



GIFT IFSC: Onshoring the Offshore

Nov. 2023



IFCs catering to India's demand for International Financial Services

GIFT IFSC: Onshoring the Offshore International Financial Services



Key financial services being availed from overseas jurisdictions

<p>Banking Services: ECB, Trade Finance, Non-Deliverable Forwards & Loan syndication</p>	<p>Funds Industry: Pooling of global capital by Pvt. Equity/ VC Funds/ Hedge Funds for investments into India</p>	<p>Capital Mkts: Issuance & listing of Bonds including ESG bonds, trading of Indian securities & products</p>	<p>Insurance: Reinsurance business Aircraft & Ship Leasing business</p>
---	--	--	---

GIFT IFSC: Key Benefits for India

Export of International Financial Services

Significantly boost India's export of International Financial services

Gateway for inbound & outbound Capital flows

Akin to what HK has been for China, IFSC can become gateway for financial flows into India including sustainable finance

Employment Generation

Concentration of financial institutions to create middle and high-end job opportunities for professionals (GICs)



Regional Financial Integration

Important role in promoting regional financial integration and increasing India's global influence

Development of Niche Areas

Niche financial services activities like Bullion Exchange, Aircraft & Ship Leasing

Innovation in Financial Services

Laboratory for India and the world to test new age financial innovations and technologies (FinTech)

GIFT IFSC: Unique and Distinct Features



Competitive advantage of GIFT IFSC viz-a-viz overseas IFCs like Singapore, Dubai, Hong Kong, etc.:



- Access to large and significant hinterland Indian economy (**Hinterland advantage**)
- Lower cost of operations (**Cost advantage**)
- Availability of skilled talent pool (**Talent advantage**)

GIFT IFSC: Vision & Objectives

Vision for GIFT IFSC

To be a leading Global Financial Centre, connected to major global markets, with primary focus on accelerating India's economic development

Objectives for GIFT IFSC

-  1 *To onshore* India centric international financial services business and position GIFT IFSC as a gateway from global capital flows into and out of India.
-  2 To become a leading new age international financial centre with best-in-class regulations, competitive tax regime and ease of doing business
-  3 To emerge as a regional/global hub for niche and specialized international financial services business



GIFT IFSC: Business & Regulatory Landscape

GIFT IFSC: Overview of Business Activities



BANKS

- Indian banks
- Foreign banks



CAPITAL MARKET

- Stock/Commodity Exchanges
- Clearing Corporation
- Depository
- Broker Dealer
- Distributors of Financial products and services



ASSET MANAGEMENT

- Alternate Investment Fund
- Investment Advisers
- Wealth Management
- Portfolio Manager
- Custodial Services



INSURANCE

- Indian Insurer
- Indian Reinsurer
- Indian Broker
- Foreign Insurer
- Foreign Reinsurer



Other Financial Institutions

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



Emerging Activities

- Global Fintech Hub
- Global inhouse centres
- International Bullion Exchange
- Aircraft Leasing & Financing
- Ship Leasing & Financing
- Sustainable Finance
- Professional Service Providers

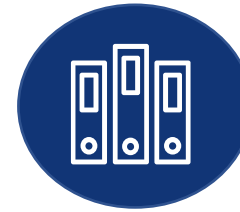
Status of IFSCA Regulations



Completed

1. Banking Regulations and Handbook (for banking unit)
2. Finance Company Regulations
3. Capital Market Regulations
4. Bullion Regulations
5. Fund Management Regulations
6. Global in-house Centre Regulations
7. Insurance Regulations
8. Foreign University Regulations

27 Regulations



Completed

1. Ancillary Services framework
2. FinTech Entity framework
3. Aircraft Leasing framework
4. Ship Leasing framework
5. International Trade Financing Services framework
6. Sustainable Lending framework
7. ESG Funds framework
8. AML/ CFT Guidelines
9. FinTech Incentive Scheme
10. Global Administrative Office Guidelines

10+ Frameworks issued

Status of Business Growth (1/4)

	Upto Sept. 2020	Upto Sept. 2023
1. Number of IFSC Entities	129	550+
Banking Sector		
2. Number of Banks	14	25
3. Banking Asset Size	\$ 14 Bn	\$ 46.6 Bn
4. Total Banking Transactions	\$ 53 Bn	\$ 564.6 Bn
5. Total Derivative Transactions (Inc. NDF)	\$ 65 Bn	\$ 674.6 Bn

Status of Business Growth (2/4)

Capital Markets	Upto Sept. 2020	Upto Sept. 2023
6. Monthly turnover on IFSC Exchanges	\$ 21.7 Bn	\$ 67.38 Bn
7. Cumulative Debt Listing on Exchanges	\$ 23 Bn	\$ 52.7 Bn
8. Green/ESG/Sustainable Debt listing	\$ 2.1 Bn	\$ 10.1 Bn
Fund Management		
9. Fund Management Entities	NA	78
10. Funds/Schemes	NA	68
11. Total Commitment to Funds	NA	\$ 19.06 Bn

Status of Business Growth (3/4)

Insurance	Upto Sept. 2020	Upto Sept. 2023
12. Number of Insurance firms & Brokers	17	28
13. Re(insurance) Gross Premium booked in IFSC	\$ 45 Mn	\$ 239 Mn
14. Re(insurance) Premium transacted by Intermediaries	\$ 158 Mn	\$ 720.2 Mn
Aircraft & Ship Leasing		
15. Registered Aircraft Lessors	NA	23
16. Registered Ship Lessors	NA	08
17. Total Aircrafts/Engines Leased	NA	122

Status of Business Growth (4/4)

FinTech	Upto Sept. 2020	Upto Sept. 2023
18. Number of FinTechs Registered	NA	44
19. FinTechs Entities recommended under Incentive Scheme	NA	05
20. Number of Hackathons	NA	08
Billion Exchange		
21. Qualified Suppliers	NA	19
22. Qualified Jewellers	NA	102
23. Quantity of Bullion Traded on IIBX	NA	2290.4 Kgs



Major thrust areas in GIFT IFSC

1. Banking Sector

Banks in GIFT IFSC provide following services:

Wholesale Banking	Corporate Banking	Retail Banking
Trade Finance	ECB*	ODI**
Acquisition Finance	Loan Syndication	Investment Banking

- Indian corporates, which previously availed banking services from London & Singapore are now gravitating to GIFT IFSC
- HSBC Balance Sheet rose to \$ 4.2 Bn in last 2 years
- SBI Balance Sheet rose to \$ 10.43 Bn in last 3 yrs
- Substantial growth in Non-Deliverable Forwards (USD-INR) with \$ 2 Bn. of avg. daily turnover

10 Foreign Banks/MDB



15 Indian Banks

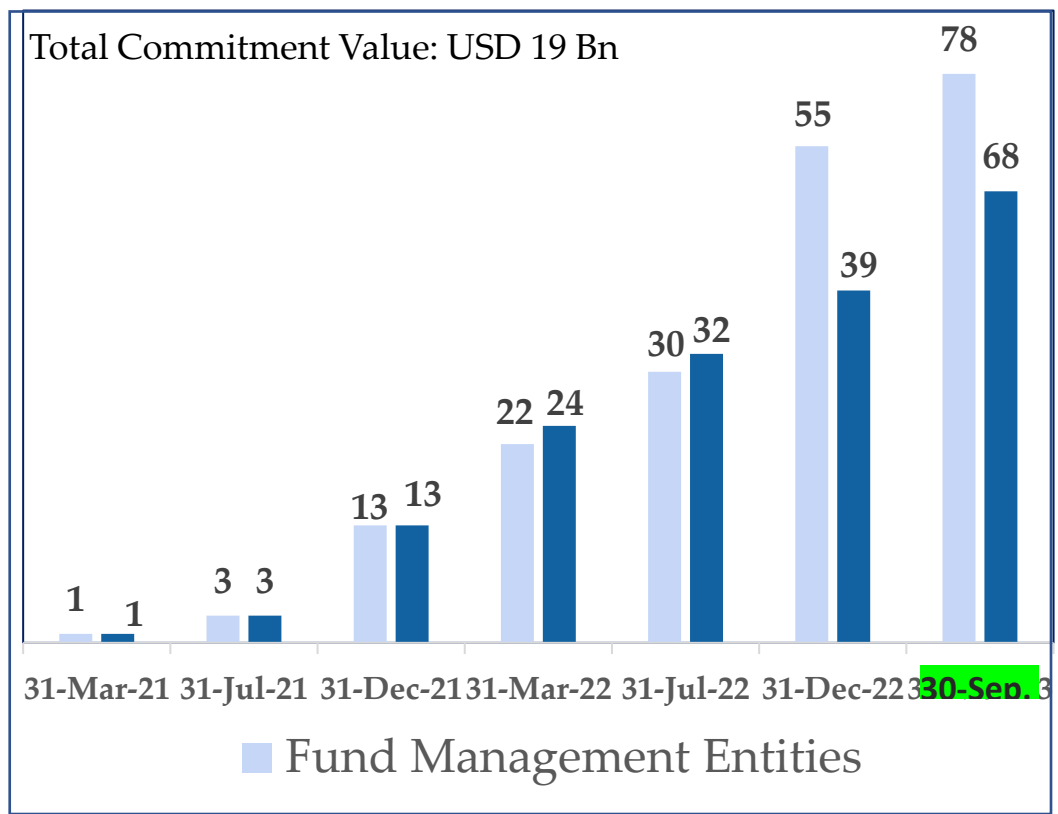


* External Commercial Borrowing ** Offshore Derivative Instrument

2. Funds Industry (Venture Capital Funds, Private Equity Funds, Hedge Funds)

- Previously, India centric funds pooling capital from global investors were situated in overseas jurisdictions such as Mauritius, Luxembourg, Singapore, Cayman islands, etc.
- Now, almost all new funds are being set up in GIFT IFSC on account of: Globally aligned regulations & competitive tax structure
- Global investors includes Sovereign Wealth funds/Pension funds such as ADIA, GIC, Temasek, CPPIB
- Entire ecosystem present including Trusteeship firms, Custodians, Fund Administrators, Law firms, Auditors etc.
- Dedicated ESG Funds also being set-up

Growth of Funds Industry in IFSC



3. Aircraft & Ship Leasing (Onshoring the Offshore)

Fastest Growing Market

India is 3rd largest domestic aviation market and amongst the fastest growing markets globally

One of Largest Orderbook

By 2050, India's commercial fleet size is estimated to exceed 5,000 aircraft (1200 by 2027)

Majority of fleet is on Lease

75% - 80% of Indian fleet (~700 Aircrafts) are on operating lease from **Ireland (leasing hub)**

Forex Outflow as Lease Rentals

Airlines in India are projected to pay USD 5 Bn per year for the next ten years towards lease rentals

GIFT IFSC ecosystem

- Aircraft leasing enabled in GIFT IFSC with necessary policy, regulatory and tax enablers
- Ecosystem is picking up pace with 20 lessors registered in GIFT IFSC (mainly small lessors)
- 122 Aircrafts/Helicopters/ Engines, etc. leased so far
- Ship leasing also enabled

Aircrafts leased from GIFT IFSC



4. Onshoring Indian Innovation/ Reverse flipping by Indian Start-Ups

1 Indian Start-Up Ecosystem

3rd
Largest Start-Up Ecosystem

5000 +
Funded Start-Ups in India

115
Indian Start-ups in Unicorn Club

80k
Indian Start-Ups launched so far

\$ 450 Bn +
Combined Value of Indian Start-Ups

>\$ 60 Bn
Funds raised by Start-ups in last 2 years

2 Problem of Indian Start-Ups Domiciling Overseas

- Around **60% of India's 115 Unicorns are domiciled abroad** (USA, Singapore)
- “Flipping” is a process of shifting the headquarters of a company to an overseas jurisdiction, including movement of management, intellectual property, etc.
- Most of these flipped Start-up companies are still Indian businesses:
 1. Majority of management in India by Indian citizens,
 2. Majority of their business in India,
 3. Majority of employees in India, etc.

4. Onshoring Indian Innovation/ Reverse flipping by Indian Start-Ups

3 Key reasons for Start-ups going abroad

- A lack of domestic capital to Indian Start-Ups
- Greater availability of Foreign Capital
- Foreign investors generally insist upon investee companies shifting overseas as a precondition to funding
- Attractive tax regime abroad
- Favourable merger & acquisition regime abroad
- Start-ups are required to maintain USD accounts for international transactions
- Ease of doing business and opportunity to connect with global investor community

4 Bringing back Indian Start-ups to GIFT IFSC

- IFSC is a Non-Resident zone within the country which has no exchange controls
- Competitive tax regime and regulatory architecture
- Entire ecosystem of financial institutions present in GIFT IFSC
- Opportunity to undertake cross border transactions more efficiently
- GIFT IFSC being promoted as a “Global FinTech Hub”
- IFSCA has constituted an Expert Committee to make recommendations for onshoring of Indian Start-ups to GIFT IFSC

Thank You