



# International Financial Services Centre

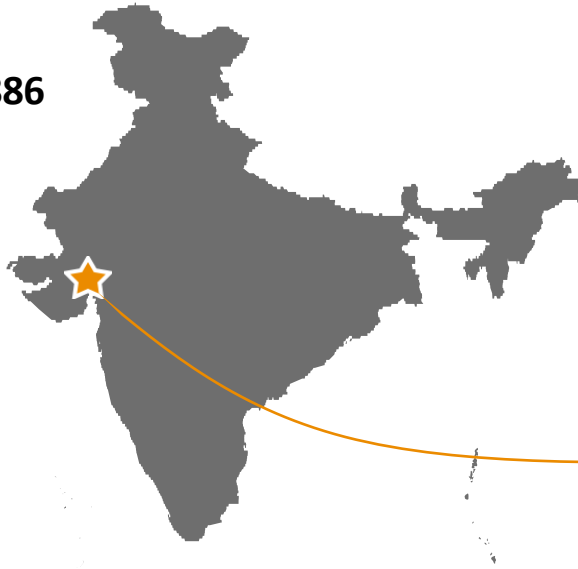
**A Financial & Technology Gateway of India**

# About: GIFT City and IFSC

**A Greenfield Smart City developed on 886 Acres of land**

**Developed by Government of Gujarat and supported by Govt. of India**

**The financial gateway of India for inbound & outbound investment**



“GIFT City IFSC– Gujarat, ranked 1<sup>st</sup> amongst top 15 Global Financial Centre that will become more significant and 1<sup>st</sup> in Reputational Advantage” based on the report issued by The Global Financial Centres Index, 28 September 2020 Issue

**Government of India operationalized GIFT City as an IFSC in 2015**



**Global Benchmarking**



**Integrated Development**



**Strong Promoters**



**Central Business Hub**



**India's 1st IFSC**



**State of the Art Infrastructure**



**Strategic Location**



**Ease of Doing business**

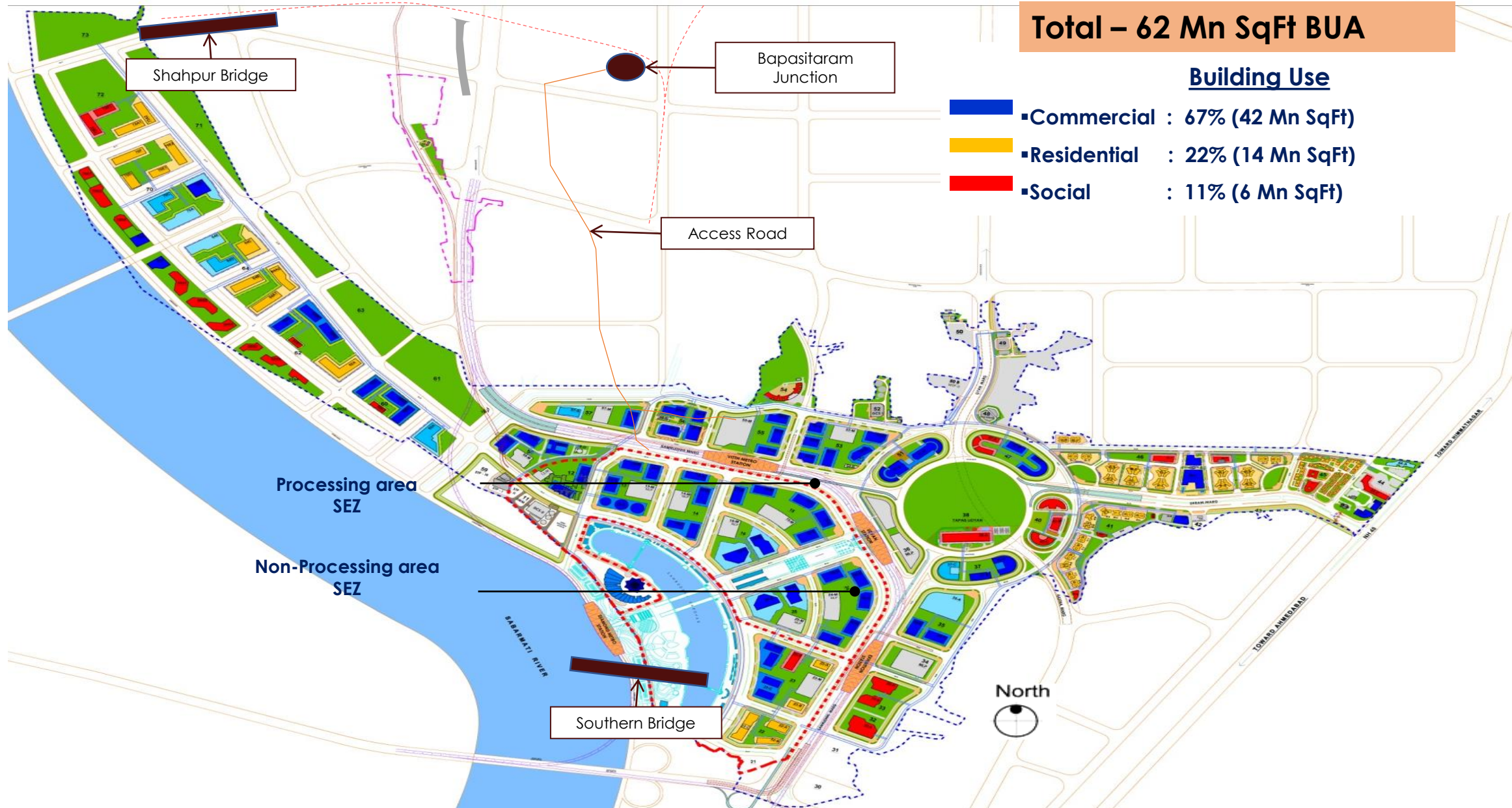


# Master Plan

**Total – 62 Mn SqFt BUA**

## Building Use

- Commercial : 67% (42 Mn SqFt)
- Residential : 22% (14 Mn SqFt)
- Social : 11% (6 Mn SqFt)





# State of Art Infrastructure



Water Treatment Plant



District Colling Plant



Utility Tunnel

Automated Waste Collection & Segregation Plant







# INTERNATIONAL FINANCIAL SERVICES CENTRE (IFSC)

# International Financial Services Centre at GIFT City

## **IFSC in India**

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

# Overview - IFSC

## BUSINESS ACTIVITIES



### BANKS

- Indian banks
- Foreign banks



### CAPITAL MARKET

- Stock/Commodity Exchanges
- Clearing Corporation
- Depository
- Broker Dealer



### ASSET MANAGEMENT

- Alternate Investment Fund
- Investment Advisers
- Wealth Management
- Portfolio Manager
- Custodial Services



### INSURANCE

- Indian Insurer
- Indian Reinsurer
- Indian Broker
- Foreign Insurer
- Foreign Reinsurer



### Other Financial Institutions

- Finance Company
- Global Corporate Treasury Centre
- International Trade Finance Services Platform



### Emerging Activities

- Global Fintech Hub
- Global inhouse centres
- International Bullion Exchange
- Aircraft Leasing & Financing
- Ship Leasing & Financing
- Ancillary Services/Professional Service Providers



# COMPETITIVE TAX REGIME

## Overview - IFSC

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- 100% Tax Exemption (for 10 out of 15 years)
- Minimum Alternate Tax\* @ 9%
- No CTT\*\*/STT\*\*/GST\*\*/Stamp Duty
- No Capital Gain Tax
- Withholding tax @4% on interest paid on Debt Instruments
- Competitive AIF Tax Regime
- Incentives under Gujarat IT/ITes Policy (2022-27)

\* MAT provisions not applicable for companies opting for concessional tax rate under Sec. 115 BAA of Income Tax Act, 1961

\*\*CTT- Commodity Transaction Tax, STT- Securities Transaction Tax, GST- Goods and Service Tax





# IFSCA: New Regulatory Architecture

## IFSC Regulations Benchmarked with International Best Practices

**IFSCA (Banking)  
Regulations 2020**

**IFSCA (Bullion Exchange)  
Regulations 2020**

**IFSCA (Global In-House)  
Regulations 2020**

**Regulatory Sandbox  
Framework for FinTech  
2020**

**IFSCA (Issuance and  
Listing of Securities)  
Regulations, 2021**

**IFSCA (Finance Company)  
Regulations, 2021**

**IFSCA (Market  
Infrastructure Institutions)  
Regulations 2021**

**Framework For Aircraft  
Leasing and Finance 2021**

**Framework for Ancillary  
Services 2021**

**Framework for Global  
Corporate Treasury  
Centres in IFSC 2021**

**Framework for setting up  
International Trade  
Financing Services  
Platform (ITFS) 2021**

**IFSCA Banking Handbook  
2021**

**IFSCA (Capital Market  
Intermediaries)  
Regulations, 2021**

**IFSCA (Registration of  
Insurance Business)  
Regulations, 2021**

**IFSCA(Insurance  
Intermediary) Regulations,  
2021**

# Finance Company in GIFT IFSC



# Finance Company - Eligibility criteria

## Form of Set-up



### Performing core and specialised activities

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



### Performing non-core activities

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

## Registration Requirements



- Obtain a certificate of registration from IFSCA
- Finance Company / Finance Unit (FC/FU) cannot accept deposits and not registered with the IFSCA as a Banking Unit
- Applicant entity and/or its promoters shall be from a FATF compliant jurisdiction
- If an investing entity in a FC/ FU is carrying out a regulated financial activity in its home jurisdiction, it shall obtain a no-objection certificate from its home country regulator for setting-up a FC/ FU in the IFSC
- FC/ Parent of FU to maintain a minimum owned fund depending on proposed activity to be undertaken or any higher amount as may be specified by IFSCA (Refer Annex 1)
  - Parent of FU shall provide the capital on an unimpaired basis at all times.

# Finance Company in IFSC - Permissible activities



## Permitted core activities

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

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



## Specialised activities

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



## Permitted non-core activities\*

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



# Finance Company – Regulatory norms

## Prudential Regulatory requirements\*



### General Prudential requirements

As may be specified by the authority



#### Capital Ratio



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



#### Liquidity Coverage Ratio (LCR)



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



#### Exposure Ceiling (EC)



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

\*Exemption to certain FC/FU– Refer **Annex 1**

### Books of accounts

- Every FC/ FU shall maintain its balance sheet only in USD
- A FU shall ensure that accounts pertaining to its transactions are kept distinct from that of its parent

### Currency of Operations

- Freely convertible foreign currency, whether resident or otherwise
- A FC/ FU may be permitted to conduct such business transactions denominated in Indian National Rupee (INR) as may be specified by the IFSCA, subject to settlement of those business transactions in freely convertible foreign currency
- A FC/ FU shall be permitted to have an INR account out of the freely convertible foreign currency to defray their administrative and statutory expenses

# Finance Company in IFSC – Key Considerations

## Source of Funds

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

## Derivative and Speculative transactions

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

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

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

**\*\*Exemption to certain FC/FU– Refer Annex 1**

## Non-core activities

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

## KYC & Corporate Governance and Disclosure requirements

- KYC norms and Reporting requirements – as specified for Banking units in IFSC
- Mergers, acquisitions, takeovers or change in management in of a FC/parent of a FU which results in change in control of at-least 20% of total share capital, or of business decisions – shall be subject to prior approval and shall be in compliance with the registration requirements\*\*
- The above shall be intimated to the IFSCA within a period of 15 days from date of such event



# Global/Regional Corporate Treasury Centre

## Framework

- ➔ **Eligibility**
  - FC/FU undertaking Treasury Activities and Treasury Services for its Group Entities, acting as an in-house Global/Regional Corporate Treasury Centre.
  - FC/ FU to apply for certification of registration for providing Global/Regional Corporate Treasury Services
- ➔ **Eligible Service Recipients**
  - Group Entities registered under any law for the time being in force with any competent or statutory body in its home jurisdiction and shall include its holding, subsidiary or associate companies, branch, joint venture investment or subsidiary of its holding company; and
  - 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 Government of India by an order or by way of an agreement or treaty.

## Currency of Operations

- Freely foreign exchange currency only, whether resident or otherwise. However, it may defray its administrative expenses in INR through a separate INR account.
- 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 subject to it being separately identified and settled in freely convertible currency.
- Treasury Centre may transact in rupee derivatives only where the foreign currency leg is in a freely convertible currency.
- USD-INR derivatives can be undertaken with authorized dealers in India in line with the extant RBI guidelines which are applicable to offshore entities hedging their currency exposures with authorized banks in India.
- Participation in non-deliverable forwards (including rupee or other currencies) or offshore markets shall be governed by the extant guidelines in force.

# Key Permissible Treasury Services and Activities

## Treasury Services



- ✓ Cash Pooling
- ✓ Cash Forecasting
- ✓ Central Processing of Payments
- ✓ Managing relationships with financial institutions
- ✓ Investment of funds of Group entities
- ✓ Corporate finance advisory/transaction services
- ✓ Intra Group Financing
- ✓ Managing operations of Treasury Management System
- ✓ Managing Financial risks
- ✓ Business Planning and Co-ordination
- ✓ Group Entities' compliance in relation to treasury management
- ✓ In-house Centre for providing virtual accounts to Group

## Treasury Activities



- ✓ Investing funds of Group Entities
- ✓ Borrowing by collateralizing inventory held by its Group Entities
- ✓ Factoring and Forfeiting activities
- ✓ Transacting into foreign exchange, forwards or futures, commodity derivatives
- ✓ Advances and structured credit facilities against future sales/exports by its Group Entities
- ✓ Commercial activities to the extent 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 to any or all Group Entities by raising short term or long-term debt
- ✓ Raising of equity and any other form of capital

# Way forward



## Operational

- Evaluate commercial and operational feasibility
- Evaluate manpower/"substance" requirements in IFSC
- Decision-making to take place from IFSC



## Tax

- New business v existing business: review taxation aspects
- Evaluate branch v. subsidiary/LLP/Trust set-up for FC/ FU



## Regulatory

- Approval required/restrictions from overseas regulator
- RBI approval for outbound investment

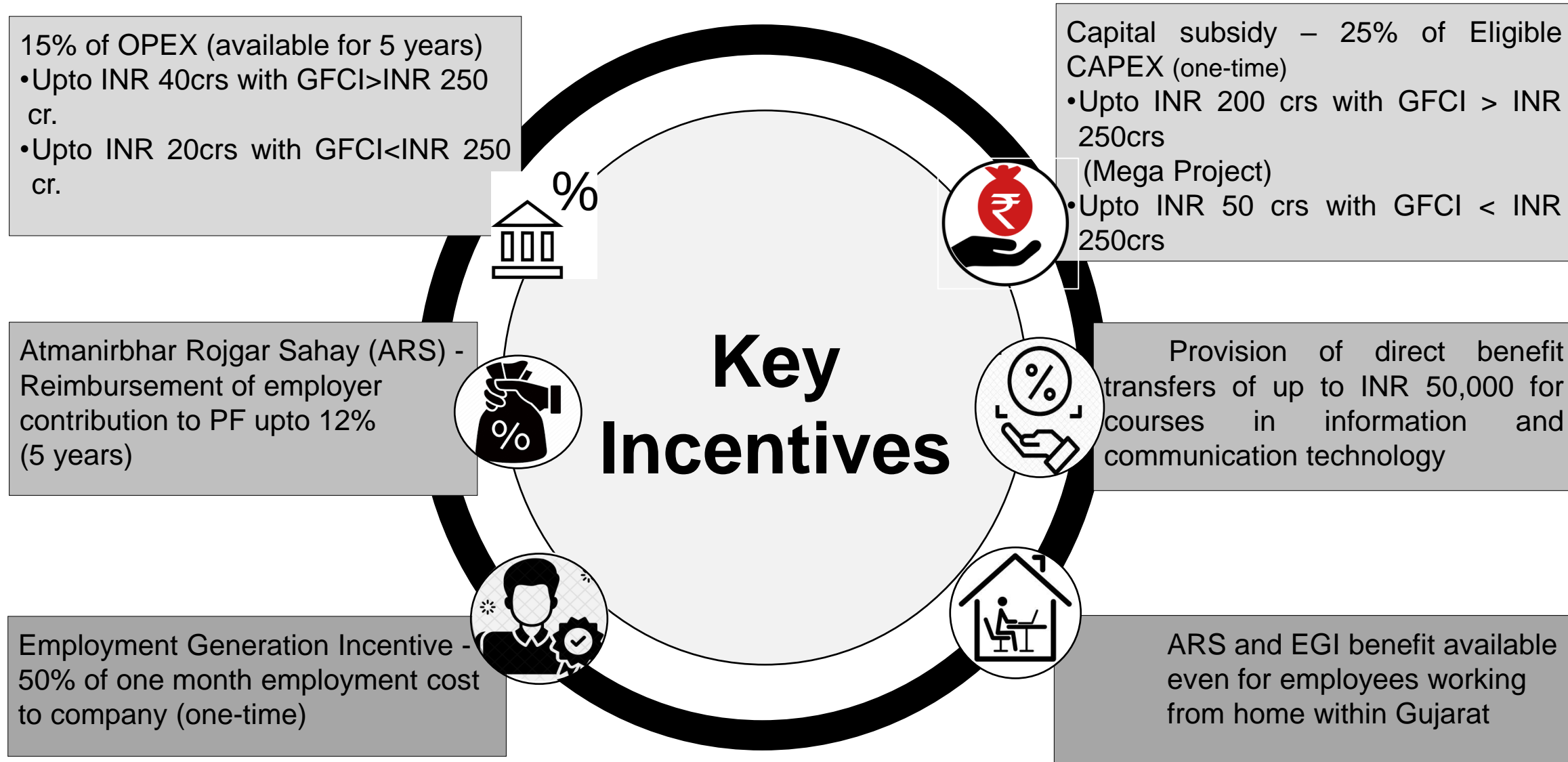
Entities desirous of raising funds from overseas market and deploy it in India – to evaluate IFSC FC/ FU



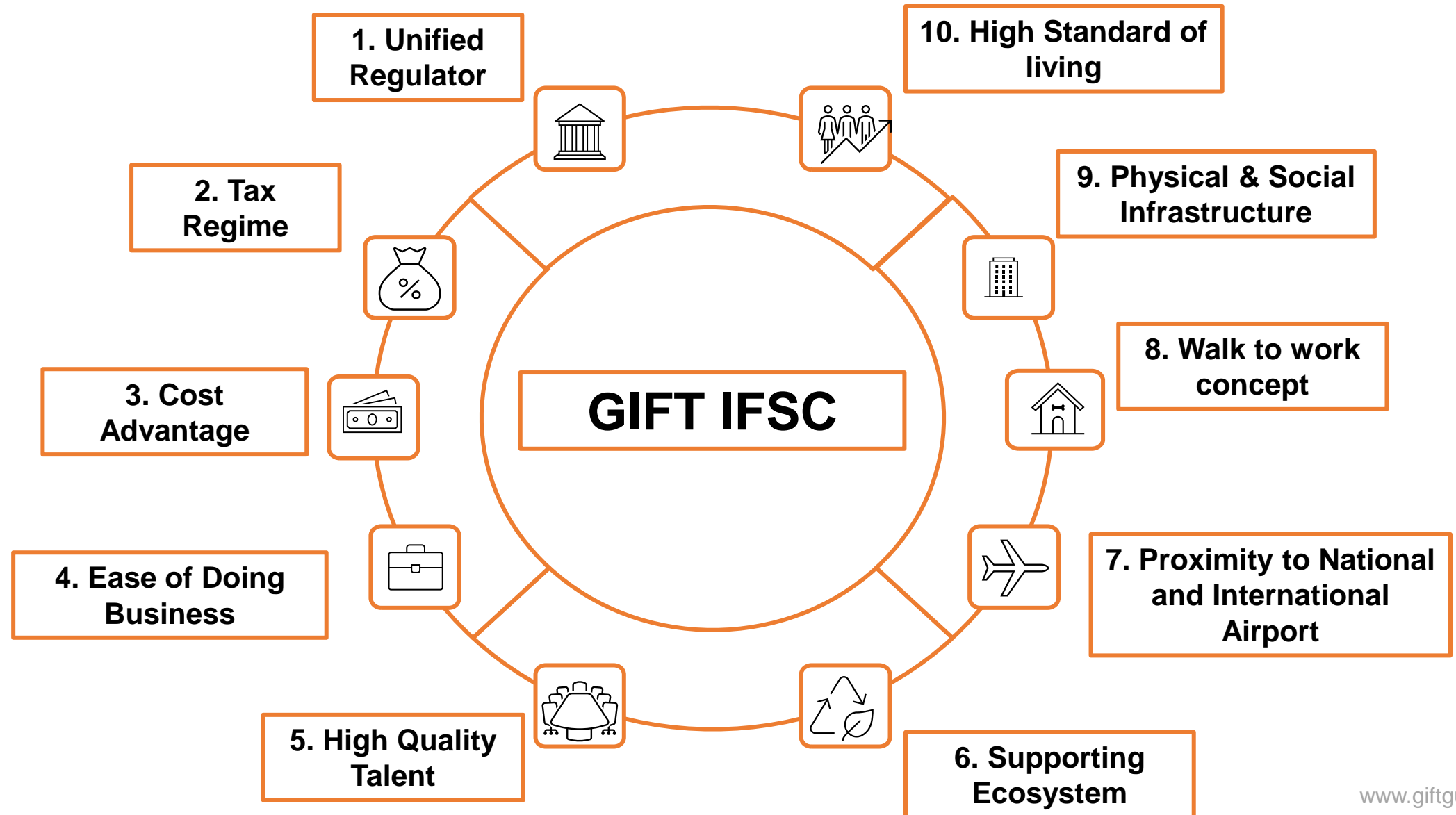
# Annexure 1 - Capital Fund requirement and exemption from certain regulations

Sr. No.	Activity	Capital Fund Requirement	Exempted Regulations, if any
1	<ul style="list-style-type: none"> <li>• Undertaking only operating lease transactions for aircraft lease</li> <li>• Undertaking one or more non-core activities</li> <li>• Undertaking to act as facilitators of core activities</li> <li>• Undertaking any of the permissible activities, if operating without customer interface</li> </ul>	USD 0.2 mn	<ul style="list-style-type: none"> <li>• Exemption from complying with:               <ul style="list-style-type: none"> <li>– Prudential regulations</li> <li>– Corporate Governance and Disclosure requirements</li> </ul> </li> <li>• The above exemption is subject to the following:               <ul style="list-style-type: none"> <li>– FC/FU having a Board approved prudential policy</li> <li>– Fulfilling Fit and Proper criteria set out by IFSCA</li> </ul> </li> </ul>
2	<ul style="list-style-type: none"> <li>• Undertaking one or more core activities with or without non-core Activities</li> </ul>	USD 3 mn	No exemption
3	<ul style="list-style-type: none"> <li>• Undertaking specialised activities with or without core or non-core activities</li> </ul>	USD 5 mn	No exemption

# Government of Gujarat IT/ITeS Policy (2022-27)



# Key Benefits of office at GIFT City





# *Thank you*

## **CONTACT US:**

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Visit us: <http://www.giftgujarat.in>



## **GIFT SEZ LTD.**

### **IFSC Department**

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Gujarat - 382355