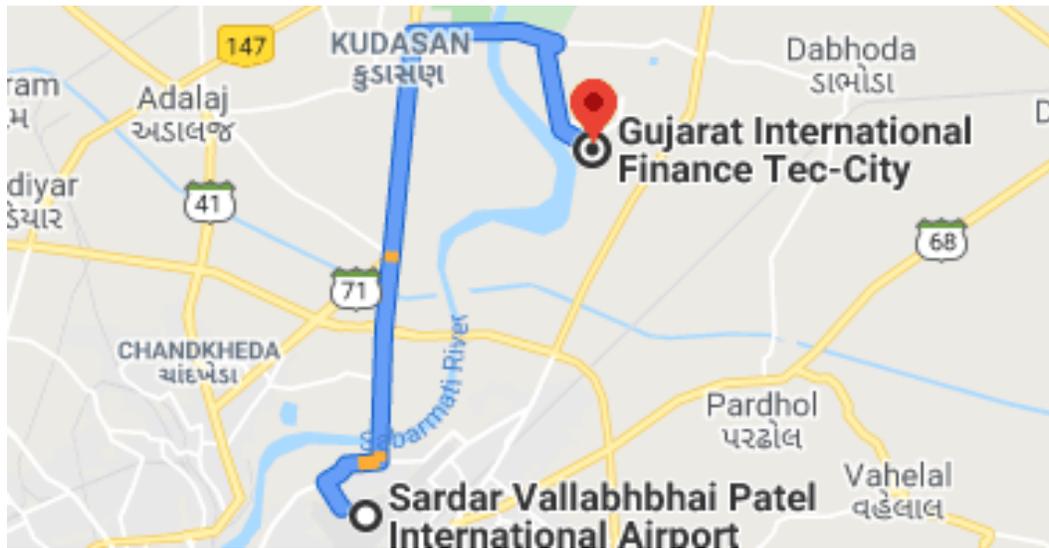
### Gujarat International Finance Tec-City Company Ltd.

**Reg. Office:** EPS - Building no. 49A, Block 49, Zone 04, Gyan Marg, GIFT City, Gandhinagar – 382355.

Tel. No. : +91 79 61708300

Visit us on: [www.giftgujarat.in](http://www.giftgujarat.in)

For any queries, Email : [query@giftgujarat.in](mailto:query@giftgujarat.in)



## GIFT SEZ LTD.

### IFSC Department

GIFT HOUSE, BLOCK -12, ROAD 1-D, ZONE - I, GIFT SEZ, GIFT CITY,  
GANDHINAGAR - 382355

Gujarat

Phone: +91 079-61708300

#### **Acknowledgement:**

*IFSC is playing a critical role in onshoring the financial service transactions that were carried on offshore. The success of the IFSC is embedded in the development of a strong banking network, insurance and capital market regime at par with any offshore centre as on date. The growth of IFSC will have a significant impact on the inclusive development of the economy, capital formation, financial resource mobilization, job creation and skill development and eventually the growth in GDP of the country.*

*As always, the law on IFSC is an evolving subject and is therefore subject to changes. Hence, we will be updating this booklet in periodic intervals. User discretion advised.*

# Important Links

## GIFT

<b>GIFT City</b>	<a href="http://www.giftgujarat.in/">http://www.giftgujarat.in/</a>
<b>GIFT FAQ</b>	<a href="http://www.giftgujarat.in/faq.aspx">http://www.giftgujarat.in/faq.aspx</a>
<b>GIFT RBI FAQ</b>	<a href="http://www.giftgujarat.in/documents/RBI-FAQs-for-IFSC-March-01-2019.pdf">http://www.giftgujarat.in/documents/RBI-FAQs-for-IFSC-March-01-2019.pdf</a>
<b>AIFs in GIFT IFSC - Booklet</b>	<a href="http://www.giftgujarat.in/documents/AIFs-in-GIFT-IFSC-Booklet.pdf">http://www.giftgujarat.in/documents/AIFs-in-GIFT-IFSC-Booklet.pdf</a>

## Regulatory Authority

<b>The IFSC Authority</b>	<a href="https://ifsc.gov.in/">https://ifsc.gov.in/</a>
---------------------------	---

## SEZ

<b>SEZ Online</b>	<a href="https://sezonline-ndml.co.in/">https://sezonline-ndml.co.in/</a>
<b>SEZ MoCI GOI</b>	<a href="http://sezindia.nic.in/">http://sezindia.nic.in/</a>

## Others

<b>India INX</b>	<a href="http://www.indiainx.com/">http://www.indiainx.com/</a>
<b>NSE IFSC</b>	<a href="https://www.nseifsc.com/">https://www.nseifsc.com/</a>
<b>RoC</b>	<a href="http://www.mca.gov.in/MinistryV2/registrarofcompanies.html">http://www.mca.gov.in/MinistryV2/registrarofcompanies.html</a>

For any queries, Email : [query@giftgujarat.in](mailto:query@giftgujarat.in)

# Glossary

Abbreviation	Full form
AIFs	Alternate Investment Funds
AMT	Alternate Minimum Tax
AUM	Assets Under Management
CRR	Cash Reserve Ratio
DTA	Domestic Tariff Area
DPIIT	Department of Industrial Policy and Promotion
ECB	External Commercial Borrowing
FATF	Financial Action Task Force
FoF	Fund of Funds
FME	Fund Management Entity
FTWZ	Free Trade and Warehousing Zone
GDR	Global Depository Receipts
GIC	Global In-house Center
GST	Goods and Services Tax
IBU	IFSC Banking Unit
IFSC	International Financial Services Centres
IFSCA	International Financial Services Centres Authority
IIO	IFSC Insurance Office
IoRS	Inter-operable Regulatory Sandbox
IRDAI	Insurance Regulatory and Development Authority of India
IRF	Interest Rate Futures
KASEZ	Kandla Special Economic Zone
LCR	Liquidity Coverage Ratio
LOA	Letter of Approval issued by SEZ DC
LRS	Liberalised Remittance Scheme
MAT	Minimum Alternate Tax
NISM	National Institute of Securities Markets

Abbreviation	Full form
NSFR	Net Stable Funding Ratio
NOC	No Objection Certificate
ODI	Overseas Direct Investment
PFRDA	Pension Fund Regulatory and Development Authority
RBI	Reserve Bank of India
SEBI	Securities and Exchange Board of India
SEZ	Special Economic Zone
SEZ DC	SEZ Development commissioner
SGX	Singapore Exchange
SLR	Statutory Liquidity Ratio
SNAS	Segregated Nominee Account Structure
TC	Total Contribution
VC/U	Venture Capital/ Undertaking