

GUJARAT INTERNATIONAL FINANCE TEC-CITY (GIFT) IN GANDHI NAGAR, GUJARAT

1. The Government of India has established IFSC in Gujarat namely **Gujarat International Finance Tec-City (GIFT) in Gandhinagar, Gujarat**. GIFT is being developed as a global financial and IT Services hub, a first of its kind in India, designed to be at or above par with globally benchmarked financial centres.
2. GIFT's Master Plan facilitates Multi Services SEZ with International Financial Services Centre (IFSC) status, Domestic Finance Centre and the associated Social infrastructure.
3. "GIFT SEZ Limited" has been formed by Gujarat International Finance Tec-City Company Limited (GIFTCL) for development of Multi Services SEZ at Gandhinagar with the prime focus on development of IFSC and allied activities in SEZ.
4. **Process for Setting up IFSC Unit in GIFT SEZ-IFSC is as follows:**
 - (a) Submission of Interest Letter/Mail by the organization for taking up space in incubation facility at GIFT SEZ for setting up unit in GIFT SEZ-IFSC as per the prescribed format.
 - (b) GIFT SEZ will give the Proposal to the applying organization for taking up space in incubation facility in GIFT SEZ.
 - (c) The organization to provide the confirmation / acceptance for the Proposal sent by GIFT SEZ.
 - (d) Post confirmation, GIFT SEZ will issue Provisional Letter of Allotment (PLOA) to the organization for providing office space for setting up IFSC Unit in GIFT SEZ.
 - (e) Organization to submit application (Form-F) to Development Commissioner, KASEZ for taking approval for setting up IFSC Units in GIFT SEZ along with the relevant documents including PLOA issued by GIFT SEZ.
 - (f) Simultaneously, application to the concerned Regulator (RBI/SEBI/IRDA) for required license to operate as IFSC



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Unit in GIFT SEZ under the applicable regulations for banking/capital market /insurance.

- (g) On approvals from DC, KASEZ and Regulator, GIFT SEZ to issue Final Letter of Allotment for allocation of space in GIFT SEZ for carrying out the approved operations.
- (h) The approved Units shall have to execute lease deed/Leave and License with the Developer or Co-developer as the case may be for the allotted space.

5. The entities which can open IFSC unit are as follows:

- (a) Banking Sector – Regulated by Reserve Bank of India (RBI)
- (b) Indian banks (viz. banks in the public sector and the private sector authorised to deal in foreign exchange)
- (c) Foreign banks already having presence in India
- (d) Insurance Sector – Regulated by Insurance Regulatory and Development Authority of India (IRDAI)
- (e) Indian Insurer
- (f) Indian Reinsurer
- (g) Indian Broker
- (h) Foreign Insurer
- (i) Foreign Reinsurer
- (j) Capital Market - Regulated by Securities & Exchange Board of India (SEBI)
- (k) Stock Exchanges / Commodity Exchanges
- (l) Clearing Corporation
- (m) Depository
- (n) Broker
- (o) Investment Adviser
- (p) Portfolio Manager
- (q) Alternate Investment Fund
- (r) Mutual Fund

6. IFSC Banking Units are considered similar to their overseas branch. Following are the details of key businesses being carried out by IBUs:

- (a) Buyer's Credit
- (b) Loan Syndication
- (c) JV/WOS funding
- (d) ECB
- (e) Inter Bank Lending / borrowing

IFSC Banking Units have crossed business transactions of around US\$ 18 bn (as on March 2019).

7. The entities that have started operations from GIFT IFSC are:

- (a) **Banks:** IDBI Bank, ICICI Bank, Yes Bank, IndusInd Bank, Federal Bank, Kotak Mahindra Bank, State Bank of India.
- (b) **Insurance:** New India Assurance (Direct Insurance), GIC Re (Reinsurance) will commence their operations shortly and Xperitus (Reinsurance Broker) will commence operations soon.
- (c) **Capital Market:** Reliance AIF Management Ltd.
- (d) **IT/ITeS, Consultancy Units:** Accvell Technologies, QX Corporate Advisors, iShip Design, Exemplary Consultants.

Some of the biggest players in the financial services have signed MoUs to set up their operations in the GIFT-IFSC. These include: National Stock Exchange, Bombay Stock Exchange, MCX, NCDEX and DMCC.

SETTING UP OF IFSC BANKING UNITS (IBU)

Setting up of an IFSC as per the RBI Notification No. FEMA.339/2015-RB dated March 02, 2015 under FEMA 1999 on Foreign Exchange Management (International Financial Services Centre) Regulations, 2015.

S.No	Sub-Heads	Indian Banks	Foreign Banks (already having a presence in India)
1.	Eligibility Criteria:	<p>Indian Banks (public sector and the private sector) authorised to deal in foreign exchange will be eligible to set up IBUs.</p> <p>Each of the eligible banks will be permitted to establish only one IBU in each IFSC.</p>	<p>Only foreign banks already having presence in India will be eligible to set up IBUs.</p> <p>Each of the eligible banks will be permitted to establish only one IBU in each IFSC.</p>
2.	Licensing:	The banks will be required to obtain prior permission of the RBI for opening an IBU under Section 23 (1) (a) of the Banking Regulation Act, 1949 (BR Act).	The banks will be required to obtain prior permission of the RBI for opening an IBU under Section 23 (1) (a) of the Banking Regulation Act, 1949 (BR Act).
3.	Capital:	With a view to enabling IBUs to start their operations, the parent bank will be required to provide a minimum capital of USD 20 million or equivalent in any foreign currency to its IBU which should be maintained at all times. However, the minimum prescribed regulatory capital, including for the exposures of the IBU, shall be maintained on an on-going basis at the parent level.	With a view to enabling IBUs to start their operations, the parent bank will be required to provide a minimum capital of USD 20 million or equivalent in any foreign currency to its IBU which should be maintained at all times. The IBUs should maintain the minimum prescribed regulatory capital on an on-going basis as per regulations amended from time to time. The parent bank will be required to provide a Letter of Comfort for extending financial assistance, as

			and when required, in the form of capital / liquidity support to IBU.
4.	Reserve Requirements:	The liabilities of the IBU are exempt from both CRR and SLR requirements of Reserve Bank of India.	The liabilities of the IBU are exempt from both CRR and SLR requirements of Reserve Bank of India.
5.	Resources and Deployment:	<p>The sources for raising funds, including borrowing in foreign currency, will be persons not resident in India and overseas branches of Indian banks.</p> <p>The deployment of funds can be with both persons resident in India as well as persons not resident in India. However, deployment of funds with persons resident in India shall be subject to the provisions of FEMA, 1999.</p>	<p>The sources for raising funds, including borrowing in foreign currency, will be persons not resident in India and deployment of the funds can be with both persons resident in India as well as persons not resident in India. However, the deployment of funds with persons resident in India shall be subject to the provisions of FEMA, 1999.</p>
6.	Permissible Activities of IBUs:	<p>The IBUs will be permitted to engage in the form of business mentioned in Section 6(1) of the BR Act as given below, subject to the conditions, if any, of the licence issued to them.</p> <p>i) IBUs can undertake transactions with resident (for deployment of funds) and non-resident (for both raising of resources and deployment of funds) entities other than individuals including HNIs / retail customers as indicated in paragraph 2.5.1 and 2.5.2 above.</p> <p>ii) All transactions of IBUs shall be in currency other than INR.</p> <p>iii) IBUs can deal with the Wholly Owned Subsidiaries /Joint Ventures of Indian</p>	<p>The IBUs will be permitted to engage in the form of business mentioned in Section 6(1) of the BR Act as given below, subject to the conditions, if any, of the licence issued to them.</p> <p>i) IBUs can undertake transactions with non-resident entities other than individual / retail customers / HNIs.</p> <p>ii) All transactions of IBUs shall be in currency other than INR.</p> <p>iii) IBUs can deal with the Wholly Owned</p>

	<p>companies registered abroad.</p> <p>iv) IBUs are allowed to have liabilities including borrowing in foreign currency only with original maturity period greater than one year. On a review, it has been decided that RBI will not prescribe any limit for raising short-term liabilities from banks. However, the IBUs must maintain LCR as applicable to Indian banks on a stand-alone basis and strictly follow the liquidity risk management guidelines issued by RBI to banks. Further, NSFR will also be applicable to IBUs as and when it is applied to Indian banks.</p> <p>v) IBUs are not allowed to open any current or savings accounts. It has now been decided that the IBUs can open foreign currency current accounts of units operating in IFSCs and of non-resident institutional investors to facilitate their investment transactions. However, IBUs cannot raise liabilities from retail customers including high net worth individuals (HNIs). Also, no cheque facility will be available for holders of current accounts in the IBUs. All transactions through these accounts must be undertaken via bank transfers.</p> <p>vi) IBUs are permitted to undertake factoring/forfeiting of export receivables.</p> <p>vii) With the prior approval of their board of directors, IBUs may undertake derivative transactions including structured products that the banks operating in India have been allowed to undertake as per the extant RBI directions. However, IBUs shall obtain RBI's prior approval for offering any other derivative products. Before seeking RBI's approval, banks shall ensure that their IBUs have necessary expertise to price, value and compute the capital charge and manage the risks associated with the products / transactions intended to be offered and should also obtain their Board's approval for undertaking such transactions.</p>	<p>Subsidiaries / Joint Ventures of Indian companies registered abroad.</p> <p>iv) IBUs are allowed to have liabilities including borrowing in foreign currency only with original maturity period greater than one year. They can however raise short term liabilities from banks subject to limits as may be prescribed by the Reserve Bank.</p> <p>v) IBUs are not allowed to open any current or savings accounts. They cannot issue bearer instruments or cheques. All payment transactions must be undertaken via bank transfers.</p> <p>vi) IBUs are permitted to undertake factoring/forfeiting of export receivables.</p> <p>vii) IBUs are permitted to undertake transactions in all types of derivatives and structured products with the prior approval of their Board of Directors. IBU dealing with such products should have adequate knowledge, understanding, and risk management capability for handling such products.</p>
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	<p>viii) IBUs are allowed to open foreign currency escrow account of Indian resident entities to temporally hold subscriptions to the GDR/ADR issues until issuance of the Receipts. After GDRs/ADRs are issued, the funds should immediately be transferred to the client’s account outside the IBU and cannot be retained by the bank in any form including in long term deposits.</p> <p>ix) IBUs are allowed to act as underwriter / arranger of Indian Rupee (INR) denominated overseas bonds issued by Indian entities in overseas market in terms of extant RBI instructions contained in FED CO AP Dir Circular No 17 dated September 29, 2015. However, in cases where part of the issuance underwritten by an IBU devolves on it, efforts must be made to sell the underwritten holdings and after 6 months of the issue date these holdings must not exceed 5% of the issue size.</p> <p>x) The fixed deposits accepted from non-banks by the IBUs cannot be repaid prematurely within the first year. However, fixed deposits accepted as collateral from non-banks for availing credit facilities from IBUs or deposited as margin in favour of an exchange, can be adjusted prematurely in the event of default in repayment of the loan or meeting a margin call.</p> <p>xi) An IBU can be a Trading Member of an exchange in the IFSC for trading in interest rate and currency derivatives segments that the banks operating in India have been allowed to undertake as per the extant RBI directions.</p> <p>xii) An IBU can become a Professional Clearing Member (PCM) of the exchange in the IFSC for clearing and settlements in any derivative segments. This shall be subject to the following conditions:</p> <p>The parent bank of the IBU (“the bank”) shall fulfil the prudential requirements as set</p>	
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7.	Prudential Regulations:	All prudential norms applicable to overseas branches of Indian banks would apply to IBUs. Specifically, these units would be required to follow the 90 days’ payment delinquency norm for income recognition, asset classification and provisioning as	An IBU shall adopt prudential norms as prescribed by Reserve Bank of India. The bank’s board may set out appropriate credit risk

		<p>applicable to Indian banks. The bank's board may set out appropriate credit risk management policy and exposure limits for their IBUs consistent with the regulatory prescriptions of the RBI.</p> <p>The IBUs would be required to adopt liquidity and interest rate risk management policies prescribed by the Reserve Bank in respect of overseas branches of Indian banks and function within the overall risk management and ALM framework of the bank subject to monitoring by the board at prescribed intervals.</p> <p>The bank's board would be required to set comprehensive overnight limits for each currency for these Units, which would be separate from the open position limit of the parent bank.</p>	<p>management policy and exposure limits for their IBUs consistent with the regulatory prescriptions of the Reserve Bank of India. The IBUs will be required to adopt liquidity and interest rate risk management policies prescribed by the Reserve Bank and function within the overall risk management and ALM framework of the bank subject to monitoring by the board at prescribed intervals. The bank's board would be required to set comprehensive overnight limits for each currency for these Units, which would be separate from the open position limit of the other branch/es of the foreign bank having a presence in India.</p>
8.	Exposure Ceiling:	Exposure ceiling for IBUs shall be 5 percent of the parent bank's Tier 1 capital in case of a single borrower and 10 percent of parent bank's Tier 1 capital in the case of a borrower group.	Exposure ceiling for IBUs shall be 5 per cent of the parent bank's Tier 1 capital in case of a single borrower and 10 per cent of parent banks Tier 1 capital in the case of a borrower group.
9.	Anti – Money Laundering Measures:	The IBUs will be required to scrupulously follow "Know Your Customer (KYC)", Combating of Financing of Terrorism (CFT) and other anti-money laundering instructions issued by the Reserve Bank from time to time. IBUs are prohibited from undertaking cash transactions.	The IBUs will be required to scrupulously follow "Know Your Customer (KYC)", Combating of Financing of Terrorism (CFT) and other anti-money laundering instructions issued by RBI from time to time, including the reporting thereof, as prescribed by the Reserve Bank / other agencies in India. IBUs are prohibited from undertaking cash transactions.

10.	Regulation and Supervision:	The IBUs will be regulated and supervised by the Reserve Bank of India.	The IBUs of foreign banks will be regulated and supervised by the Reserve Bank of India.
11.	Reporting Requirements:	The IBUs will be required to furnish information relating to their operations as prescribed by the Reserve Bank from time to time. These may take the form of offsite reporting, audited financial statements for IBUs, etc.	The IBUs will be required to furnish information relating to their operations as prescribed from time to time by the Reserve Bank. These may take the form of offsite reporting, audited financial statements for the IBU, etc.
12.	Ring Fencing the Activities of IFSC Banking Units:	<p>The IBUs would operate and maintain balance sheet only in foreign currency and will not be allowed to deal in Indian Rupees except for having a Special Rupee account out of convertible fund to defray their administrative and statutory expenses. Such operations/transactions of these units in INR would be through the Authorised Dealers (distinct from IBU) which would be subject to the extant Foreign Exchange regulations. IBUs are not allowed to participate in the domestic call, notice, term, forex, money and other onshore markets and domestic payment systems.</p> <p>The IBUs will be required to maintain separate nostro accounts with correspondent banks which would be distinct from nostro accounts maintained by other branches of the same bank.</p> <p>As per FEMA Notification No.339/2015-RB dated March 02, 2015, a financial institution or a branch of a financial institution set up in the IFSC and permitted/recognised as such by the Government of India or a Regulatory Authority shall be treated as a person resident outside India. Further, under FEMA Notification No.5(R)/2016-RB (schedule-4) dated April 01, 2016, any person resident outside India, having business interest in India, may maintain Special Non-Resident Rupee Account(s) (SNRRA) with an Authorised Dealer</p>	<p>The IBUs would operate and maintain balance sheet only in foreign currency and would not be allowed to deal in Indian Rupees except for having a Special Rupee account out of convertible fund to defray their administrative and statutory expenses. Such operations/transactions of these units in INR would be through the Authorised Dealers (distinct from IBU) which would be subject to the extant Foreign Exchange regulations. IBUs are not allowed to participate in the domestic call, notice, term, forex, money and other onshore markets and domestic payment systems. The IBUs will be required to maintain separate nostro accounts with correspondent banks which would be distinct from nostro accounts maintained by other branches of that foreign bank in India.</p>

		in the domestic sector for meeting their administrative expenses in INR. Accordingly, any financial institution (as defined under FEMA Notification No.339/2015-RB dated March 02, 2015) or a branch of a financial institution including an IBU operating in an IFSC and permitted/recognised as such by the Government of India or a Regulatory Authority, can maintain SNRRA with a bank (Authorised Dealer) in the domestic sector for meeting its administrative expenses in INR. These accounts must be funded only by foreign currency remittances through a channel appropriate for international remittances which would be subject to the extant FEMA regulations. The financial institution can make payments, permissible under FEMA regulations, from its SNRRA, in its capacity as a customer, by suitably instructing the domestic bank with whom the SNRRA is maintained.	
13.	Priority Sector Lending:	The loans and advances of IBUs would not be reckoned as part of the Net Bank Credit of the parent bank for computing priority sector lending obligations.	The loans and advances of IBUs will not be reckoned as part of the Net Bank Credit for computing priority sector lending obligations of the foreign bank in India.
14.	Deposit Insurance:	Deposits of IBUs will not be covered by deposit insurance.	Deposits of IBUs will not be eligible for deposit insurance in India.
15.	Lender of Last Resort (“LOLR”):	No liquidity support or LOLR support will be available to IBUs from the Reserve Bank of India.	No liquidity support or LOLR support will be available to IBUs from the Reserve Bank of India.

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