



Capital markets in GIFT IFSC

April 2024

Foreword

India's economy has grown to USD 3.73 trillion.¹ The first trillion was achieved 60 years after independence, and a consistent growth rate has been maintained thereafter. In today's interconnected and dynamic global economy, the role of the financial services sector has become increasingly vital.

As a pioneering initiative in India's financial landscape, the Government of India launched the Gujarat International Finance Tec-City (GIFT City) project in 2007, with an endeavour to develop a smart city that would host an International Financial Services Centre (IFSC) to provide a comprehensive platform for various financial activities, such as banking, insurance, capital markets, asset and wealth management, FinTech, and access to global markets and currencies.

Representing the nation's vision to become a global hub for international finance and commerce, GIFT IFSC offers world-class infrastructure and a regulatory framework to attract leading financial institutions, businesses and investors from around the globe.

This report aims to provide readers with a comprehensive understanding of the unique attributes and business opportunities inherent in this dynamic environment. We invite readers to envision the potential that GIFT City holds, as well as the opportunities it presents for the future.

I extend my sincere gratitude to all the contributors, whose expertise and insights have enriched this publication. I also commend the editorial team for their dedication and diligence in bringing this project to fruition.

May this publication foster continued collaboration, innovation, growth and prosperity of GIFT City and GIFT IFSC.



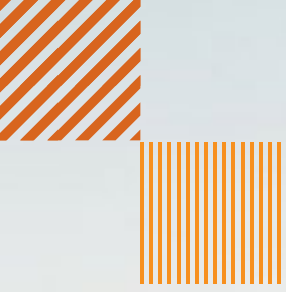
Gayathri Parthasarathy

India Financial Services Sector Leader and
Global Financial Services Technology Leader
PwC India

1. <https://www.zeebiz.com/economy-infra/news-india-to-become-3rd-largest-economy-with-gdp-of-usd-5-trillion-in-3-years-finmin-273873#:~:text=Today%2C%20it%20is%20the%205th,2024%20review%20of%20the%20economy.>







GIFT City – an introduction

GIFT City, the Government of India's flagship project, aims to boost India's stature on the world map of international finance by fostering a favourable regulatory environment, promoting talent and facilitating capital flow in the Indian economy.

Recognising India's financial prowess, Finance Minister Mr. Arun Jaitley announced the establishment of GIFT City as India's inaugural International Financial Services Centre (IFSC) during the Union Budget for 2015-16.

GIFT City, often labelled the 'smart city of the future', is located in Gujarat, nestled between Ahmedabad and Gandhinagar. This tri-city ecosystem fosters an environment supporting business, industry, international finance, and foreign investment, symbolising both a nostalgic era and a promising future.

Conceived as a vertical city, GIFT City boasts modern infrastructure such as a fully automated district cooling system (DCS), automated waste collection system (AWCS) and underground utility tunnels.

This top-tier infrastructure has played a vital role in establishing GIFT City as a global leader among smart cities.² The urban centre is complemented by contemporary social amenities, such as an international school, healthcare facilities, a five-star hotel, an international exhibition complex, the GIFT City Business Club with both indoor and outdoor sports facilities, diverse dining options, and well-planned residential projects. Collectively, these offerings make GIFT City a truly 'walk-to-work' city.

Government of India operationalised GIFT City as an IFSC in 2015

A greenfield smart city developed on 886 acres of land

Divided into two zones that include a Domestic Tariff Area (DTA) and Special Economic Zone (SEZ)

The financial gateway of India for inbound and outbound investment



- 1 Along National Highway 48 (Delhi-Mumbai Industrial Corridor)
- 2 25 mins from Ahmedabad International Airport
- 3 15 mins from nearest railway station and upcoming high-speed rail

2. <https://www.thehindubusinessline.com/news/national/gifts-ifsc-amongst-the-fastest-growing-globally/article24935538.ece>

GIFT City journey so far...

2007

GIFT City project announced by Gujarat Government

2011

The foundation stone for the GIFT project was laid. Brick and mortar development of GIFT City commenced

2015

Ministry of Finance notifies India's first IFSC

2016

Union Budget provided a competitive tax regime for units in IFSC

2014

GIFT City notified as SEZ for international financial services

2018

RBI notifies IFSC as non-resident zone

2020

IFSC Authority (IFSCA) was established

2023

SGX Nifty begins trading as GIFT Nifty from GIFT City

2021-2022

IFSCA notified key regulations, circulars, notifications

Key announcements:

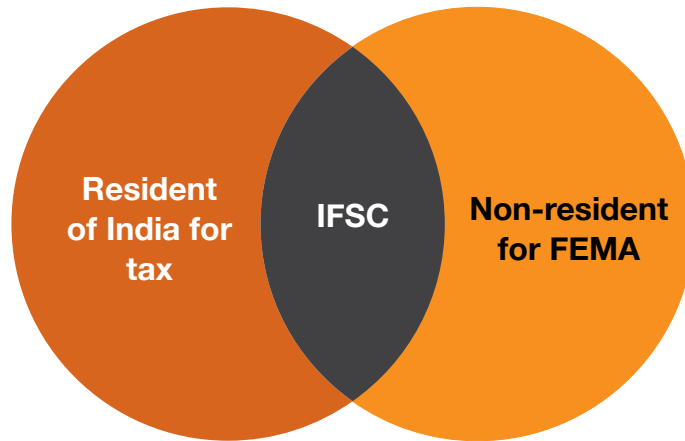
- Area expansion from 886 acres to over 3,300 acres
- Development of social infrastructure including entertainment, recreational and retail zone
- Operationalisation of metro network in GIFT City by July 2024
- 9-km riverfront along the banks of the Sabarmati River near Gift City to be developed

2024

IFSC

The Government of India launched India's first IFSC in 2015 to accomplish the vision of becoming a significant economic power by fostering the robust growth of international financial services within the nation.

The IFSC is envisioned as a world-class zone dedicated to offering financial services to non-residents and certain residents in a foreign currency (other than the Indian rupee [INR]).



Governing regulator - IFSCA

Established in 2020, the IFSCA plays a role as a statutory body, providing a forward-looking regulatory environment for financial market participants and facilitating ease of doing business. It functions as a unified regulator, combining the powers of the Reserve Bank of India (RBI), Securities and Exchange Board of India (SEBI), Insurance Regulatory and Development Authority of India (IRDAI), and Pension Fund Regulatory and Development Authority (PFRDA) related to financial services, products and institutions within the IFSC.

In addition to securing approvals from the IFSCA for establishing a unit in IFSC, it is also necessary to obtain approvals from the Development Commissioner, SEZ. With effect from 28 February 2024, certain powers and functions of the Development Commissioner, SEZ are now vested with IFSCA.³

3. Ministry of Finance (Department of Economic Affairs) Notification S.O. 940(E) dated 28th February 2024



GIFT IFSC: In numbers⁴

580+

registered entities as on
31 December 2023

23

banks registered as on
31 December 2023

USD 51.98 billion

total banking asset size
as on 31 December 2023

USD 148 billion

outstanding derivative
transactions booked by
banks till December 2023

2

stock exchanges as on
31 December 2023

USD 66.73 billion

turnover on IFSC
international stock
exchanges in December 2023

USD 52.97 billion

cumulative debt listing
on IFSC exchanges as
on 31 December 2023

USD 10.43 billion

green/ESG/sustainable
debt listing as on 31
December 2023

72

broker dealers registered
as on 31 December 2023

95

alternative investment
funds registered as on
31 December 2023

USD 7.08 billion

total commitments raised
as on 31 December 2023

128

aviation assets leased from
the IFSC till December 2023

7

ship leasing entities
registered as on
December 2023

29

IFSC insurance offices and
intermediary offices as on
31 December 2023

47

FinTech entities registered
as on 31 December 2023

4. IFSCA Bulletin Oct-Dec 2023



Key benefits: GIFT IFSC

**Strategic
location**

**Single window
clearance**

**Unified
regulator**

**World-class
infrastructure**

**Availability of
talent pool**

**Progressive
regulations**

**Competitive
tax regime**

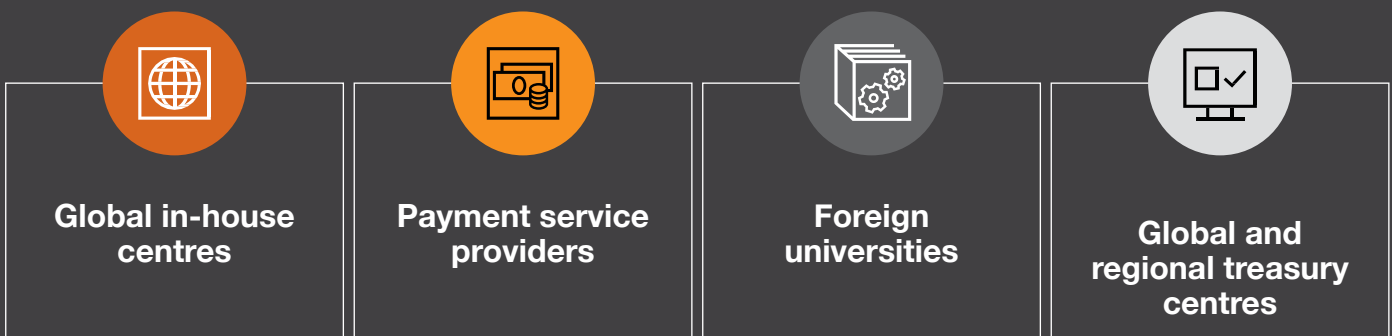
State subsidies

**International
arbitration centre**

Existing business opportunities



Emerging business segments



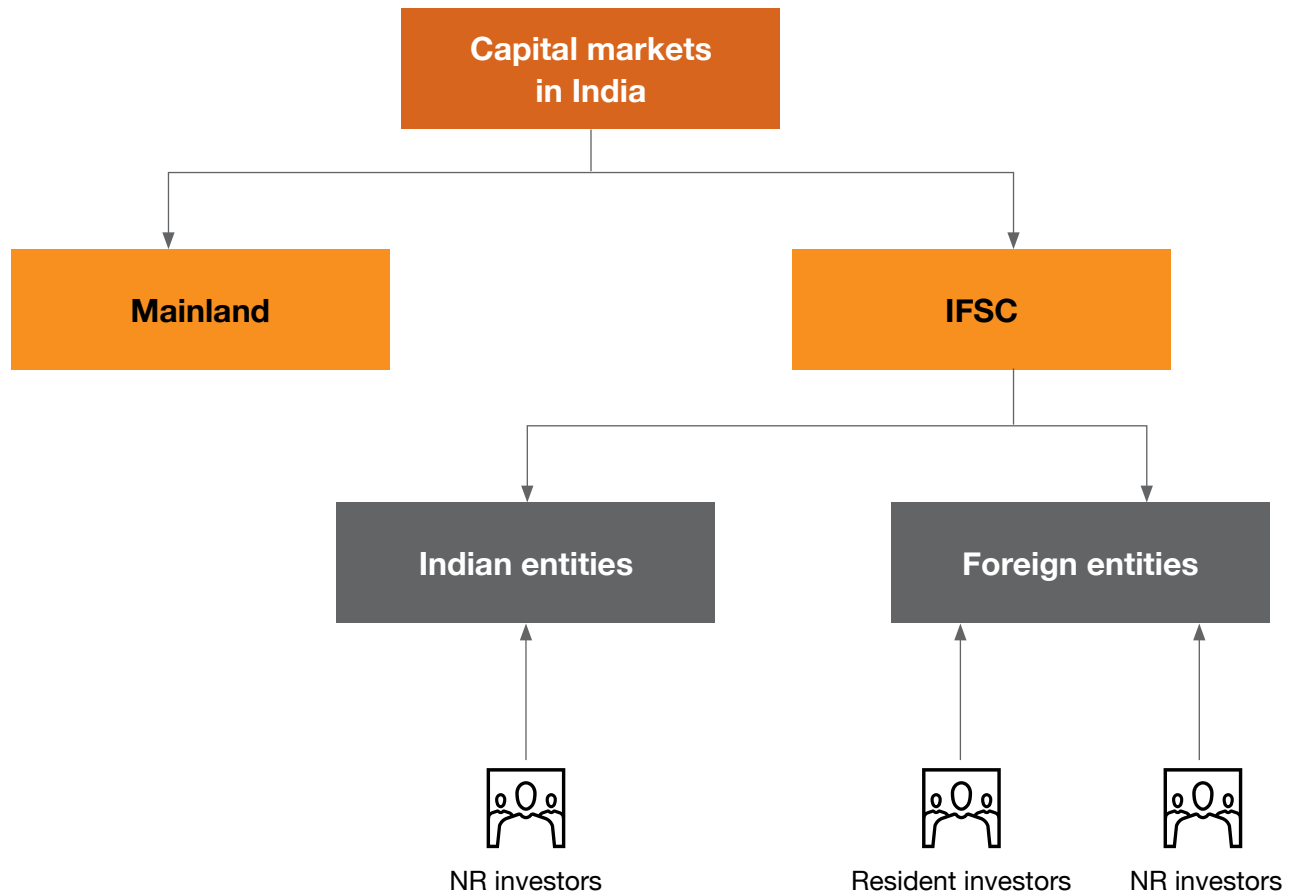
Proposed business segments in GIFT IFSC



Introduction

Originally, Indian entities typically attracted INR investment through mainland stock exchanges. For foreign currency capital requirements, Indian entities preferred depository receipts or overseas bond markets. Over the years, GIFT IFSC has stepped into the role of a global financial centre to meet India's incremental capital needs.

Capital markets in India now need to be understood under two broad categories – mainland India and IFSC.



Currently, National Stock Exchange (NSE) and Bombay Stock Exchange (BSE) have set up international exchanges in the GIFT City IFSC to bring capital into India. NSE IFSC was set up as an international exchange by NSE as its wholly owned subsidiary, and India INX was established by BSE Limited as its subsidiary.



Products available for investment on IFSC stock exchanges

Below are the products available on the NSE IFSC and India INX:⁵

Index futures and options	Single stock futures and options	Commodities futures	Currency futures and options	Debt securities	Depository receipts	
NIFTY 50 Index	India INX – 126 Indian stocks	Gold	Euro–USD	Foreign currency debt securities	50 US stocks	
NIFTY Bank Index	NSE IFSC – more than 100 Indian stocks	Silver	GBP–USD	ESG debt securities		
NIFTY IT Index		Copper	Japanese yen–USD	Masala bonds		
FINNIFTY Index		Aluminium	Australian dollar–USD			
			Switzerland franc–USD			
S&P BSE Sensex 50		Brent crude	Quant–INR			
INDIA50			INR–USD			
GIFT NIFTY (refer to details below)						

Source: NSE and India INX website

5. IFSC also has a bullion exchange, i.e. the Indian International Bullion Exchange IFSC Ltd. This has not been covered in this publication.



GIFT NIFTY (NSE IFSC–SGX Connect)

Previously, derivative contracts on NIFTY were traded on Singapore Exchange Limited – i.e. SGX – and were referred to as SGX NIFTY. This was popular amongst offshore investors because of longer trading hours, and the favourable tax and regulatory regime in Singapore.

Subsequently, NSE IFSC and SGX have entered into a collaboration agreement pursuant to which SGX NIFTY contracts are now traded on NSE IFSC exchanges. The Connect was operationalised with effect from 3 July 2023 and has enabled clients of SGX to trade NIFTY derivatives on the NSE IFSC stock exchange.

With the operationalisation of NSE IFSC-SGX Connect, there has been a significant increase in GIFT NIFTY turnover with the increase in the number of participants (SGX clients plus other eligible foreign investors with access through their trading members in the IFSC).

Eligible investors

Below is the illustrative list of investors who are eligible to invest in IFSC stock exchanges:

Investors	Eligible products
Foreign portfolio investors (FPIs)	All products available on IFSC stock exchanges
Eligible foreign investors (EFIs) <i>(should be from Financial Action Task Force (FATF) compliant jurisdictions and should not be prohibited from dealing in securities markets in India)</i>	
Non-resident Indians	
Stock-broking entities set up in IFSC	
IFSC banking unit (IBU)	
Funds in IFSC	
Individuals resident in India	Depository receipts of foreign company, foreign currency debt securities (to the extent of the Liberalised Remittance Scheme limit of USD 250,000 in a financial year)

Taxation for non-residents in respect of capital gains and income from IFSC securities

Sr. no.	Income stream	Domestic tax rate
1	Capital gains on the transfer of the below assets traded on IFSC stock exchanges, subject to consideration, being paid in foreign currency – <ul style="list-style-type: none">• Rupee denominated bonds of an Indian company• Global depository receipts• Derivatives• Foreign currency denominated bond• Mutual funds• Investment trust in the IFSC, schemes under IFSC FM Regulations and exchange traded fund• Foreign currency denominated equity shares of a company	Exempt
2	Interest income on long-term or rupee denominated bonds issued by an Indian company/REITs/InvITs and listed only on a stock exchange in the IFSC	
	<ul style="list-style-type: none">• Issued on or after 1 April 2020 but before 1 July 2023	4%^
	<ul style="list-style-type: none">• Issued on or after 1 July 2023	9%^
3	Dividend income from mainland Indian companies whose shares are listed on IFSC exchanges	20%^

^Plus applicable surcharge and cess, and subject to any relief under tax treaty

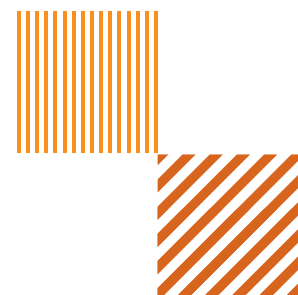
Transaction taxes

Transaction taxes such as securities transaction tax (STT), commodities transaction tax (CTT) and stamp duty are not leviable in respect of transactions carried out on the IFSC exchanges.

Exemptions from tax compliances for EFIs

EFIs are exempt from obtaining a Permanent Account Number (PAN), i.e. registration with Indian tax authorities and filing Indian tax returns when the below conditions are satisfied:

- no income is earned in India other than the income from the transfer of a capital asset mentioned in section 47 (viiab) of the Income-tax Act, 1961
- certain specified details are provided to the stockbroker.



Emerging products on IFSC stock exchanges

- a. The Government of India has notified rules and amendments dated 24 January 2024 to enable direct listing of equity shares of public Indian companies on permitted international exchanges in permissible jurisdictions. This amendment shall enable non-resident investors to invest in shares of Indian companies on IFSC stock exchanges in a foreign currency.
- b. The IFSCA has issued a consultation paper⁶ proposing the introduction of a sub-category of broker-dealers known as ‘remote broker-dealers’, and allowing them to operate from foreign jurisdictions without a physical presence in the IFSC.
- c. The Securities and Exchange Board of India (SEBI) has issued a consultation paper dated 25 August 2023, proposing to increase the aggregate NRI contribution in FPIs in the IFSC to 50% or more.⁷ The proposition aims to enhance investments by FPIs in India by facilitating increased participation from NRIs and OCIs as constituents of FPIs that are based out of IFSCs in India and regulated by the IFSCA.

Key takeaways: Why to invest via GIFT IFSC exchanges

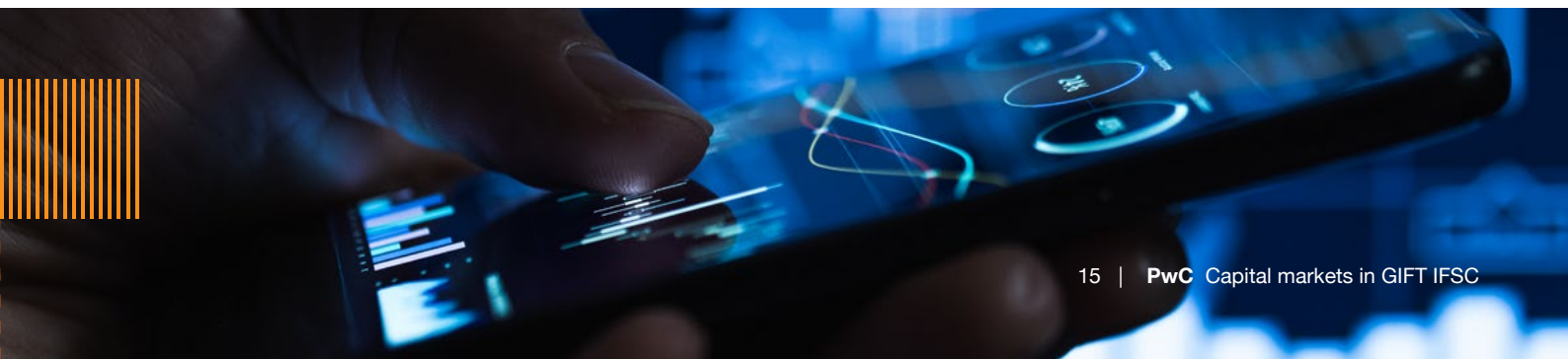
Aspect	Particulars
Regulator	Single regulator (i.e. IFSCA)
Registration	<ul style="list-style-type: none"> • Easy access for registered FPIs • KYC required for NRIs and EFIs
Trading hours	Longer trading hours overlap with Asia, Europe and the US – 20+ hours
Compliance perspective (for non-resident investors)	Lower compliances – <ul style="list-style-type: none"> • No need to open a bank account • No need to obtain PAN* • No need to file tax returns in India*
Transactional taxes	Exemption available from STT, CTT and stamp duty

*Subject to satisfying the prescribed conditions mentioned earlier

From a foreign investor perspective, investing in listed products on IFSC stock exchanges provides both operational flexibility as well as lower compliance costs.

6. <https://ifsc.gov.in/Viewer?Path=Document%2FReportandPublication%2Fconsultation-paper-rbd-22-nov-202322112023080600.pdf&Title=Consultation%20Paper%20on%20Remote%20Broker-Dealers%20in%20IFSC&Date=22%2F11%2F2023>

7. https://www.sebi.gov.in/reports-and-statistics/reports/aug-2023/consultation-paper-on-permitting-increased-participation-of-non-resident-indians-nris-and-overseas-citizens-of-india-ocis-into-sebi-registered-foreign-portfolio-investors-fpis-based-out-of-int-_75915.html



About PwC

At PwC, our purpose is to build trust in society and solve important problems. We're a network of firms in 151 countries with over 360,000 people who are committed to delivering quality in assurance, advisory and tax services. Find out more and tell us what matters to you by visiting us at www.pwc.com.

PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity. Please see www.pwc.com/structure for further details.

© 2024 PwC. All rights reserved.

Contact us at
in_gift_support@pwc.com

Scan for insights



pwc.in

Data Classification: DC0 (Public)

In this document, PwC refers to PricewaterhouseCoopers Private Limited (a limited liability company in India having Corporate Identity Number or CIN : U74140WB1983PTC036093), which is a member firm of PricewaterhouseCoopers International Limited (PwCIL), each member firm of which is a separate legal entity.

This document does not constitute professional advice. The information in this document has been obtained or derived from sources believed by PricewaterhouseCoopers Private Limited (PwCPL) to be reliable but PwCPL does not represent that this information is accurate or complete. Any opinions or estimates contained in this document represent the judgment of PwCPL at this time and are subject to change without notice. Readers of this publication are advised to seek their own professional advice before taking any course of action or decision, for which they are entirely responsible, based on the contents of this publication. PwCPL neither accepts or assumes any responsibility or liability to any reader of this publication in respect of the information contained within it or for any decisions readers may take or decide not to or fail to take.

© 2024 PricewaterhouseCoopers Private Limited. All rights reserved.

HS/March 2024 - M&C 35060