

1. What is an IFSC?

IFSC Stands for International Financial Services Centre.

An IFSC caters to the customers outside the jurisdiction of domestic economy. Such centres deal with the flow of finance, financial products, and services across the borders.

IFSC as envisaged under the Indian context “is a jurisdiction that provides financial services to non-residents and residents (Institutions), in foreign currency other than Indian Rupee (INR)”

IFSC is set-up to undertake financial services transactions that are currently carried on outside India by overseas financial institutions and overseas branches/ subsidiaries of Indian financial institutions

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

The IFSC in GIFT City (GIFT IFSC) seeks to bring back those financial services transactions that are currently carried on outside India by overseas financial institutions and overseas branches/ subsidiaries of Indian financial institutions to the Indian shores. Specifically, it seeks to bring them to a centre that has been designated for all practical purposes as a location having the same ecosystem advantage as their present offshore location, which is physically in India.

IFSC would also compliment and promote further development of financial markets in India.

Strategic objectives of setting up the IFSC are as follows:

- To realise the vision of the Government of India to emerge as a major economic power by facilitating the development of a strong base of International Financial Services in the country.
- To facilitate the implementation of the Government’s strategy for the development of a financial hub in the South Asian sub-continent.
- To position IFSC as a world-class zone for the long-term provision of office/ service accommodation and high technological, economic and commercial infrastructure.
- To bring financial service experts sitting offshore back to Indian shores and transform India as a talent hub.

3. Where in India have IFSCs been permitted?

GIFT City is India’s only approved IFSC located in the capital city of Gandhinagar, State of Gujarat.

4. Why Gujarat?

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

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

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

GIFT IFSC provides numerous benefits to the entities setting up operations. Key benefits are as follows:

- State-of-the-art infrastructure at par with other global financial centres
- Fiscal incentives in the form of exemptions and concessions — Liberal tax regime for 10 years, state subsidies
- Lower operating costs
- International dispute resolution mechanism through Singapore International Arbitration Centre
- Robust regulatory and legal environment
- Integrated ecosystem of banks, insurance, capital markets, law firms and consultancy firms
- A wholly transparent operating environment, complying with global best practices and internationally accepted laws and regulatory processes
- Availability of skilled professionals

- A modern transport, communications and internet infrastructure
- Only place in India that allows offshore transactions

6. Is the IFSC similar to IT SEZs?

IT companies do not require approval from any regulator, whereas banks, insurance companies and capital market entities require approval from Respective Regulators, RBI, Insurance Regulatory and Development Authority (IRDAI) and Securities and Exchange Board of India (SEBI). At present, the units related to banking, insurance and capital market are considered as IFSC units in SEZ.

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

IT companies and IFSC units can operate from the same zone, GIFT SEZ. IT companies require approval from the Development Commissioner, KASEZ only and can start operating post SEZ approval. However, regulated financial services entities, i.e. banks, insurance companies and capital market intermediaries are required to obtain approval from respective regulators, i.e. Reserve Bank of India (RBI), IRDAI and SEBI in addition to the approval from SEZ Development Commissioner.

8. What will be the currency in the IFSC?

All the transactions undertaken by the units in IFSC should be in foreign currency [other than Indian Rupees (INR)]. However, IFSC units can carry out administrative and statutory expenses in INR.

9. Is the IFSC regulated?

In India, an IFSC has to be approved by the Central Government under the SEZ Act, 2005 and is also governed by several Financial Services regulators such as RBI, SEBI and IRDAI.

On 19 December 2019, the IFSC Authority Act, 2019 was enacted to provide for the establishment of an authority to develop and regulate the financial services market in GIFT IFSC. The IFSC Authority was established by the Central Government recently on 27 April 2020. The IFSC Authority shall have its headquarters at Gandhinagar, Gujarat.

10. Who can be participants in the IFSC?

The following entities can set up an IFSC unit:

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

- **Banking Sector** – Regulated by RBI
 - Indian banks (viz. banks in the public sector and the private sector authorised to deal in foreign exchange)
 - Foreign banks already having banking presence in India
- **Insurance Sector** – Regulated by IRDAI
 - Indian Insurer
 - Indian Reinsurer
 - Indian Broker
 - Foreign Insurer
 - Foreign Reinsurer
- **Capital Market** - Regulated by SEBI
 - Stock Exchanges/ Commodity Exchanges
 - Clearing Corporation
 - Depository
 - Stockbrokers, Trading members
 - Investment Adviser
 - Portfolio Manager
 - Alternate Investment Fund (AIF)
 - Mutual Fund
 - Any other intermediary permitted by SEBI

11. Which entities have started operations from the GIFT IFSC?

Presently, there are 13 banks including a foreign bank, 19 insurance firms and approximately 100 capital market entities have set up office in the GIFT IFSC. There are two international exchanges operational from this zone and runs 22 hours a day. Details of the key institutions are as follows:

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

Insurance: New India Assurance (Direct Insurance), GIC Re (Reinsurance), ECGC, National Insurance and approximately 16 Insurance intermediaries.

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

Alternate Investment Funds (AIF), Investment Advisors, Custodian, Depositories, Trustee companies, clearing banks are also part of the capital markets ecosystem.

IT/ ITeS, Consultancy Units: BA Continuum (Bank of America), BeFree, Moon SEZ Consultants, Exemplary Consultants, Cybage (IT company) and many other IT/ ITeS firms are operating out of SEZ zone for exports of various services.

12. Can IFSC units open foreign currency accounts with the banks operating in the GIFT IFSC?

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

13. Can IFSC units pay administrative expenses in INR?

Yes, IFSC units can make payment for administrative and statutory expenses in INR. No other INR transactions are permitted.

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

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

- Obtain Provisional Letter of Allotment from any Co-developer in GIFT SEZ for securing the premises on lease.
- Application in the prescribed Form F to be filed with the jurisdictional Development Commissioner (DC) of the GIFT SEZ along with copy of project report and other details/ information (in 2 copies).
- The DC shall scrutinise the proposal of the unit and place the same before the Unit Approval Committee for their consideration.
- The Unit Approval Committee shall approve or approve with modifications or reject the proposal within 15 days of its receipt.
- The DC shall issue Letter of Approval (LOA) for setting up unit, subject to approval by the relevant regulator.
- SEZ unit will take approval from RBI or SEBI or IRDAI¹ for setting up a unit in the IFSC for carrying out banking, capital market or insurance-related activities in the GIFT IFSC as applicable.
- SEZ unit shall be required to confirm its acceptance with the terms and conditions of LOA to the DC, GIFT SEZ within 45 days of receipt of LOA.
- SEZ unit shall be required to enter into a lease agreement with the Co-developer and copy of the registered lease deed shall be required to be submitted to the office of the DC within six months of receipt of LOA.
- The unit can then operate and avail all the benefits/ exemptions/ concessions as a unit in GIFT SEZ.

15. Please provide web link to submit Form F online to DC, KASEZ.

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

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

The application is to be filed in two sets, one each for DC office and the GIFT SEZ Authority.

- Bank Draft of INR 5000/- payable to REGIONAL PAY AND ACCOUNTS OFFICER, MUMBAI. (Payable at Gandhidham)

¹ Approval from IFSC Authority, once operating guidelines are issued

- Application in form “F” duly filled and signed by the Authorised Person
- Self-certified copy of incorporation, Memorandum of association and Articles of Association.
- Self-certified copy of Permanent Account Number of the company.
- Copy of Provisional Letter of Allotment issued by the Developer.
- List of Directors/ Partners of the company/ Firm/ Limited Liability Partnership
- Certified copy of PAN card of the Directors/ Partners
- Passport size photographs of the Directors/ Partners
- Copy of audited financial statement of the Company/ Firm/ LLP for the last three financial years.
- Certified copy of resolution for setting up the unit is SEZ and authorising the person to sign the application
- Brief Project Report

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

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

18. Who are the regulatory bodies in the GIFT IFSC?

The following are the regulating bodies for various financial services:

- Banking: Reserve Bank of India (RBI)
- Insurance: Insurance Regulatory and Development Authority of India (IRDAI)
- Capital markets (including Asset Management): Securities and Exchange Board of India (SEBI)

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

A unit can apply to SEZ authority and sector-specific regulator (RBI/ SEBI/ IRDAI¹) parallelly. Both the licenses can be obtained in 45 days from the date of application.

20. What is the tax framework for units set up in the GIFT IFSC?

- **Tax holiday** for 10 consecutive years out of block of 15 years in respect of income from business carried on in IFSC
- Minimum Alternate Tax (MAT)/ Alternate Minimum Tax (AMT) – **9%** (MAT not applicable to companies in IFSC opting for new tax regime)
- Tax on capital gains on Specified securities listed on IFSC exchanges by a non-resident or category III AIF located in IFSC - **NIL**
 - **Gains accruing not chargeable to tax in India**
- GST on services (a) received by unit in IFSC; and (b) provided to IFSC/ SEZ units or Offshore clients – **NIL**
- Security Transaction Tax (STT), Commodity Transaction Tax (CTT), Stamp Duty in respect of transactions carried out on IFSC exchanges – **NIL**
- Tax on interest paid by IFSC units to non-residents – **NIL**
- Tax on interest paid to non-resident on Long-term Bonds and Rupee-denominated bonds listed on IFSC exchange – **4%**

21. Who are the real estate developers in SEZ IFSC zone of GIFT City?

1. Hiranandani, Mumbai (Signature Tower – Operational)
2. Brigade Group, Bangalore (BIFC Tower – Operational)
3. ATS - Savvy Group, Ahmedabad (Pragya Tower - Operational)

22. Who is the primary contact for further information on IFSC at GIFT City?

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

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