

ch-7 International Financial Services Centres Authority (IFSCA)

Introduction :-

- IFSC is a jurisdiction with high concentration of financial institutions such as banks, stock markets & related entities, insurance firms, fund managers, fin-tech firms etc which offer specialized financial services to non-resident and resident, in an environment that promote financial innovation and facilitates cross border transactions.

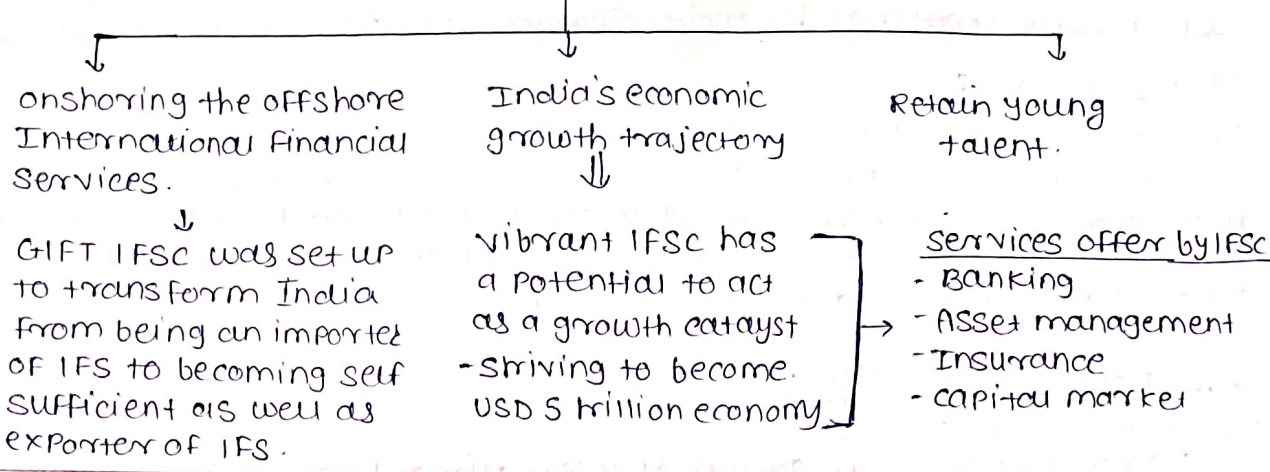
⇒ Importance of IFSC :-

- Primary 3 reason
 - contribution to the growth of international financial transaction.
 - Pivotal role in accelerating financial globalization.
 - invaluable role in accelerating socio-economic growth.
- Indian company are setting up their units abroad, to provide services abroad so to bring them to indian soil.
- IFSC center are designated as international jurisdiction by FEMA.
- eg - The Gujarat International Finance - Tech city (GIFT).

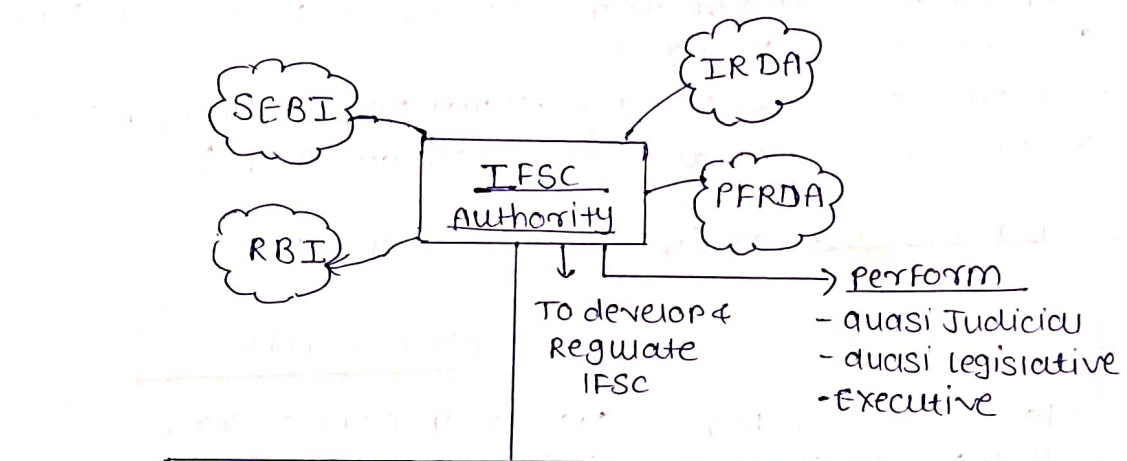
⇒ Fiscal Benefits and Tax Exemption for GIFT - IFSC

Taxes / Duties	IFSC units	Investor's Benefit
Income Tax.	<ul style="list-style-type: none"> - 100% exemption for 10 years out of 15 yrs - AMT @ 9% - old regime - NO AMT - New regime 	<ul style="list-style-type: none"> No tax on capital gain on transfer of specified security of IFSC co. - <u>For NR investor</u> • NO Tax on interest income on money lent • long term Bond, rupee denominated Bond • Taxable at 4% only.
GST	<ul style="list-style-type: none"> - NO GST on services received from abroad. - NO GST on services provided outside india - GST applicable on services provided to GTA. 	<ul style="list-style-type: none"> - NO GST on transactions carried out in IFSC exchanges.
Other taxes duties.	<ul style="list-style-type: none"> State subsidies - lease rental, PF contribⁿ electricity charges. 	<ul style="list-style-type: none"> - <u>Exemption from</u> - Security transⁿ tax - commodity transⁿ tax - Stamp duty

⇒ Necessity of IFSC For Domestic Economy.



⇒ International Financial Service centres Authority



- Functions.
- To develop and regulate Product, Financial Service and Financial inst. in IFSC.
 - To Regulate New Financial Product, Financial Services and Financial inst in IFSC
 - To recommend to Cg to notify other FM PSI

- Powers.
- Act empowers IFSCA to Exercise Power of 4 Domestic Regulation.
 - RBI
 - SEBI
 - PFRDA
 - IRDA.

⇒ Financial Product → Notified by Cg

- Securities
- Deposits
- contract of insurance or arrangement
- F.C. contract
- any other → notified by Cg
- Aircraft lease
- Ship lease
- op. lease incl. hybrid of O & F. lease
- bullion spot delivery contract.
- bullion DR.

⇒ Listing of specified securities through IPO by unlisted issuer.

<u>condition</u>	<u>offersize</u>	<u>Min sub.</u>	
Profit - at least 1 million USD in P. 3 yrs T/O - <u>0Y</u> - 20 million USD in PY	USD 15 million	Min subscriber = 200 at least 75% should be sub.	Lock in For the Period of 180 days

⇒ Listing of Startup and SME

→ Less than 10 years from the date of incorporation. → T/O should not exceed USD 20 milli. → working towards innovation, develop. or improvement of product or services	Not less than USD 2 million	Min subscriber = 50 at least 75% should be subscribed.	
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⇒ IPO by SPAC.

→ Merger, acquisition amalgamation ↓ company having business operation	USD 50 million 20% to be held by sponsor / promoter.	→ Min 75% to be subscribed. → min investment 250,000 USD / person.	
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• Special Purpose Acquisition company means a company has no business operation. created only for acquisition, merger or amalgamation.

⇒ Financial Services - as

- Buying, selling or subscribing to a financial product.
- Acceptance of deposits.
- Safeguarding & administering assets
- Effects in contract of insurance
- exercising any rights associated with a financial product or financial service.
- establishing an or operating an investment scheme.
- Maintaining or transferring records of ownership of a financial product.

New Financial Services notified by CG

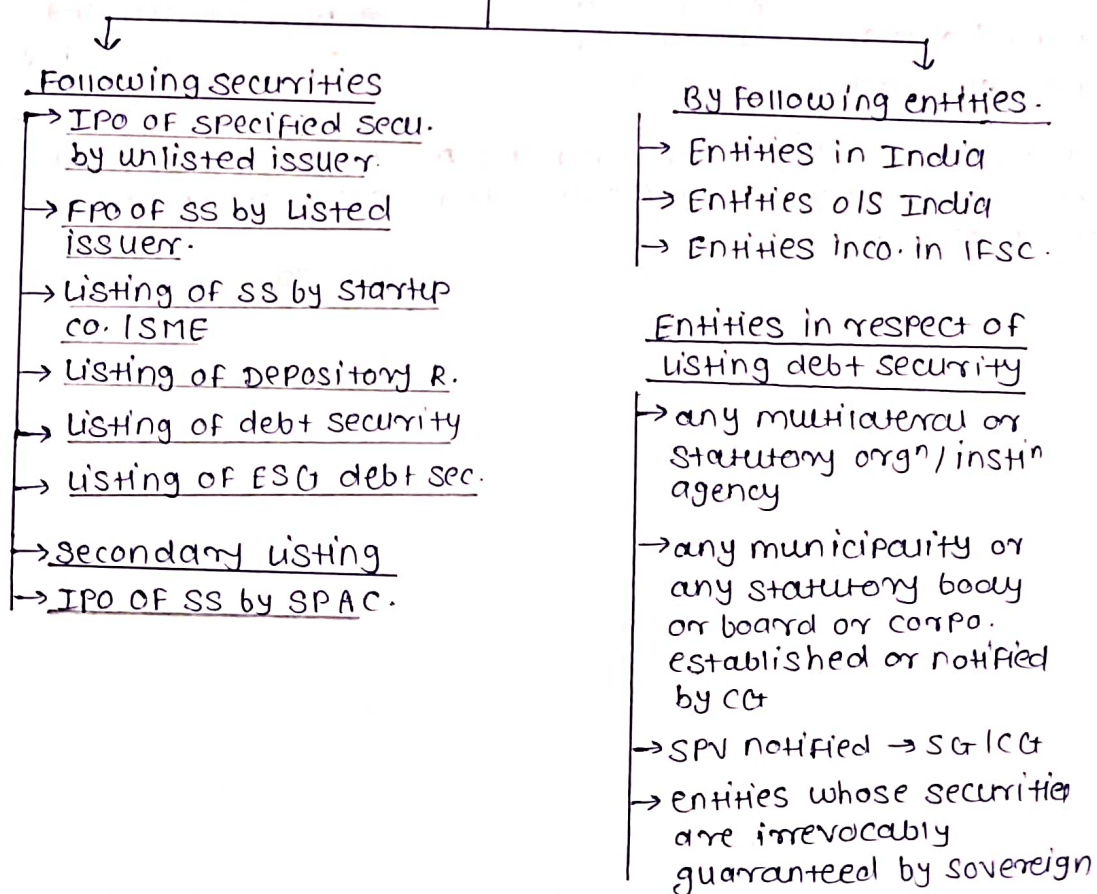
- Global in-house centres
- Trading in bullion depository receipts.
- Provision of bullion financing, bullion vaulting, clearing and settlement services.
- courses offered in financial mgmt, Fin Tech, Science, technology, by foreign universities or foreign institutions in IFSC.

A] IFSC Act, 2019

IFSC (Insurance and Listing of Securities) Reg. 2021

IFSC Stock Exchange

List



⇒ Eligibility and Shareholding

- Indian RSE Form subsidiary to provide services of SE in IFSC
- PUEC → 51%
- Remaining held by - 49%
 - any other stock ex
 - a depository
 - a Banking company
 - an insurance co.
 - commodity derivatives ex.
 - Public Financial institution whether Indian or Foreign Jurisdiction.

→ out of 49% ↑
15% → Individual (max)

⇒ Eligibility and Shareholding of clearing corporation

- any Indian RSE, CC, or foreign Jurisdiction Form subsidiary to provide service of CC in IFSC
- at least 51% PUEC → SE, CC
- remaining held by
 - any other SE
 - a clearing corpo
 - a depository
 - a Banking co
 - a depository co.
 - an Insurance co
 - Public Financial inst

SEBI IFSC Guidelines, 2015

Eligibility and Shareholding For Foreign depositories

- any regulatory depository of foreign jurisdiction
 - ↓
 - Form subsidiary to provide depository services in IFSC
 - ↓
 - at least 51% → Dep | RSE
- Setting up of IFSC depository services by Indian Reg. depository
 - may set up branch - IFSC dep. services (IDS) at IFSC
 - ↓
 - obtain prior approval of Board for setting up an IDS
 - ↓
 - Such Indian depository shall be req. to ring fence its domestic operation, financially, operationally & technologically

permissible securities.

- Eq. shares of a company incorporated in India.
- Depository receipts
- Debt securities issued by eligible issuer.
- currency and interest rate derivatives.
- Index based derivatives.
- Commodity derivatives.
- Derivatives on eq. shares