
FAQs for IFSC Capital markets business

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

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

- **Indian Jurisdiction:** Subject to the SEBI Act 1992, the Securities Contracts (Regulation) Act, 1956 (42 of 1956), the Depositories Act, 1996 (22 of 1996), provisions of Companies Act, 2013 administered by SEBI;
- **Foreign Jurisdiction:** A country other than India whose securities market regulator is a signatory to the International Organization of Securities Commission's Multilateral MoU (IOSCO's MMOU) or a signatory to bilateral MoU with SEBI and not blacklisted by Financial Action Task Force.

2. Who are the eligible participants permitted by SEBI in capital markets in the IFSC?

The eligible participants permitted by SEBI in capital markets in IFSC are as follows:

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

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

Eligibility: Any Indian recognised stock exchange or any recognised stock exchange of a foreign jurisdiction can form a subsidiary to provide the services of bourse in an IFSC, wherein at least 51 one per cent of stake is held by the exchange and remaining share capital may be offered to any other person (whether Indian or of foreign jurisdiction).

Shareholding limit: The stock exchange should hold **not less than 51%** of the paid-up equity share capital.

Minimum Net Worth: Minimum Net worth equivalent to INR 25 crores is required initially, which should enhance to INR 100 crores over a three-year period from the date of approval.

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

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

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

Minimum Net Worth: Minimum Net worth requirement equivalent to INR 50 crores is required initially, which should enhance to INR 300 crores over a three-year period from the date of approval.

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

Eligibility: Any Indian registered depository or any regulated depository of a foreign jurisdiction may form a subsidiary to provide the depository services in IFSC. Please note that an Indian registered depository can also set up a branch in the IFSC.

Shareholding limit: The depository needs to hold at least 51% of the paid-up equity share capital. Prior approval of SEBI is required.

Minimum Net Worth: Minimum Net worth equivalent to INR 25 crores is required initially, which should enhance to INR 100 crores over a three-year period from the date of approval.

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

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

- Equity derivatives: Indian Single Stock Derivatives
- Equity derivatives in the shares of a company incorporated outside India
- Index derivatives
- Depository Receipts
- Debt Securities issued by eligible issuers: Foreign currency bond, Masala bonds, Green bonds
- Currency derivatives: Global currency derivatives, Rupee derivatives
- Commodity derivatives
- Real Estate Investment Trusts (REITs)
- Infrastructure Investment Trusts (InvITs)
- Other such securities as specified by SEBI

The IFSCA has recently notified regulatory framework for Depository Receipts, REITs and InvITs which can be downloaded from <http://www.giftgujarat.in/download.aspx>.

7. Can an entity set up a branch in the IFSC to act as a Trading member of a stock exchange or Clearing Member of a clearing corporation?

No, an entity cannot set up a branch in the IFSC to act as a Trading member of a stock exchange or Clearing Member of a clearing corporation. The entity should form a company to act as a Trading member or Clearing Member.

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

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

- a person not resident in India
- a non-resident Indian
- a financial institution resident in India who is eligible under FEMA to invest funds offshore, to the extent of outward investment permitted

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

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

- a person not resident in India
- a non-resident Indian
- a financial institution resident in India who is eligible under FEMA to invest funds offshore, to the extent of outward investment permitted

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

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

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

11. What is the eligibility criterion for issuers of debt securities in the IFSC?

The following criteria must be complied with by an issuer of debt security in the IFSC:

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

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

The minimum subscription amount in case of private placement per investor should not be less than USD 100,000 or equivalent or such amount as may be specified by SEBI.

13. Are the debt securities required to be listed on IFSC stock exchanges?

Yes, an issuer desirous of issuing debt securities is required to make an application for listing of debt securities to one or more IFSC stock exchanges.

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

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

- a person resident outside India
- a non-resident Indian
- institutional investor resident in India who is eligible under FEMA to invest funds offshore, to the extent of outward investment permitted

15. What are the various securities an AIF or a mutual fund operating in IFSC is allowed to invest in?

The AIFs and mutual funds in IFSC are permitted to invest in the following:

- Securities listed in IFSC

- Securities issued by companies incorporated in IFSC
- Securities issued by companies incorporated in India or foreign jurisdiction
- Units of AIFs
- Securities that a domestic AIF is permitted to invest in

16. What is the minimum net worth requirement for an asset management company of a Mutual fund operating in the IFSC?

An Asset management company of a Mutual fund operating in the IFSC should have a net worth of not less than USD 2 million, which shall be increased to USD 10 million within 3 years of commencement of business in IFSC.

17. Are there any operating guidelines for AIFs to set up Funds in the IFSC?

Yes, SEBI vide circular¹ dated 26 November 2018 provided operating guidelines for Funds in IFSC. Further, the IFSCA has issued a circular dated 09 December 2020 providing further relaxations to the operating guidelines for the Funds in IFSC.

18. Is there any regulatory framework for Market Access to IFSC based Stock Exchanges through Authorized Persons?

Yes, Stock brokers/ trading members (registered with either IFSCA or SEBI or both) of the stock exchanges are permitted to provide market access to investors through Authorized Persons based in foreign jurisdictions.

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

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

20. What are the Tax incentives for capital market participants?

- **Tax holiday** for 10 consecutive years out of block of 15 years in respect of income from business carried on in IFSC
- MAT/ 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**
- GST on services (a) received by unit in IFSC; and (b) provided to IFSC/ SEZ units or Offshore clients – **NIL**
- STT, 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%**

¹ SEBI/ HO/ IMD/ DF1/ CIR/ P/ 143/ 2018