



**GUJARAT INTERNATIONAL
FINANCE TEC-CITY**

FINTECH IN GIFT CITY





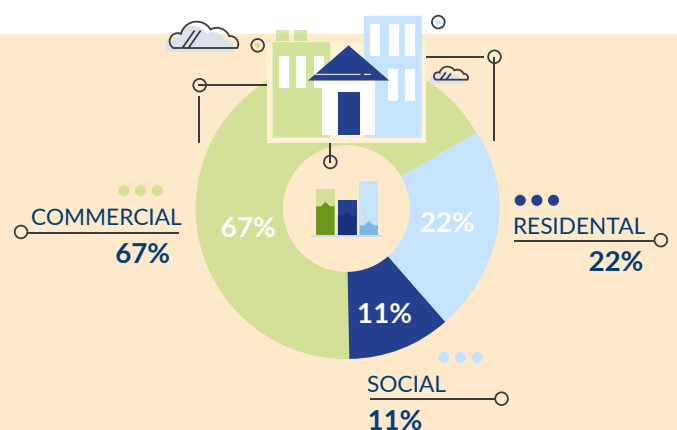
INTRODUCTION TO GUJARAT INTERNATIONAL FINANCE TEC-CITY (GIFT CITY)

GIFT City consists of a conducive Multi-Service SEZ and an exclusive Domestic Tariff Area (DTA). A total area of 261 acres has been demarcated as SEZ and additional 625 acres have been marked as DTA. This City is a vertical city that will optimize land area consumption for development. The city is located on the banks of River Sabarmati connecting the Business capital (Ahmedabad) and Political capital (Gandhinagar) of Gujarat State. The city has seamless transport connectivity internally and is connected to different parts of the world through Ahmedabad International Airport situated just 20 km away.

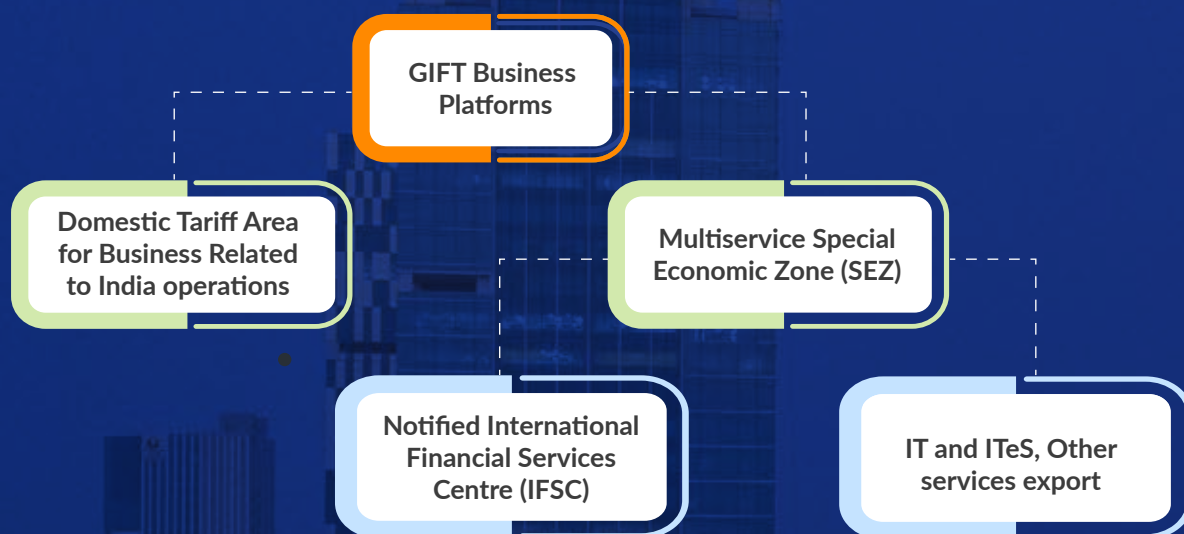
It is also India's first operational greenfield smart city and international financial services center, promoted by the Government of Gujarat as a greenfield project. The futuristic infrastructure development at GIFT City has won several awards and accolades at various forums.

The Government of Gujarat through its undertaking Gujarat Urban Development Company Limited ("GUDCL") has established "Gujarat International Finance Tec-City Company Limited" ("GIFTCL") to develop and implement GIFT City.

GIFT City is an integrated development on **886 acres** of land with a plan to **develop 62 million sq. ft.** of built-up area constituted of **commercial space of 67%**, **residential space of 22%**, and **social space of 11%**.



BUSINESS HUB FOR INTERNATIONAL AND DOMESTIC OPERATIONS



India's 1st Operational Smart City & IFSC

INTERNATIONAL FINANCE SERVICE CENTRE (IFSC) AT GIFT CITY

By definition, an IFSC is aimed at catering to the evolving requirements exhibited by customers outside the jurisdiction of the domestic economy. In the Indian context, the IFSC at GIFT City "is a jurisdiction that provides financial services to non-residents and residents (Institutions), in any currency other than Indian Rupee(INR)".



In April 2015, the Government of India took the initiative to develop an IFSC at GIFT City; a Special Economic Zone (SEZ) to help India realize its potential in the international financial services industry



The IFSC can become a significant contributor towards the achievement of self-reliance in international financial services raising overseas bonds / capital, trading in INR -USD derivatives



IFSC can become India's gateway to world financial market for outbound and inbound investments, in addition to the leasing and financing of aircrafts of major Indian airlines currently conducted overseas

INTRODUCTION TO IFSCA

Essaying the role of a unified regulator, the IFSCA has been empowered with the regulatory powers of the four premier financial services regulators in India, with respect to the regulation of financial institutions, financial services and financial products in the IFSC. Accordingly, the IFSCA boasts the authority of the Reserve Bank of India, Securities & Exchange Board of India, Pension Fund Regulatory & Development Authority of India and Insurance Regulatory Development Authority of India, making it the singular regulator catering to the diverse requirements of the IFSC.

TAXATION AND REGULATORY FRAMEWORK

Global IFSCs have consistently depicted an enabling outlook on taxation and the same is now exemplified at GIFT City. With taxation benefits across the board, GIFT City offers an empowering framework aimed at individual and organizational success.

GIFT City offers 100% income tax exemption for 10 years out of 15 years

IFSC Unit has the flexibility to select any 10 consecutive years out of a 15-year block

Minimum Alternate Tax/Alternate Minimum Tax at 9% of book profits is applicable on companies set up as a unit in IFSC-MAT

Interest income paid to non-residents on money lent to IFSC units is not taxable, making it significantly attractive to investors

Transfer of specified securities listed on IFSC exchanges, by a non-resident not treated as transfer-gains accruing thereon not chargeable to tax in India



No GST on services received by units in IFSC or provided to IFSC / SEZ units, offshore clients

State subsidies are offered under IT/ITeS Policy - capex and opex incentives, incentives on PF contribution, incentives on upskilling employees etc.

GIFT City offers exemption from currency control regulations to IFSC Units: Under SEZ Act, a unit set up in IFSC is treated as a non-resident. Even under Foreign Exchange Management Act, 2002 ("FEMA"), units in IFSC enjoy the benefits of a non-resident under exchange control provisions.

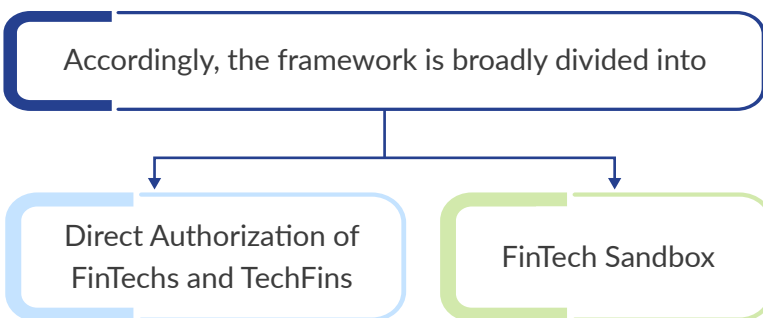
Under the new OI Rules 2022, any person resident in India is allowed to make contribution in an investment vehicle in GIFT IFSC as an OPI, enabling Indian residents to setup and provide sponsor contribution towards the funds in GIFT City

FINTECH IN GIFT IFSC

GIFT IFSC - CREATING AN ENABLING FINTECH ECOSYSTEM

Overview

The framework for FinTech and or TechFin entities at GIFT City has been enabled through a circular dated April 27, 2022, with the express intent of boosting the establishment of a globally leading FinTech Hub comparable with other International Financial Centres.



The Sandbox alternative can further be classified into various testing formats¹, with the move aimed at encouraging FinTech players to experiment and develop their innovative ideas without concerns about regulatory compliance.

These sandbox options include the -

- ➔ Regulatory sandbox
- ➔ Innovation sandbox
- ➔ Inter-operable regulatory sandbox, and
- ➔ The overseas regulatory referral mechanism

1. <https://www.lexology.com/library/detail.aspx?g=75c48bc5-86f1-444f-be70-22a274e69a1e>



REGULATORY SANDBOX

The regulatory sandbox allows an Eligible Applicant to apply to the IFSCA for permission to test their ideas or solutions using innovative technology in core products or services, business models, or methodologies related to financial services that are regulated by the IFSCA or are likely to be regulated.



By participating in the regulatory sandbox, the Eligible Applicant can operate without the constraints of the regulatory environment. However, they must demonstrate that such relaxation from the regulatory environment is necessary for the development of their idea or solution.

Upon successful completion of the regulatory sandbox program, the entity can choose to operate as a FinTech entity in the IFSC (International Financial Services Centre) and will be authorised by the IFSCA to operate under the appropriate regulatory regime. To proceed, the applicant must establish either an entity or a branch in the IFSC. The regulatory sandbox is available to entities operating in the capital market, banking, insurance, and other financial service sectors within the IFSC.

FINTECH INNOVATIVE SANDBOX (FIS)

Separately, a company or organisation that meets the eligibility criteria can apply to the IFSCA for permission to test and develop their ideas and solutions in a controlled environment called the FinTech Innovative Sandbox (FIS).



Such applicants do not enjoy any relaxation from the regulatory requirements and, following the successful completion of the FIS program, they have the option of applying to the IFSCA for authorisation to operate within the regulatory sandbox.

INTER OPERABLE REGULATORY SANDBOX (IORS)

In addition, the FinTech Framework also includes the provision for an Inter Operable Regulatory Sandbox (IORS), which permits the testing of innovative hybrid financial products or services that fall under the regulatory jurisdiction of multiple financial sector regulators. The main objective here is to facilitate collaboration between innovators and different regulators, providing a streamlined process for testing hybrid products.



This route is exclusively available to foreign FinTech entities seeking entry into the Indian market and, upon successful completion of the IORS programme, they must approach both the IFSCA and the relevant regulators for authorisation, before launching their products.

“ 70 APPLICATIONS ALREADY RECEIVED IN ITS VERY FIRST YEAR, UNDER THE FINTECH ENTITY FRAMEWORK 2022 ”

Further, the sector is witnessing robust support from the recently launched FinTech Incentive Scheme, which is a first of its kind FinTech cooperation agreement with the Monetary Authority of Singapore (MAS). In this scenario, GIFT City’s FinTech segment has appealed to a bevy of countries resulting in the receipt of applications from FinTechs based across 12 countries, including USA, UK, Australia, Singapore, France and India.

Grant amount ranges up to INR 75 lakhs²

Available to FinTech entities that are part of the Regulatory or Innovative Sandbox, entities referred to the IFSCA through a FinTech bridge arrangement with another regulator, as well as entities that have participated in or are currently engaged in accelerated programs, cohorts, or other special programs supported or acknowledged by the IFSCA.

Innovations at GIFT City, focused on enabling the FinTech sector, include new age technological advances such as Blockchain, Artificial Intelligence, Agritech, Quantum, Tokenisation, and Spacetech, as the landscape expands in scale and capability to house the foremost FinTechs of the new era.

2. <https://www.lexology.com/library/detail.aspx?g=75c48bc5-86f1-444f-be70-22a274e69a1e>

ELIGIBILITY CRITERIA

- Indian applicant: An entity registered with DPIIT as start-up related to FinTech; or a company or LLP incorporated in India; or a branch of Company/ LLP in IFSC; or an entity working directly or indirectly in the ecosystem regulated by RBI / SEBI/ IRDAI/ PFRDA is permitted to set up base in GIFT City
- Foreign applicant: Entities belonging to FATF compliant jurisdictions are permitted to commence operations within GIFT City

MANDATORY REQUIREMENTS OF THE APPLICANT

- Use technology in the core product or service, business model, distribution model or methodology; or
- Have presence of deployable solution/working product; and
- Have Revenue earning track record in at least 1 of the last 3 financial years

PERMISSIBLE ACTIVITIES UNDER THE FRAMEWORK

- FinTech solutions which results in new business model, applications, process or products in financial services
- Tech Fin services / solutions in form of advanced or emerging technology solutions in allied areas/ activities which aids and assists activities in relation to financial products / services / institutions – [Refer section 'Allied Activities' in exhibit 1.1
- Refer to Exhibit 1.1 below for further details.



OPPORTUNITIES



Banking Sector

- Remittance and payments
- Digital lending
- Buy now pay later
- Crowd lending
- Digital bank (NCO Banking / Challenger Bank)
- Open Banking



Capital Markets and Fund Management

- Crowd Funding
- Personal Finance
- Wealth Tech
- Robo Advisory
- Sustainable Finance Products
- Alternate trading platforms



Insurance Sector

- Insur Tech
- Innovative technologies for insurance life cycle (underwriting, claims management for life / health products)
- Digital innovation for global health cover
- Innovation in commercial insurance
- Digital platform for settlement of balances between insurance companies
- Open insurance
- Embedded insurance
- Cyber insurance



Allied Activities

- Agritech
- Accelerators
- Climate/ Green/ Sustainable Tech
- Defense Tech
- Regulatory Tech
- Space Tech
- Supervisory Tech
- Technology solution providing digital banking
- Technology solution aiding Trade Finance
- Solutions / services for BFSI domain covering certain aspects like metaverse, AI/ML, cyber security, KYC/AML, Quantum Tech, Web 3.0

Exhibit 1.1

In June'23, US-based tech giant Google announced its plans to inaugurate its global FinTech operations centre at GIFT City, indicating the SEZ's appeal to major global powerhouses. The new Google centre is expected to cement India's leadership in the evolving Global FinTech leadership arena, with the move likely to be bolstered by India's ubiquitous Unified Payments Interface and Aadhaar platforms.