



GIFT IFSC

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# BANKING



# THE NEW INDIA

## Land of unlimited opportunities

- India is one of the fastest growing major economies in the world and has emerged as the **5th largest** economy on nominal GDP terms
- India is expected to have **600 Mn** Urban population by 2030
- India recorded **624 Mn** Internet users in January 2021
- India attracted highest ever total FDI inflow of **USD 82 Bn** during FY-21
- At **63rd position**, India jumped **79 position** in Ease of Doing Business between 2014-19
- **67%** of India's population is in the age group 15-64

## SECTOR HIGHLIGHTS

### BFSI



- Total Banking Assets in India are expected to cross **\$ 28.5 Tn in 2025**
- Digital payments market expected to reach **USD 1 Tn by 2023**
- Mutual Funds AUM is expected to grow **5X to USD 1.47 Tn by 2025.**
- The total premium income written for Life and Non-Life Insurance stood at over **\$108 Bn in FY-21**

### FinTech



- With more than **25 Bn transactions**, India recorded the highest number of real-time online transactions across the globe in 2020
- India has the **3rd largest** FinTech ecosystem in the world and has emerged as the fastest growing FinTech markets
- The total valuation of India's FinTech industry was estimated at **USD 50-60 billion in 2020**
- The FinTech industry's total valuation is estimated to reach **USD 150-160 Bn by 2025**

### IT-BPM



- IT & BPM sector contributes **8% to India's GDP**
- With a market size of **USD 191 Bn in 2020**, the sector is anticipated to reach **USD 350 Bn by 2025**
- India is home to the **3rd largest** Tech ecosystem in the world

### Civil Aviation



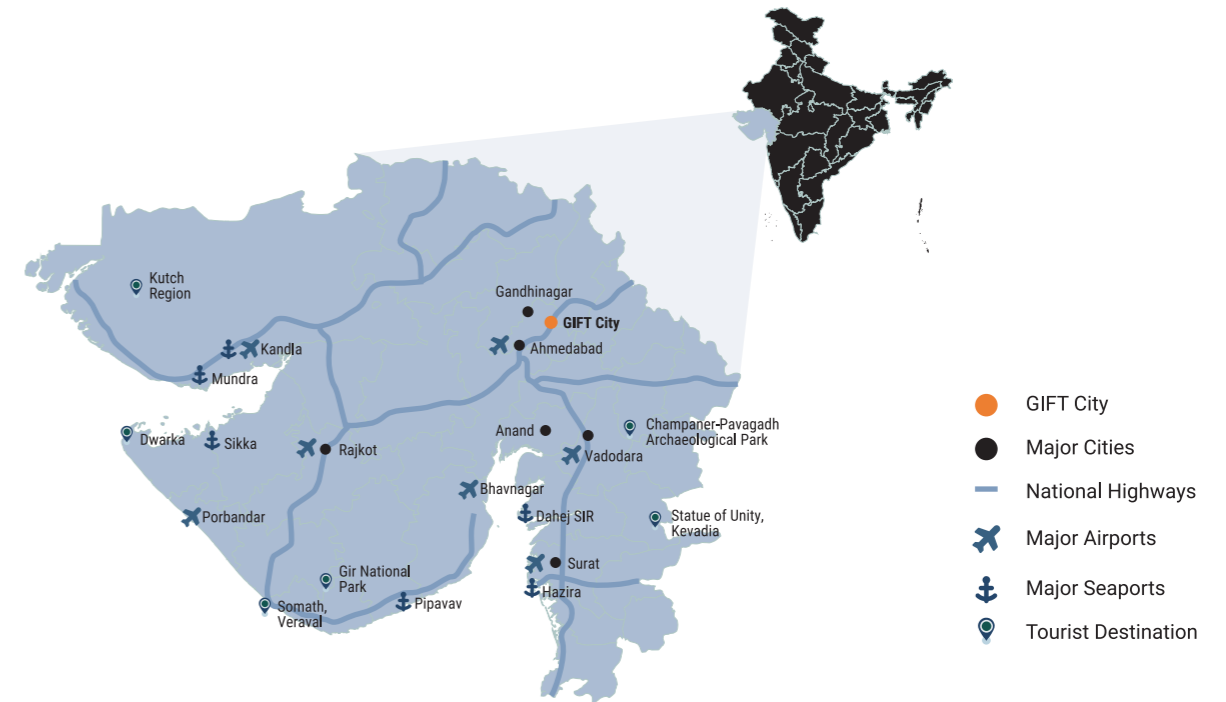
- India is the **3rd largest** domestic aviation market in the world
- India is amongst the fastest growing aviation markets and is expected to cater to **520 million passengers by 2037**
- India's commercial fleet is forecasted to expand to **1,100 by 2027**

### Renewable Energy



- Indian renewable energy sector is the **4th** most attractive renewable energy market in the world
- As of **March 2021**, India's installed renewable energy capacity stood at **94.43 GW.**
- More than **USD 42 Bn** has been invested in India's renewable energy sector since 2014
- India has set a target of installing **175 GW** of renewable energy capacity by 2022 which would be scaled up further to **450 GW by 2030**

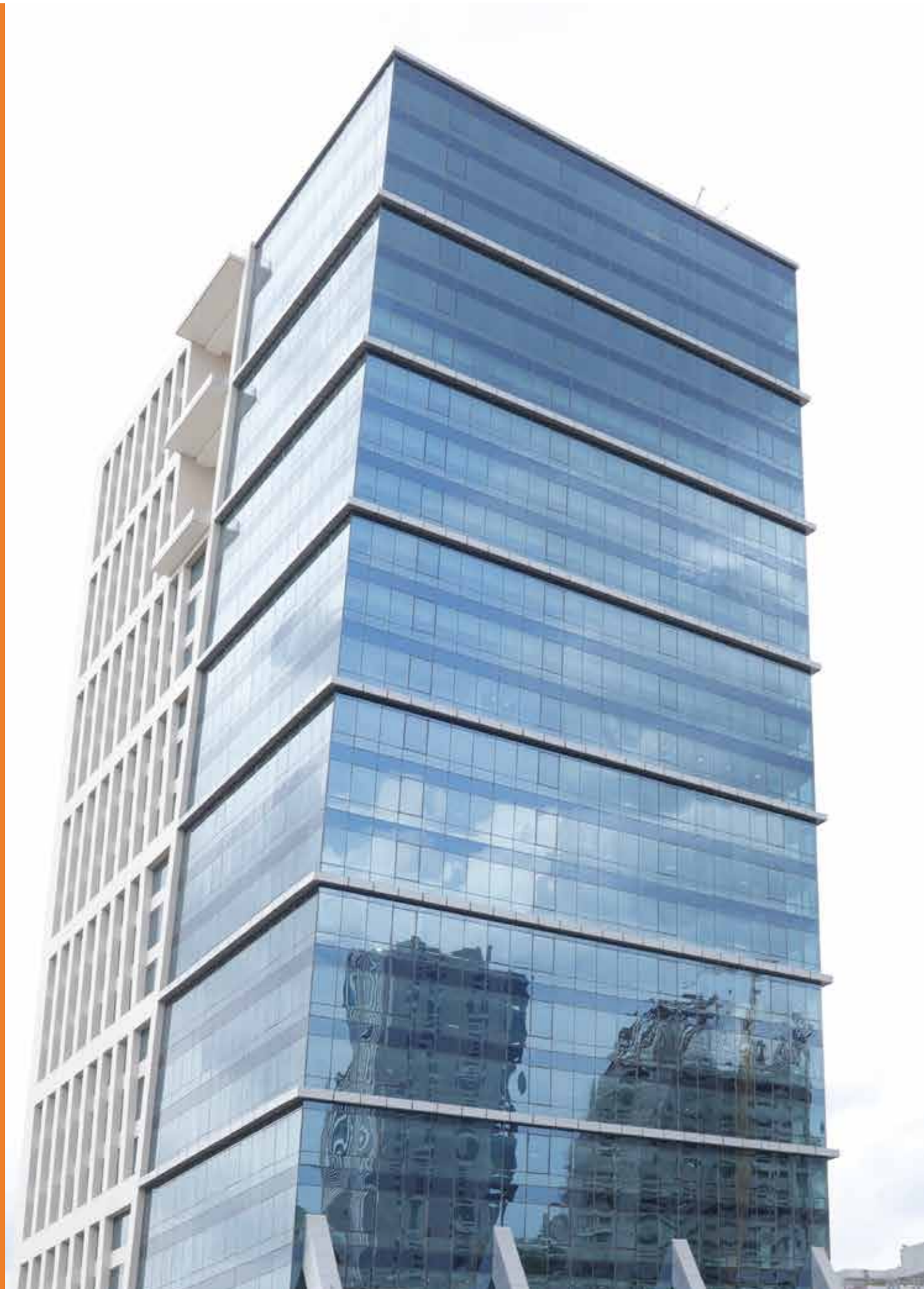
# INTERNATIONAL FINANCIAL SERVICES CENTRE (IFSC) IN GIFT CITY, GUJARAT



## GIFT CITY

Spread across 886 acres, Gujarat International Finance-Tec City (GIFT) consists of a Multi-Service Special Economic Zone (SEZ), which has been notified as India's maiden International Financial Services Centre, and an exclusive Domestic Tariff Area (DTA). An area of 261 acres has been demarcated as SEZ and an additional 625 acres has been demarcated as DTA. The city is situated on the banks of river Sabarmati and is strategically located between the business capital (Ahmedabad) and political capital (Gandhinagar) of Gujarat.

Conceptualized as a vertical city, GIFT city hosts state of the art infrastructure such as District Cooling System (DCS), Automated Waste Collection System (AWCS), and Underground Utility Tunnel. Such high-quality infrastructure has contributed in developing GIFT City as one of the world's leading Smart City.



# INTERNATIONAL FINANCIAL SERVICES CENTRES AUTHORITY (IFSCA)

The Government of India established International Financial Services Centres Authority under the International Financial Services Centres Authority Act 2019 passed by the Union Parliament.

The IFSCA has a statutory mandate to develop and regulate financial institutions, financial services, and financing products within the IFSCs in India. Government of India, with effect from October 2020, granted IFSCA the regulatory powers of four domestic regulators namely Reserve Bank of India (RBI), Securities & Exchange Board of India (SEBI), Insurance Regulatory and Development Authority of India (IRDAI) and Pension Fund Regulatory and Development Authority (PFRDA) for the IFSCs in India.

**"We at IFSCA are committed to providing a comprehensive and consistent regulatory framework based on global best practices with a special focus on ease of doing business"**

**Injeti Srinivas**  
**Chairperson, IFSCA**

# OVERVIEW OF IFSC

## IFSC Business Activities



### Banking

- Indian Banks
- Foreign Banks



### Capital Markets

- Stock Exchanges
- Clearing Corporation
- Depository
- Depository Participant
- Broker



### Insurance

- Indian & Foreign Insurer
- Indian & Foreign Reinsurer
- Indian & Foreign Intermediaries



### Emerging Business Segments

- Global In-House Centre
- International Bullion Exchange
- Aircraft Leasing and Finance
- Global FinTech Hub



### Asset Management

- Alternative Investment Fund
- Portfolio Manager
- Investment Advisers
- Wealth Management
- Custodial Services
- Mutual Funds



### Other Financial Institutions

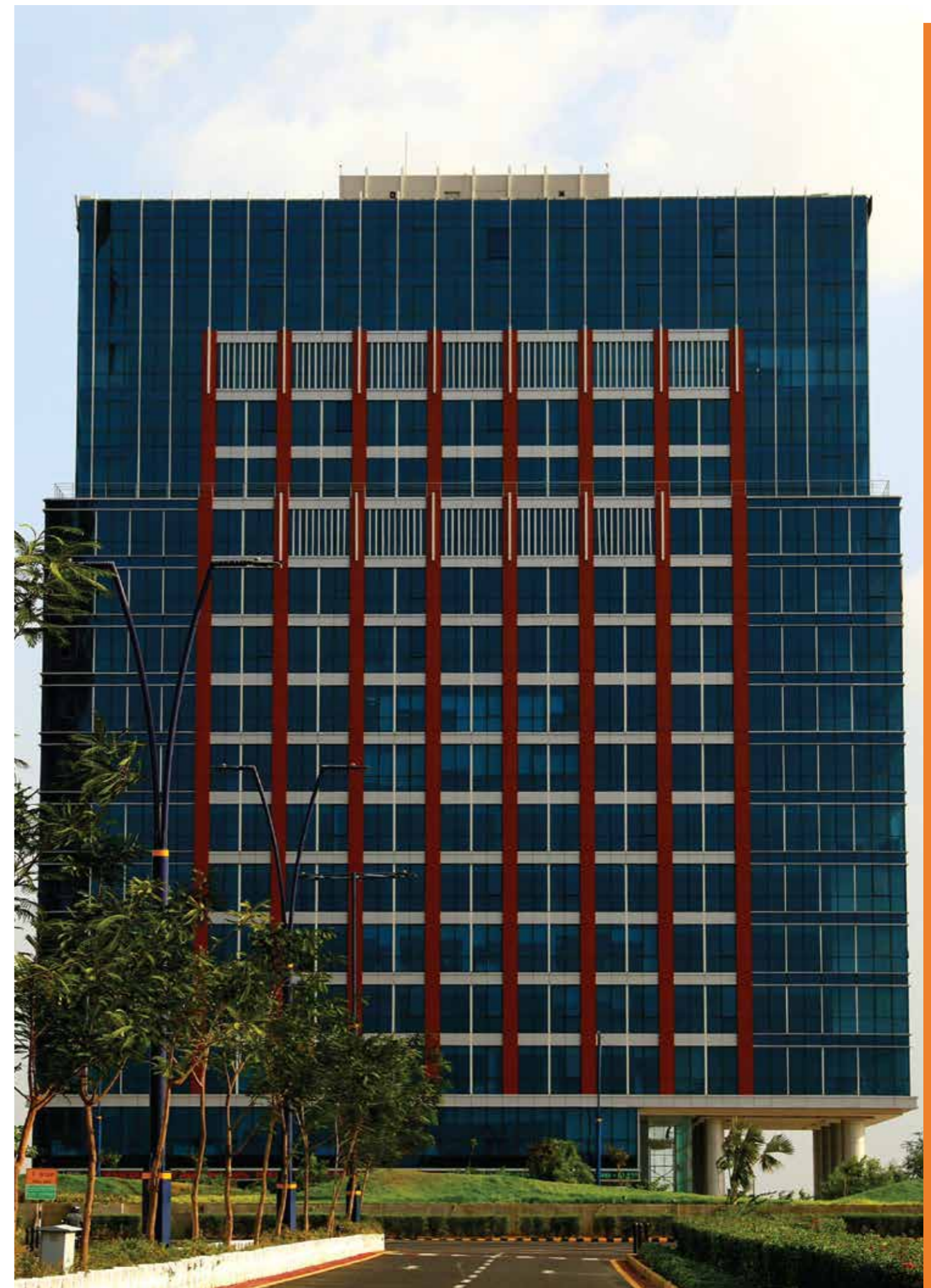
- Finance Company
- Global Corporate Treasury Centre
- International Trade Finance Services Platform



### Professional Service Providers

- Asset Management Support Services
- Legal and Compliance Services
- Accounting and Auditing Services
- Consultancy Services
- Trusteeship Services\*

\*Other than Debenture Trusteeship Services





# IFSC OPPORTUNITIES

- Access to large hinterland economy
- Access to international markets
- Connecting ~30 Mn strong Indian diaspora which has a combined net worth of ~USD 3 Tr to India through IFSC.
- Inbound and outbound gateway for International Financial Services
- Potential to be a leading destination for Global In-house Centres with a globally competitive cost structure.
- Attracting global talent to the world class FinTech Hub in GIFT City
- Emerging as a leading hub for Fund Administration

## IFSC COMPETITIVE TAX REGIME

**100%**

Corporate Tax Exemption  
(for 10 out of 15 years)

**0%**

Minimum Alternate Tax  
(MAT)\*\*

**0%**

Capital Gains Tax\*

**0%**

Securities Transaction Tax (STT)/  
Commodities Transaction Tax (CTT)

**0%**

Stamp Duty\*

**0%**

Goods & Services Tax  
(GST)

\*On specified securities transferred on recognized stock exchanges in IFSC

\*\*Concessional Rate of MAT applicable for the IFSC units at 9%, however MAT provision not applicable for companies opting for concessional tax rate under Sec. 115 BAA of the Income Tax Act, 1961

# REGULATORY FRAMEWORK

- The IFSCA Banking Regulations, 2020 including the amendments made therein lay down the regulatory framework for IFSC Banking Units (IBUs) and their activities in the IFSC
- IFSCA has adopted Principle based regulations
- Indian banks and Foreign Banks intending to set up an IBU in IFSC are required to obtain license from IFSCA
- Indian and Foreign banks can set-up an International Banking Unit as a "Branch" in GIFT-IFSC
- Under the regulations, Parent Bank is required to satisfy the following conditions:
  - Maintain necessary regulatory capital, subject to a minimum of USD 20 Mn. at Parent Bank level
  - Obtain "No Objection Letter" from home regulator for setting up IBU in IFSC.
  - Letter of Comfort from Parent Bank regarding liquidity and resource support to IBU
- Enhancing 'ease of doing banking business' in GIFT IFSC- The Authority has issued the IFSCA Banking Handbook which acts a single comprehensive source of all the instructions/ directions governing banking operations in IFSC aligned with the amended regulations
  - Handbook consists of the following three components:
    - General Directions
    - Conduct of Business Directions
    - Prudential Directions

# OVERVIEW OF IFSCA BANKING REGULATIONS-2020

## Prudential Regulatory Requirement

### Maintenance of ratios

- IFSC Banking Units shall not be required to maintain Statutory Liquidity Ratio (SLR) or Cash Reserve Ratio (CRR)
- IFSC Banking Units are required to maintain Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) at IBU level, However the same may be maintained at parent level with IFSCA's permission.
- Leverage ratio (LR) for IBUs may be maintained by the parent bank and at the level specified by the home regulator and subject to the regulations applicable to the parent bank
- IBUs required to maintain a Retail Deposit Reserve Ratio (RDRR) on daily basis at 3% of the deposits raised from Individuals outstanding as on the end of the previous working day.
- IBUs required to comply with the Prudential directions and instructions issued by their Home Regulator, unless otherwise specified by the Authority



# KEY BUSINESS OPPORTUNITIES FOR IBUs (1/2)

## Wholesale Banking

- ECB and Trade finance
- Factoring and Forfaiting services
- Guarantee and indemnity business
- Equipment leasing
- Credit Enhancement / Insurance
- Risk Participation
- Participation in International Trade Finance Services
- Participation in Aircraft Leasing
- Syndicated Loans

## Capital Market

- Merchant Banking
- Trading & Clearing members of IFSC Exchanges
- Funding of Alternative Investment Funds
- Custodian of Securities

## Retail Banking

- Private Banking
- Wealth Management
- Retail Banking products such as:
  - Structured Deposits
  - Deposit Accounts
  - Certificate of Deposits

## Treasury Management

- Asset - Liability Management
- Derivatives in forex, credit and interest rates
- Consolidate group-wide Derivatives trading ( Including Non-Deliverable Forwards in INR and other foreign currencies) to manage risks

## Other Key Opportunities

- Distributor of MF units, Insurance and other financial products
- Investment Advisory services, Portfolio Management Services
- Trustee and Fiduciary Services
- Regional Administrative Office (RAO)
- Representative Office

IBU may undertake all activities mentioned u/s 3(1)(e) of the IFSCA Act and section 6 of B R Act, 1949 \*



# KEY BUSINESS OPPORTUNITIES FOR IBUs (2/2)

## Bullion Business – Banking Opportunities

### Treasury Management (Bullion)

- Asset – Liability Management
- Prop Trading in Bullion
- Market Making for International Bullion Exchange (IBE)
- Interbank dealing through Block Trades at IBE
- Market Making for Bullion ETF
- Unallocated / Allocated (Loco Swaps)

### Wholesale Banking

- Project Finance for Mines
- Dore Financing
- Trading at IBE on behalf of Clients
- Hedging Solutions to clients
- Borrowing for the purpose of leasing bullion to clients
- FCY lending against usage of Bullion Depository
- Receipts as Collateral
- Vaulting Manager Services on behalf of IBE

### Retail Banking

- Gold Savings Accounts
- Gold Accumulation Plans
- Digital Gold (backed by underlying bullion in unallocated/allocated form)



# KEY ENABLERS FOR IBUs IN IFSC

**01**

Competitive Tax Regime

**02**

Compliance with Prudential directions and instructions issued by Home Regulator, unless otherwise specified by the Authority

**03**

Minimum Capital, Net Stable Funding Ration (NFSR) and Liquidity Coverage Ratio (LCR) can be maintained at Parent level

**04**

IFRS Accounting Standards

**05**

Raising of global capital at competitive rates

**06**

Convenient platform for on-boarding corporate and retail clients

**07**

Leveraging growth in business volume and eco-system at IFSC for deposit mobilisation, inter-bank business, efficient funding of balance sheet, etc.

**08**

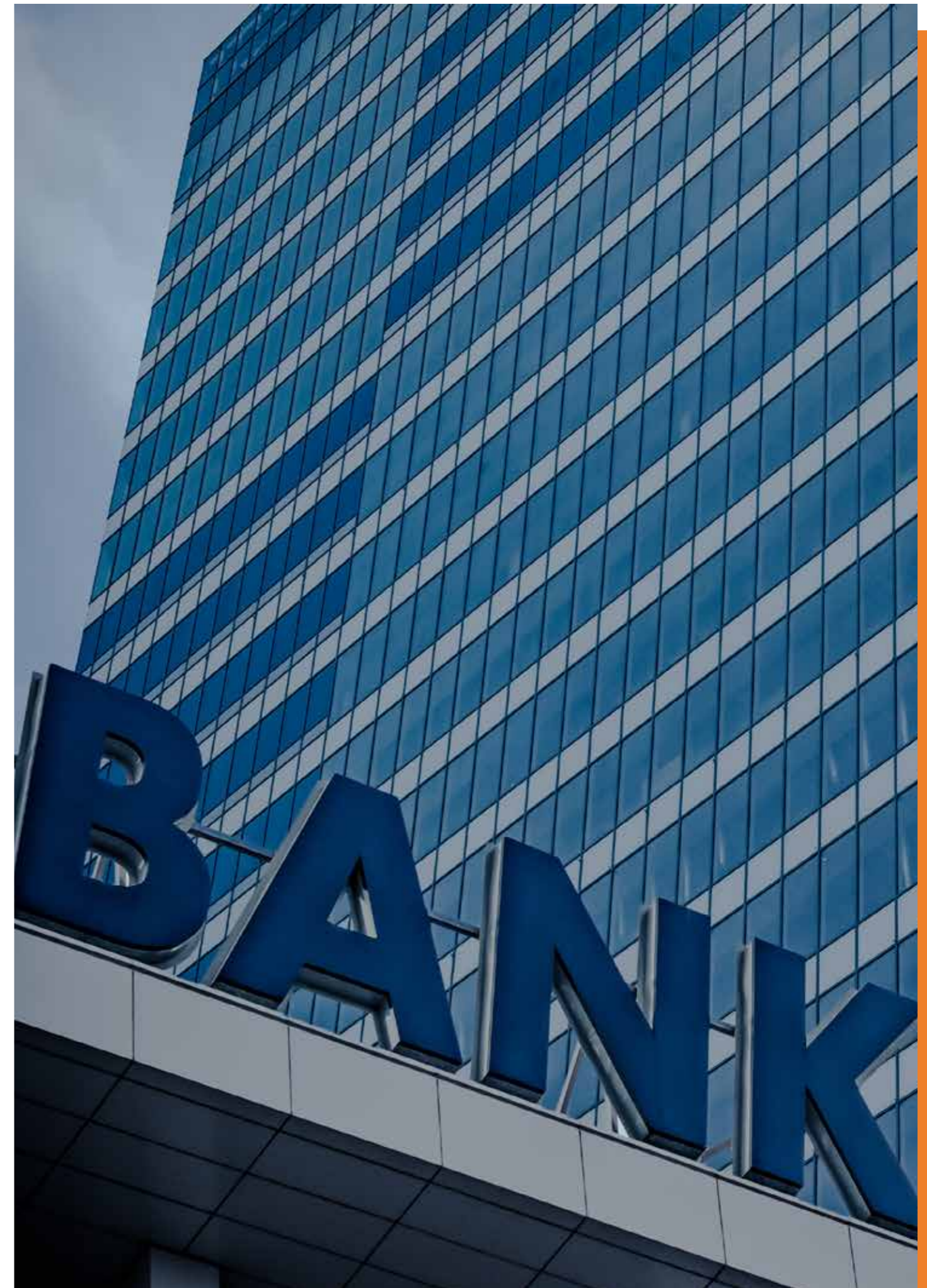
Lower manpower and other administrative cost (Rent, Legal, Maintenance, etc.)

**09**

Unified Financial Regulator – Ease of Doing business

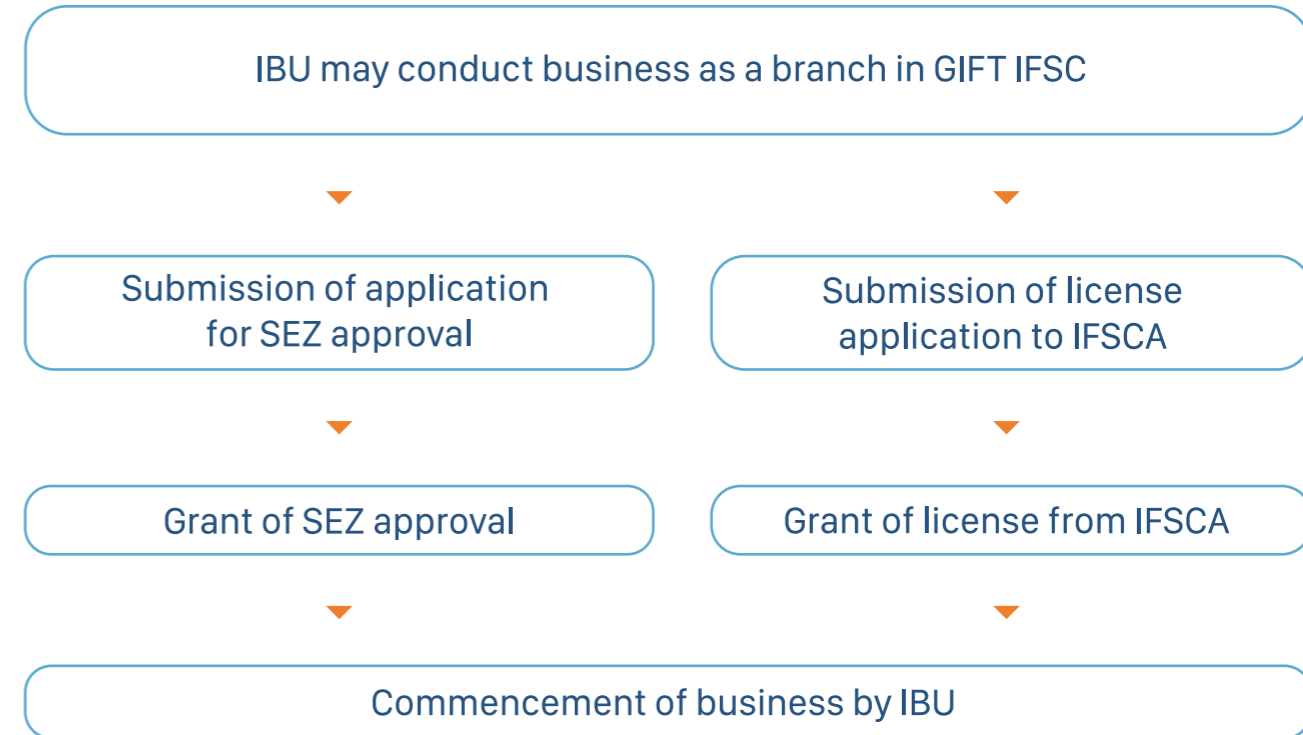
**10**

Opportunity to participate in International Bullion Exchange





# SETTING UP BANKING UNIT IN IFSC



**Disclaimer:**

The information contained in this brochure is to give holistic view on financial services markets in GIFT IFSC. While all efforts have been taken to make this brochure as authentic as possible, please refer the print versions, notified Gazette copies of Acts/Rules/Regulations/Circulars issued by the IFSCA or Government India. The IFSCA shall not be responsible for any loss to any person/entity caused by any defect or inaccuracy inadvertently or otherwise stated in this brochure.



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