

IFSCs: Transforming India into a Global Financial Powerhouse

India's integration into the global financial system attracts foreign investment, supported by Mumbai's infrastructure and a skilled workforce. Regulatory frameworks ensure compliance and governance, maintaining market stability and integrity. Accordingly, it is observed that irrespective of global competition, India is establishing itself with a major force in the world economy, by making a big move to take centre stage in the global financial scene. One of the steps taken in this direction is by the creation of International Financial Services Centres (IFSCs). By providing a top-notch platform for global financial activities and drawing large amounts of foreign investment, these special zones seek to establish India as a major global financial hub.



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INTRODUCTION

India is emerging as a prominent global financial hub, anchored by a robust banking sector encompassing public, private and foreign banks regulated by the Reserve Bank of India. Its capital markets, including the BSE and NSE, provide robust platforms for equity and debt financing, overseen by SEBI for transparency and investor protection. The FinTech sector is rapidly innovating with products like UPI, revolutionising digital payments and enhancing financial inclusion. Insurance and asset management sectors have expanded, offering diverse products and investment

opportunities. Government initiatives like Make in India and Digital India support financial sector growth, alongside reforms such as GST simplifying business operations. India's integration into the global financial system attracts foreign investment, supported by Mumbai's infrastructure and a skilled workforce. Regulatory frameworks ensure compliance and governance, maintaining market stability and integrity. Accordingly, it is observed that irrespective of global competition, India is establishing itself with a major force in the world economy, by making a big move to take centre stage in the global financial scene. One of the steps taken in this direction is by the creation of International Financial Services Centres (IFSCs). By providing a top-notch platform for global financial activities and drawing large amounts of foreign investment, these special zones seek to establish India as a major global financial hub. Let's take a closer look at the idea of IFSC India, their goals, and how they might affect the country's economy.

OVERVIEW OF IFSC IN INDIA

As per Section 3(1)(g) of The International Financial Services Centres Authority Act, 2019, "International Financial Services Centre" means an International Financial Services Centre set up, before or after the commencement of this Act, under Section 18 of the Special Economic Zones Act, 2005. India established the International Financial Services Centre (IFSC) as a specialised zone to promote the nation as a global financial hub and ease cross-border financial services transactions. An IFSC is a designated area within a Special Economic Zone (SEZ) that offers financial institutions a business-friendly environment enabling them to operate and provide varieties of financial services to people globally, including different services like fund management, banking, securities trading and insurance. The principal aim of the establishment of an IFSC in India is to attract foreign investments, both inward and outward, by offering a competitive and well-regulated milieu comparable to worldwide financial centres. Other key objectives include:

- Enabling current transactions carried out by Indian entities' overseas arms.

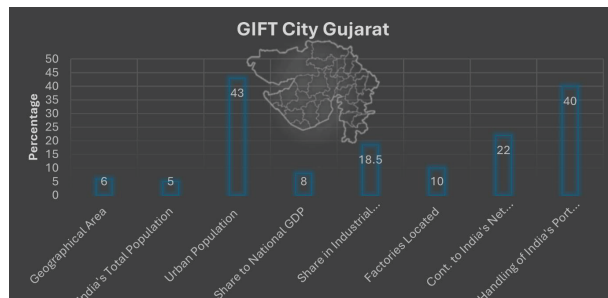
- Generating employment opportunities.
- Improving IT infrastructure.
- Boosting India's recognition as a financial hub.

ESTABLISHMENT OF IFSCA

The International Financial Services Centres Authority (IFSCA) was established on April 27, 2020, under the International Financial Services Centres Authority Act, 2019. Currently, the only IFSC in operation in India is at GIFT City in Gandhinagar, Gujarat, which serves as its headquarters. For the purpose of regulating financial institutions, services, and products in the IFSC, the IFSCA serves as a single point of reference. Its main objectives are:

- Establish a robust international financial network.
- Focus on meeting the needs of the Indian economy.
- Serve as an international financial platform for the region and global economy.
- Encourage ease of doing business and offer top-notch regulatory framework.

Before the formation of the IFSCA, various domestic regulators, such as the Reserve Bank of India (RBI), the Securities and Exchange Board of India (SEBI), the Pension Fund Regulatory and Development Authority (PFRDA), and the Insurance Regulatory and Development Authority of India (IRDAI), shared regulatory responsibilities.



Source: IFSCA Brochure

KEY OBJECTIVES AND FUNCTIONS OF IFSCA

1. **Uniform Regulation:** The IFSCA was created to handle the integrated and dynamic nature of financial services in IFSCs, which calls for close cooperation between various regulatory agencies. The IFSCA seeks to simplify procedures and lessen the regulatory burden on companies by serving as a single regulator.
2. **Ease of Doing Business:** Improving the ease of conducting business in IFSCs is one of the IFSCA's main goals. This entails streamlining legal specifications, offering precise and uniform guidance, and guaranteeing prompt approval and decision-making processes.

3. **Global Connectivity:** Establishing robust international ties is the goal of the IFSCA. To do this, regulatory standards that align with international best practices must be developed. This will draw foreign investors and financial institutions to operate within Indian IFSCs.
4. **Emphasis on Indian Economy:** The regulatory framework of the IFSCA is crafted to address the unique requirements of the Indian economy, concurrently establishing the IFSC as a worldwide financial centre. This dual emphasis aids in striking a balance between global financial integration and home economic growth.
5. **Innovation and Development:** The authority supports the development of novel financial services and products. The IFSCA seeks to raise the competitiveness of Indian IFSCs relative to other international financial centres by promoting innovative financial technologies and business models.

IFSCs: UNLEASHING PROFESSIONAL POTENTIAL WITH HOLISTIC VISION

Unleashing Professional Potential

By creating an environment that is favourable for financial services and positioning India as a global financial hub, the IFSCs in India seek to unleash professional potential with a holistic vision. IFSCs provide a platform for professionals across diverse financial sectors, such as securities trading, asset management, risk underwriting, and financial services, to demonstrate their expertise and advance their careers. Experts can prosper because of the world-class infrastructure and lenient regulatory environment, which make doing business easier.

Imagine a dynamic landscape where the surge in innovation and international financial activities has created a significant demand for financial professionals. Specialized industries with high growth rates, such as FinTech and aircraft leasing, require highly qualified workers. Collaboration with international counterparts becomes standard, providing exposure to global best practices. The International Financial Services Centres (IFSCs) in India envision this as the future.

IFSCs were founded with a comprehensive strategy with the goal of unleashing a wealth of professional potential:

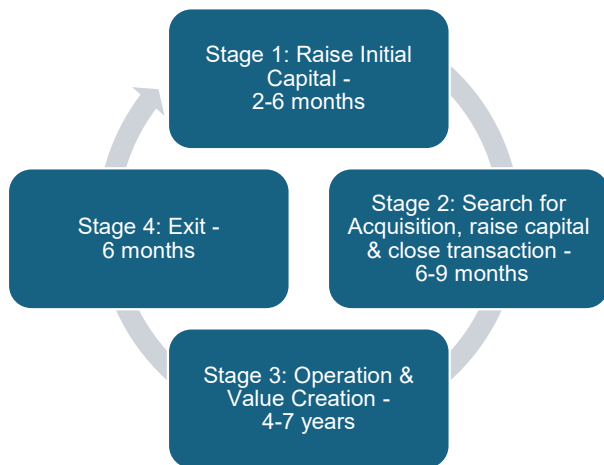
- **Demand for Skilled Workers:** By promoting innovation and drawing in international financial activities, IFSCs create a thriving ecosystem that raises the need for a skilled labour force in a variety of financial sectors. Professionals like Investment Bankers, Risk Analysts, and FinTech specialists will therefore have exciting career opportunities.
- **Focus on Specialised Skills:** IFSCs' streamlined frameworks go beyond conventional finance. Professionals with these particular skill sets can

find opportunities in industries such as aircraft and ship leasing, where specialised knowledge in areas like asset valuation and transaction structuring is necessary.

- **FinTech Talent Hub:** Innovative Financial Services Companies (IFSCs) can cultivate innovative solutions. As a result, there is a sharp increase in demand for FinTech talent since it creates a dynamic atmosphere where professionals can capitalise on their knowledge of technology and finance.
- **International Collaboration and Exposure:** IFSCs serve as a link between India and the global financial system. Professionals are able to work with colleagues around the world and are exposed to global best practices, which enhances their professional experience and helps them advance into leadership positions.

IFSCs are essentially a professional development accelerator. By nurturing a dynamic and demanding work environment, they help skilled professionals flourish and advance India's status as a major global financial hub.

Facilitating Frameworks: Through the IFSC, novel structures like the "Search Fund" model, which has gained popularity in the US, are being investigated as a means of encouraging FDI (foreign direct investment) into Indian MSMEs. With the help of this model, capital from investors such as family offices can more easily flow into smaller businesses, allowing qualified managers to effectively manage them. In order to support India's ambition of becoming a global financial powerhouse, the IFSCs in that nation work to maximise the professional potential of financial services professionals by offering a unified regulatory environment, top-notch infrastructure, and enabling structures.



KEY HIGHLIGHTS OF DEVELOPMENTS AT GIFT IFSC (2023-2024)

1. Setup of Exim Bank Subsidiary:

- Approvals were obtained in May 2023.

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- In July 2023, the Ministry of Finance released the Letter of Allotment.
- Allocating office space started in August 2023.

2. Vibrant Gujarat Global Summit:

- Taken place in January of 2024.
- MoUs were signed at GIFT IFSC to establish digital tech and finance entities with Australian firms.

3. Prime Minister's Vision:

- The function of GIFT City as a global fintech gateway was highlighted by PM Narendra Modi.

4. Direct Listing of Indian Companies:

- Declared in January 2024 by Nirmala Sitharaman, Minister of Finance.
- Guidelines for foreign exchange listings released by SEBI.

5. Companies (Amendment) Act, 2020:

- Permits Indian public companies to be listed directly on international exchanges.
- Anticipated to improve assessments, draw in overseas capital, and broaden the range of financial offerings.

6. Companies (Listing of equity shares in permissible jurisdictions) Rules, 2024:

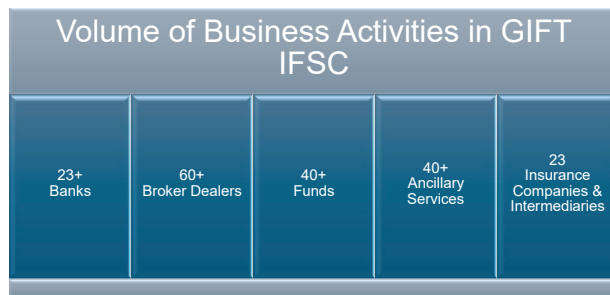
- Unlisted public companies without partly paid-up shares can issue equity shares for listing on stock exchanges in permissible jurisdictions.
- This includes offering for sale of equity shares by existing shareholders for listing.
- Compliance with the Scheme and conditions specified by SEBI is mandatory.
- The prospectus must be submitted by the unlisted public company using e-Form LEAP-1 in the permitted exchange within seven days of finalisation and filing.
- Companies must prepare financial statements in accordance with Indian Accounting Standards (IAS) as outlined in the Companies (Indian Accounting Standards) Rules, 2015 after listing on a recognised stock exchange.
- This is in addition to any other accounting standards required by the securities regulator or relevant stock exchange.

7. Union Budget FY 2023-24 Initiatives

- Giving IFSCA authority under the SEZ Act.
- Putting in place a single-window IT system to handle IFSCA, SEZ, RBI, SEBI, and IRDAI approvals.

- Allowing foreign banks' IFSC Banking Units to finance acquisitions.
 - Establishing a trade re-financing subsidiary of EXIM Bank.
 - Identifying derivatives that are offshore.
 - Encouraging Data Embassies to ensure digital sustainability.
8. **Union Budget 2023: Tax Incentives and Policy Announcements:**
- SEZ Act authority is transferred to IFSCA in order to expedite the registration and approval procedures.
 - A single-window IT system is suggested to make it easier to register and receive approval from several regulators, thus improving business ease.
9. **Future Plans (2024-25):**
- GIFT IFSC being transformed into a hub for reinsurance.
 - Simplifying accounting, compliance, and bookkeeping services.
 - Pay attention to the pension industry, enabling foreign currency savings for the Indian dispersion.

These highlights demonstrate GIFT IFSC's ongoing efforts to improve the regulatory framework, expedite procedures, and develop a positive business environment—all of which contribute to the organization's positioning as a crucial global financial hub.



Source: EY India

ROLE OF IFSCs IN INDIAN MARKETS

India has started a revolutionary journey in recent years to create International Financial Services Centres (IFSCs), which provide a competitive edge in financial services and replicate the infrastructure of global financial hubs. These special economic zones, such as Gujarat's GIFT City, act as vital hubs for a variety of financial operations, from banking and securities trading to niche markets like reinsurance and aircraft leasing.

1. Global Reach: IFSC Exchanges Facilitating Cross-Border Securities Listing

Listed securities on IFSC exchanges, like GIFT City's INX, give businesses access to foreign investors

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and worldwide exposure. These exchanges provide simplified regulatory framework under IFSCA, currency flexibility, and tax benefits (exemption from capital gains and transaction taxes). Globally recognised for their excellent governance and investor protection, IFSC exchanges also offer derivatives trading and sector-specific expertise, which boosts their competitiveness and draws a wide range of issuers and investors looking for easy access to markets and regulatory certainty.

2. Future Horizons: Business Prospects in India's Evolving IFSCs

IFSCs offer attractive business opportunities when considering India in 2047. These hubs, located in locations like GIFT City, were established under the IFSCA's unified regulatory framework, providing streamlined regulations and tax benefits as a gateway to international markets. By that time, IFSCs should be thriving hubs for financial innovation, housing wealth management, global trading platforms, fintech, and banking services. They will draw investors, startups, and multinational companies looking for effective cross-border transactions and access to a skilled, diverse workforce. With India forging closer economic ties with other countries, IFSCs will be essential to maintaining growth and promoting international business partnerships.

3. Sky High: IFSCs as Pioneers in Aircraft Leasing Solutions

Within India's IFSCs, aircraft leasing is a potentially lucrative avenue with a lot of untapped potential. IFSCs, which are spearheading by GIFT City, offer an environment that is favourable to international aircraft lessors and lessees. Tax exemptions on leasing income and transactions give this industry a competitive advantage. Additionally, the IFSCA provides strong regulatory oversight over IFSCs,

guaranteeing investor confidence and transparency. International financial institutions and airlines are drawn to IFSCs as they streamline leasing transactions and meet the growing demand for air travel. By taking advantage of these benefits, India's IFSCs are poised to establish themselves as important hubs in the global aircraft leasing industry, promoting connectivity and economic growth.

4. **Navigating Seas: Diverse Opportunities in Ship Leasing at IFSCs**

The maritime industry can benefit greatly from IFSCs' diverse ship leasing structures. They include long-term finance leases similar to credit purchases and short-term operational leases for urgent requirements. The attractiveness of ship leasing activities is increased by IFSCs, which offer substantial tax benefits like exemptions on leasing income, withholding tax, and GST. Under the auspices of the IFSCA, these centres guarantee a strong regulatory structure that encourages openness and adherence, reinforcing investor trust. India is positioned as a competitive hub in the global ship leasing market thanks to IFSCs, which draw in global lessors and lessees with an emphasis on global connectivity and adherence to international standards. This industry facilitates international trade and maritime commerce, and it also supports the development of maritime infrastructure in India.

5. **Trade Redefined: ITFS Transforming Global Trade at IFSCs**

It is a revolutionary idea to reimagine trade via the International Trade Finance Services Platform (ITFS) in India's IFSCs. This platform combines cutting-edge financial services to improve and expedite trade finance procedures around the world. ITFS provides cutting edge solutions including supply chain finance, trade credit insurance, and digital trade finance at IFSCs like GIFT City. Through the use of IFSC benefits like tax exemptions, effective regulation under IFSCA supervision, and a strong infrastructure, ITFS enables smooth multicurrency transactions. Through efficient cross-border trade support, ITFS lowers transaction costs, increases transparency, and reduces risks, enabling businesses to reach a wider global audience. India's IFSCs, positioned as a centre for trade finance innovation, are well-positioned to spur economic expansion and fortify trade ties across borders in the digital era.

6. **Banking Forward: IFSCA Regulations Shaping the Future of Finance**

The foundation for a vibrant future for banking in India's IFSCs was laid by the IFSCA (Banking) Regulations, 2020. These include bringing banking practices into compliance with international standards, fostering fintech innovation, guaranteeing the efficiency and clarity of regulations, providing tax advantages, advancing financial inclusion, and

bolstering risk management. The aforementioned regulations facilitate cross-border transactions and specialised financial solutions, thereby enhancing India's global financial prominence and positioning IFSCs such as GIFT City to become competitive hubs for advanced banking services. By permitting foreign banks to open offices in IFSCs and drawing in foreign capital and expertise, the regulations further facilitate global integration.

7. **Gold Standard: IFSCA Bullion Exchange Regulations Setting Global Benchmarks**

India's first International Bullion Spot Exchange will be established within its IFSCs. By creating a strong framework for trading precious metals like gold and silver, these regulations hope to improve bullion markets' efficiency, transparency, and liquidity. Overseen by the IFSCA, the regulations provide a simplified regulatory framework and tax incentives while guaranteeing compliance with international best practices. Through this initiative, IFSCs—GIFT City being the first—are positioned as leading centres for bullion trading, drawing in participants from around the world and elevating India's profile in the global bullion market.

8. **Educational Empowerment: IFSCA Regulations Fostering Global Education Excellence**

An important step in enhancing India's soft power internationally is the IFSCA (Setting up and Operation of International Branch Campuses and Offshore Education Centres) Regulations, 2022. Within India's International Financial Services Centres (IFSCs), beginning with GIFT City, these regulations permit the creation and operation of international branch campuses and offshore education centres. These regulations are intended to draw in elite international educational institutions by providing a favourable regulatory environment, tax incentives, and streamlined procedures under IFSCA supervision. This program strengthens India's standing as a centre for high-quality education and knowledge exchange while also improving educational opportunities for both domestic and foreign students. Through research, innovation, and cultural exchange cooperation, these regulations set up IFSCs to act as engines of India's rise to prominence as a major global soft power in the realm of education.

9. **FinTech Nexus: IFSCs Leading Global Innovation in Financial Technology**

Through the comparison of international best practices with regulatory innovation, IFSCs are positioned to become global FinTech hubs. Under the direction of IFSCA, these centres—GIFT City being the first—strive to draw leading FinTech companies with simplified rules, tax breaks, and a welcoming environment for blockchain, digital payments, and AI-powered services. By accelerating digital transformation across industries, increasing India's



competitiveness in the global FinTech market, and promoting financial inclusion, this initiative positions IFSCs as major players in determining the global financial services landscape.

10. Vision 2047: IFSCA Spearheading India’s Economic Ascent

When it comes to targeting “Viksit Bharat” by 2047, IFSCs are revolutionary. They draw in foreign capital, which promotes infrastructure, technological advancement, and the creation of jobs. India’s economic standing is strengthened, and exports are increased through streamlined trade finance in IFSCs. A workforce with the necessary skills to negotiate the global financial scene emerges as IFSCs open up new financial opportunities. Under the IFSC framework, innovation thrives, catapulting India’s financial sector to a position of global leadership. IFSCs promote India as a top location for international activities by facilitating smooth integration with the global financial ecosystem. IFSCs are essentially a major force behind global financial leadership and economic growth for a “Viksit Bharat.”

11. Investment Insights: REITs and InvITs Thriving in GIFT IFSC

Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (InvITs) are two investment options that appeal to investors at GIFT IFSC. While InvITs concentrate on infrastructure

projects like power plants and roads, REITs offer access to income-generating real estate assets. Both types of investments profit from tax exemptions on capital gains and dividends within IFSCs. Global investors are drawn to these investment vehicles because of their transparent, streamlined regulations and wide range of asset classes. Under the IFSCA’s regulation, they make a substantial contribution to India’s infrastructure and real estate industries, fostering economic expansion and providing investors with stable returns in a safe haven.

12. Risk Revolution: IFSCs Transforming India’s Reinsurance Landscape

IFSCs are creating an exciting new wave of change for the insurance industry in India. The best reinsurance companies in the world are drawn to these centres because of their superior tax advantages and regulations. The Indian reinsurance market is strengthened by this infusion of capital and international expertise. Through IFSCs, Indian insurers can disperse risk over a larger global pool, thereby enhancing risk management and stabilising the insurance industry. Domestic insurers are better equipped to manage complex risks and create cutting-edge products thanks to knowledge transfer from these international players. Indian insurers benefit from lower reinsurance costs and more options due to the increased market competition. Moreover, IFSCs encourage innovation, which

results in the development of fresh and customised reinsurance solutions that meet India's changing economic requirements. IFSCs are essentially India's next-generation insurance landscape's launching pad, helping it to become a global leader in reinsurance.

13. Navigating Governance: Empowering IFSCs through Expert Governance Professionals

IFSCs have a major impact on India's financial sector by providing a supportive environment for governance professionals. In IFSCs like GIFT City, these professionals, which include Compliance officers, Company Secretaries, and Experts in Corporate Governance, play a critical role in guaranteeing ethical behaviour, regulatory compliance, and efficient risk management. The regulatory oversight provided by the IFSCA guarantees strong governance frameworks, transparency, and conformity to international standards, all of which contribute to increased investor and stakeholder trust. In addition to driving innovation in corporate governance practices and sustainable economic growth, IFSCs enhance India's standing as a reliable global financial hub by drawing in highly qualified professionals and cultivating a culture of good governance.

CONCLUSION

With an all-encompassing vision, IFSCs have the potential to greatly expand professional opportunities in a variety of industries. Every facet of IFSCs' involvement in promoting economic growth and international engagement, from listing securities on IFSC exchanges to investigating cutting-edge opportunities like ship and aircraft leasing to transforming trade through cutting-edge financial platforms like the International Trade Finance Services (ITFS), highlights this contribution.

India's aspiration to become a global soft power by 2047 is reflected in the proactive regulations that the IFSCA has put in place, including those that regulate banking, bullion exchanges, and abroad campuses. Along with positioning IFSCs like GIFT City as centres of fintech innovation and specialised financial services, these initiatives also expand India's NextGen insurance capabilities by boosting opportunities in real estate, infrastructure trusts (REITs and InvITs), and reinsurance.

The critical role that governance specialists play in upholding moral principles and legal compliance is also emphasised by IFSCs, as these are prerequisites for preserving investor confidence and guaranteeing ongoing financial stability. With IFSCs representing a dynamic ecosystem where local aspirations and global best practices converge to drive inclusive growth and innovation, India is moving toward becoming Viksit Bharat (Prosperous India) by 2047.

In summary, IFSCs are a key economic pillar that also symbolise India's goal of realising its full potential

internationally and building an innovative, sustainable and inclusively prosperous future.

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