

Overview of International Financial Services Centre and Opportunities for Company Secretaries

Government of India implemented a major financial sector reform by establishing and operationalizing India's maiden International Financial Services Centre (IFSC) in Gujarat International Financial Tech City (GIFT City), Gujarat. The vision of the Government is to develop GIFT IFSC as a leading internationally recognized financial centre with trusted business regulations, competitive tax structure, and ease of doing business. The IFSC has been designated as a special international financial jurisdiction, which is treated as a non-resident zone under Foreign Exchange Management (FEM) Regulations, thereby facilitating transactions in any freely convertible foreign currency.



CS (Dr.) Dipesh Shah, ACS

Executive Director (Development), IFSCA
Gandhinagar, Gujarat
dipesh.shah@ifsc.gov.in

INTRODUCTION

Government of India implemented a major financial sector reform by establishing and operationalizing India's maiden International Financial Services Centre (IFSC) in Gujarat International Financial Tech City (GIFT City), Gujarat. The vision of the Government is to develop GIFT IFSC as a leading internationally recognized financial centre with trusted business regulations, competitive tax structure, and ease of doing business. The IFSC has been designated as a special international financial jurisdiction, which is treated as a non-resident zone under Foreign Exchange Management (FEM) Regulations, thereby facilitating transactions in any freely convertible foreign currency.

The Hon'ble Prime Minister of India during his visit to GIFT IFSC in July 2022 articulated his vision for GIFT City and stated that *"the vision of India's future is associated with GIFT City, which is an important gateway to connect India with global opportunities"*. He further stated that *"if one integrates with GIFT City, one will integrate with the whole world"*.

To further promote ease of doing business and provide for dedicated regulatory intervention, the Government of India through an Act of Parliament in 2019 set up the International Financial Services Centres Authority (IFSCA) as a unified regulator for the development and regulation of financial markets in the IFSCs in India. From 1st October 2020, IFSCA assumed powers of four domestic sectoral regulators namely the Reserve Bank of India (RBI), Securities and Exchange Board of India (SEBI), Insurance Regulatory

and Development Authority of India (IRDAI) & Pension Fund Regulatory and Development Authority (PFRDA), in so far as development and regulation of financial products, financial institutions, and financial services within the IFSCs is concerned.

GIFT IFSC in the last 3 years has witnessed substantial growth across the entire spectrum of financial services activities including Banking, Capital Markets, Insurance, Funds Industry, Aircraft Leasing, FinTech, etc. With an internationally aligned regulatory regime, competitive tax structure, and beneficial cost of operations, GIFT IFSC is fast emerging as a prominent international jurisdiction for availing a wide array of international financial services.

As of May 2024, more than 628 + entities across Banks, Capital Markets, Insurance, FinTech, Aircraft Leasing, Ship Leasing, Bullion Exchange, etc have been registered¹ with the IFSCA. The financial services market is gaining momentum with healthy and growing participation of global and domestic financial services institutions.

The key advantages of the International Financial Services Centre at GIFT City are as follows:

- a) IFSC is a separate financial jurisdiction within India, which is treated as a non-resident zone under Foreign Exchange Regulations.
- b) The IFSC enables global investors and financial services firms to access India's large hinterland economy in a more efficient manner.
- c) IFSCA has been set up as an agile, unified, and dedicated authority for the development and regulation of financial markets in GIFT IFSC.
- d) IFSC offers globally aligned regulatory architecture across Banking, Capital Markets, Insurance, FinTech, Aircraft Leasing, etc.
- e) Access to a large talent pool of skilled human resources both in the financial and IT sectors.
- f) The centre offers a globally competitive tax regime and special incentives.
- g) Beneficial cost of operation viz-a-viz other overseas financial centres.
- h) The Geo-strategic location of GIFT IFSC allows IFSC to serve different time zones from Japan to the United States of America.

¹ Including all entities registered, licensed, authorized and notified by IFSCA.

ACHIEVEMENTS SO FAR

- a) Comprehensive Regulations (29 Regulations, 16+ Frameworks) aligned to international best practices, have been brought out which, inter alia, include Banking Regulations, Capital Market Regulations, Insurance Regulations, AML (anti-money laundering) / CFT (combating of financing of terrorism) guidelines, etc.
- b) A well-developed financial sector ecosystem comprising world-class market infrastructure institutions, fund administration, custodial services, trusteeship services, consultancy services, legal advisory services, wealth advisory services, audit services, international trade finance services platform, etc.,
- c) Impressive growth in the banking sector, including entry of many globally reputed foreign banks such as JP Morgan, HSBC, Standard Chartered, MUFG, Deutsche, BNP Paribas, Citi Bank, Barclays, Mizuho Bank, ANZ, etc. Additionally, SBI has set up a regional office for its South Asia operations. The total banking asset size in IFSC has grown to USD 61 Bn+ and cumulative bank transactions have crossed USD 853.00 Bn+ as of May 2024.
- d) Gaining recognition as a preferred destination for India-centric funds. Till May 2024, 124 Fund Management Entities have been registered by IFSCA which have launched 137+ funds (Private Equity funds, Venture Capital Funds, and Hedge Funds) with capital commitment to the tune of USD 37 Bn+.
- e) Has reached a point of inflection in the aircraft leasing business with the complete ecosystem in place. The ecosystem comprises 30+ Aircraft lessors that have leased 158+ aircraft/assets from GIFT IFSC (including Air India leasing six A-350 wide-bodied aircraft.
- f) 12 ship-lessors are registered which have leased four ships from GIFT IFSC after the Ship leasing framework was notified with suitable regulatory and taxation push. Reliance and Arcelor Mittal have also set up ship leasing firms in IFSC.
- g) India International Bullion Exchange (IIBX) has become operational with a complete ecosystem in place. Boost received from channelizing UAE-India CEPA gold through IIBX. More than 11.3+ tonnes of bullion and 1000 tonnes of silver have been imported through the IIBX.
- h) 3 Internationally recognized vault managers have established vaults with a capacity of 420 tons for Gold and 2200 tons for Silver.
- i) Steps have been taken for the development of GIFT IFSC as a Sustainable Finance Hub. Cumulative ESG listing to the tune of USD 12 Bn+ has been listed on IFSC Exchanges.
- j) Several measures have been taken to develop GIFT IFSC as a Global FinTech Hub. IFSCA FinTech Entity (FE) Framework 2022 and FinTech Incentive Scheme have been notified. Under the FE Framework, 138+ applications have been received from 14 jurisdictions.
- k) Subsidiary of Indian Oil Corporation Ltd, i.e. IOC Global Capital Management IFSC Ltd. set up 1st Global / Regional Corporate Treasury Centre in IFSC.

As of May 2024, more than 628 + entities across Banks, Capital Markets, Insurance, FinTech, Aircraft Leasing, Ship Leasing, Bullion Exchange, etc have been registered¹ with the IFSCA. The financial services market is gaining momentum with healthy and growing participation of global and domestic financial services institutions.

- l) OVL Overseas IFSC Ltd., a wholly owned subsidiary of ONGC Videsh Ltd. has set up their Global Corporate Treasury Centre in GIFT IFSC for undertaking treasury management of overseas assets.
- m) To develop the extended ecosystem in GIFT IFSC, two foreign universities namely Deakin University and University of Wollongong have been granted approval to set up International Branch Campuses in GIFT IFSC.

OPPORTUNITIES FOR COMPANY SECRETARIES

IFSC provides a great opportunity for CS in practice and employment. Being a new emerging centre, CSs can develop a new line of practice and work in new and emerging areas of:

- International Finance
- International Taxation
- International Compliances
- International regulatory landscape
- Arbitration
- Direct listing
- Alternate Investment Funds
- Insurance
- Banking
- Bullion
- Fintech
- International Branch Campuses
- Aircraft and Ship leasing
- Finance Companies
- Wealth Management

Also, the IFSC Authority has come out with an Ancillary Framework, which enables professional service providers to set up their practice in the IFSC zone. Under this framework, several consultancy firms have been authorized providing them the opportunity to serve IFSC entities/ Overseas entities.

CONCLUSION

Company Secretary professionals should understand IFSC opportunities in detail and take advantage of these emerging areas of practice and employment. 