1. About International Financial Services Centres Authority (IFSCA)

The Government of India established International Financial Services Centres Authority (IFSCA) in April 2020 under the International Financial Services Centres Authority Act, passed by the Indian Parliament.

IFSCA is a unique four-in-one unified financial sector regulator, regulating the financial services, financial products and financial institutions in IFSCs, by exercising the powers of all domestic financial sector regulators namely, RBI, SEBI, IRDAI and PFRDA.

GIFT-IFSC has been given the status of a special offshore jurisdiction within India, which enables registered entities, including branches, wherever permitted, to operate, innovate and succeed, facilitated by an internationally comparable regulatory framework provided by IFSCA.

2. 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
- Emerging as a Reinsurance and Retail Insurance Hub
- Attracting global talent to the world class FinTech Hub in GIFT City
- Emerging as a leading hub for Fund Administration

3. IFSC Competitive Tax Regime

- 100% Corporate Tax Exemption (for 10 out of 15 years)
- 0% Minimum Alternate Tax (MAT)*
- 0% Capital Gain Tax**
- 0% Securities Transaction Tax (STT / Commodities Transaction Tax (CTT)
- 0% Stamp Duty
- 0% Goods and Services Tax (GST).

4. Insurance Regulatory ecosystem in IFSCA

(1) The IFSCA (Registration of Insurance Business) Regulations, 2021

(a) Who Can set up IFSC Insurance Office:

* 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. 115BAA of the Income Tax Act, 1961.

** on specified securities transferred on recognised stock exchanges in IFSC.

- Indian & Foreign Insurer,
- Indian & Foreign Reinsurer,
- a Society of Lloyd's on behalf of Members of Lloyd's,
- a public company or a wholly owned subsidiary of an insurer or a re-insurer,
- an insurance co-operative society,
- a body corporate incorporated under the law of any country outside India
- a Managing General Agent who has a valid binding agreement with a Foreign Insurer or Foreign Re-insurer.

(b) Opportunities for Direct Insurers transacting General (P&C) insurance business-

- Risks of Units in IFSC,
- Risks situated in SEZs across India,
- From outside India (subject to local laws),
- Coverage for Indian interest/risk abroad i.e. properties, assets of WOS/JVs of India headquartered companies,
- Insurance for properties situated in India (subject to Sec. 2CB of the Insurance Act, 1938),
- Insurance in relation to offshore risks of exporters & importers

(c) Opportunities for Direct insurers transacting Life insurance business–

- Risk coverage for NRIs and PIOs based in foreign jurisdictions.
- Cater various Life Insurance / Investment products to foreign nationals

(d) Opportunities for Re-insurers:

- Reinsurance support to IFSC Insurance Offices (cedants) in IFSC,
- Retrocession support to IFSC Insurance Offices (reinsurers) in IFSC,
- Reinsurance support to cedants (direct insurers) based in India (subject to order of preference),
- Retrocession support to Indian Re-insurers / FRBs based in India,
- Reinsurance and Retrocession support to cedants/reinsurers based outside India.
- IIOs are placed in Category-2 in the Order of Preference (OoP) by the IRDAI subject to investment conditions.

(e) Equity Capital Requirements for incorporated insurer:

- **Direct Insurer -** INR 100 Cr. ($ 12.20 Mn)
- **Re-insurer -** INR 200 Cr. ($ 24.40 Mn)

Note: Equity Capital shall be maintained within IFSC

(f) Assigned Capital Requirements for Branch Office of (re)insurer – $ 1.5 Mn May be maintained at Parent Entity.

(g) Net Owned Funds (NoF) Requirements – For Re-insurance Business by the Branch office of foreign re-insurer - INR 1000 Crore ($ 122 Mn*)

(h) Solvency for incorporated IIOs –

- Present Regime - Factor Based Solvency
- Work in progress for implementation of Risk Based Supervisory Framework (RBSF).

(i) Maintenance of Required Solvency –

- (Re)insurer in Incorporated form – shall maintain within IFSC
- Branch Office - May maintain at Home Country as per Home Country regulatory requirements.

(2) IFSCA (Insurance Intermediary) Regulations, 2021 –

(a) Who can set up IFSC Insurance Intermediary Offices (IIIOs):

- Insurance Intermediary registered in India,
- Foreign insurance intermediary registered with home country regulatory or supervisory authority
- Indian Company incorporated under Companies Act, or
- A body corporate incorporated under the law of any country outside India.

(b) Opportunities for Insurance Intermediaries –

- May transact direct insurance business from:
  - i) within IFSC,
  - Ii) other SEZs in India
  - Iii) outside India;
  - Iv) Domestic Tariff Area (DTA) in accordance with Sec. 2CB of the Insurance Act,
- Re-insurance or composite brokers may transact re-insurance business from:
  - i) within IFSC,
  - ii) other SEZs in India,
  - iii) DTA (as per local laws)
  - iv) outside India.

(c) Categories and Capital requirements for incorporated insurance intermediaries:

- Composite Broker – USD 675,000
- Corporate Agent – USD 75,000
- Direct Broker – USD 100,000
- Re-insurance Broker – USD 550,000
- Surveyor and Loss Assessor – Nil
- Third Party Administrator – USD 550,000

Note – In case of IIIOs setup in branch form, in addition to the capital stipulated by home country regulator, IIIOs shall maintain 10% of the required capital in its home country or in IFSC.

(3) IFSCA (Insurance Web Aggregator) Regulations, 2022 - To promote retail business through technology, IFSCA has notified regulations for Insurance Web Aggregation, *inter-alia*, providing liberalized minimum capital and net-worth requirements and a light touch regulatory regime.

(4) IFSCA (Manner of Payment and Receipt of Premium) Regulations, 2022 –

- These regulations *inter-alia* enables IIOs to assume insurance risk with or without receipt of premium in advance.
- IIOs and prospects / insureds, may mutually agree for payment of premium in instalments.

(5) IFSCA (Insurance Products and Pricing) Regulations, 2022 –

- applicable for IIOs permitted to transact direct insurance business.
- light- touch and principle- based approach for designing, pricing, and marketing of product.
- IIOs are allowed to market their product based on their Board approved policy on Product Oversight and Governance, without prior approval of the Authority.
- IIOs are only required to submit the final policy wording to the Authority before marketing.
- IIOs shall device their own methodology / algorithm for issuance of UIN and submit the same to the Authority.

(6) IFSCA (Appointed Actuary) Regulations, 2022 – These regulations while dealing with Appointed Actuary (AA), *inter-alia* enable an AA of a parent entity to act as AA of its branch office in GIFT-IFSC.

(7) IFSCA (Investment by IIO) Regulations, 2022 – These regulations enable IIOs to invest in -

- the IFSC,
- in India*,
- Home Country and
- other FATF compliant jurisdictions.

The regulations also introduce the concept of Sovereign Credit Rating (SCR) based investment limits and do away with granular prescriptions on investments.

*IIOs are placed in Category-2 in the Order of Preference (OoP) by the IRDAI subject to investment conditions.

(8) IFSCA (Preparation & Presentation of Financial Statements of IIOs) Regulations, 2022 - These regulations give option to IIOs set up in branch form, to –

- follow accounting standards of their parent entity;
- follow accounting year of their parent entity;
- prepare financial statement as per requirements of home country regulator.

(9) IFSCA (Assets, Liabilities, and Solvency Margin of Life Insurance business) Regulations, 2023 and IFSCA (Assets, Liabilities, and Solvency Margin of General, Health and Re-insurance business) Regulations, 2023 – IIOs set up in an unincorporated form (branch) are allowed to maintain their capital requirements in accordance with the home country regulations.

(10) IFSCA (Re-insurance) Regulations, 2023 –

- These regulations adopt and keep pace with international benchmarks with respect to both regulation and business practices.
- These principle-based regulations require Board Approved policy on Re-insurance Strategy and Re-insurance Program (RSRP).
- As per domestic India's regulatory framework notified by IRDAI, IIOs at GIFT IFSC have been placed in Category-2, at par with Foreign Reinsurers Branches (FRBs) in the Order of Preference, subject to certain investment conditions. This bolsters the lucrative potential of GIFT IFSC to emerge as a global re-insurance hub.

Scan me for Regulatory Framework

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IFSCA
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Insurance Ecosystem in GIFT IFSC