GIFT International Financial Services Centre

FUND MANAGEMENT

GIFT IFSC

2024

THE NEW INDIA ▶▶▶

Land of unlimited opportunities

» India is the 5th largest economy in the world
» India clocked highest ever overall exports of $ 776 Bn in FY 2022-23
» India received the highest-ever FDI inflows of $ 84.8 Bn in FY 2021-22
» India has ~1.3 Bn people with unique digital identity (Aadhar)
» There are 1.2 Bn mobile phone users including 750 Mn smartphone users in India
» 67% of India's population is in the age group of 15-64

Sector Highlights

BFSI

» Total Banking Assets in India are expected to cross $ 28.5 Tn in 2025
» Indian digital consumer lending market is projected to surpass $720 Bn by 2030
» Mutual Funds AUM is expected to grow 5X to $ 1.47 Tn by 2025
» Total premium income written for Life and Non-Life Insurance stood at over $ 127 Bn in FY 2020-21

FinTech

» India has the 3rd largest FinTech ecosystem in the world
» India recorded 117 Bn + transactions in calendar year 2023 through the Unified Payments Interface (UPI) platform
» The Payments landscape in India is expected to reach $ 100 Tn in transaction volume and $ 50 Bn in terms of revenue by 2030
» India has the highest FinTech adoption rate globally of 87%
» Indian WealthTech market is expected to grow to $ 237 Bn by 2030

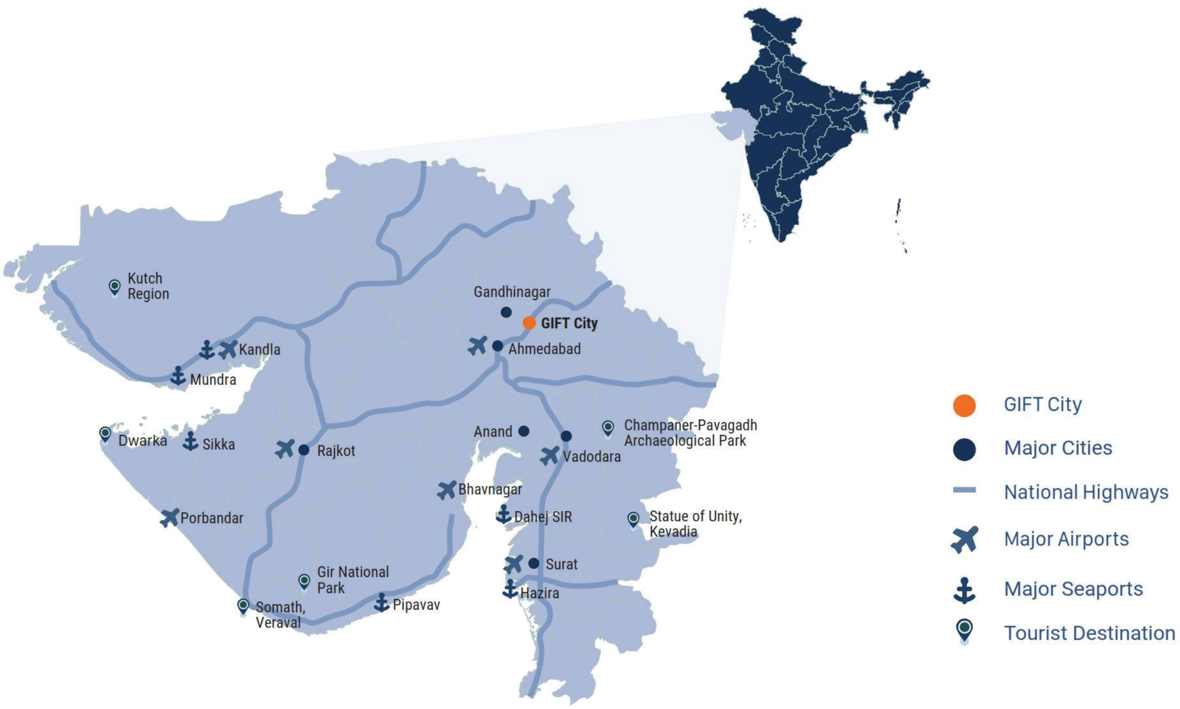
IT-BPM

- India is poised to become a $ 1 Tn digital economy by 2026
- IT & BPM sector contributes 8% to India's GDP, and 53% to India's service exports
- The number of Global Capability Centres (GCCs) in India has reached 1,580 as of 2023, and it is expected to cross 1,900 by 2025
- India is home to the 3rd largest Tech ecosystem in the world

Renewable Energy

- India stands 4th globally in Renewable Energy installed capacity (including Large Hydro)
- As of Dec 2023, Renewable energy sources, including large hydropower, have a combined installed capacity of 180.79 GW
- India is aiming for 500 GW of renewable energy installed capacity by 2030
- India has set a target to achieve net-zero carbon emissions by 2070

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



GIFT City ▶▶▶

GIFT City is a world-class business district envisaged and built to cater to global and domestic business enterprises. GIFT City is not only a flagbearer for smart cities in India but also is also aspiring to set an international benchmark for finance and technology hubs worldwide.

GIFT City is the central pillar of the tri-city approach, located on the banks of the Sabarmati River between Ahmedabad and Gandhinagar, each 30 minutes away from one other. Each city provides a distinct supportive ecosystem.

Spread across 886 acres (now being expanded to 3,300+ acres), Gujarat International Finance-Tec City (GIFT City) consists of a Multi-Service Special Economic Zone (SEZ), which has been notified as India's maiden International Financial Services Centre (IFSC), 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.

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

International Financial Services Centres Authority Headquarters

INTERNATIONAL FINANCIAL SERVICES CENTRES AUTHORITY (IFSCA)

The Government of India established the 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 financial products within the IFSCs in India. The 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 purpose of developing and regulating IFSCs in India.

As the dynamic nature of business in the IFSCs requires a high degree of inter-regulatory coordination within the financial sector, the IFSCA has been established as a unified regulator with a holistic vision to promote ease of doing business and provide world class regulatory environment.

OVERVIEW OF IFSC

IFSC Business Activities

Asset Management

- Fund Management Entities
- Investment Funds
- Investment Advisers
- Portfolio Management Services
- Registered Distributors

Insurance

- Indian & Foreign Insurers
- Indian & Foreign Reinsurers
- Insurance Intermediaries
- Insurance Web-Aggregators

Capital Markets

- Stock Exchanges
- Clearing Corporations
- International Depositories
- Broker Dealers
- Investment Bankers
- Custodians
- Depository Participants

Specialised Financial Businesses

- International Bullion Exchange
- Finance Companies
- Global Treasury Centres
- ITFS Platforms
- Aircraft Leasing & Financing
- Ship Leasing & Financing

Banking

- Indian Banks
- Foreign Banks
- Global Administrative Office

Emerging Businesses

- Fintechs and TechFins
- Global in-House Centres
- Sustainable Finance
- Foreign Universities & Institutions
- Ancillary Service Providers


BRIGADE
BIFC
BIFC
BIFC

IFSC OPPORTUNITIES

- Access to large Indian hinterland economy
- Access to international markets
- Connecting ~30 Mn strong Indian diaspora, which has a combined net worth of ~ $ 3 Tn, to India's growth story
- Inbound and outbound gateway for International Financial Services
- Poised to become a global finance and accounting hub
- Emerging as a hub for foreign universities and institutions
- Attracting global talent to the world class FinTech Hub in GIFT City

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

FUND MANAGEMENT

IFSCA (Fund Management) Regulations, 2022 are aligned with global best practices and provide for the registration of Fund Management Entities (FMEs) to facilitate various fund management activities under a single registration. The regulations provide for registration of FMEs under three categories:

1. Registered FME – Retail

Under this category, FMEs can cater to retail investors as well as non-retail investors by offering a wide array of fund management related products and services, such as retail schemes (including Exchange Traded Funds), non-retail schemes (Alternative Investment Funds), Venture Capital Schemes, Portfolio Management Services, etc.

2. Registered FME – Non-Retail

This category is meant for FMEs which intend to manage funds or provide Portfolio Management Services and also act as investment manager for private placement of REITs and InvITs to accredited investors or investors investing at least USD 150,000. Accordingly, the eligibility requirements for this category are lower as compared to Registered FME- Retail.

3. Authorised FME

A special category with light-touch registration is accorded to such FMEs which intend to invest only in unlisted securities of start-ups through a Venture Capital Scheme and cater exclusively to accredited investors or investors investing at least USD 250,000.

The three registration categories for FMEs, based on the risk potential of the activities permitted to them, also determine the initial and ongoing regulatory requirements applicable to them.

The detailed eligibility and regulatory requirements for FMEs, Retail Schemes, Non-Retail Schemes, Venture Capital Schemes, Portfolio Management Services and Investment Trusts have been prescribed under the regulations.

In order to develop GIFT IFSC as a hub for Sustainable Finance, additional ESG related disclosures have been prescribed at entity level and scheme level.

A snapshot of the various categories of registrations available to Fund Management Entities (FMEs) and their eligibility requirements:

Particulars	Categories of FME		
	Authorised FME	Registered FME	
		Non-Retail	Retail
Legal Structure	Company, LLP, or branch thereof	Company, LLP, or branch thereof	Company or branch thereof
In case of Branch	• Permitted for entities that are already registered / regulated by a financial sector regulator in India or a foreign jurisdiction for conducting similar activities • Branch has to ring fence all operations		
Minimum Net Worth[1]	USD 75,000	USD 500,000	USD 1,000,000
Track Record	Employees to have relevant experience as specified in the regulations		▪ FME / holding company to have 5 years of experience in managing AUM of USD 200 Mn with more than 25,000 investors, or ▪ Person in control holding more than 25% shareholding to have 5 years of experience in financial markets
Key Managerial Personnel (KMP)	At least a Principal Officer in charge of all activities	At least a Principal Officer and Compliance and Risk Manager	At least a Principal Officer, Compliance and Risk Manager, KMP for Fund Management
Fit and proper	FME, its principal officer, directors/ partners/ designated partners, key managerial personnel and controlling shareholders need to be fit and proper persons		
Infrastructure requirements	FME needs to have necessary infrastructure like adequate office space, equipment and communication facilities to effectively discharge its activities. The infrastructure should be commensurate to the size of its operations in IFSC.		

[1] In case of a branch, the minimum net worth requirements shall at all times be earmarked for IFSC and may be maintained at the parent level.

A snapshot of various activities permitted for different categories of Fund Management Entities (FMEs):

Category of FME Registration	Activities Permitted									
	Venture Capital Scheme (including Angel Scheme)	Restricted Schemes			Retail Schemes	ETFs	Portfolio Management	Special Situation Fund	Investment Trust	
		Category I AIF	Category II AIF	Category III AIF					Public Issue of units	Private Placement of units
Authorised FME	Yes	No			No	No	No	No	No	No
Registered FME (Non-Retail)	Yes	Yes			No	No	Yes	Yes	No	Yes
Registered FME (Retail)	Yes	Yes			Yes	Yes	Yes	Yes	Yes	Yes

A snapshot of salient characteristics of various schemes for fund management:

Particulars	Non-Retail Schemes		Retail Schemes
	VC /Angel Schemes	Restricted Schemes	
Objective	To facilitate investments in start-ups and early stage ventures	Category I AIF: Investments in start-ups or social ventures or SMEs or infrastructure or other sectors / areas considered as socially or economically desirable. Category III AIF: Investments for undertaking diverse or complex trading strategies, in listed or unlisted derivatives and for permitted investments under longevity finance. Category II AIF: Investments which do not fall under Category I and Category III AIFs.	To facilitate launching of Mutual Funds / ETFs in IFSC
Legal Structure	Company/ LLP / Trust	Company/ LLP / Trust	Trust / Company
Number of investors	In a VC Scheme - Maximum 50 In an Angel Scheme – Maximum 200 under each segregated portfolio. Prior to each investment, the FME obtains an express consent from every angel investor who desires to contribute to that investment. Each investment is structured as a close-ended segregated portfolio.	Maximum – 1000 or such higher limit as may be prescribed by the IFSCA	Minimum – 20 Maximum – no cap

A snapshot of salient characteristics of various schemes for fund management:

Particulars	Non-Retail Schemes		Retail Schemes
	VC /Angel Schemes	Restricted Schemes	
Investor Requirement	In a VC Scheme: • Accredited investors –None • Other investors – USD 250,000 • Employees or directors or designated partners / partners of the FME – USD 60,000 In an Angel Scheme: • Accredited investors – None • Other investors – USD 40,000	• Accredited investors –None • Other investors – USD 150,000 • Employees or directors or designated partners / partners of the FME – USD 40,000	• Open-ended – None • Close-ended – Minimum investment to be USD 10,000. » Minimum investment restriction not applicable if fund investing less than 15% in unlisted securities.
Scheme Corpus	In a VC Scheme: Minimum – USD 5 Mn Maximum – USD 200 Mn In an Angel Scheme: Minimum – USD 1 Mn	Minimum – USD 5 Mn	Minimum – USD 5 Mn
Filing under Green Channel (Immediately open for subscription upon filing with IFSCA)	Yes	Yes, if money is pooled from accredited investors only	No

A snapshot of salient characteristics of various schemes for fund management:

<table>
<tr><th rowspan="2">Particulars</th><th colspan="2">Non-Retail Schemes</th><th rowspan="2">Retail Schemes</th></tr>
<tr><th>VC /Angel Schemes</th><th>Restricted Schemes</th></tr>
<tr><td rowspan="4">Skin-in-the-game-contribution from FME or its associate entity</td><td>In a VC Scheme
If targeted corpus < USD 30 Mn - 2.5% to 10% of the targeted corpus
If targeted corpus > USD 30 Mn – USD 750,000 to 10% of the targeted corpus.</td><td>Close-ended Scheme
If targeted corpus < USD 30 Mn - 2.5% to 10% of the targeted corpus
If targeted corpus > USD 30 Mn – USD 750,000 to 10% of the targeted corpus</td><td>Lower of 1% of the corpus of the Fund or USD 200,000</td></tr>
<tr><td>In an Angel Scheme
At least 2.5% of the investment size or USD 20,000, whichever is less, in each segregated portfolio.</td><td>Open-ended Scheme
If targeted corpus < USD 30 Mn - 5% to 10% of the targeted corpus
If targeted corpus > USD 30 Mn – USD 1,500,000 to 10% of the targeted corpus</td><td></td></tr>
<tr><td colspan="2">Contribution can be waived, subject to:
a. At least 2/3rd of investors permit waiver; or
b. At least 2/3rd investors in the scheme are accredited investors; or
c. Scheme is a ‘fund of fund scheme’ investing in a scheme which has similar requirements</td><td>Contribution can be exempted if the scheme is a ‘fund of fund scheme’ investing in a scheme which has similar requirements</td></tr>
<tr><td colspan="3">Requirement of contribution from FME or its associate entity is not applicable in case of relocation of schemes established or incorporated or registered outside India to IFSC.</td></tr>
<tr><td rowspan="2">Leverage</td><td colspan="2">In a VC and Restricted Scheme, permissible subject to
▪ full disclosure
▪ comprehensive risk management framework</td><td rowspan="2">Permissible only for meeting temporary liquidity requirement for the purpose of redemptions with a cap of 20% and duration not exceeding 6 months</td></tr>
<tr><td colspan="2">In an Angel Scheme, not permitted</td></tr>
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A snapshot of salient characteristics of various schemes for fund management:

Particulars	Non-Retail Schemes		Retail Schemes
	VC /Angel Schemes	Restricted Schemes	
Co-Investment	Permissible through a SPV or segregated portfolio subject to certain conditions		Not permitted
Calculation of NAV & Disclosure	Annual basis	Open Ended - At least on a monthly basis Close ended - At least on a half yearly basis.	Open ended - Daily basis Close ended - Weekly basis.
Portfolio Disclosure	Annually	Quarterly	Quarterly
Appointment of Custodian	In a VC Scheme, mandatory, if fund size exceeds USD 70 Mn	Open ended - Mandatory Close ended - Mandatory if fund size exceeds USD 70 Mn	Mandatory

KEY TAX INCENTIVES & BENEFITS

Category I & II AIF	Pass through status for Indian income tax purpose
	Income accruing or arising or received by Non-Resident investors from off-shore investments not taxable in India
	Non-Resident investors are exempt from obtaining PAN and filing return of income in India, subject to certain conditions
Category III AIF*	Non-Resident investors are exempt from obtaining PAN and filing return of income in India, subject to certain conditions
	Category III AIFs are subject to fund level taxation
	Exemption from tax for non-resident investors on income from: ▪ Transfer of Indian securities (other than shares of Indian company) ▪ Securities issued by non-resident (not being a PE) with no accrual of income in India ▪ Transfer of offshore securities/certain securities traded on IFSC exchanges ▪ Securitisation trust which is chargeable under the head profits and gains of business or profession
	Income on transfer of shares in an Indian company is taxable as follows: ▪ Short term Capital Gains: 15% if Securities Transaction Tax paid, else 30%*** ▪ Long term capital gains: 10%*** ▪ Interest and Dividend is taxable at 10%**

*All investors to be non-resident other than sponsor and/or manager
** In case of AIFs set up as a Trust, surcharge and cess are not applicable on such income
*** plus applicable surcharge and cess

Managers

- 100% corporate tax exemption for 10 consecutive years out of block of 15 years.
- The dividend distributed by Manager may be taxable in the hands of its shareholders.
- Supply of services by Manager in IFSC is exempt from Goods and Services Tax.

KEY BENEFITS FOR FUNDS IN IFSC

» Globally benchmarked regulatory regime facilitating ease of doing business

» Unified regulations for various fund management activities

» Lower operating costs & competitive tax regime

» No limits on outbound investments

» Engagement with unified financial regulator

» Permitted to borrow funds and engage in leveraging activities

» Enabling ecosystem for fund management with presence of key stakeholders including trusteeship services, custodians and fund administrators

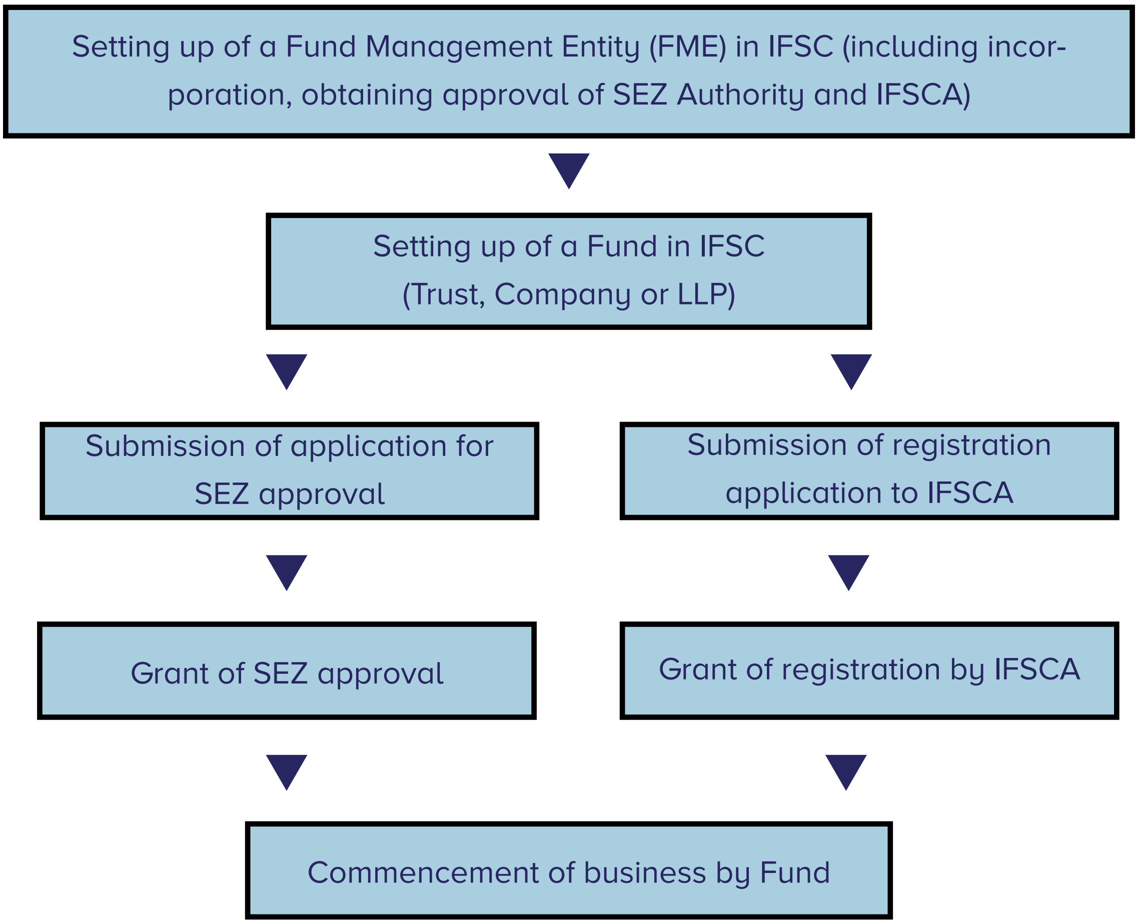
» No diversification limits on investments made by a non-retail fund in IFSC provided the investment made is in line with the risk appetite of the investors and appropriate disclosures are made.

BENEFITS FOR RELOCATION OF OFFSHORE FUNDS

Relocation of Offshore Fund to a resultant fund in IFSC to be tax neutral for Offshore Fund, resultant fund and its shareholders/ unit holders as follows:

- Transfer of assets of an Offshore Fund or its Wholly owned subsidiary ('WOS') to a Resultant Fund, upon relocation to IFSC on or before 31 March 2025 is not regarded as transfer.
- Exemption also provided to non-resident shareholders of Offshore Fund / Offshore Fund on transfer of units/ beneficial interest of Offshore fund in consideration of units/ beneficial interest of Resultant fund in IFSC
- Grandfathered investments in the Offshore Fund will continue to enjoy capital gains exemption on future sales by the Resultant fund in IFSC
- Period of holding and cost to previous owner are available to Resultant Fund. Deemed income provisions under the Indian tax laws are not applicable to the Resultant fund on relocation.
- Carry forward losses of portfolio company are not impacted on such relocation. Sponsor and/or manager contribution made voluntary.

PROCESS FLOW FOR SETTING UP A FUND IN GIFT 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 accurate as possible, please refer the print versions, notified Gazette copies of Acts/Rules/Regulations/Circulars/FAQs issued by the IFSCA or Government of 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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