

**STUDY MATERIAL**

**PROFESSIONAL PROGRAMME**

**IFSCA - REGULATIONS, LISTING  
AND COMPLIANCES**

**ELECTIVE 1**

**PAPER 4.6**



**THE INSTITUTE OF  
Company Secretaries of India**

**भारतीय कम्पनी सचिव संस्थान**

**IN PURSUIT OF PROFESSIONAL EXCELLENCE**

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## PROFESSIONAL PROGRAMME

# IFSCA – REGULATIONS, LISTING AND COMPLIANCES

The International Financial Services Centres Authority (IFSCA), established under the IFSCA Act, 2019, serves as a unified regulator for financial services in International Financial Services Centres such as GIFT City. Its primary mandate is to develop and regulate financial products, services, and institutions within IFSCs, thereby positioning India as a competitive global financial hub. By creating a robust regulatory framework for banking, insurance, capital markets, and fintech, IFSCA facilitates cross-border financial transactions and attracts foreign investors and multinational corporations, which significantly increases capital inflows and strengthens India's global financial presence.

IFSCA acts as a catalyst for economic growth by attracting foreign capital, creating jobs, and fostering innovation, while Company Secretaries play a strategic role in enabling businesses to navigate this complex regulatory landscape. Their involvement ensures that organizations operating in IFSC adhere to global best practices, maintain robust governance, and capitalize on emerging opportunities in international finance. This synergy positions CS professionals as key advisors in India's journey toward becoming a global financial powerhouse. The role of a Company Secretary is deeply rooted in corporate governance, compliance, and advisory functions that are critical for entities operating within IFSC.

This paper 'IFSCA-Regulations, Listing and Compliances' has been introduced to build a robust and comprehensive understanding of the significant facets of IFSC among students who aspire to pursue careers in this domain with a focus on regulations, listing, compliance, and global best practices.

This study material has been published to aid the students in preparing for the 'IFSCA-Regulations, Listing and Compliances' paper of the CS Professional Programme. It is part of the educational kit and takes the students step by step through each phase of preparation emphasizing key concepts, principles, pointers and procedures. Company Secretaryship being a professional course, the examination standards are set very high, with focus on knowledge of concepts, their application, procedures and case laws, for which sole reliance on the contents of this study material may not be enough.

This study material may, therefore, be regarded as the basic material and must be read along with the Bare Acts, Rules, Regulations, Case Laws. The legislative changes made upto November 30, 2025 have been incorporated in the study material. In addition to Study Material students are advised to refer to the updations at the Regulator's website, supplements relevant for the subject issued by ICSI and ICSI Journal Chartered Secretary and other publications. Specifically, **students are advised to read "Student Company Secretary" e-Journal which covers regulatory and other relevant developments relating to the subject**, which is available at academic portal <https://www.icsi.edu/student-n/academic-portal/>. In the event of any doubt, students may contact the Directorate of Academics at [academics@icsi.edu](mailto:academics@icsi.edu).

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# PROFESSIONAL PROGRAMME

## Elective 1 • Paper 4.6

### IFSCA – REGULATIONS, LISTING AND COMPLIANCES

#### SYLLABUS

**OBJECTIVES:** To build a robust and comprehensive understanding of the significant facets of IFSC among students who aspire to pursue careers in this domain with a focus on regulations, listing, compliance, and global best practices.

#### IFSCA – Regulations, Listing And Compliances (100 Marks)

##### 1. International Financial Services Centres: An Introduction

Understanding the Concept of GIFT City; DTA Area; SEZ Area (Processing Area; Non-Processing Area), Evolution and Importance of IFSCs, Genesis of IFSCs globally; Regulatory Framework of GIFT SEZ & IFSC; Steps for setting up a IFSC business unit and Non IFSC Unit (i.e. SEZ Unit) in GIFT-SEZ -IFSC; Financial Activities permitted in IFSCs. Tax Benefits & Incentives in GIFT City; Provisions/Exemptions under Companies Act, 2013 for Companies Set up in IFSC.

##### 2. IFSCA Ecosystem & Regulatory Framework

Chronological Journey and Establishment of IFSCA; IFSCA Act, 2019, Goals and Objectives; Powers and Functions of Authority; Key Business activities at IFSCA; ; Role of IFSCA in Sustainable Economic Growth; Powers delegated by SEBI, RBI, IRDAI, and PFRDA; Key regulations issued by IFSCA insurance, capital markets, and asset management; Fintech & Innovations; IFSC exchanges, clearing corporations for banking, , and depositories; Investor protection and grievance redressal; Enforcement powers and penalties.

##### 3. Fund Management Services

Introduction to Fund Management; AIFs in IFSC – Regulatory Relaxations- Types of Fund Management Entities under AIF -Types of Schemes under AIF -Fund Management Regulations 2025- Regulatory Framework; Fund Management Entity; Valuation for Fund Managers; various schemes for Fund Managers; Ethics and Governance in Fund Management; Investment Trust and Alternate Investment Funds (AIFs) in IFSCs; General Obligations and Responsibilities; Platform Play, SPVs and co-investments, ESG Funds at IFSC; Taxation aspects.

##### 4. Listing and Issuance of Securities

Introduction of Listing at IFSCA; Applicability, General Conditions; Initial Public Offer, Specified Securities without Public Offer; Special Purpose Acquisition Companies (SPACs), Right Issue, Preferential Issue, Qualified Institutional Placement; UDRs on American Stocks, Debt Securities; ESG Labelled Debt Securities; Transition Bonds, Greenwashing, CP & CDs; Listing Obligations and Disclosure Requirements; Legal Framework for Listing; Listing of Securities, Corporate Governance and ESG disclosures; Key Business Activities; Capital Market, Direct Listing; Indian Companies -Listing of Companies incorporated outside India -IPO in GIFT IFSC; ESG Disclosure and Obligations.

## **5. Insurance & Reinsurance**

Key Concepts; Regulatory Framework; Setting Up of a IFSC Insurance Office; Procedure for Registration; Permissible Activities; Basic Regulatory and Governance Requirements; Re-insurance Strategy and Objectives of Re-insurance Programme; Re-insurance Strategy and Objectives of Re-insurance Programme

## **6. Banking Services and Finance Companies in IFSC**

Basic Concepts; Setting up of a Banking Unit at IFSC; Regulatory Requirements; Permissible Activities; KYC and AML; Operational Requirements, all about PSPs, Trade Finance at the IFSC; Finance Companies in IFSC; Permitted Core activities; Permitted Non-Core activities; Regulations; Various options in IFSC for Creating Finance Company in IFSC like, International Trade Finance Services (ITFS) Platform in IFSC; Ship Leasing as Finance Company; Aircraft Leasing as Finance Company; Global/Regional Treasury Centre

## **7. Book-keeping, Accounting, Taxation and Financial Crime Compliance Services and TAS**

Key Definitions; Setting up of a BATF Service Provider, Registration Process, Exception; Appointment of Principal Officer and Compliance Officer; Reporting Requirements, TAS Regulations, Foreign University framework at the IFSC, IFSCA (Kyc Registration Agency) Regulations-2025.

## **8. India International Bullion exchange (IIBX)**

Introduction; Role of IIBX; Market Participants; Prescribed Norms for Jeweller; Qualified Supplier Process Flow; Eco system; Players of Bullion exchange; Regulation of Bullion exchange

## **9. Overview of FinTech and Service Providers in IFSC**

FinTech - Legal Structure of Entity -Pre-requisites for Fintech in GIFT IFSC- List of Permissible Activities- Process for set-up FinTech Entities- Sandbox Process -IFSCA Fintech Incentive Scheme, 2022; Ancillary Service Providers - Framework at glance and permissible activities; Payment Services Providers - Key Business Opportunities -Process Flow for Authorization; Global in House Centre (GIC); Salient Features -Key Benefits for GIC In IFSC.

## **10. Capital Market Intermediaries**

Key Business Activities; Capital Market Intermediaries; Intermediary Categories; Eligibility & Net Worth; Obligations; Fit and proper requirements; Appointment of Principal Officer, Compliance Officer and other human resources; general obligations and responsibilities; Overview of Capital Market Intermediaries) Regulations, 2024

# ARRANGEMENT OF STUDY LESSONS

## IFSCA – REGULATIONS, LISTING AND COMPLIANCES

### Elective 1 • Paper 4.6

#### IFSCA – REGULATIONS, LISTING AND COMPLIANCES

##### Sl. No. Lesson Title

1. International Financial Services Centres: An Introduction
2. IFSCA Ecosystem & Regulatory Framework
3. Fund Management Services
4. Listing and Issuance of Securities
5. Insurance & Reinsurance
6. Banking Services and Finance Companies in IFSC
7. Book-keeping, Accounting, Taxation and Financial Crime Compliance Services and TAS
8. India International Bullion exchange (IIBX)
9. Overview of FinTech and Service Providers in IFSC
10. Capital Market Intermediaries

# LESSON WISE SUMMARY

## IFSCA – REGULATIONS, LISTING AND COMPLIANCES

### 1. International Financial Services Centres: An Introduction

An International Financial Services Centre (IFSC) is a designated jurisdiction that enables cross-border financial services—including banking, insurance, capital markets, asset management, and fintech innovation—mainly in foreign currency. Globally, IFSCs have emerged in hubs such as London, Singapore, Hong Kong, and Dubai to channel international capital flows under favorable tax and regulatory regimes. India established its first IFSC at Gujarat International Finance Tec-City (GIFT City), Gandhinagar, to bring offshore financial activities back onshore and strengthen its position in global finance.

GIFT City is a modern smart business district comprising two zones: the Domestic Tariff Area (DTA), which serves domestic markets under India's regular laws, and the Special Economic Zone (SEZ), which houses the IFSC. The SEZ offers tax incentives, exemptions, and operational flexibility, establishing India's gateway to international finance. Oversight is provided by the International Financial Services Centres Authority (IFSCA), a unified regulator established under the IFSCA Act, 2019, consolidating the roles of RBI, SEBI, IRDAI, and PFRDA. Overall, GIFT IFSC is a strategic initiative to integrate India into global financial networks, attract foreign investment, foster innovation, and position India as a competitive international financial hub. The purpose of this lesson is to acquaint the readers about the IFSCs and their global significance; Evolution of IFSCs and India's rationale for establishing GIFT City; the regulatory and institutional structure of GIFT SEZ–IFSC; Tax incentives, exemptions, and compliance relaxations; Procedural steps for establishing IFSC and non-IFSC units and the key financial services and innovations permitted within IFSCs.

### 2. IFSCA Ecosystem & Regulatory Framework

The International Financial Services Centres Authority (IFSCA) was established under the IFSCA Act, 2019 to serve as a unified regulator for financial activities in India's International Financial Services Centres (IFSCs), mainly located at GIFT City, Gujarat. Before its creation, IFSC operations were overseen by multiple regulators—RBI, SEBI, IRDAI, and PFRDA—leading to regulatory overlaps and inefficiencies. The Act consolidated these powers under IFSCA, enabling a single-window regulatory framework that enhances ease of doing business and global competitiveness.

The objective of this lesson is to enable the students to understand the chronological journey and establishment of the IFSCA; objectives, structure, and key provisions of the IFSCA Act, 2019; Powers, functions, and administrative framework of IFSCA; Key business activities and financial services permitted in IFSCs; role of IFSCA in promoting sustainable economic growth.

### 3. Fund Management Services

In International Financial Services Centres (IFSCs), the activities related to fund management are regulated by the International Financial Services Centres Authority (IFSCA) to ensure transparency, stability, and investor protection. Entities engaged in fund management, known as Fund Management Entities (FMEs), must register with IFSCA under one of three categories: Authorised FME, Registered FME (Non-Retail), and Registered FME (Retail). FMEs can launch various schemes under the Alternative Investment Fund (AIF) framework, including Venture Capital Schemes, Restricted Schemes, Retail Schemes, and Special Situation Funds, each governed by specific rules on investor eligibility, minimum corpus, investment limits, tenure, and disclosures.

Key principles include risk management, diversification, and valuation, supported by mandatory disclosure of Net Asset Value (NAV) and portfolio details. Governance is strengthened through the Stewardship Code, which promotes responsible investment, transparency, and ESG integration. FMEs must maintain strong internal controls, cybersecurity frameworks, and compliance framework. Additional features include Investment Trusts (REITs and InvITs) for real estate and infrastructure, third-party fund management services, co-investments via Special Purpose Vehicles (SPVs), and ESG-focused funds. Tax incentives in IFSCs, such as exemptions for non-resident investors and concessional rates under the Income Tax Act, make fund management globally competitive. Overall, IFSCA's framework combines regulatory oversight with flexibility, promoting innovation, investor confidence, and sustainable financial growth.

#### **4. Listing and Issuance of Securities**

The IFSCA (Listing) Regulations, 2024 provide a globally benchmarked framework for listing securities in International Financial Services Centres (IFSCs), mainly at GIFT City. Listing refers to the admission of securities—such as equity shares, debt instruments, depository receipts, and ESG-labelled bonds—on recognised IFSC stock exchanges for trading in foreign currencies and dematerialised form. The framework ensures transparency, investor protection, and ease of doing business, aligning with international standards.

Key modes of listing include Initial Public Offerings (IPOs), Follow-on Public Offers (FPOs), secondary listings, and listings without public offer. Both Indian and foreign companies can list in IFSCs, enabling cross-border capital flows. The regulations also permit Special Purpose Acquisition Companies (SPACs) as an alternative route for capital raising, subject to strict governance, escrow requirements, and timelines for business combinations.

This lesson emphasizes sustainable finance through ESG-labelled debt securities (green, social, sustainability-linked bonds) and introduces the Transition Bond Framework, targeting hard-to-abate sectors like steel and cement. This framework requires credible transition plans, taxonomic alignment, independent reviews, and detailed disclosures to attract global capital for industrial decarbonization.

#### **5. Insurance & Reinsurance**

Insurance and reinsurance activities in International Financial Services Centres (IFSCs) are regulated by the International Financial Services Centres Authority (IFSCA) under the Registration of Insurance Business Regulations, 2021. Business can only be conducted through IFSC Insurance Offices (IIOs), which may operate as a branch of an Indian or foreign insurer/reinsurer, a Managing General Agent (MGA), or Lloyd's IFSC entity. Registration with IFSCA is mandatory to ensure financial soundness, governance, and compliance.

Permissible activities include life, general, health insurance, and reinsurance, with transactions in freely convertible foreign currencies. Direct insurance from the Domestic Tariff Area (DTA) is restricted, while reinsurance can be accepted from IFSC, SEZs, overseas markets, and DTA under IRDAI norms.

Key financial requirements include Net Owned Funds, minimum assigned capital of USD 1.5 million, and solvency margins as per home jurisdiction or IFSCA norms. Governance requires appointment of Principal Officers and Key Managerial Personnel, adherence to KYC/AML guidelines, and maintenance of books and records. Every IIO must frame a Reinsurance Strategy and Programme (RSRP) defining risk appetite, retention limits, reinsurer selection, and risk management practices. The framework aims to position IFSCs as globally competitive insurance hubs by combining ease of doing business with strong regulation, to ensure transparency, investor confidence, and alignment with international standards.

#### **6. Banking Services and Finance Companies in IFSC**

Banking Units in IFSC operate as either IFSC Banking Units (IBUs)—branches of parent banks—or IFSC Banking Companies (IBCs)—subsidiaries incorporated in IFSC. They mainly deal in foreign currency transactions and

must meet stringent capital requirements, liquidity norms, leverage ratios, and exposure ceilings. Prudential regulations, KYC, AML, and CFT compliance are mandatory to maintain transparency and prevent financial crimes.

Finance Companies in IFSC undertake core activities such as lending, trade finance, securitisation, derivatives, and treasury operations, and non-core activities like merchant banking, leasing (aircraft and ship), investment advisory, and distribution of financial products. They cannot accept public deposits and must adhere to capital adequacy, liquidity coverage, and governance norms.

The Payment Service Providers (PSPs) framework enables cross-border payments, e-money issuance, escrow services, and merchant acquisition under strict authorisation and net worth requirements. The International Trade Finance Services (ITFS) platform digitizes trade finance, connecting exporters, importers, banks, and insurers for efficient invoice financing and supply chain solutions.

Specialized frameworks for ship leasing, aircraft leasing, and Global/Regional Corporate Treasury Centres (GRCTCs) position IFSC as a global hub for structured finance and treasury management. These initiatives, combined with strong compliance and governance standards, make IFSC a competitive international financial ecosystem.

## **7. Book-keeping, Accounting, Taxation and Financial Crime Compliance Services and TAS**

The IFSCA BATF Regulations, 2024 and TechFin & Ancillary Services (TAS) Regulations, 2025 establish a strong framework for professional and technology-driven services in International Financial Services Centres (IFSCs) like GIFT City. BATF services include Book-keeping, Accounting, Taxation, and Financial Crime Compliance (FCC), which are critical for maintaining transparency, preventing misuse, and to ensure compliance with global standards such as AML/CFT and FATF guidelines.

Only registered entities can provide BATF services, with strict eligibility norms, legal form requirements (Company or LLP), and safeguards against business splitting or contract transfers from India. Each provider must appoint a Principal Officer and Compliance Officer, based in IFSC, with prescribed qualifications and experience. The framework enforces fit and proper criteria, periodic reporting, and independent compliance certification to uphold integrity and professionalism.

The TAS Regulations enable technology-led services like AI, cybersecurity, RegTech, SupTech, fund administration, and legal support, promoting innovation while to ensure regulatory discipline. Providers must register with IFSCA, meet governance norms, and serve only eligible non-resident clients or residents setting up IFSC offices.

The lesson also covers the frameworks related to Foreign University Regulations (2022) which Allow top-ranked global institutions to set up campuses in IFSC, offering programs in finance, fintech, and STEM to build talent. It also covers the KYC Registration Agency (KRA) Regulations (2025) which standardize KYC processes, enhance data security, and strengthen AML/CFT compliance across IFSC entities.

## **8. India International Bullion exchange (IIBX)**

The India International Bullion Exchange (IIBX), established under the IFSCA Bullion Market Regulations, 2025, is India's first global-standard bullion trading platform within the International Financial Services Centre (IFSC). Its primary objective is to enable transparent price discovery, secure trading, and international participation in gold and silver markets. IIBX functions as a regulated marketplace offering trading, clearing, settlement, and risk management in line with global best practices such as IOSCO and PFMI principles.

The ecosystem comprises multiple stakeholders: Trading and Clearing Members, Qualified Jewellers (QJs), Qualified Suppliers (QS), Vault Managers, Bullion Depositories, Clearing Corporations, and Regulators.

It is expected that after going through with this lesson, the students will be in position to understand the purpose and structure of the India International Bullion Exchange (IIBX) within the IFSC framework; the major roles and responsibilities of IIBX, including trading, regulation, supervision, and market development; the various market participants involved in the bullion exchange ecosystem; the prescribed norms and eligibility criteria for Qualified Jewelers to trade on IIBX; the process flow for Qualified Suppliers (QS and QS-LPTM) for supplying bullion and creating BDRs; the key components of the IIBX ecosystem, including vault managers, clearing corporations, and depositories; the players and regulatory mechanisms governing the bullion exchange under IFSCA.

## **9. Overview of FinTech and Service Providers in IFSC**

The IFSCA FinTech Framework establishes a globally aligned ecosystem for innovation in International Financial Services Centres (IFSCs) like GIFT City. FinTech entities must set up through approved legal structures—company, branch, or subsidiary—and meet eligibility norms, including FATF-compliant jurisdiction, fit-and-proper management, and readiness for compliance. Business is conducted in freely convertible foreign currency, reinforcing IFSC’s international orientation.

The framework recognizes FinTech (financial technology solutions) and TechFin (technology providers supporting financial services) entities, permitting activities across banking (digital lending, remittances, neo-banking), capital markets (wealth tech, robo-advisory), insurance (InsurTech, open insurance), and sustainable finance. Innovation is fostered through Regulatory Sandbox (FRS) for live testing, Innovation Sandbox (FIS) for early-stage development, and Inter-Operable Regulatory Sandbox (IoRS) for cross-sector solutions. These controlled environments allow experimentation with defined safeguards, timelines, and exit strategies.

To accelerate growth, the IFSCA FinTech Incentive Scheme, 2022 offers targeted grants—start-up, proof of concept, sandbox, green FinTech, accelerator, and listing support—linked to milestones and compliance. Ancillary Service Providers complement the ecosystem by offering legal, compliance, accounting, consulting, and trusteeship services, while Payment Service Providers (PSPs) operate under a separate authorisation regime with strict net worth and governance norms, unlocking opportunities in cross-border payments, e-money, escrow, and payment infrastructure.

Additionally, Global In-House Centres (GICs) enable financial groups to centralize support services for non-resident entities, utilizing IFSC’s foreign currency environment, regulatory clarity, and cost efficiency. Collectively, these frameworks position IFSC as a world-class hub for FinTech innovation, global payments, and financial services.

## **10. Capital Market Intermediaries**

The IFSCA Capital Market Intermediaries Regulations, 2025 establish a unified framework for entities that enable trading, settlement, advisory, and related services in IFSC capital markets. CMIs include broker-dealers, clearing members, custodians, depository participants, investment bankers, advisers, distributors, credit rating agencies, ESG data providers, and research entities. These intermediaries act as vital links between issuers and investors, to ensure smooth market operations and global competitiveness.

The lesson aims to provide an understanding to the students about the Capital Market Intermediaries (CMIs) and their importance in IFSC capital markets; the identification of key business activities carried out by CMIs under the IFSCA (CMI) Regulations, 2025; the different categories of intermediaries such as broker-dealers, custodians, investment bankers, advisers, distributors, CRAs, and research entities; the qualifications and roles of the Principal Officer, Compliance Officer, and other key human resources; the general obligations including record-keeping, risk management, cybersecurity, grievance redressal, and business continuity planning; the IFSCA (Capital Market Intermediaries) Regulations, 2025 and their significance for IFSC’s global capital-market ecosystem.

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# International Financial Services Centres: An Introduction

## Lesson 1

### KEY CONCEPTS

■ GIFT City ■ Special Economic Zone ■ International Financial Services Centres (IFSCs) ■ International Financial Services Centres Authority (IFSCA) ■ Business Unit ■ Domestic Tariff Area (DTA) ■ Letter of Approval (LoA) ■ FinTech ■ Tax Incentive

### Learning Objectives

#### To understand:

- International Financial Services Centres (IFSCs) and their global significance.
- Evolution of IFSCs and India's rationale for establishing GIFT City.
- The regulatory and institutional structure of GIFT SEZ-IFSC.
- Tax incentives, exemptions, and compliance relaxations.
- Procedural steps for establishing IFSC and non-IFSC units.
- The key financial services and innovations permitted within IFSCs.

### Lesson Outline

- Introduction
- GIFT City
- DTA Area
- SEZ Area
- Evolution and Importance of IFSCs
- Genesis of IFSCs globally
- Regulatory Framework of GIFT SEZ & IFSC
- Steps for setting up an IFSC business unit and Non-IFSC (SEZ) Unit in GIFT-SEZ -IFSC
- Financial Activities permitted in IFSCs
- Tax Benefits & Incentives in GIFT City
- Provisions/Exemptions under Companies Act, 2013 for Companies Set up in IFSC
- Lesson Round-Up
- Glossary
- Test yourself
- List of Further Readings

## INTRODUCTION

An International Financial Services Centre (IFSC) is a designated jurisdiction that provides a platform for conducting a wide range of financial services and products such as banking, insurance, capital markets, asset management, and fintech innovation primarily in foreign currency. Its primary purpose is to integrate the domestic financial system with global markets, enabling seamless cross-border transactions and international capital flows.

By offering a regulatory, legal, and tax environment comparable to well-established global hubs like London, Singapore, Dubai, and Hong Kong, an IFSC serves as a bridge between national and international financial ecosystems. It allows financial institutions and intermediaries to raise capital, manage risks, and provide financial solutions to global clients without being constrained by domestic currency or jurisdictional limitations.

In the Indian context, the establishment of an IFSC reflects a strategic move to repatriate offshore financial services that were historically conducted through foreign jurisdictions. Prior to the creation of an IFSC, many Indian companies and investors routed international transactions through financial centres such as Singapore or Dubai due to their liberalized frameworks and ease of operations. Recognizing this gap, the Government of India conceptualized the creation of a domestic IFSC to offer a similar ecosystem within Indian territory, thereby retaining high-value financial transactions and associated employment opportunities.

India's first operational IFSC is located within the Gujarat International Finance Tec-City (GIFT City) at Gandhinagar. This project embodies India's ambition to become a major global player in financial services by offering world-class infrastructure, technology-driven facilities, and business-friendly regulations. GIFT City IFSC operates under a unified regulatory framework governed by the International Financial Services Centres Authority (IFSCA), which ensures that regulatory standards align with best global practices.

Through GIFT IFSC, India has effectively brought offshore financial activities onshore. It enables banks, insurance companies, asset managers, capital-market intermediaries, and fintech innovators to operate in foreign currency while maintaining operational proximity to the domestic market. The ecosystem encourages international collaboration, financial innovation, and capital mobilization, positioning India as a competitive hub for global financial intermediation.

In essence, the establishment of GIFT IFSC marks a transformative milestone in India's financial evolution. It represents not merely a physical zone for conducting international finance, but a strategic policy initiative aimed at strengthening India's role in global trade, investment, and economic governance.

## GIFT CITY

Gujarat International Finance Tec-City (GIFT City) is India's first operational smart city and International Financial Services Centre (IFSC). It was conceptualized as part of a broader initiative to develop Gujarat into a global hub for financial and technological services. Located near Gandhinagar, the State capital, GIFT City has been designed as a modern business district that brings together offices, homes, schools, entertainment zones, and green spaces — all within walking distance. This "Walk-to-Work" concept helps people live, work, and relax in one integrated and sustainable environment.

The project is being developed by the Government of Gujarat through its agencies—Gujarat Urban Development Company Limited (GUDCL), Gujarat Maritime Board (GMB), and Gujarat Industrial Development Corporation (GIDC). These agencies work under the main company called Gujarat International Finance Tec-City Company Limited (GIFTCL), which is responsible for planning and implementing the city's infrastructure and business ecosystem.

GIFT City focuses on a wide range of business areas such as offshore banking, capital markets, asset management, insurance (both domestic and international), and professional services like law, accounting, and

consulting. It also encourages IT and ITeS companies, including Business Process Outsourcing (BPOs) and Knowledge Process Outsourcing (KPOs), to set up operations, making it a hub for both finance and technology.

Many leading Indian and international developers and organizations are part of GIFT City's growth. These include the Hiranandani Group, Prestige Group, Brigade Group, State Bank of India (SBI), Life Insurance Corporation of India (LIC), BSE Brokers Forum, Viridian Group (World Trade Center), and STT Global Data Centres India. They are building modern office spaces, data centers, commercial complexes, residential towers, and recreational facilities, turning GIFT City into a complete urban ecosystem.

For investors and businesses, GIFT City offers excellent opportunities in both commercial and residential projects. The city has two main zones — the Domestic Tariff Area (DTA) and the Special Economic Zone (SEZ). The SEZ includes the International Financial Services Centre (IFSC), where global financial institutions, fintech firms, and investment companies can operate with special tax and regulatory benefits. Companies can lease ready-to-use office spaces equipped with high-speed connectivity, advanced IT systems, and smart infrastructure.

For students and young professionals, GIFT City represents India's ambition to build a world-class business hub that supports innovation, global finance, and sustainable urban living. It offers opportunities to learn about finance, economics, urban planning, technology, and governance in a real-world setting. Students interested in careers in banking, fintech, investment management, law, or accounting can find GIFT City an exciting model of how modern financial ecosystems are created and managed.

In essence, GIFT City is not just a business district—it's a futuristic city that combines finance, technology, education, and lifestyle, symbolizing India's progress toward becoming a global financial powerhouse.

### DTA AREA

The Domestic Tariff Area (DTA) in GIFT City serves as a dynamic zone designed to promote and support businesses that primarily cater to the Indian market, where both the promoters and customers are based in India. It provides an enabling ecosystem for enterprises aiming to strengthen their domestic presence while benefiting from the city's world-class infrastructure and integrated facilities. The DTA is ideal for companies across sectors such as manufacturing, information technology, financial services, and consulting, offering them an opportunity to operate within a modern and efficiently managed urban environment.

One of the major advantages of operating in the DTA is its accessibility to India's vast and diverse consumer base. This facilitates smoother trade and commerce within the country, allowing businesses to connect directly with domestic clients and partners. The DTA also functions under India's regular taxation and regulatory framework, ensuring familiarity and ease of compliance for businesses that are already operating under domestic laws.

Moreover, the DTA encourages collaboration among Indian entrepreneurs, start-ups, and established enterprises, fostering a culture of innovation and growth. It enables businesses to develop products and services tailored to local needs, strengthening grassroots innovation and contributing to the "Make in India" vision. With its modern infrastructure, efficient governance, and strategic location within GIFT City, the DTA acts as a bridge between traditional industries and new-age businesses, creating a vibrant space for sustainable domestic growth.

### SEZ AREA

The Multi-Services Special Economic Zone (SEZ) with the International Financial Services Centre (IFSC) in GIFT City serves as India's key gateway to global finance. It provides a platform where businesses can operate beyond domestic boundaries and conduct transactions in foreign currencies, facilitating seamless international trade and investment. Designed to meet global standards, the SEZ is governed by strong regulatory frameworks and offers a range of tax and operational benefits that attract banks, insurance companies, fintech firms, and capital market institutions.

The SEZ operates as a distinct jurisdiction from the rest of India, allowing both inbound and outbound investment flows with greater flexibility. It plays a crucial role in connecting India's financial ecosystem to global markets, enabling companies to expand internationally while maintaining operational efficiency. Entities engaged in export-oriented services, including IT and other professional services, can establish operations within the SEZ, provided they maintain positive net foreign earnings. Eligible entities also enjoy various incentives, such as tax exemptions under Section 10AA (for units that commenced operations before March 31, 2021), as well as benefits like exemption from Securities Transaction Tax (STT) and stamp duty. Additional policy support from the Gujarat government further enhances the appeal of this business environment.

At the heart of this zone is India's first International Financial Services Centre (IFSC), established under the International Financial Services Centres Authority (IFSCA) Act, 2019. The IFSCA serves as a unified regulatory body that consolidates the roles of SEBI, RBI, IRDA, and PFRDA, providing a streamlined and business-friendly framework. The IFSC focuses on financial and ancillary services, offering tax incentives to regulated entities and specific benefits for non-resident and overseas citizens of India (NR/OCI) investors.

Overall, the SEZ and IFSC together represent a forward-looking initiative aimed at integrating India with global financial networks.

## EVOLUTION AND IMPORTANCE OF IFSCs

### Evolution of IFSCs

International Financial Services Centres (IFSCs) emerged as specialized zones designed to bring global financial activities together in one location, offering a competitive and well-regulated environment for cross-border financial transactions. The concept first gained momentum in the latter half of the 20th century, with cities like London, New York, Singapore, Hong Kong, and Dubai establishing themselves as global financial hubs. These centres were developed to facilitate services such as international banking, insurance, asset management, capital markets, and fintech innovation under a favorable tax and regulatory regime.

In India, the idea of setting up an IFSC was introduced to align the country with global financial systems and attract international business that was otherwise being conducted from offshore financial hubs. The Government of India approved the establishment of the first IFSC at GIFT City in Gujarat, operationalized under the International Financial Services Centres Authority (IFSCA) Act, 2019. This marked a major milestone in India's financial landscape, creating a platform that allows Indian and foreign institutions to conduct global financial transactions within the country's borders, but in a jurisdiction distinct from the domestic economy.

### Importance of IFSCs

IFSCs play a vital role in strengthening a nation's financial architecture and global competitiveness. They serve as gateways for international capital flows, enabling businesses to raise funds, invest, and manage global portfolios efficiently. By offering world-class infrastructure, simplified regulatory frameworks, and tax incentives, IFSCs attract banks, investment firms, insurance companies, and fintech startups to operate in an environment designed for innovation and cross-border collaboration.

For India, the IFSC at GIFT City holds strategic importance. It helps retain financial services business that previously moved to offshore centres like Singapore or Dubai, thereby boosting domestic employment and investment. It also facilitates the development of new financial products and technologies, deepens capital markets, and enhances foreign exchange earnings. Additionally, the unified regulatory structure under IFSCA streamlines operations by integrating the roles of multiple financial regulators such as SEBI, RBI, IRDAI, and PFRDA, making the IFSC ecosystem efficient and business friendly.

In essence, IFSCs symbolize a country's integration into the global financial network—acting as hubs for

international investment, fostering economic development, and positioning the nation as a key player in global finance.

### GENESIS OF IFSCs GLOBALLY

The concept of International Financial Services Centres (IFSCs) originated in response to the growing globalization of trade, finance, and investment during the second half of the 20th century. As international business expanded, there was a need for specialized hubs that could facilitate cross-border financial transactions efficiently, offer regulatory clarity, and provide a competitive environment for global capital flows. These centres were designed to bridge the gap between time zones, markets, and jurisdictions, enabling seamless movement of funds, financial instruments, and services across borders.

The earliest examples of IFSCs can be traced to the traditional financial capitals such as London and New York, which emerged as global financial hubs due to their strong banking systems, deep capital markets, and established legal and institutional frameworks. Over time, other cities recognized the economic potential of hosting international finance and created similar centres with tailored policies and incentives.

In the 1970s and 1980s, regions like Singapore and Hong Kong strategically positioned themselves as financial gateways for Asia. They offered liberalized regulations, foreign currency operations, and tax incentives to attract global banks, asset managers, and multinational corporations. Their success demonstrated how well-regulated financial hubs could catalyze economic growth, generate employment, and enhance a nation's global financial influence.

In the 1990s and 2000s, new financial centres such as Dubai International Financial Centre (DIFC) in the UAE, Qatar Financial Centre (QFC), and Astana International Financial Centre (AIFC) in Kazakhstan emerged. These centres were built with modern infrastructure, independent regulatory systems, and international arbitration mechanisms, offering confidence to global investors. DIFC, for instance, became a model for blending international best practices with regional economic goals, promoting the Middle East as a rising financial powerhouse.

The evolution of IFSCs globally was also driven by competition among countries to capture a share of the growing global financial services market. These centres became key nodes in the global financial network—facilitating activities such as offshore banking, insurance, asset management, foreign exchange trading, and fintech innovation.

Today, IFSCs are seen not just as zones for international finance but as strategic enablers of economic growth, innovation, and integration with global markets. They contribute significantly to job creation, capital formation, and the transfer of knowledge and technology.

In this global context, India's establishment of its own IFSC at GIFT City represents a natural progression in the country's financial development. It allows India to participate more effectively in international financial flows, retain high-value financial services within its jurisdiction, and position itself as a competitive player in the global financial landscape.

### REGULATORY FRAMEWORK OF GIFT SEZ AND IFSC

The Gujarat International Finance Tec-City (GIFT City) hosts India's first International Financial Services Centre (IFSC) within its Special Economic Zone (SEZ). It operates as a global financial hub, enabling financial institutions to conduct business in foreign currencies and connect seamlessly with global markets.

The regulatory framework of GIFT SEZ and IFSC is structured to promote transparency, efficiency, and competitiveness while aligning with international best practices.

## Legal Foundation

### (a) Special Economic Zones Act, 2005

- The GIFT Multi Services SEZ is governed by the SEZ Act, 2005 and SEZ Rules, 2006.
- The Act provides fiscal incentives, simplified procedures, and operational flexibility for units operating within the SEZ.
- SEZs are designed to promote export-oriented growth and foreign investment by offering tax exemptions and regulatory ease.

### (b) International Financial Services Centres Authority Act, 2019

- The International Financial Services Centres Authority Act, 2019 (IFSCA Act) established the International Financial Services Centres Authority (IFSCA) as a unified regulator for all financial services in IFSCs.
- The IFSCA consolidates powers earlier held by:
  - Reserve Bank of India (RBI)
  - Securities and Exchange Board of India (SEBI)
  - Insurance Regulatory and Development Authority of India (IRDAI)
  - Pension Fund Regulatory and Development Authority (PFRDA)

This integration ensures single-window regulatory oversight for all financial activities within the IFSC.

## Key Regulatory Authorities

### (a) International Financial Services Centres Authority (IFSCA)

- Established in April 2020 with headquarters at GIFT City, Gujarat.
- Functions as the unified regulator for banking, insurance, capital markets, and fund management entities in the IFSC.
- Primary objectives include:
  - Developing a robust global financial ecosystem in India.
  - Ensuring regulatory clarity and ease of doing business.
  - Aligning with international regulatory benchmarks.

### (b) Development Commissioner, GIFT SEZ

- Administers the SEZ policy and ensures compliance with SEZ Act and Rules.
- Responsible for:
  - Approval of SEZ units.
  - Monitoring physical and fiscal performance.
  - Overseeing customs and export-related operations.

### (c) GIFT City Company Limited (GIFTCL)

- The developer and operator of GIFT City and its SEZ infrastructure.
- Provides world-class utilities, connectivity, and operational facilities to financial institutions and service entities.

**Sectoral Regulations within IFSC****(a) Banking**

- Governed by IFSCA (Banking) Regulations, 2020.
- Permits setting up of:
  - IFSC Banking Units (IBUs)
  - Representative offices of foreign banks
- Activities include offshore lending, foreign currency operations, derivatives, and trade finance.

**(b) Capital Markets**

- Regulated under IFSCA (Capital Market Intermediaries) Regulations, 2025 and IFSCA (Listing) Regulations, 2024.
- Enables cross-border listing, foreign currency trading, and international fund management.

**(c) Insurance**

- Governed by IFSCA (Registration of Insurance Business) Regulations, 2021 and IFSCA (Insurance Intermediary) Regulations, 2021.
- Allows global insurance and reinsurance operations within the IFSC.

**(d) Fund Management**

- Regulated by IFSCA (Fund Management) Regulations, 2025.
- Facilitates establishment of mutual funds, private equity, venture capital, and ESG funds catering to global investors.

**Taxation and Incentives**

- Entities operating in GIFT IFSC enjoy fiscal incentives comparable to international financial hubs:
  - 100% income tax exemption for 10 consecutive years out of 15 years.
  - Exemption from Goods and Services Tax (GST) and Customs on services rendered to services providers in GIFT IFSC / SEZ units and to offshore clients.
  - No Securities Transaction Tax (STT) or Commodity Transaction Tax (CTT) and stamp duty on trades executed in GIFT IFSC exchanges.
  - 9% of book profits for Minimum Alternate Tax (MAT) on companies established as units in GIFT IFSC with exceptions for certain companies.

**Compliance and Supervision**

- IFSCA mandates robust compliance, periodic reporting, and prudential supervision of regulated entities.
- The Authority conducts:
  - Onsite inspections
  - Offsite surveillance
  - Risk-based supervision
  - Annual compliance audits

- It also enforces fit-and-proper criteria, anti-money laundering (AML), and Know Your Customer (KYC) standards aligned with FATF norms.

### International Alignment and Development Initiatives

- IFSCA's regulatory framework is designed in line with global standards set by:
  - IOSCO (International Organization of Securities Commissions)
  - IAIS (International Association of Insurance Supervisors)
  - BIS (Bank for International Settlements)
- Initiatives like FinTech sandbox, Regulatory sandbox, and Innovation Hub promote cross-border innovation and digital finance integration.

The regulatory framework of GIFT SEZ and IFSC reflects India's commitment to building a globally competitive financial jurisdiction. Through the integration of sectoral regulations under a single unified authority (IFSCA), the framework provides regulatory certainty, tax efficiency, and international credibility.

It positions GIFT IFSC as a gateway to global finance, supporting India's vision of becoming an international financial powerhouse.

### STEPS FOR SETTING UP AN IFSC BUSINESS UNIT AND NON-IFSC (SEZ) UNIT IN GIFT-SEZ IFSC

GIFT City comprises two distinct zones — the Domestic Tariff Area (DTA) and the GIFT Multi Services SEZ, which houses India's first International Financial Services Centre (IFSC).

Entities intending to operate from GIFT City can establish either:

- An IFSC Business Unit (IBU) under the jurisdiction of the International Financial Services Centres Authority (IFSCA), or
- A Non-IFSC SEZ Unit, governed under the SEZ Act, 2005 and the SEZ Rules, 2006.

The following steps outline the procedure for setting up both categories of units within GIFT-SEZ IFSC.

#### Setting up an IFSC Business Unit

##### Step 1: Identification of Office Space in GIFT City

The first step is to identify suitable office space within GIFT City's designated SEZ zone. Entities explore available buildings, evaluate leasing options, and choose a space that fits operational, financial, and regulatory needs. This selection forms the basis for every subsequent approval and application.

##### Step 2: Incorporation of the Legal Entity

If the business unit will operate as a new company or LLP (and not as a branch of an existing entity), it must be incorporated under Indian law through the Ministry of Corporate Affairs (MCA). The newly incorporated entity becomes the applicant for all further IFSC and SEZ approvals.

##### Step 3: Issuance of Provisional Letter of Allotment (PLoA)

Once a space is shortlisted, the GIFT City developer issues a Provisional Letter of Allotment. This document acts as an initial confirmation that the selected premises will be reserved for the entity, subject to regulatory approvals.

##### Step 4: Application to SEZ Authority Administrator (IFSCA) in Form-FA

The applicant submits Form-FA to the SEZ authorities (Administrator (IFSCA)) to obtain permission to set up a

unit within the Special Economic Zone. The SEZ Authority reviews project details such as proposed activities, investment plan, and space requirement.

#### **Step 5: Application to IFSC Authority (IFSCA)**

Simultaneously or subsequently, the entity applies to the International Financial Services Centres Authority (IFSCA) for the specific regulatory license needed, for example, banking, insurance, fund management, fintech, brokerage, or other financial services. IFSCA evaluates the business model, financial soundness, governance standards, and compliance readiness.

**NOTE:** Now steps 4 and 5 are merged through SWIT (Single Window IT System) Portal. Now the applicant can apply through the portal.

#### **Step 6: Final Letter of Approval (LoA) from UAC (Chaired by the Administrator (IFSCA))**

After satisfactory evaluation, the SEZ Authority issues the Final Letter of Approval (LoA). This is the official authorization to establish the business unit within GIFT City's IFSC SEZ and proceed with infrastructure and operational arrangements.

#### **Step 7: Finalization of Office Space & Execution of Agreement**

With the LoA in hand, the entity finalizes its selected office space and signs the necessary lease or allotment agreements with the developer. This step formalizes the physical setup and enables fit-out work.

#### **Step 8: Regulatory Approval & Commencement of Business**

Once the financial regulator (IFSCA) grants the final operational approval or license, the entity can complete onboarding, staffing, and infrastructure requirements. The business unit can now formally begin its financial services operations in the IFSC.

### **Setting up a Non-IFSC (SEZ) Unit**

#### **Step 1: Identify Suitable Space within GIFT SEZ**

The process begins with choosing the office or operational area within the notified SEZ zone.

- The business explores available spaces offered by GIFT SEZ developers.
- A Provisional Space Allotment Letter is generally discussed at this stage.

#### **Step 2: Apply to the Developer for Provisional Allotment**

The unit submits an application to the GIFT SEZ Developer (e.g., GIFT SEZ Ltd. or the Co-developer managing the building).

Includes:

- Basic business details
- Proposed activities
- Space requirement
- Investment and employment projections

Once approved, the Developer issues a Provisional Allotment Letter.

#### **Step 3: Application to the SEZ Approval (development commissioner Office) in Form-F**

The next major step is to apply formally for setting up an SEZ Unit.

Form Used: Form-F (as prescribed under SEZ Rules, 2006).

The application is submitted to the Approval Committee of GIFT SEZ through the Developer.

Form-F includes:

- Company details
- Proposed business activities
- Foreign exchange earnings/ outgo projections
- Employment generation plan
- Infrastructure needs

The Approval Committee evaluates whether the business fits within SEZ regulations.

#### **Step 4: Evaluation by the Approval Committee**

The GIFT SEZ Approval Committee, chaired by the Development Commissioner, reviews the application.

They examine:

- Whether the proposed activity is allowed in an SEZ
- Net Foreign Exchange (NFE) projections
- Space and infrastructure requirements
- Environmental and regulatory compliance

If satisfied, the Committee approves the application.

#### **Step 5: Issuance of Letter of Approval (LoA) from UAC chaired by Development commissioner (GIFT- SEZ)**

Once approved, the SEZ Authority issues a Letter of Approval (LoA) to the unit.

Why is LoA important?

- It is the *official licence* to operate as an SEZ Unit.
- It sets out the validity period, permitted activities, and key conditions.

#### **Step 6: Execution of Lease Deed with the Developer**

After the LoA is issued, the unit must sign a Lease Deed or Space Allotment Agreement with the Developer.

Purpose:

- Grants formal possession of the premises
- Defines lease terms, rent, maintenance charges, and compliance obligations

#### **Step 7: Obtain Unit Registration & Start Bonding Process**

To operate in an SEZ, units must register with the SEZ Customs Department and complete bonding formalities.

This process includes:

- Executing a Bond-cum-Legal Undertaking (BLU)
- Registering plant, machinery, and imported goods
- Setting up systems for customs-compliant operations

The unit is officially treated as a “bonded area” for customs purposes.

**Step 8: Commencement of Operations**

Once space is taken over and bonding is completed:

- The unit can import capital goods duty-free
- Hire employees
- Begin commercial operations
- The SEZ Unit must subsequently comply with ongoing reporting requirements, including:
  - Quarterly and annual performance reports
  - Maintaining positive Net Foreign Exchange (NFE)
  - Adhering to SEZ regulations and conditions under LoA

**Key Differentiation between IFSC and Non-IFSC (SEZ) Units**

Aspect	IFSC Business Unit	Non-IFSC (SEZ) Unit
Regulator	IFSCA	Development Commissioner (under SEZ Act)
Nature of Activity	Financial services in foreign currency (banking, insurance, fund management, etc.)	Non-financial, service-based or technology operations
Applicable Law	IFSCA Act, 2019; SEZ Act, 2005	SEZ Act, 2005 and SEZ Rules, 2006
Currency of Operations	Primarily foreign currency	Indian Rupees or foreign currency (as approved)
Fiscal Benefits	100% tax exemption for 10 years; GST & transaction tax exemptions	SEZ export incentives and duty-free import of goods/services
Supervisory Authority	IFSCA	Development Commissioner & Customs

The process of setting up an entity in GIFT-SEZ IFSC is streamlined through a single-window mechanism involving the Development Commissioner, IFSCA, and GIFTCL.

While IFSC Units focus on cross-border financial services under IFSCA's unified regulatory regime, Non-IFSC SEZ Units cater to service exports and non-financial operations under SEZ regulations.

Both structures collectively contribute to GIFT City's vision as a globally integrated financial and business hub.

**FINANCIAL ACTIVITIES PERMITTED IN IFSCs**

An International Financial Services Centre (IFSC) is a jurisdiction that provides financial services and products to residents and non-residents, in foreign currencies, within a regulated framework aligned to global standards.

The IFSC in GIFT City serves as India's gateway to global finance, enabling cross-border financial intermediation and fund flows.

The International Financial Services Centres Authority (IFSCA), established under the IFSCA Act, 2019, regulates

and supervises all financial activities undertaken within the IFSC, encompassing banking, insurance, capital markets, fund management, and allied services.

### Broad Categories of Permitted Financial Activities

The IFSCA permits a wide range of activities covering the entire spectrum of financial services. These can be grouped into the following main categories:

S. No.	Sector / Category	Permitted Activities	Regulatory Basis / Framework
1	Banking Unit	<ul style="list-style-type: none"> <li>● Lend in the form of loans, trade finances and acceptances, commitments and guarantees, carry out credit enhancement, credit insurance, and sale and purchase of portfolios.</li> <li>● Undertake inter-bank borrowings and lending</li> <li>● Undertake investments, transferring securities or such other instruments, as principal or agent</li> <li>● Extend Post-Shipment Export Credit in foreign currency, or engage in factoring and forfaiting of export receivables, subject to the guidelines specified by the Authority</li> <li>● Undertake equipment leasing, including aircraft leasing</li> <li>● Participate in derivative transactions</li> <li>● Operate as a Foreign Portfolio Investor</li> <li>● Issuance of ODI - offshore derivatives instruments.</li> </ul>	IFSCA (Banking) Regulations, 2020
2	Capital Markets and Securities	<ul style="list-style-type: none"> <li>● Operation of exchanges, clearing corporations, and depositories</li> <li>● Listing and trading of securities in foreign currency</li> <li>● Managing issue of securities and permitted financial products</li> <li>● Portfolio management and investment advisory</li> <li>● Derivatives and commodities trading</li> </ul>	IFSCA (Listing) Regulations, 2024; IFSCA (Capital Market Intermediaries) Regulations, 2025

S. No.	Sector / Category	Permitted Activities	Regulatory Basis / Framework
		<ul style="list-style-type: none"> <li>● Private placement of securities listed or proposed to be listed</li> <li>● Provide or publish research report with respect to securities.</li> </ul>	
3	Insurance and Reinsurance	<ul style="list-style-type: none"> <li>● Establishment of insurance, reinsurance, and captive insurance entities</li> <li>● Offshore insurance and reinsurance of foreign risks</li> <li>● Insurance broking and intermediary services</li> <li>● Aircraft and ship insurance</li> <li>● Alternative risk transfer and insurance-linked securities (ILS).</li> </ul>	<p>IFSCA (Registration of Insurance Business) Regulations, 2021;</p> <p>IFSCA (Insurance Intermediary) Regulations, 2021</p>
4	Fund and Asset Management	<ul style="list-style-type: none"> <li>● Establishment of AIFs, venture capital and private equity funds</li> <li>● Portfolio management and investment advisory services</li> <li>● Family offices and wealth management</li> <li>● Launch of ETFs, ESG funds, and infrastructure funds.</li> </ul>	IFSCA (Fund Management) Regulations, 2025
5	FinTech and Innovation-Based Activities	<ul style="list-style-type: none"> <li>● FinTech startups and cross-border digital financial services</li> <li>● Digital banking</li> <li>● Robo-advisory and algorithmic trading</li> <li>● Participation in Regulatory Sandbox and Innovation Hub.</li> </ul>	<p>IFSCA (FinTech Incentive) Scheme, 2022;</p> <p>IFSCA Framework for Regulatory Sandbox</p>
6	Market Intermediaries and Ancillary Services	<ul style="list-style-type: none"> <li>● Broking, clearing, and custodian services</li> <li>● Depository participants, registrars, and transfer agents</li> <li>● Credit rating, research, and compliance services</li> <li>● Legal, accounting, and risk management support.</li> </ul>	IFSCA (Capital Market Intermediaries) Regulations, 2025

S. No.	Sector / Category	Permitted Activities	Regulatory Basis / Framework
7	Leasing and Alternative Finance	<ul style="list-style-type: none"> <li>● Aircraft and ship leasing (operating and financial lease)</li> <li>● Factoring and forfaiting</li> <li>● Structured finance and alternative risk instruments.</li> </ul>	IFSCA Framework for Aircraft Leasing IFSCA (Finance Company) Regulations, 2021
8	Global In-House Centres (GICs)	<ul style="list-style-type: none"> <li>● Centralized financial, accounting, compliance, and treasury operations for global groups</li> <li>● Financial analytics, back-office, and shared services.</li> </ul>	IFSCA (Global In-House Centres) Regulations, 2025
9	Sustainable and ESG Finance	<ul style="list-style-type: none"> <li>● Green bonds and sustainability-linked instruments</li> <li>● ESG fund management and climate finance</li> <li>● Carbon trading platforms.</li> </ul>	IFSCA Guidance framework on Sustainable and Sustainability linked lending by financial institutions
10	Other Allied Services	<ul style="list-style-type: none"> <li>● Trade finance, factoring, and treasury management</li> <li>● Custody, clearing, and settlement infrastructure</li> <li>● Cross-border consulting, compliance, and advisory.</li> </ul>	IFSCA Act, 2019; IFSCA Regulatory Frameworks

The range of financial activities permitted in IFSCs reflects India's ambition to position GIFT City as a comprehensive international financial centre on par with global hubs such as Singapore, Dubai, and London.

The framework facilitates offshore financial intermediation, global capital mobilization, and innovation-led finance, while maintaining strong regulatory and compliance standards.

### TAX BENEFITS & INCENTIVES IN GIFT CITY

Entities established in GIFT City operate under two main jurisdictions:

- GIFT SEZ (Non-IFSC Units): Governed by the SEZ Act, 2005 and Income Tax Act, 1961 provisions for SEZ units.
- GIFT IFSC Units: Governed by the IFSCA Act, 2019, enjoying dedicated direct and indirect tax incentives applicable to IFSC entities and employees.

Sl. No.	Exemptions	Description
1	Income Tax Exemption	GIFT IFSC offers 100% income tax exemption for a period of 10 out of 15 years. The flexibility is granted to GIFT IFSC units to select any 10 consecutive years from within the 15-year block

Sl. No.	Exemptions	Description
2	Transaction-related Exemptions	Transactions executed on GIFT IFSC exchanges are exempt from Securities Transaction Tax (STT), Commodities Transaction Tax (CTT), and stamp duty, further enhancing the attractiveness of the centre
3	Minimum Alternate Tax (MAT)	Companies established as units in GIFT IFSC are subject to MAT at a rate of 9% of book profits, with exceptions for certain companies
4	Interest Income Exemption	Interest paid to non-residents on money lent to GIFT IFSC units is not subject to taxation, making it a highly appealing prospect for investors
5	Capital Gains Tax Exemptions	Transfers of specified securities listed on GIFT IFSC exchanges by non-residents are exempt from capital gains tax
6	Goods and Services Tax (GST) and Customs Exemption	Units within GIFT IFSC, as well as services providers in GIFT IFSC/SEZ units and offshore clients, are given exemptions/relaxations under the GST and Customs
7	State Subsidies	GIFT IFSC extends state subsidies for prescribed eligible activities under the IT/ITES policy, including incentives for capital expenditure, operational expenditure, contributions to provident funds, and employee upskilling
8	Exemption from FEMA Regulations	Units within GIFT IFSC are exempt from FEMA regulations, thereby simplifying financial transactions
9	Open Market Investment	Indian residents are permitted to contribute to investment vehicles in GIFT IFSC as Other Persons Resident in India, thereby allowing them to establish and sponsor contributions towards funds in GIFT IFSC

### Additional Regulatory and Financial Incentives

- Single-Window Clearance: Unified regulatory framework under IFSCA simplifies licensing and compliance.
- Ease of Repatriation: Full repatriation of capital and profits without restrictions.
- Liberalized Currency Operations: Transactions in foreign currency offer flexibility.
- FinTech and Innovation Incentives: Support through Regulatory Sandbox, Innovation Hub, and FinTech grants.

The tax and fiscal incentives offered in GIFT City–IFSC provide a globally competitive ecosystem for financial institutions, investors, and professionals. The 100% tax holiday, GST exemptions, duty-free imports, and state-level concessions make GIFT IFSC a preferred destination for international finance operations. These benefits not only enhance ease of doing business but also aim to establish GIFT IFSC as a world-class financial jurisdiction fostering innovation, capital flow, and economic growth.

**PROVISIONS/ EXEMPTIONS UNDER COMPANIES ACT, 2013 FOR COMPANIES SET UP IN IFSC**

To facilitate ease of doing business and attract international players, the Ministry of Corporate Affairs (MCA) has extended several exemptions and relaxations under the Companies Act, 2013 and related rules for companies established in International Financial Services Centres (IFSCs), such as GIFT IFSC. These relaxations are applicable to both IFSC Private Companies and IFSC Public Companies that are licensed by the International Financial Services Centres Authority (IFSCA) and located within an approved IFSC in an SEZ under the SEZ Act, 2005.

**Legal Basis**

The exemptions are provided through the following notifications issued by the Government of India:

- G.S.R. 08(E) dated 4th January 2017 – Exemptions to Private Companies in IFSC.
- G.S.R. 9(E) dated 4th January 2017 – Exemptions to Public Companies in IFSC.
- G.S.R. 811(E) dated 3rd November 2025

These notifications were issued under Section 462 of the Companies Act, 2013, empowering the Central Government to grant modifications or exemptions to certain classes of companies.

**Key Provisions and Exemptions for IFSC Companies**

S. No.	Section of Companies Act, 2013	Exemption/ Modification
1	Section 2(41)	IFSC private subsidiary of a foreign company can follow the same financial year as its holding company without Tribunal approval.
2	Section 3(2)	IFSC private company can be formed only as a company limited by shares.
3	Section 4(1)(a)	Name of the company must include “International Financial Service Company” or “IFSC”.
4	Section 4(1)(c)	Objects clause must clearly state permitted financial services activities as per SEZ laws and regulator licence.
5	Section 12(1)	Registered office must always be located in the IFSC within an approved multi-service SEZ.
6	Section 12(2)	Time limit extended from 30 days to 60 days.
7	Section 12(4)	Time limit extended from 15 days to 60 days.
8	Section 12(5)	Registered office can be shifted within IFSC only with Board approval; shifting outside IFSC is not allowed.
9	Section 21	Documents may be authenticated by an officer or any other person, not only an officer.

S. No.	Section of Companies Act, 2013	Exemption/ Modification
10	Section 42(3) & 42(7)	These provisions on private placement do not apply.
11	Section 42(6)	Time limit extended from 60 days to 90 days.
12	Section 54(1)(c)	Provision relating to sweat equity shares does not apply.
13	Section 56(4)	Securities certificates must be delivered within 60 days of incorporation, allotment, transfer, or transmission.
14	Section 82(1)	Registrar may allow registration of charge within 300 days with additional fees.
15	Section 89(6)	Time limit extended from 30 days to 60 days.
16	Section 92(3)	This provision relating to annual return does not apply.
17	Section 100(1)	Extraordinary General Meeting can be held anywhere in India or abroad with consent of all shareholders.
18	Section 117(1)	Filing time extended from 30 days to 60 days.
19	Section 118(1)	Minutes of Board/committee meetings can be prepared and signed at or before the next meeting.
20	Section 118(10)	This provision on minutes does not apply.
21	Section 134(3)	Information already included in financial statements need not be repeated in the Board's Report.
22	Section 135	CSR provisions not applicable for first five years from commencement of business.
23	Section 138	Internal audit applies only if Articles of Association provide for it.
24	Section 139(1) (Fourth proviso)	Time extended from 15 days to 30 days.
25	Section 139(2)	All provisos relating to auditor rotation do not apply.
26	Section 140(1)	If Central Government does not respond within 60 days, auditor removal is deemed approved.
27	Section 149(3)	Resident director requirement applies only after the first financial year.

S. No.	Section of Companies Act, 2013	Exemption/ Modification
28	Section 161(3)	Board may appoint nominee directors as per law, agreement, or government shareholding.
29	Section 168(1)	Director resignation filing is optional (“may”), not mandatory.
30	Section 170(2)	Time limit extended from 30 days to 60 days.
31	Section 173(1)	First Board meeting within 60 days; thereafter minimum one meeting in each half of calendar year.
32	Section 174(3)	Interested director may participate after disclosing interest.
33	Section 179(3)	Board powers may be exercised through meetings or circular resolutions.
34	Section 185(1)	Loans to certain private companies are allowed if no direct/indirect shareholding and special resolution passed.
35	Section 186(1)	Provision on loans and investments does not apply.
36	Section 186(2) & (3)	These provisions do not apply if Board resolution is passed (meeting or circulation).
37	Section 186(5)	Board powers under this section can be exercised by meeting or circulation.
38	Section 186(11)	The provisions relating to loan and investment by a finance Company registered with IFSCA will not apply.
39	Section 384(2)	Exemptions under Section 92 extended to foreign companies operating from IFSC.
40	Section 384(4)	Exemptions under Chapter VI extended to foreign companies operating from IFSC.

### Applicability and Eligibility

The exemptions apply only to companies that:

- Are licensed by IFSCA to operate in an IFSC;
- Are located in an SEZ, such as GIFT City;
- Are engaged in financial services, fintech, or allied activities as permitted by IFSCA.

The company must disclose in its Memorandum and Articles of Association that it operates as an IFSC entity.

### Key Advantages of these Exemptions

- Simplified compliance framework aligned with international norms.
- Reduced cost and time for incorporation and operations.

- Flexibility in financial year, meetings, accounting, and currency use.
- Exemptions from CSR and certain audit requirements.
- Greater operational autonomy matching global financial centres.

The Companies Act, 2013 exemptions for IFSC entities have been instrumental in simplifying regulatory compliance and enhancing operational efficiency. By aligning domestic company law with international financial standards, these provisions enable IFSC companies in GIFT City to function at par with global financial institutions, promoting cross-border investments and innovation.

#### LESSON ROUNDUP

- IFSCs are specialized zones providing financial services in foreign currency under global standards.
- GIFT City hosts India's first IFSC, integrating financial, technological, and regulatory infrastructure.
- IFSCA acts as a unified regulator ensuring efficiency, innovation, and investor protection.
- Entities in GIFT IFSC enjoy substantial tax reliefs, simplified incorporation, and operational flexibility.
- These reforms aim to repatriate offshore financial activity, create employment, and establish India as a global financial hub.

#### GLOSSARY

- **IFSC:** Zone offering financial services in foreign currency for global clients.
- **GIFT City:** India's first smart city and IFSC.
- **DTA:** Domestic zone serving Indian market.
- **SEZ:** Special Economic Zone for export-oriented units.
- **IFSCA:** Unified regulator for IFSC financial services.
- **PLoA:** Initial confirmation of office space allocation.
- **LoA:** Official approval to operate in SEZ.
- **Form-F:** Application for SEZ unit approval.
- **NFE:** Net Foreign Exchange; SEZ must earn more than spent.
- **FinTech:** Technology-driven financial services and innovation.
- **Regulatory Sandbox:** Controlled environment to test financial innovations.
- **Tax Incentive:** Fiscal benefit like tax holiday or GST exemption.

#### TEST YOURSELF

*(These are meant for recapitulation only. Answer to these questions are not to be submitted for evaluation.)*

##### A. Very Short Answer Questions

1. What does IFSC stand for?
2. Which authority regulates all IFSC financial services?
3. What is the purpose of DTA?

4. Under which Act, IFSCA is established?
5. What is the Currency of operation for IFSC units?
6. What is a Provisional Letter of Allotment (PLoA)?
7. Name one financial activity permitted in IFSC.
8. Who issues the Letter of Approval (LoA) for SEZ units?

**B. Short Answer Questions**

1. Explain the two objectives of IFSCs?
2. Differentiate between IFSC Units and Non-IFSC SEZ Units.
3. What is the role of Development Commissioner in SEZ?
4. What are the key tax benefits of IFSC units?
5. What is the purpose of Form-F?

**C. Long Answer Questions**

1. Explain the evolution and importance of IFSCs globally and in India?
2. What are the steps to set up an IFSC Business Unit?
3. Discuss the Regulatory framework of GIFT SEZ and IFSC?
4. What are the tax incentives and Companies Act exemptions for IFSC entities?

**LIST OF FURTHER READING**

- Notification of Ministry of Corporate Affairs, New Delhi, dated January 04, 2017
- [www.ifsc.gov.in](http://www.ifsc.gov.in)

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