



IFSC Banking Units in IFSC

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Key highlights:

- ❑ Approved by Government of India as an International Financial Services Centre (IFSC) at GIFT City, the IFSC reinforces India's strategic position as a global hub for financial services.
- ❑ The Government of India established International Financial Services Centres Authority ("IFSCA") in April 2020 under the International Financial Services Centres 'Authority' Act passed by the Indian Parliament in **December 2019**
- ❑ IFSC Authority notified with Head office at GIFT City- Gandhinagar, Gujarat – April 27, 2020
 - IFSCA Office operational with appointment of Chairman and Members of the board
- ❑ Launch of INR/USD Trading by Hon'ble Finance Minister at IFSC Exchanges – May 08, 2020
- ❑ RBI permitted trading of non-deliverable rupee to IFSC Banking Units from June 01 – March 27, 2020 (Only banks having IFSC Banking Unit)
- ❑ Notification allowing Aircraft leasing and financing activity and Global In-house Centres (GIC) in IFSC to be regulated by the IFSCA
- ❑ Notification of the IFSCA (GIC) Regulations, 2020 by IFSCA - 13 November 2020
- ❑ Notification of the IFSCA (Banking) Regulations, 2020 by IFSCA - 18 November 2020

International Financial Services Centre at GIFT City

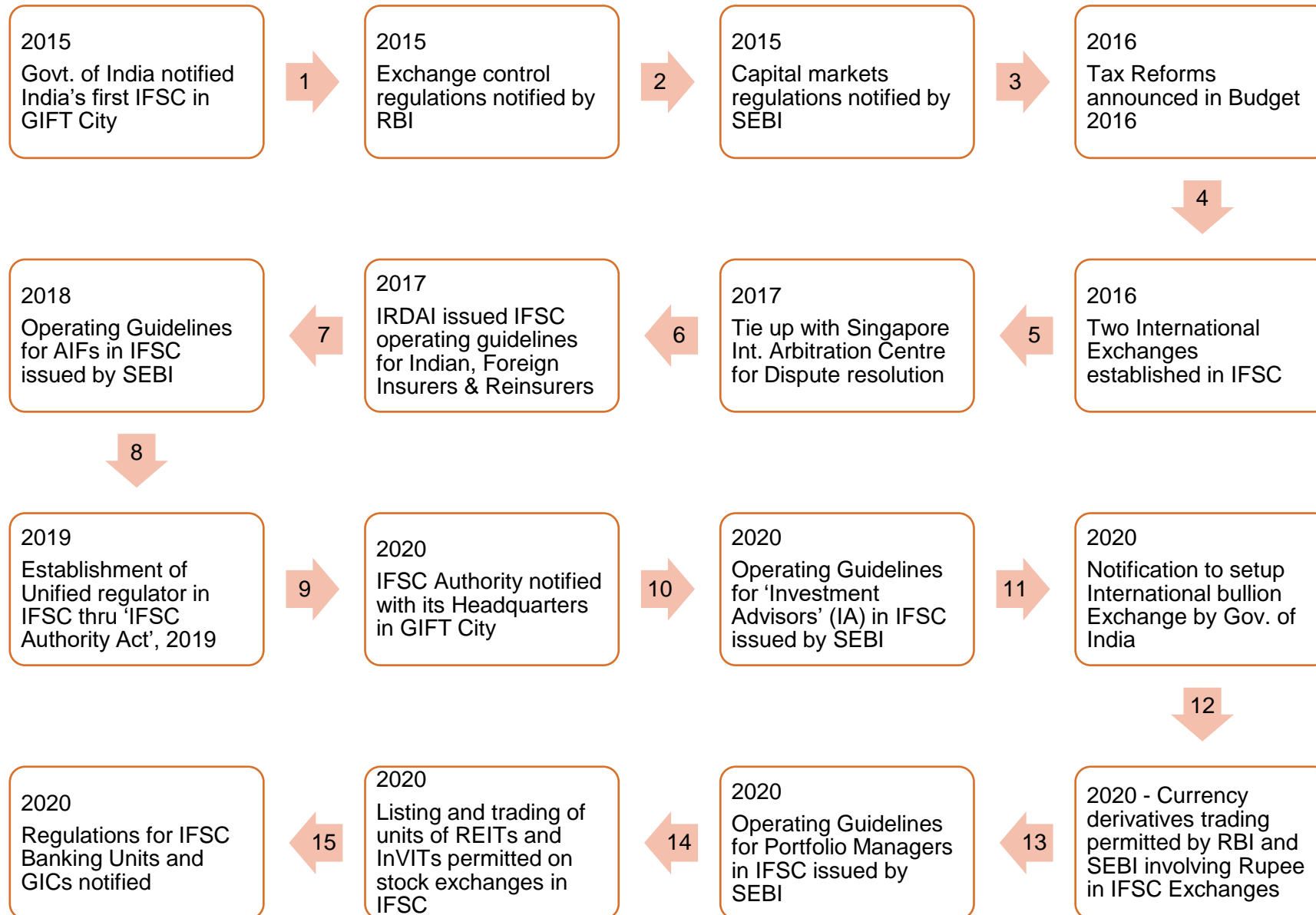
IFSC in India

- 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

Key activities in IFSC

Capital Markets	Offshore Banking	Offshore Insurance	Offshore Asset Management	Ancillary Services
<ul style="list-style-type: none"> • Stock Exchanges • Trading members • Segregated Nominee Account Providers • Clearing Corporations, Depositories, other intermediaries 	<ul style="list-style-type: none"> • Corporate Banking • ECB Lending • Servicing JV/WOS of Indian companies registered abroad • Factoring/ Forfaiting of export receivables 	<ul style="list-style-type: none"> • General / Life Insurance • Co-Insurance • Reinsurance • Captive Insurance etc. 	<ul style="list-style-type: none"> • Alternative Investment Funds • Mutual Funds • Portfolio Management Services • Investment Advisors 	<ul style="list-style-type: none"> • Legal, Accounting & Audit • Research & Analytics etc. • Fund Accounting • Risk Management etc.

IFSC Journey thus far...



IFSC Ecosystem and Business growth

Sr No	Participants	Key business activities and features	Volume and No. of players
1	International Stock exchanges	<ul style="list-style-type: none"> Dollar denominated products No transaction cost (other than brokerage) Trading - 22 hours 	<ul style="list-style-type: none"> India INX and NSE IFSC stock exchange Avg. Daily volume crossed USD 8 Bn+
2	IFSC Banking units	<ul style="list-style-type: none"> External Commercial Borrowing (ECB) Lending Loan syndication and trade finance 	<ul style="list-style-type: none"> 15 IBUs Business - USD 28 Bn+
3	Brokers & Intermediaries	<ul style="list-style-type: none"> Broking services Proprietary trading 	<ul style="list-style-type: none"> 100+ brokers, Depository Clearing corporations, Custodian
4	Insurers & Intermediaries	<ul style="list-style-type: none"> Non-life, Reinsurance business Insurance intermediaries 	<ul style="list-style-type: none"> 18+ Companies Sum insured - USD 30 Bn+
5	IT & ITeS service providers	<ul style="list-style-type: none"> Legal & consultancy firm IT companies 	<ul style="list-style-type: none"> 50+ entities

Dispute resolution -
Singapore International
Arbitration Centre (SIAC)

Connectivity - 20 min.
from Ahmedabad Airport, well
connected thru public
transport

Social amenities –
Business club, school, hotels,
residential apartments, etc.

~12000 employees in
GIFT City

Security Market products in IFSC

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

Equity Indices Futures & Options	Single Stock Futures & Options	Commodities Futures	Currencies Futures & Options	Debt
<ul style="list-style-type: none"> • NIFTY 50 Index • NIFTY Bank Index • NIFTY IT Index • S&P BSE Sensex • S&P BSE India 50 	<ul style="list-style-type: none"> • India INX • NSE IFSC • Global Stocks 	<ul style="list-style-type: none"> • Gold (10 troy ounce) • Silver (500 troy ounce) • Copper • Brent Crude Oil 	<ul style="list-style-type: none"> • Euro - US Dollar • Pound - US Dollar • Japanese Yen - US Dollar • Australian Dollar - US Dollar • Swiss Franc - US Dollar • Indian Rupee - US Dollar 	<ul style="list-style-type: none"> • Medium Term Notes • Green Bonds • Green Masala Bonds

Regulatory framework

Regulatory set up

- Special Economic Zones Act, 2005
- The International Financial Services Centres Authority Act, 2019
 - IFSC Authority assumed powers over other financial service regulators i.e. RBI, SEBI, IRDAI and PFRDA
 - IFSC Authority headquartered in Gandhinagar

Exchange Control regulations

- FEM (International Financial Services Centre) Regulations, 2015
- FEM (Foreign Currency Accounts by a Person Resident In India) Regulations, 2015
- FEM (Transfer or issue of Foreign Security) Regulations, 2004

Financial service regulators

- **IFSCA (Banking) Regulations, 2020**
- SEBI (International Financial Services Centres) Guidelines, 2015 (IFSC Guidelines)
- IRDAI [Registration and Operations of IFSC Insurance Offices (IIO)] Guidelines, 2017
- IRDAI [Registration and Operations of IFSC Insurance Intermediary Offices (IIIO)] Guidelines, 2019

Tax laws

- Income-tax Act, 1961
- Goods and Services Tax Law
- Double taxation avoidance agreements signed by India with other countries

Financial Institution being a branch or entity in IFSC – Deemed as a ‘person resident outside India’

Tax Incentives

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

State Government incentives for units in IFSC

State Subsidies as per the IT & ITeS Policy		
Stamp Duty & Registration / Conversion fee exemption	Wherever cost is incurred 100% reimbursement of Stamp Duty and Registration Fee paid	
Electricity duty and subsidy on tariff	100 % Reimbursement of Electricity duty and Re. 1 subsidy on power tariff for a period of 5 years.	
Reimbursement of Provident Fund contribution by employer	<ul style="list-style-type: none"> •100% of EPF amount paid in case of female employees •75% of EPF amount paid in case of male employees 	
Lease rental subsidy for every 50 sq ft per employee	Up to 20 employees	Rs. 8 per sq. ft.
	20 – 100 employees	Rs. 5 per sq. ft.
	Above 100 employees	Rs. 3 per sq. ft.
Capital Subsidy	Capital subsidy @ 25% of capital expenditure for one-time purchase of computers, networking and related hardware, subject to a ceiling of Rs. 1 crore	

IFSC Banking Unit ('IBU') in IFSC

Overview of IFSCA (Banking) Regulations, 2020

IFSCA (Banking) Regulations, 2020

- **IFSCA Banking Regulations notified – November 2020**
- The new regulation supersedes the earlier RBI IBU guidelines
 - Whether the FAQs issued by RBI in March 2019 will be superseded as well?
- Indian and Foreign banks can set-up an IBU as a branch
 - Indian Bank includes any bank formed under any Act and a subsidiary of a foreign bank incorporated in India but excludes co-operative banks
- Foreign banks not having presence in India may also be permitted to set up an IBU
- Bank is required to obtain a license from IFSCA
- Parent bank to satisfy the following conditions:
 - Provide a minimum capital of US\$20 million to IBU, which shall be maintained on an unimpaired basis at all times
 - Obtain No objection letter from its home regulator for setting up IBU in IFSC
 - Submit an undertaking to provide liquidity to IBU, whenever needed.

Permissible activities (1/2)

Deposits

- Foreign currency accounts of:
 - Qualified Individuals (QI)*;
 - Non-resident corporate or institutional entities
 - Resident corporate or institutional entities
 - Qualified Resident Individuals (QRI)*, only for permissible transactions under LRS route.

in the form of **current, saving, or term deposit** for individuals and in form of current or term deposit for others.

Note: Cash transactions not permitted

- Inter-bank borrowing

Lending products

- Loans, trade finances and acceptances, commitments and guarantees
 - INR ECBs also allowed
- Credit enhancement, credit insurance
- Sale and purchase of portfolios
 - Investments in equity or debt or commodities in Indian or overseas exchange permitted?
- Inter-bank lending
- Extend Post-Shipment Export Credit
- Factoring and forfaiting of export receivables
- Undertake equipment leasing, including aircraft leasing

Derivative products

- Enter into over the counter (OTC) derivative contracts:
 - for its asset liability management requirements
 - for its own account or for corporate or QI clients
- Participate in INR interest rate and currency Derivatives, with settlement in forex, listed on Stock Exchange
- Undertake gold derivative or forward contracts for hedging its gold investments
- Offer Non-deliverable currency contracts to
 - non-residents or
 - Banks in India having presence in IFSC

* QI means a non-resident individual having net worth > USD 1 mn in the preceding financial year and QRI means a resident individual having net worth > USD 1 mn in the preceding financial year

Permissible activities (2/2)

Other products

Investment Products

- ✓ Subscribing, acquiring, holding, underwriting or transferring securities / other instruments, as principal or agent

- **Foreign Portfolio Investor**

- ✓ Parent Bank registered as FPI with SEBI, **or** IBU after obtaining registration from IFSCA,
 - Carry out activities as an FPI in IFSC;
 - Offer SNAP structure for routing orders of foreign investors

- **Others**

- ✓ Trading member in interest rate or currency derivatives segments
- ✓ Professional clearing member in derivatives segment

Prudential regulatory requirements

General prudential requirements

- Adhere to prudential norms and guidelines as may be prescribed by IFSCA
- Comply with RBI directions and instructions as applicable for IBU, unless otherwise specified by IFSCA

Liquidity and leverage ratios

- IBUs to maintain LCR and NSFR (as and when made applicable by IFSCA) at IBU level
- LCR and NSFR may be maintained at parent level with IFSCA's permission
- Adhere to leverage ratio norms and guidelines, as may be specified by IFSCA

Exposure ceiling

- Single Borrower Limit – 5% of Parent's Tier I Capital;
- Group Borrower Limit – 10% of Parent's Tier I Capital

Reserve requirements

- The liabilities of IBU exempt from CRR requirement.
 - Deposits raised from QIs and QRIs to be subject to reserve ratios, as may be specified by IFSCA.

Lender of Last Resort

- Lender of Last Resort support not available to IBUs

Other salient features

Adherence to KYC norms, combating of financing of terrorism and other anti-money laundering norms – subject to RBI norms

Required to furnish information relating to its operations to IFSCA, as may be specified by IFSCA

Maintain books of accounts and records in foreign currency

Maintain separate nostro accounts distinct from nostro accounts maintained by Parent Bank's other branches in India

Permitted to have an INR account to defray administrative and statutory expenses

No centralised deposit insurance scheme requirement for deposits of IBU

Exchange margins with an IBU or overseas regulated entity for non-centrally cleared OTC currency, interest rate, credit and commodity derivative contracts to reflect MTM exposure under netting arrangement

New Business Opportunities

A

INR ECBs permitted

B

Commitments and Guarantees

C

Credit enhancement and insurance

D

Post-Shipment Export Credit

E

Invest on your own account and invest on behalf of clients

F

Undertake FPI activities

G

Deposits from Qualified Resident and Non-resident individuals

H

Exemption from CRR requirements, on deposits other than from QI and QRI

I

Offer Non-deliverable currency contracts

Setup process



Notable Banks located in IFSC at GIFT City

Kotak Bank	RBL Bank	State Bank of India	Bank of Baroda
Federal Bank	ICICI Bank	IDBI Bank	HDFC Bank
Axis Bank	IndusInd Bank Ltd.	Indian Bank	Yes Bank
Standard chartered bank	HSBC	Citibank	

Citi bank to commence business as IBU Shortly

GIFT – New Business Opportunities

**International Bullion
Exchange**

**Foreign Exchange local
clearing - IFSC**

**Asset and Wealth
Management**

**Listing of GDR / Equity /
REITs / Bonds**

**INR / USD Currency
trading**

Broking units in IFSC

**Insurance & Reinsurance
business**

Notable companies in GIFT City

GIFT IFSC

1. BANKING	2. INSURERS AND INTERMEDIARIES	3. CAPITAL MARKETS
<ul style="list-style-type: none"> State Bank of India IDBI Bank Bank of Baroda Indian Bank Axis Bank HDFC Bank Kotak Bank ICICI Bank IndusInd Bank RBL Bank Federal Bank Standard Chartered Bank HSBC Bank Citi Bank BA Continuum (Non-IFSC) 	<p>Insurers</p> <ul style="list-style-type: none"> GIC Re ECGC The New India Assurance company <p>Intermediaries</p> <ul style="list-style-type: none"> J B Boda and Co Pvt Ltd. Unison Insurance Brokers Xperitus Insurance Brokers Pioneer Investcorp Ltd. Trinity Group Marsh Insurance Brokers Allied Insurance Brokers Bharat Re Insurance Brokers 	<p>Exchanges</p> <ul style="list-style-type: none"> NSE IFSC LTD. INDIA INX LTD. <p>Trading members</p> <ul style="list-style-type: none"> Edelweiss IFSC Ltd Kotak Securities IFSC Ltd IIFL IFSC Ltd Phillip Capital IFSC Ltd Stockholding clearing IFSC Ltd 100+ SEBI registered entities <p>Clearing Corporation</p> <ul style="list-style-type: none"> NSE IFSC Clearing Corporation India ICC <p>Others</p> <ul style="list-style-type: none"> Depository - CDSL Clearing Banks SEBI registered Custodian Fund Administrator Trustee company

GIFT DTA

1. Financial Services	2. IT & ITeS
<ul style="list-style-type: none"> SIDBI Bank of India IDBI Bank Bank of Baroda HDFC Bank Andhra Bank Canara Bank Syndicate Bank GSC Bank MCX 	<ul style="list-style-type: none"> Oracle Tata Consultancy Ltd (TCS) InfiBeam BeFree Maxim Integrated N-Code solutions Software Technology Parks of India (STPI) <p>OTHERS</p> <ul style="list-style-type: none"> GERC GNFC Kennis TATA Chemicals Ltd and Many more...

Thank you

CONTACT US:

Gujarat International Finance Tec-City Company Ltd.

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

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



GIFT SEZ LTD.

IFSC Department

Gift House, Block -12, Road 1-d, zone- I,

Gift SEZ, GIFT City, Gandhinagar

Gujarat - 382355