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Gujarat International Finance Tec-City (GIFT CITY) – Demystifying Tax and Regulatory Insights (Virtual Mode)

Regulatory Framework for Diverse entities in GIFT City: An in-depth Overview

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Glossary

Abbreviation	Full Form
AIFs	Alternative Investment Funds
AMT	Alternate Minimum Tax
AUM	Assets Under Management
CRR	Cash Reserve Ratio
DTA	Domestic Tariff Area
DIPP	Department of Industrial Policy and Promotion
ECB	External Commercial Borrowings
FATF	Financial Action Task Force
FoF	Fund of Funds
FME	Fund Management Entity
FTWZ	Free Trade Warehousing Zone
GDR	Global Depository Receipts
GIC	Global In-house Centre
GST	Goods and Services Tax
IBU	IFSC Banking Unit
IFSC	International Financial Services Centre
IFSCA	International Financial Services Centre Authority
IIO	IFSC Insurance Office
IoRS	Inter-operable Regulatory Sandbox

Glossary

Abbreviation	Full Form
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 the SEZ Development Commissioner
LRS	Liberalised Remittance Scheme
MAT	Minimum Alternate Tax
NISM	National Institute of Securities Markets
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
SLR	Statutory Liquidity Ratio
SNAS	Segregated Nominee Account Structure
TC	Total Contribution
VC / U	Venture Capital / Undertaking

GIFT City - Overview

- In April 2015 the Government of India announced the development of an IFSC at Gujarat International Finance Tec-City (GIFT City) a Special Economic Zone (SEZ)
- The Government of Gujarat, through its undertaking, Gujarat Urban Development Company Limited (GUDCL), established the Gujarat International Finance Tec-City Company Limited (GIFTCL) to develop and implement GIFT City
- GIFT City consists of a Multi-Service SEZ and an exclusive Domestic Tariff Area (DTA)
- Total area of 261 acres demarcated as SEZ and additional 625 acres marked as DTA. Recently, the city expanded its boundaries, encompassing additional land parcels sprawling 3,300 acres
- GIFT City is 15 minutes away from the bullet train terminus and 20 minutes away from Ahmedabad's international airport. Metro connectivity between Ahmedabad, GIFT City and Gandhinagar

GIFT City – Infrastructure

- Unique infrastructure and amenities:

- Automated Waste Collection and Segregation Plant - Each building is equipped with automated waste collection and transportation system for efficient waste disposal, thereby minimising human intervention
- District Cooling Plant - The District Cooling System is an energy efficient and sustainable air conditioning system, conserving up to 30% energy in comparison to traditional air conditioning systems
- Underground Utility Tunnel - Dig-Free City by placing all utilities in a tunnel network across the city, so that there is no need for future road excavations for utility repairs, maintenance, or renovation of any utility
- Water Treatment Plant - 24x7 potable water from any tap is available throughout the city. GIFT City adopts the concept of zero discharge, with recycling and reuse of wastewater through water treatment plants

- Social infrastructure which includes

- an International school, Medical facilities, GIFT City Business club, Indoor and Outdoor sports facilities, Leisure zones, Multi cuisine restaurants and a 5-Star hotel
- In addition to this an integrated well-planned residential housing projects enabling walk to work culture

Overview of GIFT City regulatory landscape

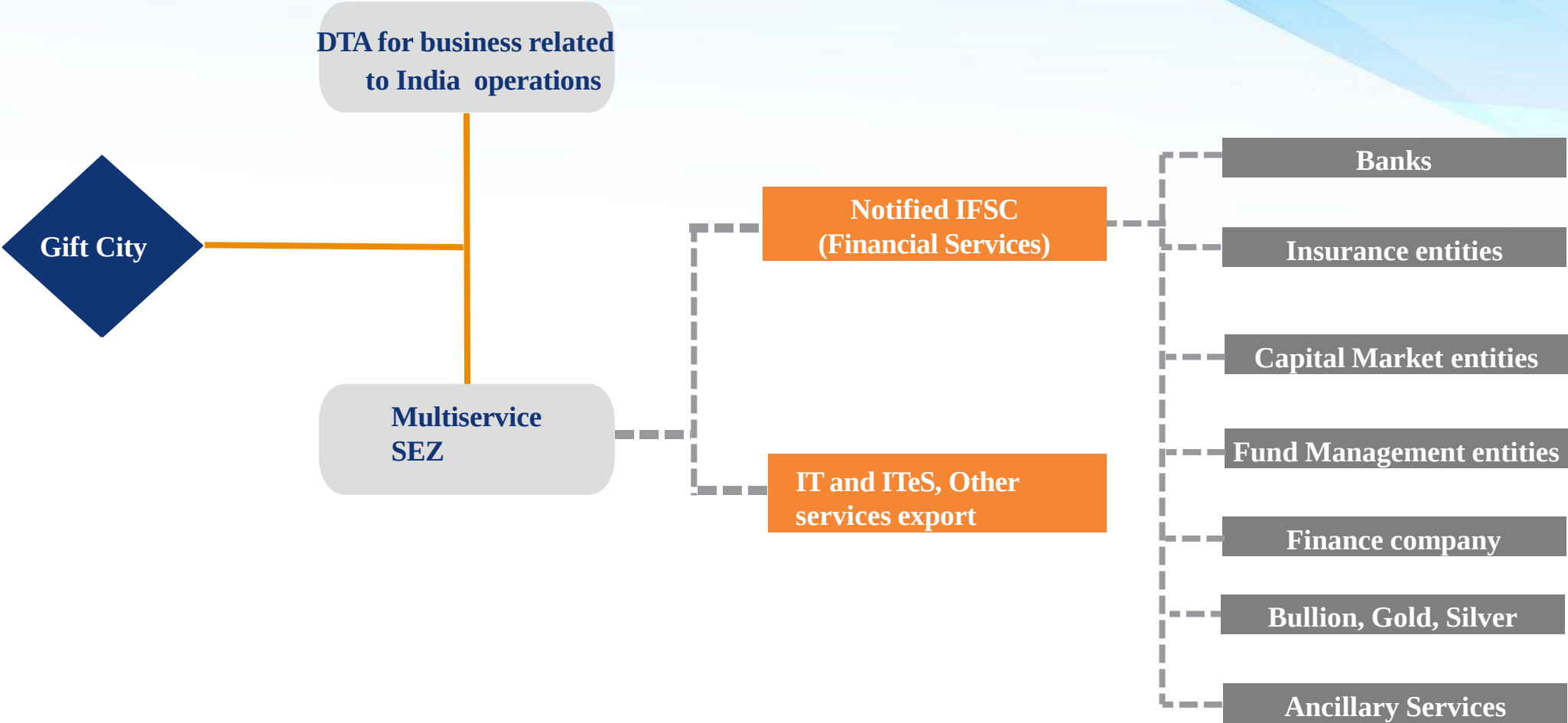
- Unique regulatory framework designed to foster innovation and growth
 - The Government of India established International Financial Services Centres Authority in April 2020 under the International Financial Services Centres Authority Act passed by the Indian Parliament.
 - Key regulatory authorities that govern various aspects of financial activities in Gift City and their roles:
 - **Gujarat International Finance Tec-City Authority:**
GIFT Authority serves as the governing body for Gift City, overseeing its overall functioning and development.
 - **International Financial Services Centre Authority (IFSCA):**
Established specifically for Gift City, IFSCA is the primary regulator for financial institutions, financial products, and financial services. Its focus areas include banking, capital markets, insurance, and allied activities.
- For the first time, the regulatory powers of four financial services regulators in India, namely, Reserve Bank of India (RBI), Securities & Exchange Board of India (SEBI), Insurance Regulatory Development Authority of India (IRDAI), Pension Fund Regulatory Development Authority of India (PFRDAI), have been 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 exercisable by IFSCA from 1st October 2020.

GIFT City regulatory landscape - Evolution

- IFSC Regulations announced in April 2015
- Exchange control regulations notified by RBI in 2015
- Capital markets regulations notified by SEBI in 2015
- Tax Reforms announced in Budget in 2016
- International Exchanges established in IFSC in 2016
- Company Law exemptions provided in January 2017
- International Dispute Resolution Mechanism through Singapore International Arbitration Centre office at GIFT in August 2017
- IRDAI issued IFSC operating guidelines for Indian, Foreign Insurers & Reinsurers in 2017
- Operating Guidelines for AIFs in IFSC issued by SEBI in 2018
- **Establishment of Unified regulator in IFSC thru IFSC Authority Act 2019**
- IFSCA issues various Regulations from 2020 onwards covering Banking, Insurance, Stock Exchanges, Capital market intermediaries, Funds Management, Finance company, Global In-house Centers, Bullion Exchange, Aircraft & Shipping financing / leasing, Ancillary services

GIFT City current regulatory landscape

Business hub for international and domestic operations



Overview of Regulations or Framework under IFSCA

- International Banking Unit (IBU): IFSCA regulates the establishment and operations of International Banking Units within GIFT City. The framework covers licensing requirements, capital adequacy norms, prudential regulations, and operational guidelines for IBUs, ensuring adherence to international best practices and standards.
- Insurance and Reinsurance: IFSCA regulates the insurance and reinsurance sector within GIFT City, including the establishment and operations of insurance companies, reinsurers, and intermediaries. The regulatory framework covers licensing requirements, solvency norms, product approval processes, and consumer protection measures.
- Capital Market Infrastructure Institutions: Market Infrastructure Institutions operating within GIFT City, such as stock exchanges, clearing corporations, and depositories, are regulated by IFSCA. The regulatory framework encompasses operational guidelines, risk management norms, and compliance requirements to ensure the integrity and efficiency of market infrastructure.
- Fund Management Entities: IFSCA issues regulations governing the establishment and operation of Fund Management Entities within GIFT City. These regulations cover licensing requirements, investment norms, risk management guidelines, and compliance standards to promote the growth and development of the fund management industry.

Overview of Regulations or Framework under IFSCA

- Capital Market Intermediaries: Capital market intermediaries, including brokers, investment advisors, and asset managers, are regulated by IFSCA. The regulatory framework encompasses licensing requirements, conduct of business rules, investor protection measures, and market integrity norms.
- Finance Companies: Finance companies operating within GIFT City are subject to IFSCA regulations pertaining to licensing, capital adequacy, lending norms, and risk management. These regulations aim to promote responsible lending practices and financial stability within the jurisdiction.
- Aircraft Leasing and Ship Leasing: IFSCA issues regulations governing aircraft leasing and ship leasing activities within GIFT City. The regulatory framework covers leasing arrangements, registration requirements, taxation, and compliance standards for lessors and lessees operating in the aviation and maritime sectors.
- Bullion GOLD & Silver Delivery & Derivatives Framework: IFSCA regulates bullion delivery and derivatives trading activities within GIFT City. The regulatory framework covers trading platforms, clearing and settlement mechanisms, risk management norms, and compliance standards for market participants.

Overview of Regulations or Framework under IFSCA

- Global In-House Centers (GICs): Businesses setting up Global In-House Centers in GIFT City are subject to IFSCA regulations pertaining to corporate governance, operational guidelines, taxation, and transfer pricing. These regulations aim to facilitate the establishment of GICs while ensuring compliance with regulatory requirements.
- Fintech and Fintech Incentive Scheme: IFSCA promotes fintech innovation within GIFT City through regulatory sandboxes, incubation programs, and fintech incentive schemes. The regulatory framework provides guidelines for fintech startups, regulatory sandboxes, and innovation labs, fostering collaboration between fintech firms and traditional financial institutions.
- International Branch Campus or Offshore Education Centre: Educational institutions establishing international branch campuses or offshore education centers in GIFT City are regulated by IFSCA. The regulatory framework covers licensing requirements, academic standards, student welfare measures, and compliance guidelines.
- Payment Service Providers (PSPs): Payment service providers offering electronic payment services within GIFT City are regulated by IFSCA. The regulatory framework encompasses licensing requirements, operational guidelines, risk management norms, and consumer protection measures for PSPs.

Overview of Regulations or Framework under IFSCA

- Ancillary Services: Businesses offering ancillary services such as Trusteeship services, legal services, accounting services, and consultancy services within GIFT City are subject to IFSCA regulations. The regulatory framework encompasses licensing requirements, operational guidelines, and compliance standards for ancillary service providers.
- KYC, CFT, AML Regulations: IFSCA imposes Know Your Customer (KYC), Countering the Financing of Terrorism (CFT), and Anti-Money Laundering (AML) regulations to prevent money laundering, terrorist financing, and financial crimes within GIFT City. The regulatory framework encompasses customer due diligence requirements, transaction monitoring mechanisms, and reporting obligations for financial institutions and intermediaries.

Steps To Set Up In GIFT City



Major Compliances for SEZ Units

- Before starting operations:
 - Acceptance of Letter of Approval
 - Bond cum Legal undertaking
 - Certificate for Fiscal benefits (Eligibility Certificate)
 - GST Registration
 - Import Export Certificate (IEC)
 - Registration cum Membership Certificate – Export Promotion Council
 - Registration in SEZ web portal
 - LUT (Form GST RFD 11)
 - Intimation of approval received from IFSCA to DC
 - Lease Deed to be submitted to DC
 - Commencement of Operations
- After starting operations:
 - Service Export Reporting Form (SERF)
 - Monthly Report of Investment & Employment
 - Softex
 - Annual Performance Report in Form I to DC

GIFT City: Exemptions under the Companies Act, 2013

Governance & Compliance Relaxations

1. **Internal Audit** – Applicable only if explicitly mentioned in the Articles of Association (AOA).
2. **Audit & Committees** – No requirement to set up an **Audit Committee, Nominations, or Remuneration Committee**.
3. **Board & General Meetings** –
 - a. EGMs can be held anywhere (inside or outside India) with shareholder approval.
 - b. **Board Meetings** – Rules are relaxed, and certain resolutions can be passed via circular resolution without physical presence.

Financial & Operational Flexibilities

1. **Managerial Remuneration** – No limits on managerial remuneration.
2. **Financial Year Alignment** – GIFT IFSC companies can align their financial year with their holding company without requiring prior approval.
3. **Foreign Companies** –
 - a. Exempt from offering securities for subscription.
 - b. No requirement to issue a prospectus.

Corporate Social Responsibility (CSR)

CSR Provisions – Not applicable for **5 years** from the commencement of business.

Board Composition & Meetings

Board Appointments – Relaxations in composition and appointment rules; Board is only required to meet **once in each half of a calendar year**.

GIFT City: Indirect Tax Incentives

No.		Benefits & Incentives
1.	Customs Duty	Exemption for all goods imported in the SEZ for authorized operations
2.	Central Excise Duty	Exemption on domestic procurement to carry out authorized operations
3.	Duty Drawback	Available on goods brought into the SEZ
4.	GST	No GST on – • Services received by unit in SEZ / IFSC • Services provided to SEZ / IFSC or offshore clients • Transactions in IFSC exchanges Supply of goods or services from DTA to SEZ unit is regarded as zero-rated supply Supply of goods by SEZ to DTA are treated as imports GST applicable on services provided by SEZ units to DTA
5.	Central Sales Tax (CST)	Exemption on inter-state procurement of goods for authorized operations

GIFT City: Exemptions and Subsidies

State subsidies - Incentives available under IT / ITeS policy of the Government of Gujarat

A. Special Incentives for IT City, Cloud Ecosystem, Data Centres and R&D Institutes

Category	Incentive Details
IT City / Townships	Capex: One-time support of 25% of capex subject to a maximum of ₹ 500 Mn.
Facilitating Infrastructure	Opex (Rentals): First two years, 50% of monthly rentals subject to a maximum of ₹ 10,000 for the first three years.
	For the next three years subsequently: 25% of monthly rentals subject to a maximum of ₹ 5,000.
Cloud System for CLS	Capex: One-time support of 25% of eligible capex subject to a maximum of ₹ 200 Mn.
Data centre projects	Capex: One-time support of 25% of eligible capex subject to a maximum of ₹ 1.5 Bn.
	Opex: Power tariff subsidy of ₹ 1/- per unit (5 years).
Establishing R&D institutes	One-time support of 60% of machinery cost subject to a maximum of ₹ 50 Mn.

GIFT City: Exemptions and Subsidies

State subsidies - Incentives available under IT / ITeS policy of the Government of Gujarat

B. Other Capex and Opex-related Subsidies

Category	Incentive Details
Capital Subsidy	A one-time subsidy of 25% of capital expenditure, subject to a maximum of ₹ 2,000 Mn. for entities with gross fixed capital investment exceeding ₹ 2,500 Mn. For entities with capital investment less than ₹ 2,500 Mn., the subsidy is capped at ₹ 500 Mn.
Subsidy for Operating Expense	A 15% subsidy on operational expenditure for five years, subject to a maximum of ₹ 400 Mn. for entities with gross fixed capital investment exceeding ₹ 2,500 Mn. For entities with gross fixed capital investment less than ₹ 2,500 Mn., the subsidy is capped at ₹ 200 Mn.
Electricity Duty Reimbursement	100% reimbursement of electricity duty for 5 years.
Reimbursement of Provident Fund Contribution by the Employer	Reimbursement of the Employer Provident Fund (EPF) contribution, up to 12% of the employee's salary. For female employees, it is 100% and for male employees, it is 75%.
Interest Subsidy	Interest subsidy of up to 7% on term loans or the actual interest paid, whichever is lower, for five years, with a maximum subsidy of ₹ 10 Mn. per annum.
Employment Generation Incentive	Reimbursement of 50% of one month employment cost to company (one-time), up to a maximum of ₹ 50,000 for male employees and ₹ 60,000 for female employees.

GIFT City – FEMA implications

- Since IFSC is a part of SEZ, it is regulated by the provisions of the SEZ Act and rules made thereunder. SEZs are not considered as a part of India as per section 2(i) of the SEZ Act, which states: *2(i). "Domestic Tariff Area" means the whole of India (including the territorial waters and continental shelf) but does not include the areas of the Special Economic Zones.*
- Hence, any entity / unit set-up in IFSC is treated as a non-resident or Person resident outside India under the Foreign Exchange Management Act, 1999 ('FEMA') read with Rules / Regulations issued thereunder
- Accordingly, all investments in IFSC made by Persons resident in India are subject to the Overseas Investment ('OI') Regulations & Rules under FEMA
- Similarly, all investments in to India from IFSC being Persons resident outside India are subject to the Non-Debt Instruments Rules and Debt Instruments Regulations under FEMA

GIFT City – FEMA implications

- Special provisions for OI in IFSC [Schedule V of the OI Rules]:
 - A person resident in India may make Overseas Investment in an IFSC in the manner as laid down in Schedule I or Schedule II or Schedule III or Schedule IV of the OI Rules subject to conditions specified thereunder.
 - Under Schedule V, certain specified conditions for OI by a PRII in an IFSC is subject to stipulated conditions and special provisions as detailed below:
 - For ODI by an Indian entity in an IFSC, the time period available to financial service regulator concerned to grant approval stands reduced to forty-five days from the date of complete application being made in all aspects. The application shall be deemed approval for IFSC investment post expiry of this period.
 - The three years net profits criteria is not applicable for ODI by an Indian entity not engaged in financial services activity in India, in an IFSC which is directly or indirectly engaged in financial services activity, except banking or insurance.
 - A PRII, being an Indian entity or a resident individual may make investment (including sponsor contribution) in the units of an investment fund or a vehicle set up in an IFSC as OPI. Accordingly, in addition to listed Indian companies and resident individuals, unlisted Indian entities may also make such investment in IFSC.
 - Resident individuals can make ODI in a foreign entity in IFSC including an entity engaged in financial services (except banking or insurance). This is subject to such IFSC entity not having any subsidiary / SDS outside IFSC where the resident individual has control in the IFSC entity. The foreign entity in IFSC may have subsidiary / SDS in IFSC.

GIFT City – FEMA implications

- Special provisions for Remittances to IFSC under LRS Scheme by Resident Individuals:
 - Resident individuals are permitted to make remittance to IFSCs under LRS subject to following conditions:
 - The remittances should only be made to invest in IFSC securities as stipulated.
 - Resident Individuals are permitted to open a noninterest bearing Foreign Currency Account ('FCA') in IFSCs, for making the above permissible investments under LRS subject to conditions stipulated therein including the 180 days criteria for utilization of such funds.
 - The RBI vide AP (Dir Series) Circular No 6 dated 22 June 2023 read with notification no SO 2374(E) dated 23 May 2022, permitted remittances by resident individuals under purpose 'studies abroad' as mentioned in Schedule III of Foreign Exchange Management (Current Account Transactions) Rules, 2000 for payment of fees to foreign universities or foreign institutions in IFSCs for pursuing courses offered in Financial Management, FinTech, Science, Technology, Engineering and Mathematics by foreign universities or foreign institutions in the International Financial Services Centre.

GIFT City – FEMA implications

- Comparison of ODI route and the OPI route in the context of investment through GIFT City:

ODI Route	Gift City Route		
	Investment for setting up Fund Management Entity (in nature of ODI)	Investment in Fund set up by Fund Management Entity (in nature of OPI)	Investment in FIF (in nature of OPI)
Investment up to 400% of Net Worth for Indian Entities and Up to USD 2,50,000 for individuals	Investment by Entities up to 400% of Net worth for Entities and up to USD 2,50,000 for individuals	Investment by Entities up to 50% of Net worth for Entities and up to USD 2,50,000 for individuals	Investment by Entities up to 50% of Net worth for Entities and up to USD 2,50,000 for individuals
Investment can be done only for business purposes subject to certain prohibited activities	Investment can be done only for business purposes subject to certain prohibited activities	No such restriction	No such restriction
No Loan or step-down subsidiary is permitted if investment is done by individual	No such restriction in this route provided such entity does not have subsidiary or step-down subsidiary outside IFSC	No such restriction	No such restriction
Investment in real estate can only be undertaken for business and residential purposes of its staff	Investment can be made in real estate without any restriction	Investment can be made in real estate only if the Fund is in nature of ReIT	Investment can be made in real estate without any restriction
Investment in financial sector companies permitted only if Indian Entity has made net profits in 3 preceding years and it is regulated. Investment in financial sector is not permitted to an individual	Net Profit condition is waived for ODI in IFSC	Investment can be made only as per the approved investment objectives of the Fund	Investment in financial sector companies appears to be freely permitted since no end-use conditions or restrictions are stipulated
Valuation of the investee companies is required	Valuation is required	Valuation is required	No such requirement is specified in case of FIF

GIFT City – FEMA implications

- Investment by Families in Family Investment Fund ('FIF') – Issues & challenges:
 - Schedule II of OI Rules stipulate the manner of making OPI by Indian entities. It provides that an Indian entity may make OPI up to 50% of its net-worth. However, in case the Indian entity is unlisted, it is not permitted to invest or acquire foreign securities by way of remittance but is restricted to making OPI only by way of subscription to rights issue, or bonus issue, or capitalization of amounts due from foreign entity, or swap of securities or by way of merger / demerger / amalgamation. Hence, Schedule II does not permit an unlisted Indian entity to acquire or invest in foreign securities except by way of the aforesaid corporate actions (i.e. rights issue, bonus, demerger / merger, etc.) which is possible only if they are already holding foreign securities which were acquired by them in the past under the old regime.
 - But Schedule V of the OI Rules carves out a separate dispensation for Overseas Investment in IFSC by persons resident in India. Accordingly, as unlisted Indian entities are persons resident in India, it implies that they may make OPI in IFSC under Schedule V of the OI Rules. Also, the OI Directions, which provide for detailed operational instructions, states in paragraph 24(2) that in addition to listed Indian companies and resident individuals, unlisted Indian entities may also make investments in units / vehicle set up in IFSC. Accordingly, a conclusion may be drawn that unlisted Indian entities are permitted to make OPI investments in IFSC up to 50% of their net-worth which is the limit specified in Schedule II of the OI Rules.
 - However, in the minds of the regulators in India, there is a fear of flight of capital as the limit of 50% of net-worth for unlisted entities opens up huge amounts of capital that could potentially be remitted from India for deployment in a wide-array of investments including real estate, bullion, art, etc. which is otherwise not permissible under the OI Regime. This would be almost tantamount to free capital convertibility which is not the current intention of the government and the regulators.

Banking in GIFT IFSC

Key business opportunities for banking units

Commercial Banking

- ECB and Trade Finance
- Factoring Services
- Guarantee and Indemnity Business
- Equipment Leasing
- Structured Deposits
- Credit Enhancement/Insurance
- Risk Mitigation / Participation

Services

- Underwriting the Subscription of Funds
- Custodian of Securities
- Trustee and Fiduciary Services
- Portfolio Management Services(PMS)

Retail Banking

- Private and Wealth Banking
- Structured Deposits
- Distributor of Mutual Fund Units, Insurance, and Other Financial Products
- Investment Advisory Services

Banking in GIFT IFSC

Key business opportunities for banking units

International Bullion Exchange (IBE) and Precious Metals

- Importation of Bullion through IBE
- Leasing, Market Making, Hedging and Trading in Spot / Derivative in Bullion
- Bullion Depository
- Receipt Financing
- Gold Saving Account (Retail)
- Gold Accumulation Plans(Retail)

Capital Markets

- Investment Banking
- Act as Primary Dealer Derivatives including NDFs: Market Maker
- Trading and Clearing Members of IFSC Stock Exchanges
- Raising of Capital Investments in global and IFSC Exchange

Others

- Foreign Portfolio Investors
- Eligible Foreign Investors
- Referral Services
- Regional Administrative Office
- Remittance

Regulatory Requirements for Setting Up a Banking Unit (BU)

Consideration	Description
Eligibility to Set-up BU	- Indian and Foreign Banks (including those not having a presence In India) are eligible to set up one IBU each at GIFT IFSC. - Banks can set up their presence In GIFT IFSC In the form of a subsidiary (IBC) as well.
Capital Requirement and Funding for BU	- IBU: Minimum capital requirement of \$20 Mn. is to be maintained at the parent bank on an unimpaired basis, i.e., not weakened or diminished. - IBC: Parent bank shall provide necessary capital for the IBC, subject to a minimum of \$50 Mn. - Permitted to raise funds in foreign currency only from non-residents.
Exemption from Reserve Requirements	The liabilities of the IBU are exempt from both Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR) requirements of RBI.
LCR and NSFR Requirements	LCR and NSFR to/can be maintained at the parent level (with approval from the IFSCA).
Regulations of the Home Regulator	- Required to comply with the directions/instructions issued by the home regulator (unless otherwise specified by the IFSCA). - Further, required to follow AML, CFT, and KYC guidelines issued by IFSCA, as against the RBI guidelines.
Currency of Operations	Transactions in specified foreign currencies. Can maintain a Special Non-Resident Rupee Account (SNRR) for meeting administrative expenses.
Operational Points	IFSCA has issued handbooks on the operational aspects of the IBU, focusing on products for the IBUs, mandatory staffing requirements – controlled functions, designated functions, governance body at the head office, outsourcing norms, etc.

Advantages for Foreign Banks

Consideration	Description
External Commercial Borrowings (ECBs) to Indian companies	- GIFT IFSC is considered an offshore jurisdiction from an Indian Exchange control perspective, allowing IBUs to undertake ECB arrangements with Indian entities. - 10-year tax holiday, resulting in no tax grossing up for borrowers and thereby leading to reduced cost of borrowing (subject to nil withholding certificate of IBUs). - Competitive business advantage over the banks providing ECB from a foreign jurisdiction.
Non-Deliverable Forward (NDF)	- Banks set up in India are restricted from offering NDF contracts in India or outside as per the RBI regulations. - GIFT IFSC being outside the purview of RBI, NDF contracts can be offered out of the IBU to non-residents. Also, having an IBU permits other Indian branches of the parent bank to offer NDF to Indian residents. - This will offer enhanced currency hedging opportunities to customers.
Acquisition Financing	- ECB regulations do not permit lending for equity investments. - India's Finance Budget 2023 permitted acquisition financing by IBUs of foreign banks in GIFT IFSC. - Addressing this regulatory hurdle, GIFT IFSC potentially assists in reducing the cost of financing for equity investments.

Advantages for Foreign Banks

Consideration	Description
Foreign Portfolio Investment (FPI)	- Foreign banks operating banking units in GIFT IFSC can register themselves as FPIs and invest in the Indian Capital Markets. - Enjoy concessional income-tax rates applicable to FPIs.
Participatory Notes	- Offshore derivative investments (ODIs) are permitted to be issued by the FPIs set up in the GIFT IFSC, with equity shares or debt securities as underlying assets. - Foreign banks operating an IBU in GIFT City and having an FPI license can issue ODIs to offshore investors under the SEBI FPI Regulations. - ODIs from GIFT IFSC can be issued with the following as the underlying assets: a. Indian Government Bonds b. State Development Loans - Securities listed in section 2(h)(i) of the Securities Contract (Regulation) Act, 1956 (i.e., Indian corporate bonds, Indian equities, etc.).
Aircraft and Ship Leasing	Foreign banks, having an IBU in GIFT IFSC, can provide finance for undertaking ship leasing and aircraft leasing activities.

Insurance in GIFT IFSC

Overview

IFSCA (Registration of Insurance Business) Regulations, 2021 have been issued in October 2021, to replace the IRDAI IIO Guidelines. With the flexibility accorded to Insurance Intermediaries (IIOs) in the new regulations, GIFT IFSC can become an attractive destination for multiple insurance products.

Eligibility and permissible activities

Direct Insurance – Indian Insurance Companies and 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 GIFT IFSC and other SEZs, and introduction of new managing general agents

Reinsurance – Indian and Foreign Insurers

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

Reinsurance business of the cedents in GIFT IFSC.

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

Insurance Intermediary Guidelines

Eligibility conditions to set up an insurance or reinsurance office in GIFT 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 terrorism financing
- Fit and proper criteria to be maintained by such applicant
- The Indian insurer or reinsurer, foreign insurer or reinsurer, branch office of foreign insurer, or Lloyd's India registered by the IRDAI setting up a place of business in GIFT IFSC shall satisfy the additional eligibility conditions
- A public company or a wholly-owned subsidiary desirous of setting up an IIO in GIFT 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 GIFT IFSC shall be a cooperative society registered under the Cooperative 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 GIFT IFSC shall meet certain requirements.
- Other net worth and minimum paid-up capital requirements to be followed

Insurance Intermediary Guidelines

IIO as 'place of business' of an 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 reinsurer, an insurance co-operative society or a body corporate registering an IIO in GIFT IFSC shall maintain such solvency margin as may be specified by the IFSCA

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 & Loss Assessor
- Third Party Administrator – Health Services
- Any Other Category as may be recognized by the IRDAI & IFSCA

Regulatory Requirements on Insurance

Equity capital requirements for incorporated insurer

Direct Insurer: ₹ 100 Cr Reinsurer: ₹ 200 Cr

Note: Equity Capital shall be maintained

Net owned funds requirements

For reinsurance business by the branch office of foreign re-insurer - ₹ 1,000 Cr*

Assigned capital requirement for branch office of (re)insurer

\$ 1.5 Mn.

Note: May be maintained at parent entity

Solvency for incorporated IIO

Present regime: Factor-based solvency

Work in progress for implementation of Risk Based Supervisory Framework (RBSF)

Maintenance of required solvency

Reinsurer in incorporated form - shall maintain within GIFT IFSC

Branch Office - May maintain at home country as per required regulatory requirements

*on specified securities transferred on recognised stock exchanges in IFSC

Capital Markets in GIFT IFSC

Overview

Capital markets in GIFT IFSC constitute of the following participants:

**Stockbrokers,
Sub- Brokers,
and
Underwriters**

**Merchant
Bankers, and
Trustees**

**Investment
advisors, Portfolio
managers, and
Clearing Members**

**Custodians,
and Clearing
houses**

**Depository
Participants, and
Credit Rating
Agencies**

List of Products traded on GIFT IFSC Exchanges

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

Index Futures and Options	Single Stock Futures and Options	Commodities Futures	Currency Futures and Options	Debt
NIFTY 50 Index	India INX – 100+ FandO Stock	Gold (32 troy ounce)	Euro – US Dollar	Medium Term Notes
NIFTY Bank Index	NSE IFSC – 200+ FandO Stock	Silver (1000 troy ounce)	Pound – US Dollar	FCY bonds
NIFTY IT Index / NIFTY Financial Services Index	Global Stocks – 5+ FandO stock trading offered	Aluminum, Lead, Copper, Nickel, and Zinc	Japanese Yen – \$	Depository Receipts
S&P BSE Sensex		Brent crude oil	Australian Dollar – US Dollar	Green / Social / Sustainable Bonds (FCY)
			Switzerland Franc – US Dollar	
S&P BSE India 50		Access through INX Global Access Platform	₹ – \$ Dollar	Masala Bonds (₹)

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
- Individual resident in India subject to LRS limit`

- ◆ Foreign investors in GIFT IFSC exchanges are classified as - FPIs
 - registered with SEBI, and
 - Eligible Foreign Investors (foreign investors other than FPIs).
- ◆ Investments by FPIs in GIFT IFSC exchanges are treated as ‘capital assets’ and resultant gains are chargeable to capital gains tax in India. Investments by Eligible Foreign Investors are treated as ‘debentures’.
- ◆ Regulations have been notified for the issuance and listing of securities in GIFT IFSC.
- ◆ Branch of non-bank custodian is permitted to become a clearing member of a clearing corporation in GIFT IFSC.

Segregated Nominee Account (SNA) structure

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

SNA is equivalent to an omnibus structure prevalent in offshore jurisdictions

This means that foreign portfolio investors can now trade on GIFT exchanges, namely India INX and NSE IFSC, through authorised brokers

FPIs will no longer need to register themselves and face the compliance hurdles. The broker will not be required to declare the identity of these foreign investors upfront but will need to provide the beneficiary information to the regulator in case of any suspicious transactions

GIFT IFSC Exchanges - Eligible investors and providers

Entities eligible to become providers

- IFSCA registered brokers IFSCA registered FPIs
- Trading or Clearing Members of International Stock Exchanges (from FATF compliant jurisdictions)

KYC requirements for end clients

- Provider to conduct due diligence of clients as per global standards for KYC, AML
- Each end client to provide Legal Entity Identifier (LEI) to ensure that they have only one account Each end client will be offered an UCC by exchanges / clearing corporation

Compliance requirements for providers

- Registering with GIFT IFSC exchanges or clearing corporations
- Fulfilling eligibility criteria including minimum net worth
- Sharing end-client information with GIFT IFSC exchanges

Order limit, position limit, and margining

- Margining is at the gross open position level
Reporting of positions at level of end clients, providers, and trading & clearing members, as applicable

Membership of Stock Exchanges and Clearing Corporations in GIFT IFSC

In an attempt to streamline the laws pertaining to different capital market intermediaries operating in GIFT IFSC, such as broker-dealers, portfolio managers (covered by FME regulators), 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 stockbroker may set up a presence in GIFT IFSC by establishing a branch or forming company, LLP, body corporate, partnership firm, 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.

Key guidelines for setting up and operating as branch of foreign broker in GIFT IFSC

Eligibility of foreign entity

- The entity is from a FATF compliant jurisdiction
- The entity is a stockbroker / clearing member regulated by a securities market regulator in their home jurisdiction
- The entity has adequately ring-fenced the operational, technology and financial aspects of its branch in GIFT 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 stockbroker, to act as a clearing member in GIFT IFSC
- Registration Fee - \$ 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

Membership of stock exchanges and clearing corporations in GIFT IFSC

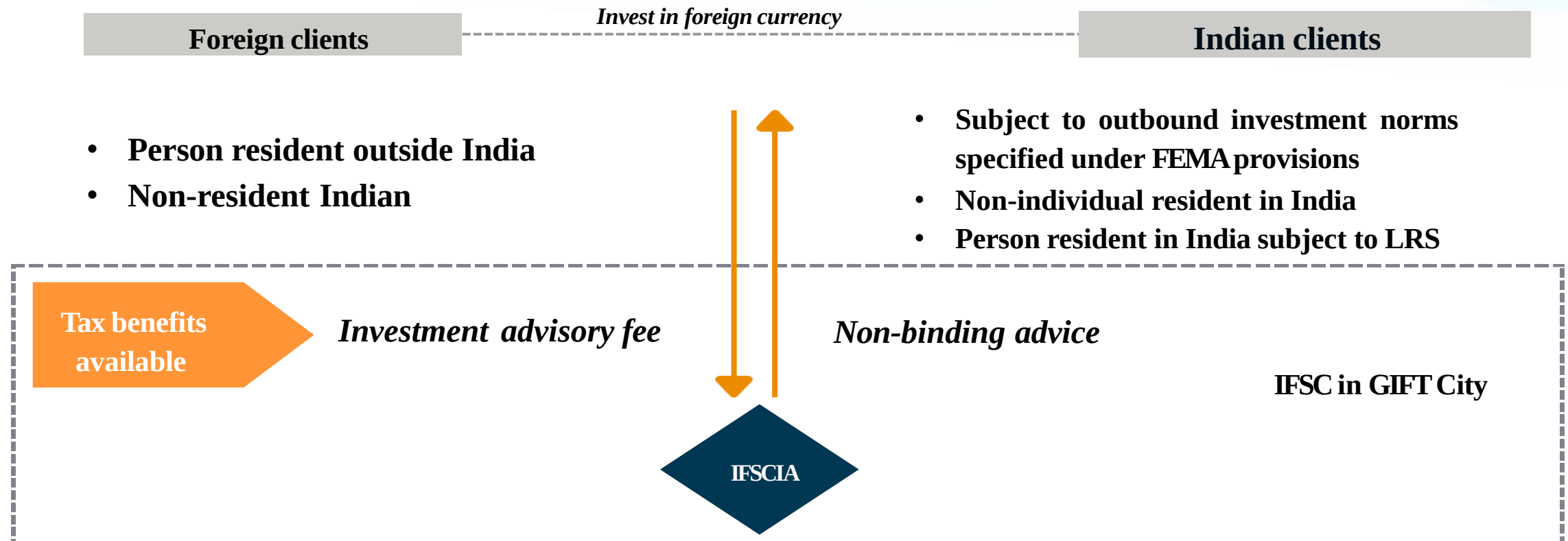
Fee, deposits, and net-worth requirements for entities

Types of membership	Application processing fee (\$)	Annual membership fee (\$)		Interest-free deposit (Refundable) (\$)		Total deposit (\$)	Net-worth requirements (\$)
		Exchange	Clearing Corporation	Exchange	Clearing Corporation (India ICC)		
Trading member	500	3,000	-	10,000 - 15,000	-	10,000 - 15,000	1,35,000
Trading member and Self-clearing member	500	3,000	10,000	10,000 - 15,000	75,000	85,000 - 90,000	6,75,000-7,50,000
Trading member and Clearing member	500	3,000	10,000	10,000 - 15,000	75,000 - 85,000	85,000 - 1,00,000	13,50,000 - 15,00,000
Professional clearing member	500	-	10,000	-	1,00,000	1,00,000	13,50,000 - 15,00,000

Investment Advisers (IA) in GIFT IFSC

Evolution of IA regime in GIFT 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 recognised principles.



Minimum requirements

Registration Process

IA can be set up as a branch, Company, Limited Liability Partnership, Body Corporate, partnership firm, proprietorship firm, or any other form as permitted by the IFSCA

Net worth

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

Separate License

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

Investment Advisory Services

An IA in GIFT IFSC can provide services only to:

1. A person resident outside India
2. A non-resident Indian
3. A non-individual resident in India who is eligible under FEMA to invest funds offshore, to the extent of outward investment permitted; and
4. An individual resident in India who is eligible under FEMA to invest funds offshore, to the extent allowed under the Liberalized Remittance Scheme of Reserve Bank of India.

Issuance and Listing of Securities in GIFT IFSC

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

The IFSC Authority has notified a regulatory framework for issuance and listing of various securities in IFSC:

- Initial public offer of specified securities by an unlisted issuer
- Initial public offer of specified securities by a Special Purpose Acquisition Company
- Listing of specified securities by a start-up company or a SME
- Listing of depository receipts
- Secondary listing
- Listing of ESG focused debt securities
- Listing of debt securities (including SMART City bonds)

Direct listing of Indian companies abroad is now allowed at GIFT IFSC

Eligibility criteria – Issuance & Listing

Companies incorporated in IFSC / India / foreign jurisdiction are eligible to list their securities in GIFT IFSC stock exchanges

Various other entities like multilateral institutions, municipality/ statutory bodies established under Central or State Acts, SPVs notified by Central or State Governments, etc. have also been permitted to list debt securities in GIFT IFSC stock exchanges

Fee structure

Type of Listing	Fee amount (\$)
IPOs and FPOs of specified securities	0.05% of the offer size
Startup and SME companies	
- Listing without public offer	NIL
- Listing with public offer	0.025% of the offer size
Special Purpose Acquisition Companies (SPACs)	0.05% of the offer size
Depository Receipts	0.05% of the offer size
Debt Securities	
- Public issue	0.00025% of the offer size (Minimum fee: \$1,000)
- Private Placement	\$1,000
Secondary listing (without public offer) - specified securities, debt securities, and depository receipts	NIL

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

Recognition as Custodian of Assets/Securities

Custodian regime in GIFT IFSC

Registration process

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

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

Branch structure

- 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.

Net worth

Minimum net worth for Custodian in GIFT IFSC is \$7 Mn. for entities incorporated in India and for foreign entities it should be as prescribed by IFSCA from time to time

Financial Segregation

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

Fee

Application Fee - \$ 1,000

Recognition Fee - \$ 3,500

Processing Fee - 20% of the recognition Fee

Fund Management Entities (FMEs) in GIFT IFSC

Overview

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.

Regulations for FMEs in GIFT IFSC

➔ **Regulating Fund Manager vs. 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

Fund Management Entities (FMEs) in GIFT IFSC

Categories of FMEs

Authorised FME

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

Registered FME (Non-Retail)

- Pooling of money from accredited investors or investors making capital commitment above \$ 150,000
- Portfolio Management Services, Multi Family Offices, Investment Manager for private placement of REITs and InvITs
- Minimum net worth: \$ 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: \$ 1,000,000
- Allowed to undertake all activities of Authorized FMEs and Registered FME (Non-retail)

Fund Management Entities (FMEs) in GIFT IFSC – Key attribute of FME

Particulars	Authorised FME	Registered FME (Non-Retail)	Registered FME (Retail)
Types of schemes managed	Venture Capital Schemes offered on a private placement basis	Venture Capital Schemes & Restricted Schemes on a private placement basis	All schemes, including retail, offered to all investors, including retail investors
Legal structure of the FME	Company, LLP, or branch		Company
Minimum number of employees (based out of GIFT IFSC)	1 (Principal Officer for overall activities)	2 (1 Principal Officer + 1 Compliance & Risk Manager)	3 (1 Principal Officer + 1 Compliance & Risk Manager + 1 Additional Key Managerial Personnel for fund management)
FME experience	Employees must have relevant experience	Same as Authorised FME	- FME/holding company must have >5 years of experience in managing AUM of at least \$200 Mn with >25,000 investors OR - At least 1 person in control with >25% shareholding in FME must have >5 years of financial services experience
Experience and professional qualifications of Key Managerial Personnel (KMP)	Professional qualifications: Minimum 2-year post-graduate degree/diploma in finance, law, accountancy, business management, economics, capital market, banking, insurance, actuarial science from a recognized university/institution, or a certification from a recognized regulatory authority. Experience: At least 5 years in securities markets, financial products, portfolio management, broker-dealer, investment advisory, research, or wealth management.		
Minimum number of directors/partners in FME		4 (at least 50% must be independent & not associated with FME)	

Categories of schemes of FMEs

➔ VENTURE CAPITAL SCHEME

- Launched by Authorised 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

- A minimum of 20 investors, ensuring that no single investor contributes more than 25% of the total capital. There are no restrictions on the maximum capital limit.
- 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)

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

Focus Areas

- Special Situation Funds
- ETFs ESG

Other Fund Management Activities

- Portfolio Management Services
- Investment Trusts
- Family Investment Funds
- Feeder structure

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 Management Entities (FMEs) in GIFT IFSC - FME Contribution

Targeted Corpus (TC)	Minimum / Maximum	Venture Capital Scheme / Close-ended Non-retail scheme	Open-ended Non-retail scheme	Retail schemes
Less than \$30 Mn.	Minimum	2.5% of TC	5% of TC	Lower of: (a) 1% of AUM of the scheme OR (b) \$200,000
	Maximum	10% of TC	10% of TC	-
More than \$30 Mn.	Minimum	\$750,000	\$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 GIFT IFSC

Fund Management Entities (FMEs) in GIFT IFSC

Key attributes of Schemes

Particulars	Venture Capital Scheme	Restricted Scheme	Retail Scheme
Legal Structure	Company, LLP, or Trust	Company, LLP, or Trust	Company / Trust
Type of Fund / Scheme	Close-ended	Open-ended or Close-ended	Open-ended or Close-ended
Corpus	Min: \$5 Mn., Max: \$200 Mn.	Min: \$5 Mn., Max: No limit	Min: \$5 Mn., Max: No limit
Minimum Number of Investors	No specific minimum	No specific minimum	No restrictions
Maximum Number of Investors	< 50	< 1000 or as prescribed by IFSCA	No restrictions
Minimum Contribution or Capital Commitment	- Accredited investors – \$250,000	- Accredited investors – \$150,000	- Open-ended schemes – \$10,000
	- Employees/Directors/Partners – \$60,000	- Employees/Directors/Partners – \$40,000	- No restrictions for close-ended investing < 15% in listed securities
Maximum Holding by a Single Investor	None	None	25%
Asset Classes	Primarily in unlisted securities of start-ups, specified VCUs	Several asset classes including listed/unlisted securities, derivatives, etc.	Several asset classes including listed/unlisted securities, derivatives, etc.
		Close-ended schemes – Up to 20% corpus in physical assets	

Fund Management Entities (FMEs) in GIFT IFSC

Key attributes of Schemes (continued)

Particulars	Venture Capital Scheme	Restricted Scheme	Retail Scheme
Investment Restrictions	- At least 80% of AUM must be invested in companies incorporated for <10 years. - Investment in associate subject to 75% investor approval.	- Investment in associate entities subject to prior approval of 75% investors in the scheme by value.	- Investment in a single investee company: 10% of AUM (15% with fiduciary approval). - Investment in a single sector: 25% of AUM (50% for financial services). - Investment in associates: 25% of AUM.
Capital on Investment in Unlisted Securities	None	- Open-ended: 25% of corpus.	- Open-ended: 15% of AUM.
		- Close-ended: No restriction.	- Close-ended: 50% of AUM.
Leverage	- Permissible subject to maximum leverage disclosure in placement memorandum. - Deviations require 2/3rd investor approval.	- Only for temporary liquidity requirements (redemptions or dividend payments). - Up to 20% of AUM, with a max duration of 6 months.	
NAV Disclosure	Yearly	- Open-ended: Monthly	- Open-ended: Daily
		- Close-ended: Half-yearly	- Close-ended: Weekly

Fund Management Entities (FMEs) in GIFT IFSC – Special situations funds

Special funds

Permissible activities

- 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.

Aspect	Details
Category of FME	Registered FME
Type of Fund	Close-ended fund
Legal Structure	Company, LLP, or Trust
Permissible Investments	Only in special situation assets
Leverage	Not permissible except for day-to-day operational requirements
Scheme Corpus, Eligible Investors, Investment Conditions	As specified by IFSCA from time to time
Computation of NAV, FME Contribution, and Other Disclosures	Same as close-ended Restricted Schemes

Fund Management Entities (FMEs) in GIFT IFSC – Exchange Traded Funds (ETFs)

Exchange Traded Funds (ETFs)

Permissible activities

- Registered FMEs (Retail) permitted to launch ETFs in GIFT IFSC
- Units of ETFs to be mandatorily listed on at least one of the recognised stock exchange in GIFT 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 2/3rd of investors by value.

Fund Management Entities (FMEs) in GIFT IFSC

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, (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

Fund Management Entities (FMEs) in GIFT IFSC

Environmental, Social and Governance (ESG) Exchange Traded Funds (ETFs)

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

FME managing AUM > \$ 3 Bn

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

Fund Management Entities (FMEs) in GIFT IFSC

Portfolio Management Services

Eligible FME and clients

An entity resident outside India/NRI Individual/non-individual residents in India, are eligible to invest offshore as per prescribed regulations and

Multi-family office

Minimum ticket size: \$ 150,000

minimum investment threshold shall not apply to an accredited investor

Investment Restrictions

Investment in derivatives, with express consent

Segregation of client's funds/portfolios from FME's funds/portfolios

Permissible activities

Securities/financial products in GIFT IFSC, India or foreign jurisdiction

Discretionary PMS: listed/to-be listed securities, money market instruments, units of investment scheme

Others

Dealing with client's funds aligned with the existing Capital Market Intermediaries Regulations (CMI)

Provide advisory services subject to compliance with CMI

Taxation exemption, Section 10(4F) is applicable

Fund Management Entities (FMEs) in GIFT IFSC

Family Investment Fund

Eligibility criteria

- Set-up in form of a Company, LLP or Contributory Trust
- For Contributory Trusts-
 - the beneficiaries should be identifiable, though not specifically named in the 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 - \$ 10 Mn. within 3 years
- Borrowing/leveraging is permissible

Permissible activities

Activities related to managing Family Office as specified by IFSCA

Permissible investments:

- Securities issued by unlisted entities, also are issued under RBI;
- Securities listed/to-be listed on stock exchanges (and other investment schemes), in GIFT 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 jurisdictions;
- Investment in Limited Liability Partnerships; Physical assets like real estate, bullion, art, etc., or
- Any other securities or financial products may be specified

Relocation of Offshore Fund to GIFT IFSC

The income tax laws have been amended from time to time to incentivise existing funds located in overseas jurisdictions to consider relocating to GIFT IFSC.

Amendments vide Finance Act

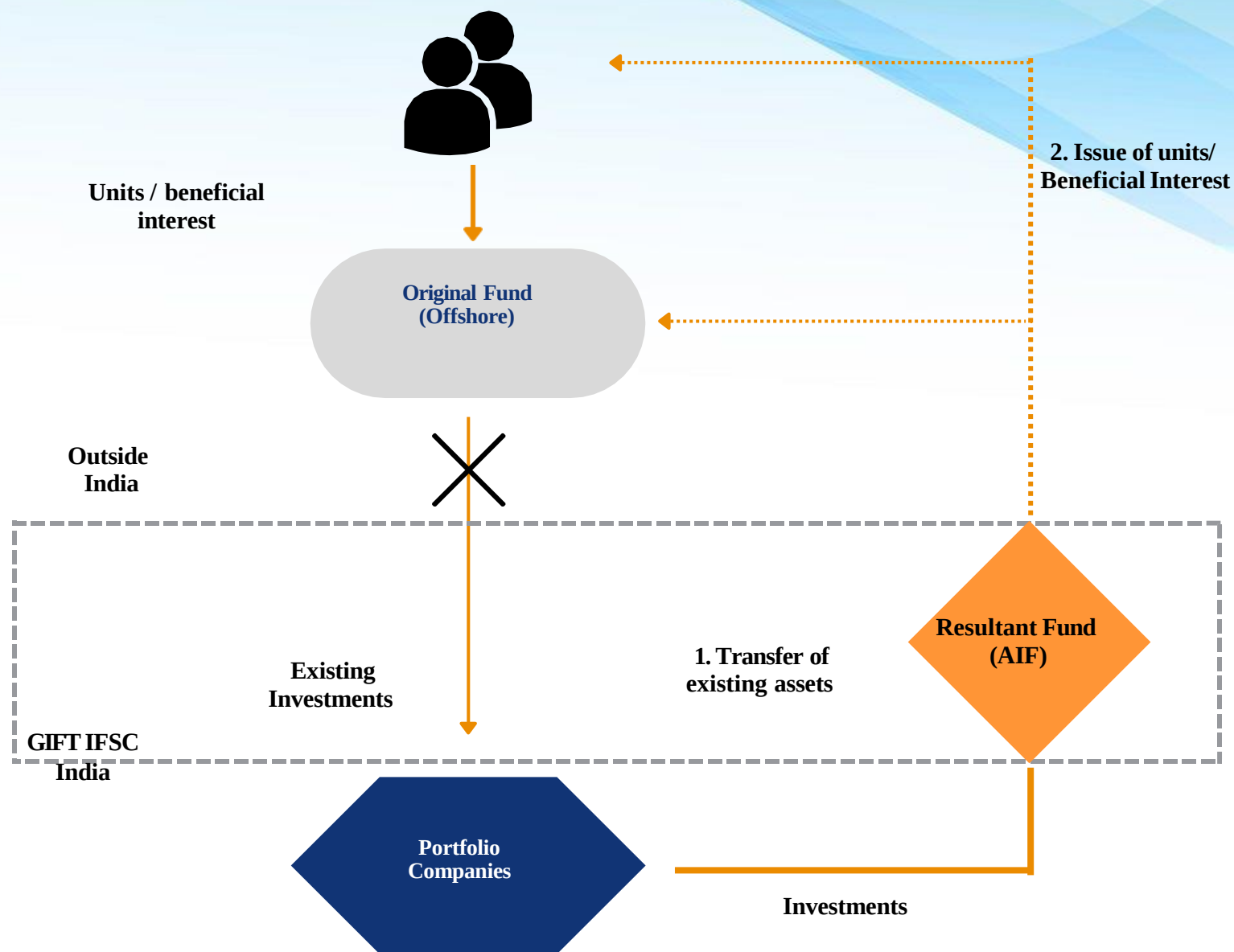
Tax neutrality to offshore funds and grandfathering of past investments

- Transfer of assets of Offshore Fund or its WOS to Resultant Fund, upon relocation to GIFT IFSC on or before 31 March 2025 is not regarded as a transfer.
- Consideration for transfer can be discharged to non-resident shareholders of the Offshore Fund or to the Offshore Fund itself, in
- the form of units/ beneficial interest of the 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 the previous owner available to Resultant Fund.
- Deemed income provisions are 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 the manager/sponsor has been made voluntary for Resultant Fund.

Relocation to GIFT IFSC Structure



Finance Companies / Finance Units in GIFT IFSC

Form of set-up

- The form of set up for finance companies performing core activities includes subsidiary, joint venture, company, branch or any other form specified by IFSCA.
- The form of setup for finance companies performing non-core activities includes subsidiary, joint venture, company, branch, LLP, Trust or any other form specified by IFSCA

Registration requirements

- Finance companies must obtain a certificate of registration from IFSCA.
- The Finance Company (FC) / Finance Unit (FU) cannot accept public deposits.
- The applicant entity and/or its promoters shall be from a FATF-compliant jurisdiction.
- If an investing entity in an 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 an FC/ FU in GIFT 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.

Finance companies - Permissible Activities

A Finance Company or a Finance Unit, as the case may be, may undertake the following permitted core and non-core activities, subject to compliance with such terms and conditions or guidelines as may be specified by the Authority.

Permitted core activities

- Lending in the form of loans, commitments and guarantees, credit enhancement, securitization, financial lease, and sale and purchase of portfolios;
- Factoring and forfaiting of receivables;
- Buying or Selling Derivatives
- Global/Regional Corporate Treasury Centres
- Undertake investments, including subscribing, acquiring, holding, or transferring securities or such other instruments, as may be permitted by the Authority;
- Any other core activity as may be permitted by the Authority.

Permitted non-core activities

- Merchant Banking
- Authorized person
- Registrar and Share Transfer Agent
- Trusteeship services
- Investment Advisory services
- Portfolio Management services
- Operating lease of any products, including aircraft lease, ship lease or any other equipment as may be specified by the Authority from time to time.
- International Trade Financing Services Platform.
- Distribution of financial products (including mutual fund units and insurance products)
- Function as trading and clearing members or professional clearing member of exchanges and clearing corporations set up in GIFT IFSC
- Asset Management support services permitted under the Framework for Enabling Ancillary Services as specified by the Authority
- Undertaking to act as facilitators of permissible activities as and when permitted by the Authority
- Any other activity, as may be permitted and classified as a non-core activity by the Authority, under these regulations

Finance companies - Key Regulatory Requirements

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 standalone 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

Finance companies - Operating guidelines



AFC/ 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

Global Treasury in GIFT IFSC

Overview

‘Global/Regional Corporate Treasury Centre’ means a Finance Company (FC) [through a separate entity] / Finance Unit (FU) [through a branch] registered with the IFSCA for undertaking treasury activities and treasury services for its group entities. ‘Group entities’ or ‘Corporate entities’ means an entity registered with any competent or statutory body in its home jurisdiction and includes its holding, subsidiary or associate companies, branch, joint venture investment, or subsidiary of a holding company to which it is also a subsidiary. GIFT IFSC offers immense opportunities in global/regional corporate treasury centres. The following are the key aspects:

Cash Management	Corporate finance advisory/transaction services	Corporate treasury management services	Compliance services for Group entities
• Cash pooling • Cash forecasting • Central processing 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.	• Intra-group financing • Raising of funds through 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	• Treasury management system • Business planning and coordination 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	• 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.

Key Activities - Global/Regional Corporate Treasury Centre

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 GIFT 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

Eligibility and Regulatory Requirements for Setting-up Corporate Treasury Centre in GIFT IFSC

Global/Regional Corporate Treasury Centre: One of the permitted core activities by Finance Companies/Finance Units in GIFT IFSC

Eligibility

Exclusively cater to its group entities which are domiciled in a jurisdiction not identified by the Financial Action Task Force as 'High-Risk Jurisdictions subject to a Call for Action'

Any entity can set up a Finance Company in GIFT IFSC to provide corporate treasury services and activities

Applicant/ Promoters to be from FATF-compliant jurisdiction

Exemption to the Corporate Treasury Centre from prudential norms such as - Capital Ratio/ Liquidity Coverage Ratio / Exposure Ceiling norms

Registration and NOC

To be registered under Finance Company regulations

A No Objection Certificate (NOC) from the home country regulator is required if the parent company carries out regulated financial services activity in the home jurisdiction. This is an exception for the Corporate Treasury Centre

A minimum owned fund of \$ 0.2 Mn. or an equivalent amount in any other freely convertible currency is required

Global Treasury in GIFT IFSC

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

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

Specified 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

Permitted treasury activities

- Transacting/ investing the funds in specified financial instruments* for managing the cash and liquidity position;
- Transaction in respect of specified contracts**
- Factoring and forfaiting activities;
- Borrowing by collateralizing inventory held;
- Advances and structured credit facilities against future sales/exports;
- Commercial activities only to the extent it serves the purpose of a re-invoicing centre;
- Structured finance transactions;
- Foreign exchange transactions;
- Transacting or investing in stocks and shares of any entity listed on recognized stock exchanges;
- Extending credit facilities by raising short/ long term debt;
- Raising of equity and other form of capital; and
- Any other treasury activities with prior intimation to the IFSCA

*Deposits, bank deposits, inter-company deposits, certificate of deposits, bonds and debentures, notes, virtual accounts, money market funds, repo and securities lending, and other instruments as approved by IFSCA.

**Foreign exchange contracts including hedging for commodities, commodity derivatives, forward, futures, swap, options, commodities, purchase of credit enhancements or derivatives with the intent of reducing credit risk.

Global Treasury in GIFT IFSC

Permitted treasury services

- Managing and optimising multi-currency cash/ liquidity management, including cash forecasting, arranging credit facilities and cash pooling;
- Processing payments to vendors or suppliers;
- Managing relationships with financial institutions/ investors in debt or equity instruments;
- Providing corporate finance advisory/ transaction services, intra-group financing/ restructuring, guarantees and remittances;
- Management of investments of the funds;
- Advising/ providing services such as financial risk management, accounting standards, internal treasury policies, regulatory requirements in relation to treasury management, treasury management system operations;
- Providing business planning and coordination including economic or investment research and analysis in connection with any specified treasury services;
- In-house centre providing virtual accounts to undertake settlements without physical remittance of funds;
- Re-invoicing centre as long as such re-invoicing is undertaken for the limited purpose of ensuring that liquidity flows, and financial risk can be aggregated and netted; and
- Any other treasury services with prior intimation to the IFSCA

Aircraft Leasing in GIFT IFSC

Overview

IFSCA has notified aircraft leasing as a financial product to establish a viable aircraft leasing market. The aircraft leasing function within GIFT IFSC includes an operating lease, a finance lease, and a hybrid of these two functions.

Permissible activities

Under the innovative **Aircraft operating Leasing vertical**, the IFSCA has permitted the following 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
- 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
- Operating lease for an aircraft ground support equipment and engine
- Any other related activity with the prior approval of the IFSCA

Permissible activities

Similarly, under the **Aircraft Finance Leasing** segment, the following activities have been permitted

- 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

Aircraft Leasing in GIFT IFSC

Minimum Capital requirement

- A minimum owned fund of \$ 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

Minimum Capital requirement

- A minimum owned fund* of \$ 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

Aircraft finance leasing activities is applicable to all 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 - Key Regulatory Requirements

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.

- The 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.
- An entity in GIFT IFSC, intending to undertake aircraft lease only through its wholly owned subsidiary (ies) set-up in IFSC 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.
- 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 are to be undertaken in freely convertible foreign exchange only. The lessor is also required to furnish information to IFSCA through the annual compliance requirements prescribed.

Ship Leasing in GIFT IFSC

Permissible Activities

Permissible activities under IFSCA, which has notified ship leasing as a financial product, include the following:

- Financial lease, hybrid of financial and operating lease or operating lease, including sale and leaseback, purchase, novation, transfer, assignment and other similar transactions in relation to ship lease
- Voyage charters, contracts of affreightment, employment in shipping pools, and all other legal commercial transactions for employment of ships
- Asset management support services for assets owned or leased out by the group entities
- Any other related activity with the prior approval of the IFSCA

Ship broking related to ship-leasing activities and third-party asset management services can be performed by registering separately under the IFSCA's Ancillary Services Framework.

Ship Leasing in GIFT IFSC

Key Regulatory Requirements

Ship leasing companies must obtain a certificate of registration from the IFSCA to act as a lessor

The entity can be set up as a company, or as a branch, LLP or trust

A capital of \$ 3 Mn is required for finance lease

A capital of \$ 0.2Mn is mandated for operating lease

Dealings are permitted only in specified foreign currency

Administrative expenses can be defrayed in ₹ by maintaining a Special Non-Resident Rupee (SNRR) account

Global In-House Centres in GIFT IFSC

Overview

Global in-house centres are offshore bases set up by large organisations, with a focus on seamlessly performing designated functions for the group in global sourcing

Most large-scale organisations require technology and data to enable optimal strategy and operations and turn towards GICs as a means to access quality talent from lower-cost geographies

Indian GICs have transformed into innovation and employment powerhouses capable of spearheading high-value activities like intellectual property (IP) creation and building competencies around emerging technologies.

Eligibility Criteria and Regulatory Requirement

Further, the Government of India has, on the recommendation of the IFSCA, notified GICs as a financial service entity offering services related to financial products and financial services. Accordingly, the IFSCA notified the IFSCA (GIC) Regulations, 2020 ('GIC Regulations') to provide for a framework to recognise and operationalise GICs in the IFSC, leading to robust interest from global enterprises keen on setting up their GICs within India.

Eligibility criteria

- GICs are permitted to 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.
- GICs are permitted to cater exclusively to non-resident entities, with the support services being provided mandated to be for the purpose of carrying out a financial service in respect of a financial product.
- In terms of currency permissions, GICs are permitted to exclusively deal in freely convertible foreign currency. These centres are permitted to maintain an ₹ account for the purpose of defraying administrative expenses in the domestic currency. Upto 20% of the employees are being relocated to GIFT GIC.

GICs - Benefits Under Gujarat IT / ITeS policies

➔ Capital subsidy – 25% of Eligible CAPEX (one-time)

Upto ₹ 200 Cr with GFCI > ₹ 250 Cr (Mega Project) Upto ₹ 50 Cr with GFCI < ₹ 250 Cr

➔ 15% of OpEx (available for 5 years)

Upto ₹ 40 Cr with GFCI > ₹ 250 Cr Upto ₹ 20 Cr with GFCI < ₹ 250 Cr

➔ Employment Generation Incentive - 50% of one month's employment cost to company (one-time)

➔ Atmanirbhar Rojgar Sahay (ARS) - Reimbursement of employer contribution to PF upto 12% (5 years)

➔ ARS and Electricity Duty exemption and interest subsidy

Fintech In GIFT IFSC

Overview

The framework for FinTech and or TechFin entities at GIFT City has been enabled through a circular dated April 27, 2022, with the express intent of boosting the establishment of a globally leading FinTech Hub comparable with other International Financial Centres.

Eligibility Criteria

Under the **Fintech** segment, the applicant needs to clear the following eligibility criteria

- Foreign applicant: Entities belonging to FATF compliant jurisdictions are permitted to commence operations within GIFT City.
- Indian applicant: An entity registered with DPIIT as start-up related to FinTech; or a company or LLP incorporated in India; or a branch of Company/ LLP in GIFT IFSC; or an entity working directly or indirectly in the ecosystem regulated by RBI / SEBI/ IRDAI/ PFRDA is permitted to set up base in GIFT City

Permissible activities

Under the Fintech vertical, the IFSCA has permitted the following activities

- FinTech solutions that results in new business model, applications, process, or products in financial services
- TechFin services/solutions in the form of advanced or emerging technology solutions in allied areas/ activities which aids and assists activities in relation to financial products/services/institutions – [Refer section ‘Opportunities in Fintech ’

Fintech - Regulatory Requirements

Mandatory requirements

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

Regulatory Requirements

The Sandbox alternative can further be classified into various **testing formats**, with the move aimed at encouraging FinTech players to experiment and develop their innovative ideas without concerns about regulatory compliance.

Fintech - Regulatory highlights

01. Regulatory sandbox

The regulatory sandbox allows an Eligible Applicant to apply to the IFSCA for permission to test their ideas or solutions using innovative technology in core products or services, business models, or methodologies related to financial services that are regulated by the IFSCA or are likely to be regulated.

By participating in the regulatory sandbox, the Eligible Applicant can operate without the constraints of the regulatory environment. However, they must demonstrate that such relaxation from the regulatory environment is necessary for the development of their idea or solution.

Upon successful completion of the regulatory sandbox program, the entity can choose to operate as a FinTech entity in the GIFT IFSC and will be authorised by the IFSCA to operate under the appropriate regulatory regime. To proceed, the applicant must establish either an entity or a branch in GIFT IFSC.

The regulatory sandbox is available to entities operating in:

- Capital Markets
- Banking
- Insurance

Fintech - Regulatory highlights

02. FinTech Innovative Sandbox (FIS)

Separately, a company or organisation that meets the eligibility criteria can apply to the IFSCA for permission to test and develop their ideas and solutions in a controlled environment called the FinTech Innovative Sandbox (FIS)

Such applicants do not enjoy any relaxation from the regulatory requirements and, following the successful completion of the FIS program, they have the option of applying to the IFSCA for authorisation to operate within the regulatory sandbox.

03. Inter Operable Regulatory Sandbox (IORS)

In addition, the FinTech Framework also includes the provision for an Inter Operable Regulatory Sandbox (IORS), which permits the testing of innovative hybrid financial products or services that fall under the regulatory jurisdiction of multiple financial sector regulators. The main objective here is to facilitate collaboration between innovators and different regulators, providing a streamlined process for testing hybrid products.

This route is exclusively available to foreign FinTech entities seeking entry into the Indian market and, upon successful completion of the IORS programme, they must approach both the IFSCA and the relevant regulators for authorisation, before launching their products.

Opportunities in Fintech

Banking Sector	Capital Markets and Fund Management	Insurance sector	Allied Activities
• Remittance and payments Digital lending • Buy Now Pay Later • Crowd lending • Digital bank (Neo Banking / Challenger Bank) • Open Banking	• Crowdfunding • Personal Finance • Wealth Tech • Robo Advisory • Sustainable Finance Products. • Alternate trading platforms	• 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	• AgriTech Accelerators • Climate/ Green/ Sustainable Tech Defense Tech • Regulatory Tech • SpaceTech 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

Foreign Universities In GIFT IFSC

Overview

The Union Budget for the Financial Year 2023 permitted major educational centres to set up world-class foreign universities in GIFT City.

Accordingly, the IFSCA unveiled its International Branch Campus Regulations in October 2022, permitting Indian campuses of foreign universities to repatriate funds in a relaxed regulatory environment. With this approach, all such transactions undertaken by the universities will occur in freely convertible foreign currency, and the infrastructure conditions which are applicable to other India-based universities will not be enforced within GIFT City.

Permissible universities

- Foreign universities that are ranked within the Top 500 in the global overall ranking and / or subject ranking in the latest QS World Universities ranking
- A reputed foreign educational institution in its home jurisdiction.

Permissible subject areas

Courses including research programmes in Financial Management, FinTech, Science, Technology, Engineering and Mathematics shall be permitted in GIFT IFSC.

Recent developments – Foreign Universities in GIFT IFSC

- At present, GIFT IFSC has granted in-principle approval to Australia-based **Deakin University** and **Wollongong University** to initiate classes in 2024.
- The academic standards at both these institutions will remain aligned with the Australian accreditation body — the Tertiary Education Quality and Standards Agency.
- Additionally, a top-tier university from the United Kingdom is also expected to operationalise its campus within GIFT City in the next year.
- GIFT City has also received interest from leading universities in the United States, owing to its attractive and conducive facilities and regulatory environment.

Key Regulatory Requirements – Foreign Universities in GIFT IFSC

- 1 Foreign universities at GIFT IFSC are required to offer courses or programs identical to those offered by the parent entity in its home jurisdiction, with the same degree and diploma or certificate being conferred, thus enjoying “the same recognition and status as if they were conducted by the parent entity in its home jurisdiction”
- 2 The regulator IFSCA will hold the express right to inspect foreign campuses set up in GIFT IFSC to ensure optimal outcomes
- 3 In the scenario wherein an institution desires to withdraw or discontinue a programme, the institution would be mandated to offer a suitable alternative to the affected students, and this may or may not include reallocation
- 4 Foreign universities are granted GIFT IFSC registration for a period of five years, with the same being renewable for an additional period of five years
- 5 The IFSCA has defined Foreign Educational Institution as “an education institution outside India, which is not a university and is duly authorised to offer courses including research programmes within and outside its home jurisdiction”
- 6 All transactions undertaken by the institutions will occur in freely convertible foreign currency only, with certain transactions being permitted in ₹ through the Special Non-Resident Rupee Account.

Ancillary Service Providers In GIFT IFSC

Overview

For offering globally standard ancillary facilities to the domestic and offshore entities setting up their base in GIFT City, the IFSCA has created a ecosystem for ancillary service providers across a wide array of sectors, including foreign law firms, ship broking, bookkeeping services, etc.

Permissible Ancillary Services

- Legal services
- Compliance and secretarial services
- Accounting and auditing services
- Book-keeping services
- Taxation services
- Voice broking
- Ship broking
- Professional services
- Management consulting services
- Administration services
- Assets management support services
- Trusteeship services
- Other services approved by the IFSCA

Key regulatory requirements

- The ancillary service entity must be set up in GIFT IFSC in the form of a company, a limited liability partnership, a registered partnership firm, or its branch thereof acting as an ancillary service provider in GIFT IFSC
- The ancillary service provider can provide services for entities set up in GIFT IFSC, entities from foreign jurisdictions for various permissible services in IFSC or overseas and Indian entities who propose to open, set up or carry out operations in IFSCs or foreign jurisdictions, provided consideration is received in freely convertible foreign currency
- Ancillary service providers must transact in freely convertible foreign currency only
- Ancillary service providers may defray their administrative expenses in ₹ by maintaining an ₹ account.

International Bullion Exchange(s)

Overview

- 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 were issued by the IFSCA.

International Bullion Exchange(s)

Particulars	Key guidelines
Bullion Exchange	- Entities eligible to become members of the IIBX - IBUs.
	- Subsidiaries/branches of entities dealing with financial products set up in IFSC, Banks authorized by RBI, and Nominated Agencies authorized by the Directorate General of Foreign Trade (DGFT) to deal in bullion.
	- Eligibility criteria for a member setting up operation in IFSC - Either through a subsidiary, branch, or any other mode as permitted by the IFSCA; shall be from a FATF-compliant jurisdiction.
	- Trading members shall have at least 1 employee having a minimum of 3 years of experience and sound knowledge in the precious metals industry.
Bullion Clearing Corporation	- A licensed bank or a registered broker with the IFSCA permitted to act as a clearing member subject to meeting the eligibility criteria of the Bullion Clearing Corporation.
	- The Clearing member should have a physical presence at GIFT IFSC.
	- Clearing member may be a Trading-and-clearing member, Professional clearing member, or Self-clearing member.
	- Minimum net worth of \$10 Mn.
Vault Manager	- Minimum net worth of \$7 Mn, which shall be maintained at all times.
	- Furnish a refundable security deposit of \$75,000 with the Bullion Depository before applying to the IFSCA.
	- Before accepting physical bullion from a depositor, ensure that it meets the technical

Role And Objective Of International Bullion Exchange (IIBX)

The IIBX ecosystem will be a **channel for bullion trading** at the international level and will put India on the global map with the following benefits:

- World-class vaulting facilities in the IFSC area
- Settlement in US dollars
- One-to-one congruence of Bullion Depository Receipts with their respective Bullion Bars
- Supply chain integrity and international suppliers on a single platform
- Nodal point for global bullion trade
- A well-connected distribution network – Logistics, Transportation, and Warehousing
- Transparent electronic trading platform
- Disintermediation: Qualified Jewellers can import gold directly through IIBX
- Democratic pricing: Same price available to all QJs at the time of placing the bid
- Price advantage to QJs due to economies of scale and immediate value realization

Objective

- To become Asia's largest bullion trading hub
- To focus across the bullion ecosystem
- To become a state-of-the-art digital platform for global trade, robust data and risk management



THANK YOU