



Shri K. Rajaraman, IAS

Chairperson, International Financial Services Centres Authority (IFSCA)

Shri K. Rajaraman assumed the responsibility of Chairperson of the International Financial Services Centres Authority (IFSCA) on 1st August, 2023 after serving for nearly 35 years in various leadership roles in Government of India and Government of Tamil Nadu. Prior to joining IFSCA, he served in the Indian Administrative Service till his retirement in August 2023 as the Secretary to Government of India in the Department of Telecommunication. He is a B.Tech Graduate in Electronics & Communications, a first-class MBA and Master of Economics.

Starting his career as a Design Engineer in BHEL, Trichy, during his rich and varied experience as an IAS Officer, he had held various administrative positions in the areas of Investment Promotion, Foreign Direct Investment, Public Sector Undertakings, Industrial Infrastructure, VAT Administration, etc. He was MD of Chennai Metro Railways for nearly 4 years during its early construction phase, Commissioner for Commercial Taxes in Government of Tamil Nadu, and Joint Secretary Expenditure in Government of India. He also served as Additional Secretary, Investment, IER and Administration in the Department of Economic Affairs, Ministry of Finance.

India, with its vast coastline and extensive global and domestic trade through the sea, has a significant strategic interest in the maritime industry. So, can you throw light on the benefits and opportunities IFSC ship leasing will create, for the Maritime ecosystem and shipping industry in India?

India's strategic interest in the maritime industry is undeniably significant, given its extensive coastline and critical role in global and domestic trade. The introduction of ship leasing through the GIFT City International Financial Services Centre (IFSC) presents a transformative opportunity for the country's maritime ecosystem and shipping industry.

India, with a coastline exceeding 7500 km, is the 16th largest maritime nation. Despite having only a 1% share in the global market with approximately 20 million DWT, the country's maritime potential is immense.

Despite its importance, India's shipping fleet stands at a modest 13.6 million gross tonnages, which is less than 1% of the world's total fleet of 1,565 million gross tonnages. This disparity has resulted in India being a country of charterers rather than ship-owners, leading to a substantial expenditure on chartering foreign flag vessels for international trade and significant exposure to maritime freight rates.

Over the years, many Indian companies have relocated their base to offshore or have established subsidiaries in other countries owing to various factors including attractive tax regimes, enabling regulatory frameworks, ease of doing business and access to low cost of funding etc. Govt. of India and IFSCA have taken various regulatory, policy and other initiatives to establish GIFT IFSC as a ship leasing and financing hub for the country and beyond.

The IFSCA has been actively promoting ship leasing, providing a regulatory framework that is attractive and competitive globally. IFSCA Ship leasing framework permits entities to undertake Financial lease or a hybrid of a financial and operating lease, operating lease including sale and leaseback, purchase, novation, transfer, assignment, and other similar transactions in relation to ship lease; and various other activities including Voyage Charters, and all other legal commercial transactions for employment of ships.

India's EXIM trade for 2023-24 stood at a substantial USD 1.63 trillion, with exports at USD 776.68 billion and imports at USD 854.80 billion. With a target to boost exports to USD 2 trillion by 2030, efficient and cost-effective maritime transport is crucial.

Currently, 95% of India's trade by volume is carried by maritime transport, and a significant portion of seaborne freight, estimated at \$75 billion, is paid to foreign shipping companies. By facilitating ship leasing through the IFSC, India can increase its fleet, thereby reducing reliance on foreign vessels and retaining a larger share of freight payments within the country.

Additionally, IFSC framework aims to develop a holistic maritime financing ecosystem hence IFSCA has also enabled ship broking as well as asset management under regulatory frameworks. Ship broking activities permitted under the IFSCA Framework of Ship Leasing and asset management support services for leased assets enhance the maritime ecosystem's efficiency. These entities in IFSC will be able to provide services to various global jurisdictions from GIFT IFSC.

So far, GIFT IFSC has registered 14 ship lessors, that have started ship leasing activities. Further, IFSC Banking units are extending External Commercial Borrowing to Indian shipyards and are also extending financing to the ship lessors. Hence IFSC Banking Ecosystem is also contributing towards the growth of, GIFT City based banks which are extending financing to ship lessors and shipyards. This progress demonstrates the growing trust and investment in the IFSC framework, highlighting its potential for development of India's maritime industry.

In conclusion, the IFSCA Ship Leasing Framework holds significant promise for the maritime sector in India. It offers financial and operational benefits that can enhance fleet capacity, reduce foreign dependency, and support the nation's ambitious trade goals. By capitalizing on these opportunities, India can strengthen its position as a leading maritime nation, driving economic growth and global trade dominance.

Is GIFT City's new taxation regimen a step towards boosting aircraft leasing and financing? How it will help to strengthen the financial framework for banking ecosystem?

International Financial Services business is generally undertaken from the most competitive business jurisdiction. Taxation piece is obviously an important variable for any business while choosing a jurisdiction. The Union Government has provided tax dispensations for leasing from IFSC, I think with the first set of enablers including tax dispensations, recent notification under the IBC exempting aircraft from moratorium provisions, enabling SEZ Rules allowing entry of Aircraft, Ship. Recently aircraft engines, have been allowed to be handled through any port or airport in the country. All these together provide a good business environment for undertaking leasing business from IFSC.

Leasing of high value assets require high value financing, I am informed a few banks in IFSC have already provided finance to leasing of these high value and number of banks are working on the strategy to finance these high value assets.

The IFSCA-IRDAI GIFT IFSC Global Reinsurance Summit was held during November, 2023 at Mumbai where in the key discussions were to develop India as a global insurance and reinsurance hub. So, can you please tell us how the direct insurer and re insurer will get benefited by setting up entities in GIFT IFSCs?

The regulatory environment in GIFT IFSCs is designed to facilitate international (re)insurance operations, ensuring compliance with global standards while offering significant flexibility. Adhering to IAIS principles, the regulations are streamlined and consistent. The domestic regulatory

authority, IRDAI, has been very supportive of the IFSC initiative of Government of India, consistently providing the necessary backing. IFSCA Insurance Regulations offer several enabling features, such as assigned capital, a solvency regime aligned with the parent regulator, and the ability to participate in the Indian market at par with Foreign Reinsurance Branches.

Proximity to Major Markets: GIFT IFSC's strategic location in India positions reinsurers to efficiently serve both Asian and global markets, leveraging India's economic growth and connectivity.

Establishment of IIOs, can capitalize on a favourable regulatory environment, significant financial incentives, and strategic market access, positioning themselves for growth in the global insurance and reinsurance landscape.

India aspires to become a developed nation. How can IFSCA contribute towards the economic development of India to make it a developed nation?

The Hon'ble Prime Minister's clarion call for Viksit Bharat @ 2047 has galvanised the entire nation. To achieve this grand vision, concerted efforts would be required on all fronts by various stakeholders, including the financial sector regulators. In my view, India's maiden, the IFSC in GIFT City, Gujarat can play a pivotal role in achieving this vision. Firstly, India requires large amounts of foreign capital inflows for meeting its SDG Goals and net zero carbon emission targets, we envisage GIFT IFSC to become a dominant gateway for channelizing such global capital flows into India. Secondly, GIFT IFSC is growing rapidly with participation of global and domestic financial services institutions, this has opened huge opportunities for the bright young Indian talent to get employed and exhibit their financial sector competencies. Thirdly, IFSC is rapidly emerging as a new age global financial centre which is developing expertise in niche and specialised financial services activities like aircraft leasing and ship leasing. These activities are crucial for bolstering the domestic aviation sector and maritime sector.

Recently IFSCA has issued consultation paper on IFSCA (Listing) Regulations, 2024. What opportunities will be created under these regulations and how Foreign Direct Investment raised will contribute towards the economic development of India?

IFSCA (Listing) Regulations, 2024 has been drafted considering global best practices of Singapore, Hong Kong, UK and US. The purpose of the new regulations is to provide the regulatory framework for listing of financial products on the IFSC Exchanges and to promote ease of doing business. It is expected that direct listing in IFSC will provide an opportunity to public Indian companies, especially start-ups and companies in the sunrise and technology sectors, to access global capital beyond the domestic exchanges. This will help in better valuation of Indian companies in line with global standards of scale and performance, boost foreign investment flows, unlock unprecedented growth opportunities, and broaden the investor base.

The Indian public companies will have the flexibility to access both markets i.e. domestic market for raising capital in INR and the international market at IFSC for raising

capital in foreign currency from the global investors. This initiative will particularly benefit Indian companies going global and having ambitions to look at opportunities for expanding their presence in other markets.

Large number of companies and LLPs are setting up their units in GIFT IFSC. What opportunities would be available for Professionals Like Company Secretaries in IFSCs?

Company Secretaries can offer consultancy services to entities in the IFSC. For this purpose, IFSCA has already provided an ancillary framework that enables the setting up of the offices of professional service providers including Company Secretaries.

How is IFSCA planning to develop a platform for trading green credits within the IFSC, as emphasized by Hon'ble Finance Minister Smt. Nirmala Sitharaman, and what steps are being taken to ensure it supports India's environmental goals?

With the aim to facilitate innovative products at IFSC for increasing the flow of foreign capital into India to meet the nation's environmental goals, IFSCA is currently focused on development of International Carbon market at GIFT-IFSC. IFSCA has constituted an expert committee on Voluntary Carbon Market in order to provide recommendations on the development of a carbon market ecosystem at GIFT-IFSC for trading of carbon credits and related products. In this regard, IFSCA has sent a proposal to the Government of India to consider notifying "Carbon Credits" as "Financial Product" at GIFT IFSC. Similarly, the green credit initiative launched by Hon'ble Prime Minister on the sidelines of COP28, provides the opportunity to develop a global market mechanism for LIFE movement. Once the domestic green credit market evolves, IFSCA would be ready to globalize the green credit market from GIFT-IFSC.

In continuation to this, IFSCA is currently working on three major initiatives. First is the framework for Transition Finance. According to report of Council on Energy Environment and Water, India would require over USD 10 Tn to achieve net-zero by 2070. Out of this USD 10 Tn, a large amount of money would need to be mobilized from international sources. Additionally, achieving net-zero would require economy wide decarbonization measures with special focus on hard-to-abate sectors and MSME industries. The proposed transition finance framework is aimed at enabling hard-to-abate sectors and MSMEs to raise foreign funding at cost effective rates to finance their brown to green journey.

Second, on blended finance instruments. The Expert Committee on Climate Finance set up by the IFSCA is expected to provide detailed recommendations to be put in place a policy mechanism for various blended finance instruments. Blended finance structures combine concessional public and philanthropic capital to attract private investment into projects that are not commercially viable on their own. By pooling concessional capital, the overall cost of capital and associated risks is reduced, making these projects more appealing to a broader range of investors. The IFSCA is exploring various blended finance models to stimulate catalytic capital investment in next-generation technologies for a sustainable future.

Third, providing access to Sovereign Green Bonds (SGrBs) to non-resident eligible foreign investors through GIFT-IFSC. IFSCA and RBI are currently working together to operationalize the scheme of investment and trading of SGrBs through GIFT-IFSC.

Along with efforts of IFSCA, in the last 3 years, in developing ESG-labelled debt securities, sustainable lending and ESG Funds, the above initiatives are aimed to help India meet its net-zero ambitions.

Could you elaborate on the specific initiatives undertaken by IFSCA and FPSB India to promote GIFT IFSC as a 'Global Finance Hub' and nurture skilled professionals, and how this collaboration will benefit the development of GIFT City and its financial workforce?

Recently IFSCA and Financial Planning Standards Board, India have signed an MoU for promoting GIFT IFSC as a "global financial hub". As part of this cooperation, we will work with FPSB India to enhance the financial market ecosystem and nurture skilled professionals for GIFT IFSC's growing financial workforce requirement.

The GIFT City is set to play a major role in bringing in adequate capital to fulfill the vision of a developed India by 2047. Could you please explain what type of strategies and initiatives IFSCA is pursuing to enhance global connectivity, attract international investments, and simplify business operations within GIFT City?

IFSCA is working on multiple fronts to create a conducive regulatory environment for attracting global capital, which is predominantly being invested into the Indian markets. On the funds side, we have more than 120 registered Fund Management entities which have launched 135 + funds with a targeted corpus of USD 37 Bn. On the Banking side, we have licensed 28 banks, which have a combined asset size of USD 61 Bn. These banks are catering to the foreign currency lending requirements of Indian corporates through ECB lending, Trade Finance, etc. On the debt listing side, Indian corporates and PSUs have listed USD 57 + foreign currency bonds on the IFSC Exchanges. This capital is being utilized for various capital expenditure purposes in India. IFSCA is now working on operationalizing the direct listing of Indian companies on IFSC Exchanges.

IFSCA has constituted Expert Committee on positioning GIFT IFSC as Global Commodity Trading Hub focusing on metals, energy, and agricultural commodities. How does IFSCA plan to leverage this initiative to attract global investment flows, enhance India's competitiveness, and promote financial integration with global trade flows?

Ever since it was set up, commodity has been one of the focus areas for the IFSCA. On 29th July 2022, the Hon'ble Prime Minister Shri Narendra Modi inaugurated India's first bullion spot exchange, viz., India International Bullion Exchange (IFSC) Ltd. [IIBX], set up in GIFT IFSC. IIBX has been established with the vision of making India an influencer of global bullion prices. With various regulatory enablements by IFSC, bullion imports through IIBX have gained significant traction in the last year or so. More

than 17 metric tonnes of gold worth more than USD 1.2 billion have been imported through IIBX since its launch. Similarly, around 1,100 metric tonnes of silver valuing USD 900 million approx. have been imported through IIBX. IIBX has lately expanded its offerings to include Gold Futures in addition to spot products. Silver Futures are also going to be launched soon by IIBX. India INX has already been offering commodity derivatives for quite some time.

Although the initial emphasis has been on gold and silver, IFSCA understands the need and the potential to widen the scope to other metals and commodities, including base metals, energy, agricultural products and diamonds. Moreover, the commodity industry is expanding exponentially as a lucrative asset class for investment purposes as well. The hedge funds are using commodities to diversify their portfolios. The emphasis on the environment and sustainability has shifted the need towards responsible sourcing and ethical practices. These developments create a fantastic opportunity for the expansion of commodity trading in a financial jurisdiction like GIFT IFSC.

With the growth of global trading hubs, Indian companies migrated to these hubs, such as Switzerland, Singapore, and Dubai, to take advantage of the several benefits offered by them in comparison to India. With the setting up of GIFT-IFSC, there is an opportunity for relocating commodities trading from offshore to onshore by providing a suitable platform for various related activities. In recent months, the IFSC has seen an increase in demand for trade financing. Also, the enablement of Global Regional Treasury Centres has created a demand for permitting trading in commodities. Several Indian firms have approached the IFSCA with demands to include global commodity trading as a permissible activity in the GIFT IFSC.

Despite being one of the largest consumption markets and largest importers of many commodities, most commodity traders are executing trades from other financial centres rather than from India. Indian enterprises have established bases in the aforementioned trading hubs for a variety of reasons, including favourable tax and regulatory considerations, access to global markets, robust financial infrastructure, and an internationally aligned legal ecosystem.

We believe that GIFT IFSC has the potential to become a global commodity trading hub, given that it already possesses the characteristics of a global financial centre, a strong banking network, and a more favourable tax regime than other financial centres. The initial objective is to onshore the Indian firms that have migrated to Global Commodity Trading Hubs.

Accordingly, with a view to enabling commodity trading in IFSC, which will facilitate business integration of IFSC financial ecosystem with global trade flows, capitalize on integration of opportunities with major commodity hubs and attract global investment flows into IFSC, thereby helping IFSC grow competitively. IFSCA has constituted an 'Expert Committee on positioning GIFT IFSC as Global Commodity Trading Hub' under the chairmanship of Shri Rajeev Kher, former Commerce Secretary. The Expert Committee is expected to submit its report by end of December 2024.