

# GIFT City

Heralding a new era of financial dominance

Knowledge partners:



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# Key message from GIFT City



**Mr. Tapan Ray**

**Managing Director & Group CEO  
GIFT City**

Conceptualised as India's first International Financial Services Centre (IFSC) by the Hon'ble PM of India, Shri Narendra Modi, GIFT City has come a long way since its inception. The Global Financial Centres Index has ranked GIFT City among the top emerging global financial centres, where a significant number of funds, banks, broker dealers, International stock Exchanges, in addition to a number of ancillary establishments have already been enabled. Envisioned to provide a conducive business environment at par with global financial centres, GIFT City is steadily evolving into a go-to place for ease of business initiatives.



It is ideally positioned as a gateway both for inbound and outbound requirements of international financial services in India. Its overarching goal is to provide on Indian soil, such financial services that are currently consumed outside India by overseas financial institutions and overseas branches / subsidiaries of Indian financial institutions. IFSC at GIFT City is developing into a location with an ecosystem comparable to other offshore locations, while at the same time complementing the development of domestic financial markets in India.

With a unified regulatory framework and a competitive tax regime, IFSC at GIFT City is on course towards onboarding international financial services like multibillion banking businesses, Alternative Investment Funds (AIFs), among others, which have, in the past, been transacted through other international jurisdictions.

Going forward, we aim to position GIFT City as a one-stop destination for all international financial services and innovations in this regard. International universities would be setting up centres of academic excellence, providing courses in financial management, fintech and STEM, free from domestic regulations, further leveraging India's competitive advantage in these niche areas. GIFT City thus offers an incredible opportunity for all stakeholders to benefit from the emerging ecosystem.

In this scenario, we look forward to the catalytic role of AIFs, through the creation of nuanced and impactful financial solutions, and empowered by the innovative regulatory regime at hand. With benefits ranging from lower operating costs and subsidies granted by the government, abundance of skilled resources, proximity to the onshore market, and world-class infrastructure to exemplary connectivity, GIFT City is, in all aspects, a literal and figurative GIFT for AIFs.

Indeed, as GIFT City takes confident steps into India's 'Amrit Kaal', the opportunities we foresee, in the foreseeable future, are nothing short of enormous.

# Key message from Equalifi



Mr. Aditya Gadge  
Founder & CEO  
Equalifi (erstwhile AIWMI)

As the IFSC at GIFT City opens India's pathway to international financial and technological fortitude, we at Equalifi, a global membership network of financial services leaders, professionals, and aspirants, are extremely bullish about the possibilities being offered by the innovative ecosystem. We believe that the IFSC at GIFT City will play an imperative role in the development of India's financial capabilities, especially in bolstering the fast-evolving Alternative Investment Fund space. The Indian AIF industry has witnessed remarkable and rapid growth in the last decade and Equalifi has been an integral part of this expansion.



Through our journey, we have essayed a major role in guiding and enabling the development of the financial services sector, by associating with key industry participants like the Government, the Regulators, the Industries/Associations, the Corporate, the Media, and the General Public. In this scenario, we believe that our association with GIFT City will empower us in furthering our objectives and unlocking tremendous value for all stakeholders. Through sustainably boosting awareness, educating the audience, and fostering a community of individuals and corporate players focused on propelling the Indian AIF industry forward, Equalifi looks forward to remaining a central entity in the country's fruitful Amrit Kaal.

The GIFT IFSC is a testament to the visionary ambitions of our honourable Prime Minister, and, as the nation unites behind this financial and technological powerhouse, we invite you all to join hands with us, on the stellar journey ahead. India has always celebrated its unique diversities and maintained a united front in its achievements and we believe that the same approach will further our strides on this path too. As the country prepares for international superstardom, this is the right moment for all the diverse financial sector stakeholders to coalesce under the unified vision of India's supremacy and Equalifi looks forward to being the unifying force behind this endeavour.

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# Thoughts by **knowledge partners**

Knowledge partners have been showcased alphabetically.



**Mr. Utsav Shah**

**Principal Officer & Head GIFT IFSC  
Aditya Birla Sun Life AMC Limited**

India's maiden International Financial Services Centre (IFSC), situated at GIFT City, Gandhinagar, is an incredible opportunity for the country's innovative financial service providers to expand their global reach. As an offshore jurisdiction within India, we envision that GIFT City will become an increasingly popular destination for foreign capital, thanks to a competitive tax regime and beneficial cost of operations as well as the stupendous ease of doing business.

IFSCA in the month of April 2022 notified IFSCA (Fund Management) Regulations, 2022, which provides a comprehensive regulatory framework for Fund Managers and Funds in GIFT IFSC.

Aditya Birla Sun Life AMC Limited inaugurated its office at GIFT IFSC marking the beginning of our operations from GIFT City in the month of December 2022. Our new unit at GIFT City is a strategic step towards the growth of our international business and we are primed to expand our reach and service global clients optimally. We will be offering exemplary solutions and investment management and advisory services to prospective and existing clients across Sovereign Wealth Funds, Family Offices, Global Funds, Institutional Investors, High Net worth Individuals, among others. We are currently in the process of launching multiple funds domiciled in GIFT City. Recently, we became the first asset managers at IFSC to use Bloomberg AIM.

We are putting in concerted efforts to contribute towards the Government's initiatives and boost the growth of India's flagship IFSC in the years ahead. We have been working closely with IFSCA for development and promoting of fund management ecosystem in GIFT City by providing our inputs on the regulations, suggestions for incremental development of GIFT City, sharing our experiences on various international practices and by being part of various overseas meetings and roundtable discussions.

As India takes confident steps towards a promising new future, we are standing on the brink of extraordinary outcomes and we welcome you to join us on this immensely fulfilling voyage.



# Thoughts by **knowledge partners**



**Mr. Jayesh Khaitan**  
Managing Director  
Ascent Group India

The IFSC in GIFT City is rapidly emerging as a global fund destination, thanks to the supportive reforms in regulation and the enabling tax incentives being offered by the Government of India, making it an ideal spot to set up shop in.

The hub of innovation offers an integration with the global markets as well as an unprecedented opportunity to set up a wide variety of structures, and simplify deal structuring, in addition to unlocking flexibility for AIFs and investors. Accordingly, the Indian government, with its absolute focus on supporting GIFT IFSC, is keen on fostering a leading global financial hub in India, over the next few years.



We believe that GIFT IFSC will perform the role of a lucrative option for private equity funds in the master feeder unified structure, on the back of stupendous operational ease and lesser cost to establish their feeder funds in GIFT, with the master fund being established in non IFSC India. It would also be beneficial for credit focused funds as a majority of the investors will be from jurisdictions having tax treaties in place with India, making it easier to avail applicable treaty benefits on interest income derived from IFSC funds. In addition, the GIFT IFSC, a hub of innovation also offers myriad attractions for hedge funds and Portfolio Management Services keen on setting up their base in India's vaunted gateway to international financial players.

In this evolving ecosystem, Ascent, an Independent Global Fund Administrator, dedicated to providing customized One-Stop solutions for all clients as well as end-to-end expertise across financial service operations to funds which are keen on building a base in GIFT IFSC. Our services include Fund Solutions, Corporate Solutions and Fintech Solutions and, with our headquarters in Singapore, we are uniquely positioned to offer clients a global perspective in an Indian setting. At present, our footprint is visible in 20 locations, across 12 countries and we believe in seamless client experience and ensure that the clients' best interests are at the heart of every solution we provide. We continue to innovate for alternative investment funds, private markets, asset managers, wealth managers and other investment funds to help them optimize operations and achieve their goals using market-leading technology.

Through its journey as a leading global fund administrator, Ascent has recognized the importance of continuously enhancing our offerings by integrating solutions into our global business model and, therefore, is best positioned to keep up with the dynamic nature of the alternative investment industry. Currently, we are administering over 600 funds, with an AUA (Asset Under Administration) of over USD 25 billion and we take this opportunity to invite you to collaborate with Ascent on creating a supremely fulfilling journey at GIFT City which will not only reduce the technology investment and operational risks, but will give you the time to focus on asset generation and portfolio management.

# Thoughts by knowledge partners



**Mr. Umesh Salvi**  
Managing Director  
Catalyst Trusteeship Limited

Gujarat International Finance Technology City (GIFT City) is emerging into the global finance & IT hub of India. Located in the tier-2 city of Gandhinagar, it aspires to change the Indian economy. It will constructively evolve the Alternative Investment Fund ecosystem by setting a benchmark for India, when it comes to providing global financial services that are currently carried out by overseas financial institutions and their branches/ subsidiaries. With the new "Fund Management" Regulations: 2022, issued by the International Financial Services Center (IFSC), India is earmarked to set up AIFs with global access, within GIFT City. IFSC provides a wide range of benefits and tax exemptions: Ultra HNIs residing outside India, or Indian UHNIs and HUFs, can also set up Family Investment Funds in GIFT City, and enjoy exemption of stamp duty, exemption from filing return of income for the non-resident Indians and exemption from PAN being a mandatory requirement.



The Fund Management Entity (FME) setup at GIFT City can not only set up AIF funds but may also provide Portfolio Management Services (PMS), creating - a great opportunity for individual investors who cannot afford to invest in AIFs directly. These PMS can undertake a co-investment, along with the AIFs, into the investee companies. In the future, IFSCA will expand the areas where there can be more flexibility in terms of ease of operations, accessibility to foreign exchanges, acquiring assets located in foreign countries, etc.

Furthermore, in the coming times, GIFT City will also enable fund's set up in a specific category to invest in other financial products/ assets such as real estate, bullion, and other physical assets like REITs and InvITs. This will attract foreign market players and pave the way setting up units in GIFT City, as this will become the most beneficial and cost-saving option, compared to other financial hubs like Singapore, Mauritius, etc. The inflow from foreign entities will help generate great revenue and develop infrastructure and employment opportunities. At present, jurisdictions set up in countries like Russia, Luxembourg, Singapore, and Mauritius are exploring the relocation of their existing setup to GIFT City, which will act as a Feeder Fund or Fund of Funds for the domestic AIFs, considering the benefits provided by the IFSCA.

Catalyst Trusteeship Limited, which has been in the business for the last 25 years, has set a benchmark in the domain. We are ranked as the number 1 Trusteeship Company by Prime Database and ranked 2nd in catering to more than 145 AIFs, among the various players in the market, which makes us the best trustee for your GIFT City dealings. With regards to Alternative Investment Funds / FME setups, we provide an end-to-end service to clients who are new to GIFT City, IFSC by setting up units at GIFT City IFSC, helping out with the availability of inventories, obtaining necessary approvals from the IFSCA/ SEZ, and managing the fund operations and administration. To avoid the obstacle of offshore settlers, Catalyst also provides settlor services for clients where the Trust / Fund being set up can be settled by the Trustee.

With our hands-on experience and technological advancement, we can contribute towards GIFT City by providing advice/suggestions on the development aspects and areas that can be implemented by the IFSCA Regulatory.

# Thoughts by knowledge partners



**Mr. Anupam Verma**  
Head of International Banking  
Unit & International Financial  
Institution Group  
ICICI Bank Limited



ICICI Bank IFSC Banking Unit (IBU) at GIFT City offers banking solutions to corporates including Transaction Banking, Current Accounts, Foreign Currency Deposits, Trade Finance (for importers and exporters), Corporate Finance including External Commercial Borrowing & Foreign Currency Term Loans. It provides banking and custody solutions to capital market participants and the fund ecosystem. For serving the NRI clients the branch offers products like Global Savings Account, Term Deposit, Loan against Deposit, Dollar Bonds, etc. It provides end to end banking solutions to the start-up ecosystem as well.

As India takes the road to USD 5 Tn GDP, GIFT City is providing the right catalyst to accelerate this speed. International Financial Services Centres Authority (IFSCA) as a unified financial regulator of GIFT IFSC continues to follow a progressive approach to regulation.

For the fund ecosystem, the regulatory regime at IFSC at GIFT City ticks all the boxes – a unified and progressive regulator, enabling FME regulations, an economical cost structure and presence of the entire capital market support system. Now, funds can deal in foreign currency staying within the territorial borders of India, while receiving all the benefits of an International Financial Offshore Centre.

GIFT City is the answer for existing India-focused global funds as well as Indian funds accessing global markets. Moreover, GIFT City also provides a platform for innovations in fund ecosystem across customer segments (like Family offices, ESG funds, Litigation funds), and new structures like VCC.

ICICI Bank IBU is pleased to announce full-fledged support to the fund ecosystem and look forward to become the partner of choice in GIFT City by providing 360 degree banking and custody solutions.



# Thoughts by knowledge partners



**Mr. Dipesh Shah**  
Head  
Nuvama Asset Services

GIFT City, nestled in the heart of Gujarat's Gandhinagar, has been incepted as India's first International Financial Services Centre (IFSC). Powered by a conducive business ecosystem, financial incentives, regulatory independence and enabled by world-class infrastructure, the vision of becoming a hub for international financial services activities is solidifying into a decisive benchmark.

The new regulations have enabled it to emerge as a competitive jurisdiction with the potential to flourish further over the years.



In the years ahead, GIFT IFSC is primed to evolve as the all-encompassing destination for both financial innovation and progress, and Nuvama Asset Services is poised to offer global and domestic institutions a one-stop destination capable of meeting the nuanced requirements of asset managers, through its integrated suite of services. As a stellar opportunity for the government, and the country's burgeoning financial ecosystem, GIFT IFSC boasts the ability to transform India into a financial landscape at par with the global majors.

With its future-ready suite of solutions, Nuvama Asset Services can empower fund managers to focus on their core activities of product structuring, investments and research, while we manage important operational activities, thus fostering a symbiotic ecosystem capable of long-term sustainability and scale. We have created a seamless roadmap for fund managers keen on setting up shop in the GIFT IFSC, wherein we support their endeavours through a comprehensive, end-to-end support that includes a gamut of services like fund set-up in IFSC, India market access and complete suite of offerings for investment in India via FDI/FPI routes.

Nuvama's unique suite of services includes Set-up advisory, Securities Custody, Derivatives Clearing (Professional Clearing Member), and DDP services, ably complimented by a deep subject matter expertise. In addition, the Nuvama platform provides execution services, access to research, fixed income advisory, collateral management solutions, et al, ensuring that no part of the asset managers' need is left unfulfilled. Nuvama offers this platform, and all its specialised features, by way of a dedicated service Relationship Manager for each client, bespoke reporting, and digital delivery of most services.

As we prepare to provide the backdrop for India's financial success story at GIFT City, we call upon our manifold laurels, including being recognised as the Single Market Custodian, 2022 by Asset Servicing Times' Industry Excellence Awards and the Best Hedge Fund Custodian, 2022 by HFM Asian Services Awards, to make our case. Further, Nuvama Asset Services has also scored the highest and stood first in the Global Custodian Survey for both 2022 & 2021, indicating our strong credentials as your partner of choice.

As GIFT City emerges as the land of opportunities, we invite you to collaborate with us on designing a winsome tale of success in India's financial ecosystem.

# Depth of Research: Methodology

The report shares the insights through multiple sources of information including secondary and primary research. More than 50 interviews were conducted across fund managers who have set up office in GIFT city, are in the exploratory stage or have not contemplated doing so. We have also included subject matter experts, and other service providers associated with the GIFT city ecosystem, combined with extensive research on available thoughtware on the sector.

## Research objectives:



Detail out the nuances of setting up funds in GIFT City and key considerations for service providers.



Represent New Fund Regime to relevant players in the ecosystem and depict impact of new regulation.



Showcase global benchmarks and bring across an unbiased view of the GIFT city ecosystem to various stakeholders including manufacturers, investors, service providers, regulatory bodies, associations.

## Research methodology:

### Virtual Survey



Online survey with leading Fund managers, Distributors, wealth managers and service providers (Custodians, Fund Administrators, Legal & tax consultants), to gather data and identify trend indicators

### 1:1 interviews



1:1 Interviews with senior leaders (CXOs of funds and services providers, Product/ Investment heads, Leading Family Offices, Senior Wealth Managers, SMEs) to gather actionable insights.

### Discussion



In-depth discussions with GIFT city team to incorporate their view, experiences and thought process with regard to the fund set-up, regulations, new fund regime and next steps to help the industry prosper.

The report covers >60% of the funds & service providers set-up in GIFT city.

In-depth secondary research was conducted by leveraging reliable publicly available information. Extensive data was collected and then analysed to arrive at meaningful insights.

The research has been conducted by [Eleveight](#) (erstwhile, The Stack Co.)

Eleveight is a strategy consulting firm built on a foundation of robust research, analytical rigour, and succinct articulation. We work with businesses across sectors like BFSI, Pharma, Food Service, CSR to elevate their results through quality research, business strategy, digital transformation and content creation by following an integrated approach towards planning and implementation. Eleveight has a compact team of researchers, industry experts, practitioners that have an experience in delivering large scale projects for global and domestic clients.

# Executive summary - 7 key messages



## Financial Gateway to India

GIFT International Financial Services Centre (IFSC) is well-positioned to act as a gateway to India, facilitating both the inbound flow of capital and the outbound flow of financial services. It will play an integral role in channelising the flow of financial services transactions, especially those taking place in foreign jurisdictions, to India. Further, the robust regulatory and infrastructure ecosystem established at GIFT IFSC will attract both domestic as well as international participants, thereby elevating India's position.



## Conducive infrastructure for growth

GIFT City is a multi-service Special Economic Zone (SEZ) with both an IFSC and a local finance centre. It has created a formidable ecosystem of financial service providers to enable ease of set-up and ease of doing business. GIFT IFSC currently has more than 400 licensed financial services entities across the banking sector, insurance sector, capital markets, and ancillary services providers like fund administrators, trustees, legal, taxation, & accounting firms, etc.



## Support India's growth aspirations

India is well on its way to becoming a USD 5 trillion economy with multiple levers like enabling regulations, robust infrastructure development, and policy clarity already in place. Inarguably, the financial services industry will act as a tailwind for growth and further accelerate India's growth journey. In that regard, it has been observed that the establishment of an IFSC can significantly contribute to economic growth and job creation – a role that GIFT IFSC can essay well.



## Enabling regulatory environment

In any industry, and particularly in the financial services industry, regulation can play a catalytic role in creating an environment where businesses can thrive while protecting the interests of all the stakeholders in the ecosystem. On that front, GIFT IFSC not only adopted global best practices but also set the benchmark with respect to introducing regulations that optimally manage the tenuous balance between growth and governance.



## Strong regulatory thrust for funds

GIFT IFSC offers investment funds a host of tax and other incentives that can allow them to compete on a global platform and achieve scale. More specifically, the new fund regime holistically covers important aspects such as taxation, leverage, investments through segregated portfolios and Alternative Investment Funds (AIFs) in India, portfolio diversification, investments in mutual funds, overseas investments, etc.



## Thriving ecosystem

The presence of a thriving ecosystem ensures that all participants in the ecosystem can optimally harness the value engendered by the multiple ecosystem players. While GIFT IFSC has created an enabling environment for the financial services industry, it has also built an attractive ecosystem that enables growth and prosperity for the people at the SEZ. For example, it has a dedicated residential zone, enhanced mobility options, retail cum entertainment hubs, access to technology, and excellent social infrastructure that includes educational institutions, international & domestic schools, state-of-the-art healthcare, etc.



## Competitive relative to global benchmarks

Inarguably, GIFT IFSC is competing with global jurisdictions, many of which have already been operating for more than 10 years. However, despite GIFT IFSC's nascence, it has ensured that its offerings in terms of taxation, regulations, infrastructure, etc., are on par with, or better than, global jurisdictions.



“  
What are  
people saying  
about  
**GIFT City?**”

“ While India has always been a destination of choice for global investors, its eventual emergence as an independent asset class will further amplify its appeal to international investors. Inarguably, India has a strong geographical as well as talent advantage. Creating an IFSC on par with global jurisdictions like Singapore and Luxembourg will only serve to enhance India's position as an investment and business destination of repute. ”

**Aashish Sommaiyya**

Executive Director & CEO  
WhiteOak Capital Asset Management Limited

“ GIFT City is well positioned to attract foreign capital to India. However, it is important to identify the type of capital, in terms of product choices, that it will attract. From the perspective of taxation on debt securities, Singapore is at a disadvantage while most investors would be agnostic between Mauritius and GIFT City. However, when it comes to equity or derivatives, GIFT City offers level playing field. Generally, investors and businesses prefer well-regulated markets which is why the comparison is usually between Singapore and India. While Singapore offers a host of incentives and great ease of doing business, it is cost prohibitive compared to India. Overall, investors who already have some exposure to India should be comfortable investing in AIFs based out of GIFT City. ”

**Amit Garg**

Director & CEO  
IIFL Capital Pte Limited/Singapore

“ GIFT city is an exemplary initiative to showcase India to the world and is on the pathway to become a market maker of the future. The readiness of GIFT city in comparison to India's financial hub, Mumbai as well as other international jurisdictions has improved overtime and we expect the speed to accelerate further. With leading manufacturers, wealth managers and service providers setting up offices in the GIFT city, the capability of the jurisdiction to offer more to its stakeholders will enhance further. ”

**Amit Saxena**

Director and Head Alternative Investment Funds  
Dolat Capital Market Private Limited

“ One of the best things about GIFT City is that the officials at GIFT City listen and are constantly endeavouring to gather feedback and improve offerings and solutions. This cannot be said about any other jurisdiction. ”

**Apoorva Vora**

Founder & CEO  
Finolutions LLP

“ We must acknowledge that tax arbitrage is a big factor for accelerating adoption and GIFT City has a series of advantages wrt taxation. From a more holistic perspective, the bottom line is that everything can be done through GIFT City – it is a great ecosystem that offers lowest cost, proximity to home market, and comfort with regulators. ”

**Ashish Gumashta**

Executive Chairman  
Julius Baer India

“ Alternatives Investment Funds in India also provide an opportunity for global investors looking to generate higher yields in a growth market like India. With a view to facilitate this and establish India as a preferred destination for foreign funds, the Government of India has set up GIFT City in Gujarat, India's first International Financial Services Centre (IFSC). This global financial centre will provide state of the art financial services and SEZ benefits for companies looking to set up their presence in GIFT City. Recent regulations introduced by the IFSC Authority for retail as well as non-retail investments will make it easier for foreign investors to invest in Alternatives solutions in India and will drive the next stage of growth in deepening capital markets in the country. ”

**Ashwin Patni**

Head Products and Alternatives  
Axis Asset Management Co

“ GIFT city is becoming an alternate fund jurisdiction for India facing businesses. It's a cost effective FATF member country and hence comes with its own benefits compared to say Mauritius or Singapore. Additionally, its easier for Indian fund managers to set up a shop at GIFT compared to other global jurisdictions; especially after changes in the Overseas Investment regulations and exemptions allowed under the said regulations, the fund management company and its ownership has become simple compared to any other jurisdiction across the globe. Hence in my opinion an economical, compliant, and easy to own fund management business is only viable at GIFT IFSC. ”

**Dev Sampat**

Co-founder  
Dovetail Capital

“The GIFT City ecosystem is very strong with most of the service providers, of both national as well as international repute, already present there. The enabling tax regime, robust infrastructure, and forward looking leadership will definitely add to GIFT City's appeal and position it as the jurisdiction of choice for domestic and international funds. Its evolution has been noteworthy - in the past year itself, several new regulations that support business growth and embrace international standards, were announced. At the same time, it is important to underscore that its ascent has only just commenced and all stakeholders need to contribute to its growth and global acceptance.”

**Dipesh Shah**

Head  
Nuvama Asset Services

“AIFs have seen tremendous growth in assets over the past few years. We have been witnessing an increase in our clients and their portfolio allocations towards AIFs. With GIFT city offering competitive tax incentives, higher operational efficiency, favourable growth environment, we foresee more funds getting attracted to the jurisdiction which in turn will boost investor confidence in the alternative assets.”

**Ganesh Jha**

CEO & Co-Founder  
Finoffi

“GIFT is a pool of opportunities not only to India but the entire world as an integrated hub for financial and technological services. GIFT City is India's answer to IFCs globally. I believe this will foster the innovation of new products and possibilities.

A unified regulator, state-of-the-art infrastructure and a consistent policy push from government has given rise to unprecedented growth in the recent times. This has encouraged sustainable finance and economic development.

We at Ascent, are one-stop-solution to all your fund administration activities and strive to deliver highest quality with our global footprint.”

**Jayesh Khaitan**

Managing Director  
Ascent Group India

Section 1

**GIFT City:  
The Financial Gateway to India**



# Introduction to GIFT City and alignment with the **vision of the Government of India**

A brainchild of Hon'ble Prime Minister (PM) Shri Narendra Modi, Gujarat International Finance Tec-City (GIFT) is the initiative of the Govt. of Gujarat supported by the Govt. of India (GoI), for the development of a smart city and IFSC at Gandhinagar, Gujarat (India). It is India's first operational greenfield smart city and IFSC.

In his recent remarks for GIFT City, Hon'ble Prime Minister said,

“India is one of the world's leading economies and will grow even bigger going forward; we should build institutions that can cater to our present and future roles.”

He further added that integration with global markets and supply chain is a major agenda for the country and GIFT City acts as an important gateway to it. The end goal is to make India a financial superpower and **GIFT City is envisaged to play a catalytic role in achieving this goal.**

## GIFT City Key Plan



# The GIFT of the tri city



GIFT City is located between Ahmedabad and Gandhinagar in the state of Gujarat. While Ahmedabad is the business capital of the state, Gandhinagar serves as its political capital, epitomising modern architecture and planning. The tri-cities stand together as proud symbols of an era gone by, and a future which holds many promises.

- 20 Mins from Ahmedabad International Airport
- 15 Mins from the nearest railway station
- On the banks of the Sabarmati River
- Along National Highway 48 (Delhi-Mumbai Industrial Corridor)
- Metro connectivity between Ahmedabad, GIFT City and Gandhinagar (Approved by the Govt. Of Gujarat)
- 15 Mins from proposed Bullet Train Terminus (Ahmedabad - Mumbai. approved by GoI.)

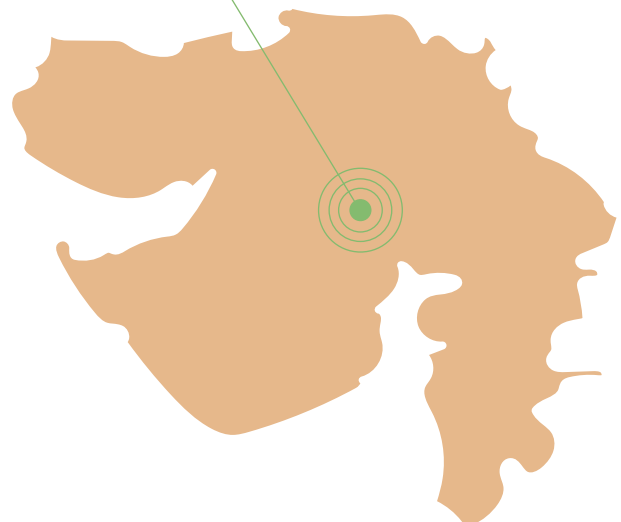
“Another special feature of GIFT City is that it is the main pillar of the tri-city approach. Ahmedabad, Gandhinagar and GIFT City, all three are just 30 minutes away from one another. And all three have their own special identity. Ahmedabad boasts of a glorious history. Gandhinagar is the centre for administration and the main hub of policy and decisions. GIFT City is the main centre of the economy. That is, if you go to any of these three cities, then you are only thirty minutes away from the past, present and future.

”

- Hon. Prime Minister Shri Narendra Modi

## Gujarat: Pride of the country

-  Strong governance & political stability
-  Positive business perception & conducive business ecosystem
-  Ease of connectivity
-  Reliable power availability
-  Robust infrastructure
-  Strong talent availability



# GIFT City's integrated development



## Commercial business district

- Smart & intelligent offices
- High-rise business district
- Landmark buildings



## Dedicated residential zone

- Well planned residential areas
- Walk-to-work
- Affordable housing



## Mobility

- External connectivity includes MRTS / Roads
- Efficient public - private transportation
- Dedicated pedestrian walkways
- Dedicated multi-level parking



## Technology

- Broadband FTTP
- Shared IT services
- Global connectivity



## Retail cum entertainment hubs

- High quality entertainment and recreational areas
- Smart retail spaces, restaurants, and sports areas



## Social infrastructure

- Educational institutes
- ICSE school
- State-of-the-art healthcare
- Foreign universities

# The unique offerings of GIFT City

GIFT City is a multi-service SEZ with an IFSC and a local financial centre. It is also India's first operational greenfield smart city and IFSC, promoted by the Government of Gujarat as a global finance and IT services hub. It was launched with grand aspirations and today, has found its place amongst the league of international financial hubs. The futuristic infrastructure development at GIFT City has won several awards and accolades at various forums. The Global Financial Centers Index (GFCI) report, London placed the IFSC in GIFT City among 15 centers globally that are likely to become more significant over the subsequent two to three years. GIFT City was also ranked 1st in reputational advantage in the GFCI.

GIFT City is spread over 886 acres of land and is being expanded to another 2000 acres of land. It is an integrated

city with commercial, residential, and social facilities. GIFT City has created high quality infrastructure in the form of District Cooling System (DCS), underground tunnel, automated waste collection system and city level water treatment plant. GIFT City is well connected with leading Indian and international cities.

GIFT City has been awarded the GREEN CITIES' PLATINUM Certification for 'Green Master planning & design and Implementation of GIFT City phase I development' by CII's Indian Green Building Council (IGBC). Global and Indian companies can consider GIFT City as an ideal destination that is in sync with their environmental and sustainability goals.

## World class infrastructure

GIFT City has a world-class infrastructure. This will help ecosystem stakeholders operate efficiently.



## Fiscal incentives

The central & state governments have announced various tax and fiscal incentives for institutions operating in GIFT City.

## Single window clearance

GIFT Urban Development Authority (GIFT UDA) has been constituted for well-planned urban development of the area. Further, the GIFT Notified Committee has been established for better management at the city level.

## Employment

Currently, more than 400 companies are operational in GIFT City, including leading financial services companies, IT/ ITeS institutions, and corporate entities. Further ~20,000 people (both direct & indirect) are working in GIFT City.

## Business cost efficiency

GIFT City offers ~20% reduction in the operating costs viz-a-viz other tier I locations.

## Quality of life

The corporates at GIFT City have witnessed low attrition which has helped them reduce cost in recruitment, retention, training, etc.

GIFT City is a preferred business place for all national and international IT and financial services companies.

# Business District

Gift Domestic Zone



## Talent availability –

surrounded by premier educational institutions

- Fintech
- E-Commerce
- Corporate office
- Processing centre
- Research & Development
- Global delivery centre
- Software Development Centre
- Innovation centre
- Support office
- BPO
- KPO





# Life at GIFT



“ The trajectory of GIFT City was obvious from the first time my business partner, Nikhil Kamath, and I visited at the start of 2021. With a unified regulator, codified and significant tax advantages, world class infrastructure, proximity to the market, it was clear that True Beacon needed to establish operations in this Special Economic Zone. Having closed down our Mauritius fund, True Beacon became the first operational Alternative Investment Fund in GIFT in May 2021, and it is a compelling jurisdiction for us and our clients. There is a real focus on developing business opportunities and IFSCA is incredibly proactive in ensuring global governance standards against the backdrop of a business-friendly regime. The whole experience of setting up in GIFT for our global investors has been overwhelmingly positive and as the ecosystem develops still further, our range of capabilities will grow further still.”

**Richard Pattle**  
Co-founder and CEO  
True Beacon

“ We have been supporting AIFs with strategic, tax, regulatory advice since the existence of the industry. It is encouraging to see the interest and confidence in GIFT City building-up at an accelerated pace. The regulatory clarity as well as enhancements being introduced by the regulators will bring in more Funds to the GIFT city in near future.”

**Malav Shah**  
Partner  
Minesh Shah & Associates LLP

“ Alternative investment is the future and it will earn fortune for tons of investors going forward. The need of hours is to make it a pervasive tool of investment with a lot of innovation on the front of Asset Class creation. The unlisted ones are there with huge potential but the challenge will be to make it more accessible to common investors. The industry has a long road to travel for this.”

**Pankaj Ladha**  
Investor, Trader & MF distributor

# IFSC at GIFT City

IFSC is a gateway in India and facilitates the movement of international financial services. In evolved economies, an IFSC acts as a jurisdiction, distinct from the home country, that provides financial services to non-residents and residents, in any currency (except the domestic currency), while ensuring adherence to the prevailing regulations. Such centres deal with the flow of finance, financial products, and services across borders. IFSC, as envisaged under the Indian context “is a jurisdiction that provides financial services to non-residents and residents (institutions), in a foreign currency”.

## Aim of Setting up IFSC at GIFT City

Inarguably, the financial services sector plays a critical role as an orchestrator of economic growth. In that context, GIFT IFSC was established to attract overseas financial institutions and the overseas branches/subsidiaries of Indian financial institutions to Indian shores and offer them

a compelling ecosystem for conducting their financial services business. Specifically, even though it is physically located in India, it has been designated, for all practical purposes, as a location that offers the same ecosystem advantage as their present offshore location.

Overall, this would help in the further development and growth of the Indian financial services ecosystem.

## IFSC Authority

The International Financial Services Centres Authority (IFSCA) has been established on April 27, 2020 under the International Financial Services Centres Authority Act, 2019 and is a unified authority for the development and regulation of financial products, financial services, and financial institutions in the IFSC at GIFT City



## Strategic objectives



To realise the vision of the GoI to emerge as a major economic power by facilitating the development of a strong base of international financial services in the country



To facilitate the implementation of the government's strategy for the development of a financial hub in the South Asian subcontinent



To position GIFT IFSC as a world-class zone for the long-term provision of office/service accommodation and high technological, economic and commercial infrastructure



To bring financial service experts sitting offshore back to Indian shores and transform India as a talent hub

# Creating a formidable ecosystem of financial players

Currently, there are more than 180 licensed financial entities in IFSC. The key institutions permitted to set up an IFSC unit are in the banking sector, insurance sector, and capital markets.



47% of the funds registered in GIFT City are Hedge Funds followed by 47% Private Equity, and 6% Venture Capital

There are more than 40 funds in the pipeline, some of which have already received an SEZ license

Among the 60+ registered funds, there are 10 mutual fund houses, including - DSP, IIFL, Kotak, Motilal Oswal, Nippon Life, Aditya Birla

With registrations slowly and steadily accelerating in GIFT City, an enabling ecosystem of service providers is also flourishing

There are 23 banks registered at GIFT City; some of which include- Barclays, Deutsche, HSBC, JP Morgan Chase, Standard Chartered, MUFG, NBD, BNP Paribas

Participation from global players is critical to building confidence and comfort of the key stakeholders, i.e., the investors

There are 39 service providers for funds - fund administrators, custodians, trusteeship firms, legal firms taxation firms, consultants, and other service providers registered with IFSC

With the ecosystem, which is taking shape for funds in GIFT City, we are seeing a huge attraction from various Fund Managers to set up in IFSC at GIFT City. GIFT City has created a formidable ecosystem for alternative investments funds, featuring fund administrators, trusteeships, legal entities, taxation and accounting firms, custodians, & service providers capable of managing the evolving requirements of the IFSC landscape at GIFT City.

**Sandip Shah**  
General Manager & HoD, IFSC & Strategy  
GIFT City



## Ease of setup indicative in **reduced timelines** for setting up business

Q: How much time did it take you to set up your office at the registered location in GIFT City?

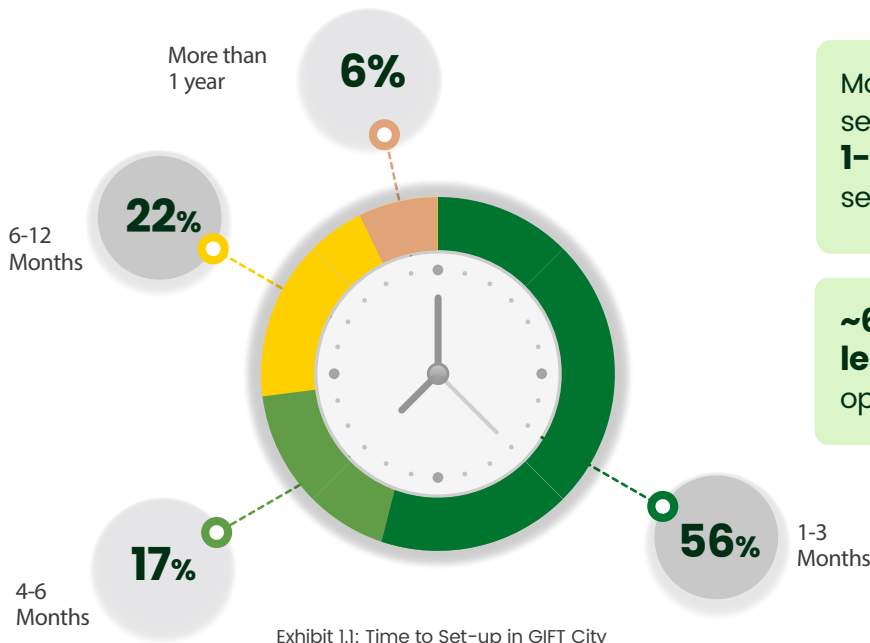


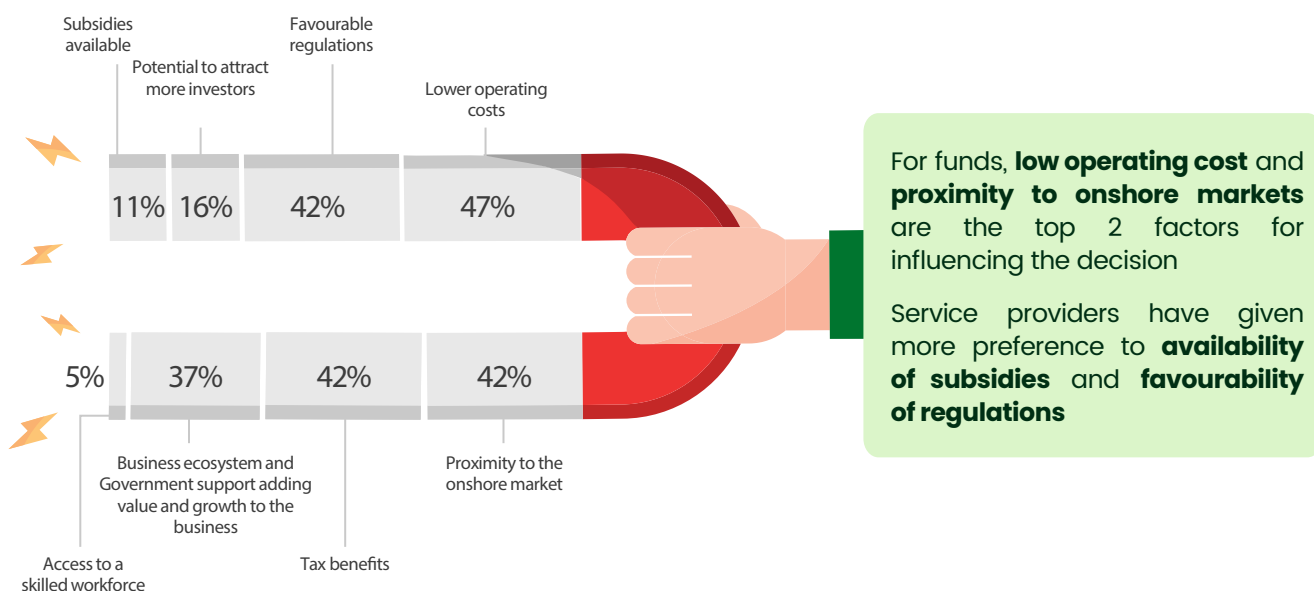
Exhibit 1.1: Time to Set-up in GIFT City

Most of the manufacturers and service providers surveyed took **1-3 months** to set-up their services in GIFT City

**~67%** of service providers took **less than 3 months** to start operations in GIFT City

## **Key benefits** that are attracting fund managers to GIFT City

Q: Choose the top 3 factors that influenced your decision to establish presence in GIFT City



For funds, **low operating cost** and **proximity to onshore markets** are the top 2 factors for influencing the decision

Service providers have given more preference to **availability of subsidies** and **favourability of regulations**

Exhibit 1.2: Key drivers for choosing GIFT city as the jurisdiction of choice for manufacturers and service providers

# Regulatory and taxation aspects of funds

## Regulatory benefits

- Unlike domestic funds, those in GIFT IFSC can borrow money or engage in leverage activities without any limit, subject to certain conditions
- Domestic Category I and II AIFs are not allowed to invest more than 25% in one investee company, while Category III AIFs are not allowed to invest more than 10% in one investee company. However, such conditions are not applicable to funds in IFSC.
- Permitted to invest outside India without any limits
- Permitted to invest through a segregated portfolio

## Other benefits

- Lower operating costs, in addition to other subsidies granted by the Gujarat government
- Availability of skilled resources
- Proximity to the onshore market
- World-class infrastructure, unparalleled connectivity, and transportation access
- Access to multiple markets and opportunity to become a part of a growing ecosystem supported by robust policy initiatives by the GoI



# I Taxation

In practically every nation in the world, taxation is commonly defined as the imposition of mandatory charges on people or organisations by the government. This makes taxation, and the associated norms, an integral part of both business as well as household decision making.

## Fiscal Benefits

1

Income tax benefits

Units in IFSC

- 100% income tax exemption for 10 years out of 15 years
- IFSC Unit has the flexibility to select any 10 consecutive years out of 15 years block
- Minimum Alternate Tax/Alternate Minimum Tax @ 9% of book profits applies to company/others setup as a unit in IFSC-MAT not applicable to companies in IFSC opting for new tax regime
- Investors: Interest income paid to non-residents on money lent to IFSC units not taxable.
- 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

\*Investors: Exemption from Security Transaction Tax (STT), Commodity Transaction Tax (CTT), stamp duty in respect of transactions carried out on IFSC exchanges.

## Goods and Services Tax (GST) Benefits

2

Units in IFSC

- No GST on services:
  - Received by unit in IFSC
  - Provided to IFSC / SEZ units, offshore clients
- GST applicable on services provided to domestic Tariff Area
- Investors: No GST on transactions carried out on IFSC exchanges

## Other Taxes and Duties

3

Units in GIFT IFSC

State Subsidies under IT/ITeS Policy -

capex and opex incentives, incentives on PF contribution, incentives on upskilling employees etc.

## Operational Benefits

4

- 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. This enables Indian residents to setup and provide sponsor contribution towards the funds in GIFT City.

# Key benefits for funds in GIFT IFSC

Section contributed by  
Rajesh Gandhi - Partner, Deloitte Haskins & Sells LLP



## Tax certainty

- Certainty on classification of income arising to AIFs in GIFT IFSC.
- No requirement for non-resident investors in IFSC AIF to obtain PAN and file tax returns.



## Leverage permitted

No restrictions on leverage, provided:

- Appropriate disclosure in PPM
- Consent of the investors
- Comprehensive risk management framework in place



## Investments through segregated portfolio and AIFs in India

- Co-invest in a portfolio company through a segregated portfolio by issuing a separate class of units
- Terms shall not be unfavourable to other investors under common portfolio
- Permitted to invest in an AIF registered with SEBI in India



## Portfolio diversification

- No investment restrictions in single investee company



## Investments in mutual funds

- Permitted to invest in units of schemes launched by mutual funds from FATF compliant jurisdiction, including India



## No restriction on overseas investment

- No restriction on overseas investments for AIFs in GIFT IFSC



## Investment restrictions

- FPI / FD / FVCI related restrictions and compliance requirements would apply for IFSC AIFs

# I Tax benefits

- Favourable Category III AIF tax regime for non-resident with:
  - Exemption on capital gains on transfer of specified capital assets listed on the IFSC exchange, and capital gains on derivatives and debt securities of Indian companies and offshore securities.
  - Reduced tax rate of 10% on dividends and interest.
  - Exemption for 'upside income' from security receipts.
- NR investors investing in Category I/II/III AIF exempted from filing a tax return and obtaining PAN in India subject to certain conditions.
- Portfolio/AIF managers in IFSC enjoy a 10-year tax holiday.
- Fund structures with 'substance' in IFSC to address POEM/PE/GAAR/MLI, and other tax treaty challenges.
- Relocation of the offshore fund /wholly-owned SPV to a AIF (Resultant Fund) in IFSC to be tax neutral for offshore fund/wholly-owned SPV, resultant fund, and its shareholders/unitholders.
- NR investors of the resultant fund or resultant fund itself exempt on gains from future sale, if the offshore fund was otherwise exempt on such gains before relocation.

## Taxation aspects related to the fund management entity and the Fund/Schemes set-up in the IFSC

### Taxation of the FME

An FME in the IFSC is eligible for 100% tax deduction on business profits for 10 consecutive years out of 15 years, at the option of the FME. Further, a concessional rate of Minimum Alternate Tax/ Alternate Minimum Tax of 9% (plus applicable surcharge and cess) is available for the FME in the IFSC. In case the FME is set-up as a company, the distribution of dividend by the FME would be taxable in the hands of its holding company.

From an indirect tax perspective, no GST is chargeable on the management fees/ carried interest charged by the FME to the fund in the IFSC. Further, no GST is chargeable with respect to services procured from India or offshore.

### Taxation of the Funds/ Schemes

The FM regulations provide that the schemes launched by these FMEs will fall under the purview of the respective AIF Category for taxation purposes. Thus, depending upon the investment objective, the Schemes will be characterised as Category I, II or III AIFs and the taxability of such schemes will accordingly follow.

1

## Funds/ Schemes in IFSC which are akin to Category I and II AIFs

For such Funds/ Schemes, pass through available for all incomes except business income, and the investors are taxed on income arising from investments made by the AIF as if the investments were made directly by them (similar to domestic tax regime). For determining the taxability of income, the foreign investors are eligible to claim benefits under the tax treaty. Further, foreign investors are exempted from obtaining PAN and filing tax return in India, subject to the suitable deduction of taxes at source and other conditions.

2

## Funds/ Schemes in IFSC which are akin to Category III AIFs

Capital gains on equity shares are taxable as per the domestic tax law provisions. However, capital gains on non-equity securities such as bonds and derivatives are exempt from tax, in line with the tax treaty with most of the popular offshore fund jurisdictions. Also, no tax is payable with respect to income earned from foreign securities. A concessional tax rate of 10% plus surcharge and cess is available on dividend and interest income earned by such Funds/ Schemes. Further, foreign investors are not required to obtain tax registration or file a tax return in India.

CAT I includes various types of funds such as venture capital funds, SME funds, social venture funds, infrastructure funds etc.

CAT II includes various types of funds such as real estate funds, private equity funds (PE funds), venture debt funds, private debt funds etc.

CAT III includes various types of funds such as hedge funds, PIPE funds, etc.

# Why funds, both domestic as well as global, should **set up in GIFT City**

Optimal allocation of capital can become one of the key drivers of economic growth and prosperity as investment vehicles like funds become the right conduits for channelising capital from areas of excess to areas of need. Inarguably, funds as an investment product are gaining traction amongst both Indian as well as global customers. This is exemplified by the fact that the number of AIFs in India have grown from 386 to 1088 over the last five years while commitments made to AIFs, across all categories, have risen by ~300% over the last five years. From an investor perspective, funds offer an opportunity to diversify the investment portfolio, access unique themes and ideas, and enhance the risk adjusted returns of the portfolio. From an ecosystem perspective, funds offer private companies access to sticky capital that can accelerate their growth journey and enable eventual value realisation. With this in mind, GIFT City has created a robust ecosystem and introduced a range of initiatives and regulatory/taxation measures that create a fecund environment for funds to set up and thrive at the jurisdiction.

Funds in GIFT IFSC can pool money from domestic and overseas investors (including NRIs) and are permitted to make investments in securities listed on the IFSC, issued by companies incorporated in IFSC/India/foreign jurisdiction, units of other funds, and other permissible investments as per SEBI (Alternative Investment Funds) Regulations, 2012.

## Value creation through business growth

Q: Have you seen significant business growth by providing services to fund managers from GIFT City?

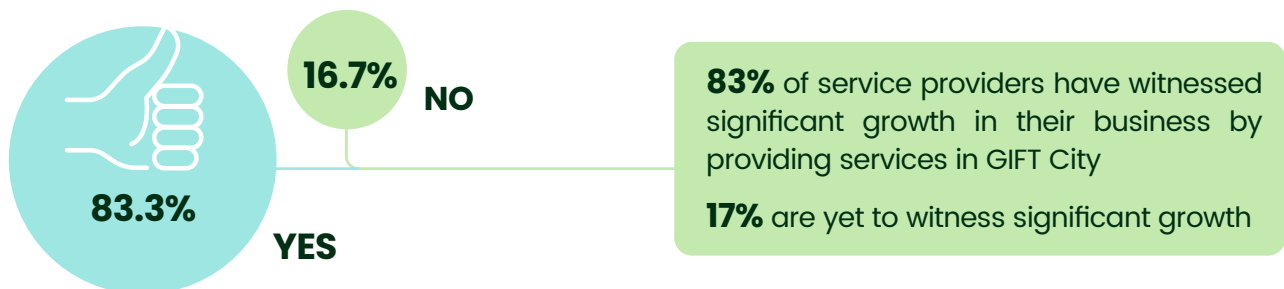


Exhibit 1.3: Impact on business growth for service providers

Q: How do you think the new IFSCA regulations are adding value to your fund management business?

Three key factors recognised by service providers/manufacturers are:



# What service providers & manufacturers have to say about **new IFSCA regulations**

“Easier setup for fund managers to expand operations, hence creating more opportunities for us”

“It has made the regulation more clear in terms of working and structure”

“The regulations is a nice step forward of creating an ecosystem similar as Singapore. Flexibility of launching various funds with many products for investment is biggest advantage”

“Regulating the Fund Manager vs the Fund will make setting up of new Funds easier and faster”

“Quick responses to the filled PPM is something which shall help a lot in launching products”

“GIFT funds regulations are at par with global jurisdictions”

“This is the favorite jurisdiction for Indian fund managers and now a lot of interest by overseas fund managers is building up. Global and NRI investor are also appreciating GIFT City”

“The new regulatory framework regulates the 'fund managers' instead of the 'fund', or the various investment products offered by the asset manager. This helps in speedy fund set up by avoiding multiple application processes by the same fund manager, thereby facilitating quicker launch, promoting ease of doing business and having a 'single window' registration for multiple activities”

“The regime is very flexible and the regulators are extremely approachable. Combined with the recent changes in ODI regulations, we are expecting a significant growth in the alternatives space in GIFT.”

# Challenges in setting up at GIFT City

Q: What challenges did you face while setting up your services/fund at GIFT City?

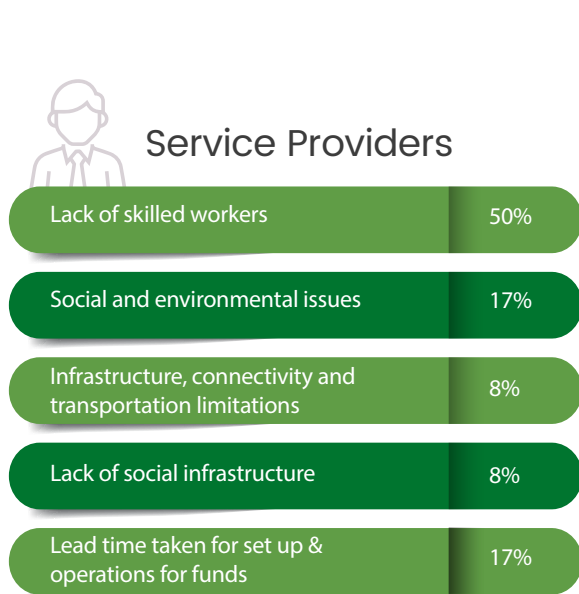


Exhibit 1.4: Key challenges for service providers

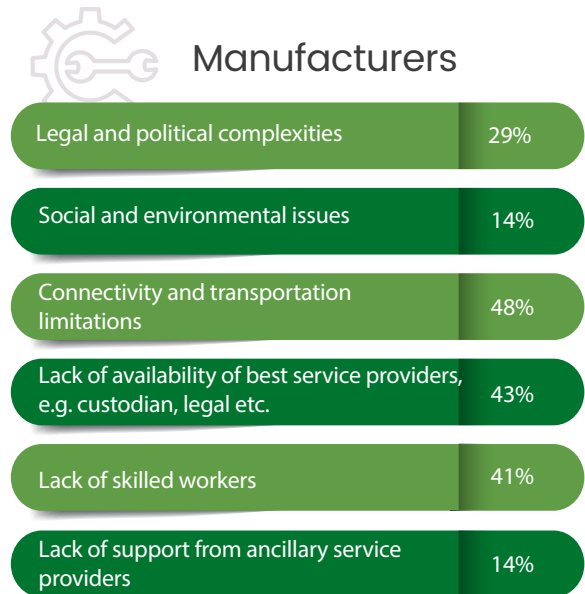


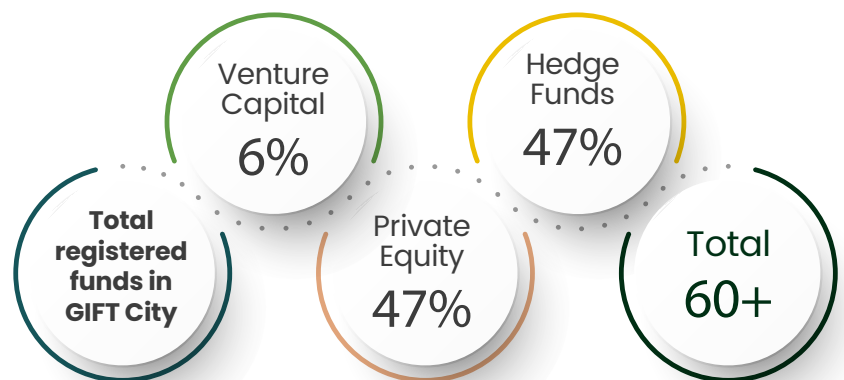
Exhibit 1.5: Key challenges for manufacturers

For service providers, lack of skilled workforce and limitations in social infrastructure are the two key challenges. Manufacturers expressed more concern towards infrastructure and availability of service providers.

# An enabling ecosystem for funds

Over the years, a number of players, both funds as well as service providers, have set up in GIFT City.

These numbers are increasing at an encouraging pace. An indicator of this is the continuous construction work seen in and around the GIFT City landscape.



All the fund managers interviewed are keen on registering with GIFT City indicating their confidence on the jurisdiction.

“With recent amendments, our target is to set up our next investment vehicle in GIFT City  
- Leading asset management company”



# Prominent FMEs set up in GIFT City

021 Capital Advisors LLP

Abans Alternative Fund Manager LLP

Aditya Birla Sun Life AMC Ltd

Alchemy Investment Management LLP

Alpha Alternatives Fund Advisors LLP

Ashoka91 International LLP

ASK Property Investment Advisors Pvt Ltd

Aventus Capital Public Markets Alternate Strategies LLP

Blacksoil Asset management Pvt Ltd

Blume Venture Investment Manager LLP

Carpediem Advisors Pvt Ltd

Chronos Investment Managers India LLP (Investcorp)

Cx Capital Advisors LLP

Dovetail Investment Management India IFSC Pvt Ltd

DSP Investment Managers Pvt Ltd

Edelweiss Alternative Asset Advisor Ltd

Equirus Wealth Pvt Ltd

Fireside Investment Advisors LLP

Five Rivers Portfolio Managers Pvt Ltd

IIFL Wealth Portfolio Managers Ltd

Investec Capital Services India Pvt Ltd

Kotak Investment Advisors Ltd

LRT India Investment Managers

Mirae Asset Capital Markets (India Pvt Ltd)

Mirae Asset Investment Managers (India) Pvt Ltd

MO Alternative IFSC Pvt Ltd

Mplier Venture Partners LLP

Multiples Asset Management IFSC Pvt. Ltd.

Nippon Life India AIF Management Ltd

Nish Capital Investment Advisors LLP

Northern Arc Investment Managers Pvt. Ltd

Nuvma Asset Management (ESL Securities Ltd)

Opsglobal Capital Advisors Pvt. Ltd (Basiz)

Phillip Ventrues IFSC Alternative Investment Fund

Rising Omega Advisors Pvt Ltd.

Sameeksha Investment Manager LLP

SBI Funds Management Pvt. Ltd

Singularity AMC LLP

SMC Global Securities Ltd

StakeBoat Capital LLP

Terazo Fintech LLP

The Investment Trust of India Limited

True North Credit Fund Managers

True North Managers LLP

Unifi Investment Management LLP

UTI Capital Pvt Ltd

A lot of prominent AMCs have set up shop in GIFT City. For eg, SBI Mutual Fund, Nippon India Mutual Fund, Aditya Birla Sun Life Mutual Fund & DSP Mutual Fund

“

India's first International Financial Services Center (IFSC) located in Gandhinagar's GIFT City extends numerous tax advantages and benefits to the fund ecosystem in India and overseas. Additionally, the initiatives from the regulator (IFSCA) are generating visibility for the financial services industry in India on a global scale.

**Ashish Shanker**

Managing Director & CEO  
Motilal Oswal Wealth Limited

”

# Ease of finding the right service providers

Q: How difficult was it to find the right service provider for your funds? E.g. Custodians, bank, trusteeship and depository services, etc., at GIFT City?

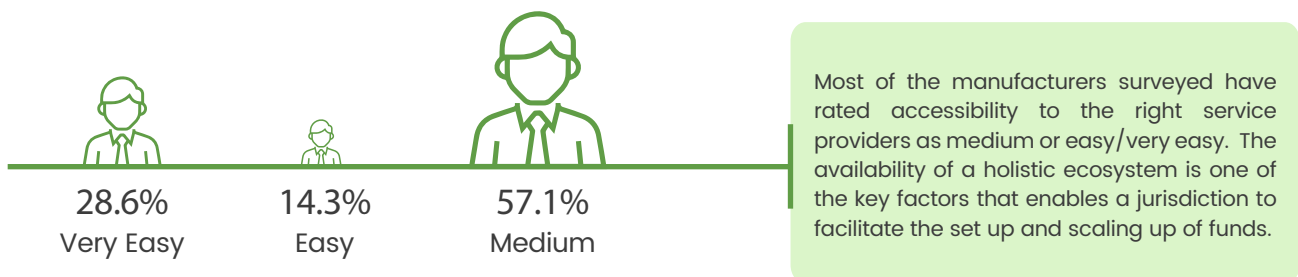


Exhibit 1.6: Access to right service providers for fund managers

“The GIFT city story is quite compelling and it is time to tell it more emphatically. As we evolve and bring in more competitive edge, India based fund managers do not need to step out to seek capital. Instead of losing business to other jurisdictions, the business can be generated in India. We are watching the developments closely to identify any future opportunities that may arise for us as well.”

**Rohit Sarin**  
Co-Founder  
Client Associates

“India is slowly becoming a destination of choice for global investors. Thus, establishing an offshore financial centre like GIFT City and introducing enabling regulations is a step in the right direction for India. Inarguably, AIFs set up in GIFT can target the LRS money. However, in addition to that, there is a huge potential to attract both NRI capital as well as capital from foreign institutional investors. This means that there is a need to establish an integrated ecosystem that allows for choice in investment options, for example AIFs, and the ability to seamlessly transact, i.e., brokerages, exchanges, banks, etc. It is good to note that such an ecosystem is already getting established at GIFT.”

**Sahil Kapoor**  
Head of Products & Market Strategist  
DSP Mutual Fund

# Key service providers for funds in GIFT city

## Trusteeship

Amicorp Trustee (India) Private Limited

Axis Trustee Services Limited

Beacon Trusteeship Limited

Catalyst Trusteeship Limited

IDBI Trusteeship Services Limited

Orbis Trusteeship Services Private Limited

Vistra ITCL (India) Limited

## Custodian

Axis Bank IBU

HDFC Bank Limited

ICICI Bank Limited

Kotak Mahindra Bank Limited

Stock Holding Corporation of India Limited

## Fund Administrator

Ohm Dovetail Global Services (IFSC) Private Limited

Ascent Fund Services (India) Private Limited

Basiz Fund Services Private Limited

Kfin Technologies Private Limited

WeRoute Global Fund Solutions Private Limited

Computer Age Management Services Limited

## Legal

BSR & Co. LLP

Cyril Amarchand Mangaldas - OFC

IC Universal Legal

Nishith Desai Associates

## Consultants & Other Service Providers

Price Waterhouse & Co. LLP

Enefu Advisors LLP

In.Corp Corporate Services LLP

JA Square Energy Ventures LLP

NorthStar Growth Advisors LLP

Ops Fund Services Private Limited

Ops Global Capital Advisors Private Limited

Throgmorton Services India LLP

Finolutions LLP

KPMG Assurance and Consulting Services LLP

Nyasa Capital Advisors LLP

RBSA Capital Advisors LLP

Swift India Corporate Services LLP

Kredx Ventures IFSC Private Limited

Moon SEZ & Management Consultants LLP

Swetark Consultancy services Pvt Ltd

Aadidaivam International Private Limited

Ernst & Young LLP

CNK Khandwala & Associates

Grant Thornton Bharat LLP

## Section 2

# All about the new regulations for funds

# Introduction to new regulations

Section contributed by

Rajesh Gandhi - Partner, Deloitte Haskins & Sells LLP

A robust asset management industry along with a well-developed regulatory ecosystem is pivotal to the growth of capital markets, which is critical to a developing economy such as India. The establishment of GIFT IFSC is one of the several credible steps taken by the GoI to 'onshore the offshore' financial services activities and create a level playing field for India to compete with some of the more established global financial services jurisdictions. Further, it will create an enabling environment where fund managers can undertake financial services transactions from India and financial institutions carrying out business outside India can bring them back to India.

However, recognising the need to be globally competitive, the government has introduced several tax and regulatory incentives for financial institutions set-up in the IFSC. This will make financial services intermediaries in IFSC globally competitive and facilitate their growth. GIFT IFSC is designed to cater to a vast range of financial intermediaries and service providers including asset management companies, funds and their ancillary service providers, banks, insurance, leasing, shared services, exchanges, broking, clearing, depository, custody, etc.

The FSCA, recognising the importance of the fund industry in financial intermediation, constituted an Expert Committee in May 2021, to assess the regulatory landscape for investment funds and fund managers operating in IFSC, review global best practices, and make recommendations to the IFSCA on the roadmap for the industry in the IFSC. The

committee compiled its recommendations to suggest a "best-in-class" regime that will support the growing aspirations of the asset management industry.

The Committee report was published by the IFSCA in January 2022, post which the IFSCA released the draft IFSCA (Fund Management) Regulations, 2022 for public comments. After giving due consideration to the comments received, the IFSCA notified the IFSCA (Fund Management) Regulations, 2022 ("FM Regulations"), which came in force on 19 May 2022. These regulations are in line with the IFSC Authorities objective to develop a comprehensive and regulatory framework for Investment Funds based on global best practices, with a focus on ease of doing business.

The FM Regulations also allow the fund manager to undertake a host of Fund Management activities under a single license, relating to retail schemes, non-retail schemes, PMS activities, etc., under single unified registration from the IFSCA.

Another key feature of the FM Regulations is the risk based approach, somewhat similar to the FPI Regulations. Fund management entities, pooling money from accredited or other large investors and making venture capital or other investments, are subject to lower regulatory oversight as compared to fund managers pooling money from retail investors.

## Fund regime in GIFT IFSC

The FM regulations provide for a comprehensive framework governing a host of fund management activities in IFSC ranging from various types of private investment funds, special situations funds, mutual funds, and hedge funds to portfolio management services, ETFs, family offices, REITs, and InvITs.

The below chart summarises the fund regime at GIFT IFSC:

### Fund Management in IFSC

#### Fund Management Entities

- Authorised Fund Management Entity
- Registered Fund Management Entity (Non-Retail)
- Registered Fund Management Entity (Retail)

#### Other Fund Management Activities

- Portfolio Management Services
- Investment Trust (REITs/ InvITs)
- Family Investment Fund

### Types of Funds

#### Schemes for Fund Management

- Venture Capital Schemes
- Restricted Schemes (schemes for non-retail Funds)
- Retail Schemes
- Special Situation Funds
- Exchange Traded Funds (ETFs)
- Environmental, Social And Governance (ESG)



# Regulatory framework for the FME - new regulations

Section contributed by  
Rajesh Gandhi - Partner, Deloitte Haskins & Sells LLP

The FM regulations provide an umbrella framework, to enable fund managers to set up, inter alia, retail schemes (including Exchange Traded Funds), non-retail schemes (alternative investment funds), venture capital schemes, portfolio management services, investment trusts (REIT and InvIT), etc. in IFSC, depending upon the type of registration obtained by the Fund Management Entity ("FME"). The three categories of licenses which can be obtained by the are FME as under:

## Authorised FME

for Fund Managers which pool money from accredited investors or other large investors and make venture capital investments

## Registered FME (Non-Retail)

for Fund Managers which pool money from accredited investors or other large investors by way of private placement and make investments in listed or unlisted

## Registered FME (Retail)

for Fund Managers which pool money from Retail investors

“

GIFT city is undoubtedly poised to succeed in domestic as well as global context. It is just a matter of time before the results are visible. However, a lot of pieces have to fall in place to hasten the process. There is no shortcut to success. Investors have to experience the benefits to realise how enabling, convenient, and effective the GIFT city ecosystem is. Three key factors that will bring in big momentum are lower operating cost, competitive taxation, and improved market depth which will positively impact transaction cost and enable seamless flow of both inbound and outbound capital.

### Saurabh Rungta

Senior Managing Partner & Chief Investment Officer  
Nuvama Private

”

“

GIFT is being positioned as India's gateway to international markets and has already made great strides in terms of becoming a jurisdiction of choice for many players. It is easier, simpler, and cheaper to operate in GIFT vis-a-vis a foreign jurisdiction like Singapore. Having said that, I think we have only scraped the surface in terms of potential and India is well-positioned to become a jurisdiction of choice for foreign investors, over the long-term. The key would be to understand what foreign institutional investors need and then accordingly create a holistic offering for the same.

### Shahzad Madon

Head  
Nippon India Alternative Investments

”

# Key features

The key features as provided under the FM Regulations for each type of FME are as under:

Particulars	Authorised Fund Management Entity	Registered Fund Management Entity (for Non-retail Funds)	Registered Fund Management Entity (for Retail Funds)
Regulatory oversight by the IFSCA	• Low	• Medium	• High
Permissible activities	<ul style="list-style-type: none"> <li>• Managing Schemes investing in start-ups or early-stage ventures through Venture Capital Scheme</li> <li>• Managing Family Investment Fund investing in securities, financial products and such other permitted asset classes</li> <li>• Angel Funds permitted to invest in early-stage venture capital undertakings ('VCU') or angel funds set up in IFSC, India or foreign jurisdiction</li> </ul>	<ul style="list-style-type: none"> <li>• Managing Venture Capital Restricted Schemes investing in securities, financial products and such other permitted asset classes</li> <li>• Portfolio Management Services</li> <li>• Investment Manager of Investment Trust (REITs and InvITs) offered under private placement</li> <li>• All activities as permitted to Authorised FMEs</li> </ul>	<ul style="list-style-type: none"> <li>• Managing Retail Schemes investing in securities, financial products and such other permitted asset classes</li> <li>• Investment Manager of Investment Trust (REITs and InvITs) offered to public</li> <li>• Managing Exchange Traded Funds</li> <li>• All activities as permitted to Authorised FMEs and Registered FMEs (for non-retail Funds)</li> </ul>
Types of Schemes which can be managed	• Venture Capital Schemes	• Venture Capital Schemes and Restricted Schemes	• All Schemes (retail as well as non-retail)
Launch of new scheme	• Green channel available – Scheme can be launched immediately upon filing the PPM with the IFSCA	• PPM to be filed 21 working days prior to launch of the scheme	<ul style="list-style-type: none"> <li>• Offer document to be filed 21 working days prior to launch</li> <li>• Fund can be launched only after receiving comments from IFSCA</li> </ul>
Type of investors permissible	<ul style="list-style-type: none"> <li>• Accredited investors</li> <li>• Minimum investment of USD 250,000 (USD 60,000 for employees / directors / designated partners of FME)</li> </ul>	<ul style="list-style-type: none"> <li>• Accredited investors</li> <li>• Minimum investment of USD 150,000 (USD 40,000 for employees / directors / designated partners of FME)</li> </ul>	• Retail as well as non-retail investors
Legal Structure of FME	• Company, LLP, Branch	• Company, LLP, Branch	• Company or branch of a company
Minimum net worth	• USD 75,000	• USD 500,000	• USD 1,000,000
Minimum Number of Directors	• NA	• NA	• 4 (atleast 50% to be independent)
Minimum Experience of FME	• Employ such employees who have relevant experience	• Employ such employees who have relevant experience	<ul style="list-style-type: none"> <li>• FME or its holding company has atleast 5 years of experience in managing AUM of atleast USD 200 million with more than 25,000 investors; or</li> <li>• One person in control of FME holding more than 25% shareholding/ share in profits carrying on business in financial services for a period of not less than 5 years</li> </ul>
Minimum number of Key Managerial Personnel ("KMP")	1	2	3

It is important to note that any change in the KMP requires a prior approval of the IFSCA. Further, the KMP are required to have a professional qualification or post-graduate degree or post graduate diploma (minimum 2 years) in finance, law, accountancy, business management, commerce, economics, capital market, banking, insurance or actuarial science, or a certification from any organization or institution or association or stock exchange and an experience of atleast 5 years in related activities in the securities market or financial products. The FM Regulations also have substance requirement for the FME, under which the personnel exercising influence or control over the management of the investment portfolio and who initiates the proposal on the portfolio composition shall be based in office of the FME in the IFSC, and all decision making shall flow from the IFSC.

### Portfolio Management/ Investment Advisory Services

Registered FME (Retail as well as non-retail) are also permitted to provide Portfolio Management Services or Investment Advisory services to their clients. These services can be provided to the non-resident clients or resident clients intending to invest offshore.

### Regulatory Framework for the Schemes

The FM Regulations permits a FME to launch various schemes, viz. Venture Capital Schemes, Restricted Schemes (Non-retail) and Retail Schemes. While the Registered FME (for retail Funds) can launch any type of Scheme, Registered FME (for Non-retail Funds) can launch only Venture Capital Schemes and Restricted Schemes. Further, Authorised FME can launch only Venture Capital Schemes.

For a lot of clients, India is now emerging as a separate asset class. From that perspective, GIFT City is a phenomenal opportunity for the government as well as local asset managers to attract capital which is more sticky and stable. AIFs have the ability to do so much and create more nuanced and compact solutions. The new regulatory regime at GIFT City could perhaps pave the way for the same.

**Shankar Raman**

ED & Chief Investment Officer  
Third Party Products & Investment Advisory Services  
Centrum Wealth

GIFT city is a welcome opportunity especially for fund managers who have developed a vintage outside of India. India as an ecosystem is evolving at a rapid pace e.g. we need more variations in strategies especially like venture debt , structured credit. With GIFT offering a comfort of familiarity to investors as well, we hope more nuanced products will get an opportunity to evolve faster.

**Roopali Prabhu**

The future of fund business is GIFT City. With investor-friendly regulations and infrastructure of global standards, for the huge amounts of inbound investment coming to India, GIFT City can be the preferred choice for global investors. With our domestic expertise in various investments, we are equipped to serve global investors in gift City. Technology will play a crucial role in all intermediaries providing services in GIFT City. Our technological advancement will give us an edge in providing better solutions.

**Umesh Salvi**

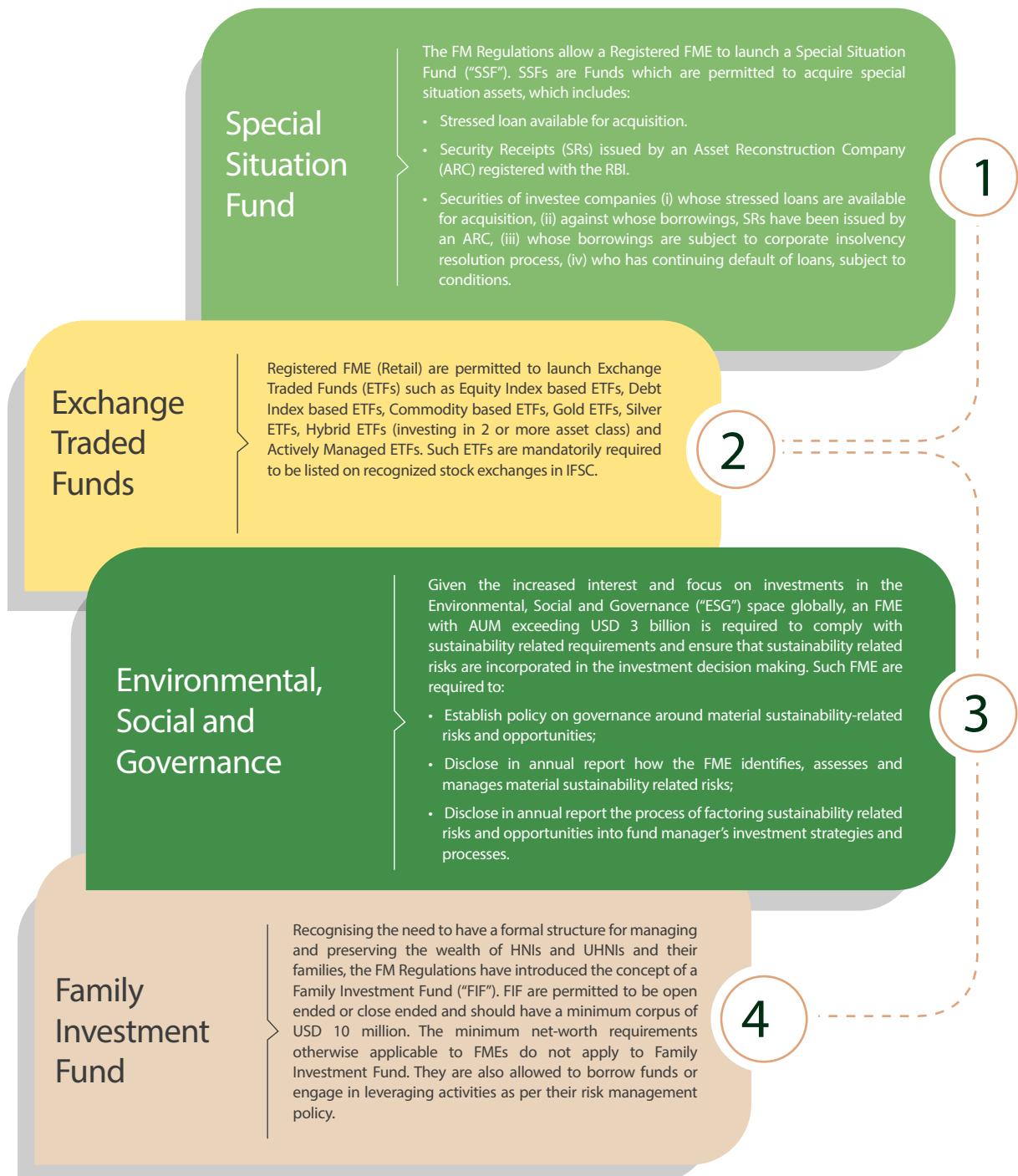
Managing Director  
Catalyst Trusteeship Limited



The key features as provided under the FM Regulations for each type of Scheme are as under:

Particulars	Venture Capital Schemes	Restricted Schemes (Non-retail)	Retail Schemes
Permissible investments	<ul style="list-style-type: none"> <li>Listed, to be listed as well as unlisted securities, money market instruments, debt securities, securitised debt instruments, schemes of other venture capital schemes, units of Mutual Funds and AIFs (whether in India, IFSC or abroad), LLPs and such other financial products/ assets as may be specified</li> </ul>	<ul style="list-style-type: none"> <li>Listed, to be listed as well as unlisted securities, money market instruments, debt securities, securitised debt instruments, other investment schemes, derivatives (including commodity derivatives), units of Mutual Funds and AIFs (whether in India, IFSC or abroad), LLPs and such other financial products/ assets as may be specified</li> <li>Close ended scheme: 20% of the corpus in other physical assets such as real estate, bullion, art or any other physical asset as may be specified</li> </ul>	<ul style="list-style-type: none"> <li>Listed, to be listed as well as unlisted securities, money market instruments, debt securities, securitised debt instruments, other investment schemes, derivatives (including commodity derivatives), units of Mutual Funds and AIFs (whether in India, IFSC or abroad) and such other assets as may be specified</li> </ul>
Pending deployment	Certificate of deposits, units of investment schemes such as liquid or money market schemes, money market instruments or any other securities or financial assets or instruments as may be specified by IFSCA		
Investment restrictions	<ul style="list-style-type: none"> <li>Atleast 80 percent of the AUM in investee companies incorporated for less than 10 years or other venture capital schemes</li> </ul>	NA	<ul style="list-style-type: none"> <li>Maximum investment in a single investee company: 10% of AUM (15% with prior approval of fiduciaries), no restriction for Index schemes</li> <li>Maximum investment in a sector: 25% of AUM (50% in case of financial services), no restriction for sectoral, thematic or Index Scheme</li> </ul>
Investment in associates	Permissible, subject to prior approval of 75% investors in the scheme by value		Upto 25% of the AUM
Investment in unlisted entities	<ul style="list-style-type: none"> <li>No restriction</li> </ul>	<ul style="list-style-type: none"> <li>Open-ended: Upto 25% of the corpus</li> <li>Close-ended: No restriction</li> </ul>	<ul style="list-style-type: none"> <li>Open-ended: Upto 15% of AUM</li> <li>Close-ended: Upto 50% of AUM</li> </ul>
Corpus of the Scheme	<ul style="list-style-type: none"> <li>Minimum: USD 5 million</li> <li>Maximum: USD 200 million</li> </ul>	<ul style="list-style-type: none"> <li>Minimum: USD 5 million</li> <li>Maximum: NA</li> </ul>	<ul style="list-style-type: none"> <li>Minimum: USD 5 million</li> <li>Maximum: NA</li> </ul>
Tenure	<ul style="list-style-type: none"> <li>Minimum 3 years</li> <li>Extension upto 2 years permissible with 2/3rd investor's consent</li> </ul>	<ul style="list-style-type: none"> <li>Close ended: Minimum 1 year</li> <li>Extension upto 2 years permissible with 2/3rd investor's consent</li> </ul>	<ul style="list-style-type: none"> <li>Close ended: Minimum 3 years</li> <li>Extension upto 2 years permissible with 2/3rd investor's consent</li> </ul>
Minimum number of investors	NA	NA	Minimum 20 investors, with no single investor investing more than 25%
Maximum number of investors	50 investors	1,000 investors	No restriction
'Skin-in-the-game' contribution by FME***	<ul style="list-style-type: none"> <li>Targeted corpus &lt; USD 30 million: Minimum 2.5% but not exceeding 10%</li> <li>Targeted corpus &gt; USD 30 million : Minimum USD 750,000 but not exceeding 10%</li> </ul>	<p><b>Open ended scheme:</b></p> <ul style="list-style-type: none"> <li>Targeted corpus &lt; USD 30 million: Minimum 5% but not exceeding 10%</li> <li>Targeted corpus &gt; USD 30 million: Minimum USD 1,500,000 but not exceeding 10%</li> </ul> <p><b>Close ended scheme:</b></p> <ul style="list-style-type: none"> <li>Targeted corpus &lt; USD 30 million: Minimum 2.5% but not exceeding 10%</li> <li>Targeted corpus &gt; USD 30 million: Minimum USD 750,000 but not exceeding 10%</li> </ul>	<ul style="list-style-type: none"> <li>Lower of 1% of the corpus or USD 200,000 (for both open and close ended scheme)</li> </ul>
Minimum contribution/commitment from the investor	<ul style="list-style-type: none"> <li>Accredited investors</li> <li>Investors investing atleast USD 250,000 (USD 60,000 for employees / directors / designated partners of FME)</li> </ul>	<ul style="list-style-type: none"> <li>Accredited investors</li> <li>Investors investing atleast USD 150,000 (USD 40,000 for employees / directors / designated partners of FME)</li> </ul>	<ul style="list-style-type: none"> <li>Open ended scheme: Nil</li> <li>Close ended scheme: Nil (USD 10,000 in case investment in unlisted exceeds 15% of the AUM)</li> </ul>
Leverage	<ul style="list-style-type: none"> <li>Permissible, subject to disclosure in the PPM and consent of 2/3rd investors by value</li> </ul>	<ul style="list-style-type: none"> <li>Permissible, subject to disclosure in the PPM and consent of 2/3rd investors by value</li> </ul>	<ul style="list-style-type: none"> <li>Not permissible except to meet temporary liquidity needs for the purpose of redemption/ payment of interest or dividend</li> <li>Maximum borrowing - 20% of the AUM for a duration not exceeding 6 months</li> </ul>
Disclosure of NAV	Yearly	<ul style="list-style-type: none"> <li>Open ended: Monthly</li> <li>Close ended: Half yearly</li> </ul>	<ul style="list-style-type: none"> <li>Open ended: Daily</li> <li>Close ended: Weekly</li> </ul>
Co-investment Custodian	Permissible subject to conditions Mandatory if AUM exceeds 70 millions		<ul style="list-style-type: none"> <li>NA</li> <li>Mandatory</li> </ul>
Valuation	Independent third-party service provider		

## The other Schemes which can be launched under the FM Regulations are as under:



## Other aspects of the FM Regulation

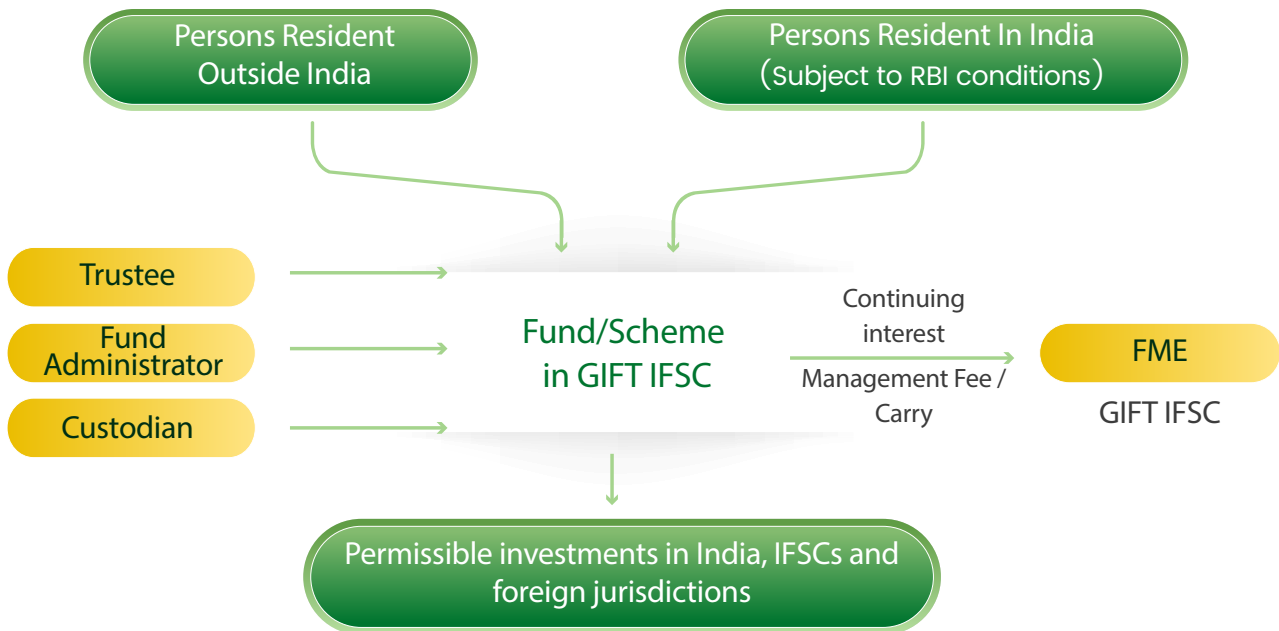
**Innovation Sandbox and Fund Lab:** The FM Regulations provide a platform to aspirational fund managers to try new strategies in a controlled manner, wherein the IFSCA may provide exemption from the operation of all or any of the provisions of the FM Regulations for upto 18 months, for furthering innovation in aspects relating to testing new products, strategies, processes, services, business models, use of technology, etc. in live environment of regulatory sandbox in the financial markets.

**Special purpose vehicle as a co-investment structure:** The FM Regulations permit Fund Managers to create Special Purpose Vehicles under the main scheme to undertake co-investment or leverage along with the Fund/ scheme, subject to conditions.

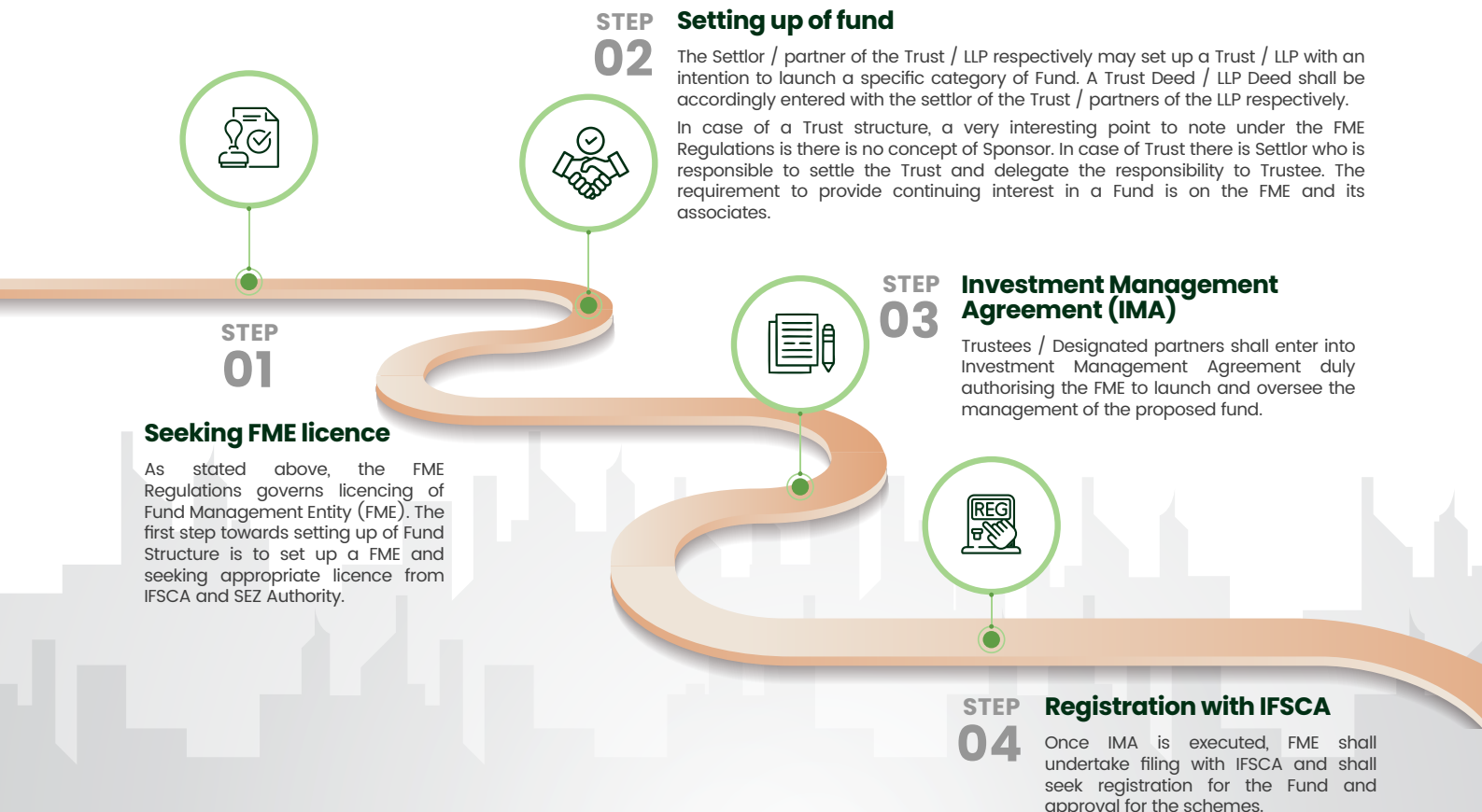
# Fund structures in GIFT City

Section contributed by

R. Leelavathi Naidu - Partner, IC Universal Legal, Advocates & Solicitors; and  
Twinkle Dhamecha - Partner, IC Universal Legal, Advocates & Solicitors



## Stages of Fund Set up





Section 3

**Global  
benchmarking**

India has embarked on its journey towards becoming a USD 5 trillion economy with great promise and enthusiasm. The Indian economy today stands at an interesting juncture as a host of factors including enabling regulation, a thriving start-up ecosystem, ongoing infrastructure development, and policy clarity from the government converge to create a fecund environment for holistic and inclusive growth. Inarguably, the financial services ecosystem can play a catalytic role in orchestrating this growth and supporting India's aspirations of both becoming a USD 5 trillion economy and a financial centre of global repute.

Referring to the 75th anniversary of India's independence, Hon'ble PM Narendra Modi underscored the future global role of GIFT City in helping achieve the national goal of self-reliance in high finance. "GIFT City should be a centre of excellence that will rival the continent's credentialed money hubs", said the prime minister, as complex financial engineering becomes the norm in an increasingly interconnected world economy premised on sustainability. "I want GIFT to be a gateway for global equity and debt capital for sustainable development," he further added.

Various countries at various points in time of their economic development have taken the initiative to develop IFSCs to provide international financial services.

Over a period of time, and with the help of the right set of enablers, important global centres have metamorphosed into leading financial centres. Of the 196 countries currently in the world, approximately 80 have developed centres that provide enhanced international financial services.

Even though India opened its economy in 1991, its capital account convertibility remained underdeveloped in the ensuing decades as a result of which its contribution to global financial market was negligible. Further, in the year 2015, the Ministry of Finance estimated that in the absence of an IFSC, India was losing around USD 50 billion per year which was expected to further increase to USD 120 billion by 2025. Inarguably, the development of an IFSC, therefore, became almost table stakes for India as it aspired to play a more prominent role on the global trade and economic stage.

IFSCA has been promoting innovative structures in GIFT IFSC. IFSCA should allow additional option for pooling investors money in GIFT IFSC like Variable Capital Company (VCC) which widely popular to investors globally. It will enable an effective segregation and ring-fencing of different pools of assets. It will combine the advantages of limited liability of a company with the flexibility available in a trust structure of exit and entry without alteration to the capital structure.

**Utsav Shah**

Principal Officer & Head GIFT IFSC  
Aditya Birla Sun Life AMC Limited

GIFT city is a very notable & strategic move by the government to facilitate movement of capital into & out of the India in a more seamless fashion without much red tape. A meticulous tax framework also has been drawn keeping the offshore investors in mind; the 10 year tax holiday, exemptions for filing returns & obtaining PAN (subject to conditions) are a welcome move which could be a watershed moment in the Indian alternates industry. We are very keen and are observing the developments taking place in GIFT city. AIF as an asset class has seen tremendous jump in assets – CAT II has grown by around 70% CAGR in the last 7 years & CAT III by 35x, albeit on a smaller base. The future remains absolutely bright with the HNI & UHNI category expected to see a 75% & 39% growth respectively, as per Private Market Monitor report.

**Vikaas Sachdeva**

Managing Director  
Sundaram Alternate Assets Limited

There are a host of factors that are contributing to the growth of GIFT City. Firstly, the SGX moving to GIFT City is proving to be a big catalyst for its acceptance and potential growth. Secondly, from an ecosystem perspective, the right enablers are getting aligned with the banking infrastructure becoming robust and a strong political will to position GIFT City as the gateway to India. Thirdly, both the cost of set up as well as the cost of living at GIFT City is very competitive. And most importantly, there is a focused approach by the GIFT City regulator to introduce enabling regulations that are on par with global jurisdictions

**Viral Shah**

Head Brokerage  
360 ONE Wealth

# GIFT City standing tall amidst global benchmarks

Section contributed by

R. Leelavathi Naidu - Partner, IC Universal Legal, Advocates & Solicitors; and

Twinkle Dhamecha - Partner, IC Universal Legal, Advocates & Solicitors

Particulars	Singapore	Mauritius	GIFT IFSC
Type of Investors 	Accredited investors – specific criteria prescribed	Expert Investors / Sophisticated Investors: Specific criteria prescribed	Minimum investment to be made is USD 150,000 and can invest in funds.  No criteria prescribed currently
Tax Residency Certificate 	To avail 13CA and 13R exemptions approval to be sought from MAS and specific conditions to be complied with at all points of time	To be obtained annually	No such requirement currently
Restriction on Foreign Investment 	Foreign investment is restricted in certain sectors like news media, banking, telecommunications and land ownership	Except in certain limited sectors (such as television broadcasting, sugar and tourism) there are no restrictions on foreign investment in Mauritius	No restrictions as such on inbound foreign investment into IFSC as long as they are AML and KYC compliant
Set-up Cost and Operating Cost of Fund <sup>1</sup> 	Higher as compared to Mauritius and funds in GIFT IFSC: <ul style="list-style-type: none"> <li>Set-up cost ~ USD 30k-40k</li> <li>On-going cost ~ 40K to 50k (excluding director and audit fees)</li> </ul>	Lower as compared to Singapore but higher as compared to funds in GIFT IFSC: <ul style="list-style-type: none"> <li>Set-up cost ~ USD 10k-15k</li> <li>On-going cost ~ 30k to 40k (including 2 local director cost and excluding audit fees)</li> </ul>	Lower as compared to Singapore and Mauritius: <ul style="list-style-type: none"> <li>Set-up cost ~ USD 8K-12K</li> <li>On-going cost ~ USD 7K-15K</li> </ul>
Co-investment offering 	A new scheme to be created since co-investment is not envisaged under the regulations and spirit of pooling has to be met	A new scheme to be created since co-investment is not envisaged or restricted under the regulations	Co-investment may be offered to investors as a share class under the same scheme – only ensuring that terms are not better than the pooled investors
Structural Issues 	In case of close ended schemes launched under VCC, only initial closing can be done at face value. Post initial closing all allotment to be done at Net Asset Value (NAV).  Hence close ended VCC are layered with a LP structure above so that the units can be issued at face value. If a LP is to be created then a GP entity also gets created.	In case of close ended scheme post initial closing the issuance of unit is at NAV. Further, if a fund is set up as a CIS the redemption is at the choice of the investor and not at the discretion of the manager / fund.  However, in the new VCC regime the aforesaid issues have been resolved.	Not applicable. Complete flexibility allowed to managers

<sup>1</sup>Includes cost for fund set up and its general operations. Costs do not include regulatory filing fees, limited fund administration expenses (depending upon gamut of services the cost varies) and investment manager expenses in any of the jurisdictions.

## Offering services at par with global benchmarks

Q: Do you think funds setup and regulations at GIFT City are at par with global benchmarks and their practices?

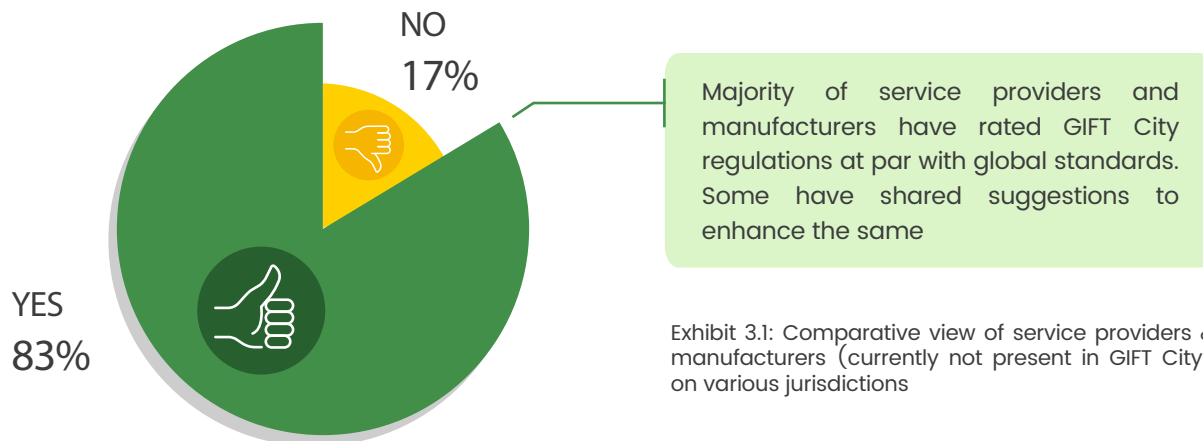


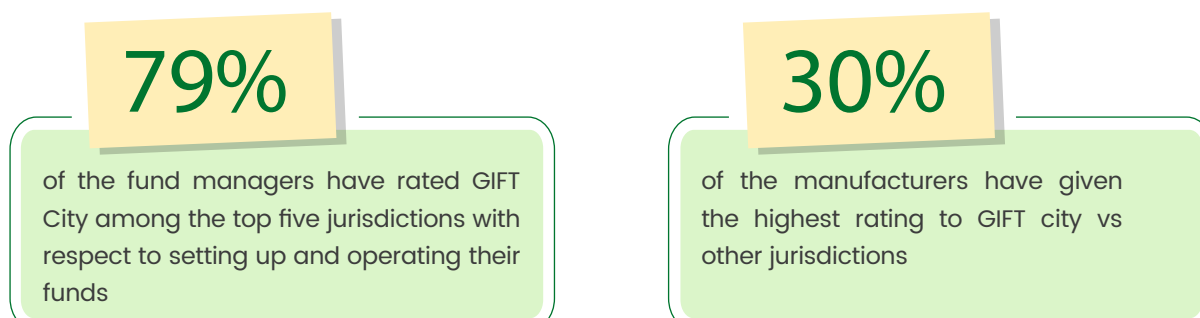
Exhibit 3.1: Comparative view of service providers & manufacturers (currently not present in GIFT City) on various jurisdictions

Q: Have you faced any challenges or hurdles while operating in GIFT City?

Majority of the manufacturers have expressed their appreciation towards the regulators being accessible and forthcoming in addressing any challenges faced by the fund managers. All escalations have been duly and timely addressed with proactive steps taken for making the process seamless.

The comfort of accessibility as compared to other jurisdictions has been emphatically highlighted by a number of fund managers who are well versed with the ground realities across multiple jurisdictions.

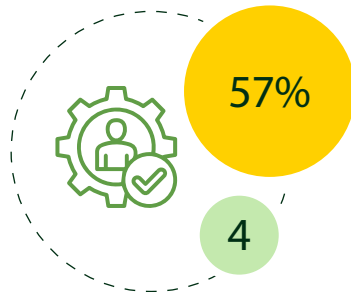
Q: Compared to global benchmarks, how would you rate the experience of setting up / operating in GIFT City? (5 being the highest score)



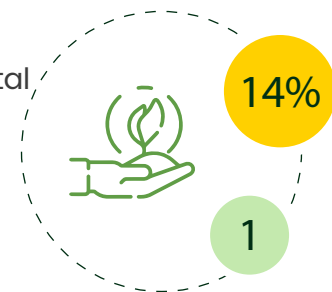
## Challenges faced in global jurisdictions

Q: What challenges did you face while setting up your services/fund outside of GIFT City?

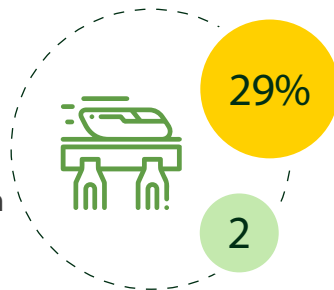
Lack of skilled workforce



Social and environmental issues



Infrastructure, connectivity and transportation limitations



High operating costs

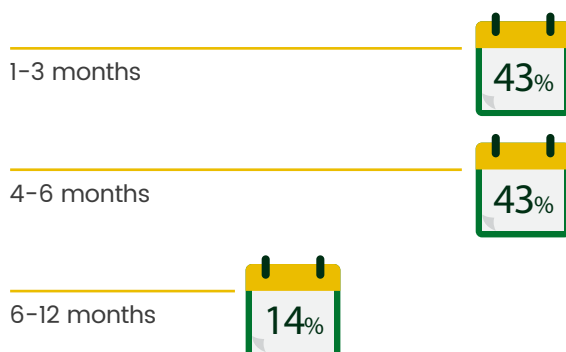


Exhibit 3.2: Key challenges for manufacturers

Fund managers who have set up funds outside of GIFT City indicated lack of access to skilled workforce and high operating costs as key challenges faced in other jurisdictions. Interestingly, both challenges do not top the list for GIFT City

## Speed of set up in global jurisdictions

Q: How much time did it take to set up at the registered location (outside of GIFT City)?



Most of the manufacturers surveyed took more than 3 months to set up their funds outside of GIFT City .

The lead time for set-up in GIFT City in most of the cases is lesser or similar to the time taken for setup in other jurisdictions.

Exhibit 3.4: Time to Set-up in Locations other than GIFT City



## Section 4

# Enablers of the future

In order to truly harness the benefits of an IFSC and position GIFT IFSC as a jurisdiction of note, multiple additional levers will be required. If deployed proactively, they can catapult both GIFT IFSC and India and enable the nation to realise its economic vision.

## Position as a strategic and not a tactical play

While GIFT City is very attractive for investment managers, IFSCA has to create appeal and attractiveness among large global investors as it is the investors who generally decide which jurisdiction to choose for investment. Appeal and acceptance among global investors will go a long way in boosting the attractiveness of GIFT City. From that perspective, it is important to showcase that GIFT City is not a short-term or tactical play. Rather, it is a jurisdiction of choice for long-term players for whom operating from GIFT City is a strategic play. Thus, GIFT IFSC should focus on creating an enabling regulatory regime and ensure that there is a high degree of transparency and accountability.

## Improve visibility

Since GIFT City is competing with well-established global benchmarks, it becomes imperative that it does not operate in silos. This would require creating a comprehensive and robust visibility and marketing agenda that would focus on underscoring the IFSC's key value propositions through publications and participation in global as well as domestic events and forums. The survey revealed that almost 100% of respondents believe that GIFT City is proactive and makes an effort to listen to the requirements of ecosystem stakeholders. There is a great deal of respect for GIFT IFSC leadership, however, more needs to be done in order to enhance visibility and trust.

## Permit 100% NRI investment in India through GIFT IFSC

The restriction of NRI, Overseas Citizens of India (OCI) and RIs investments in India are also applicable to the IFSC based funds investing in India through the FPI route. The funds set up in the IFSC may be formed to attract investments from the NRIs and OCIs (particularly NRIs). Placing restrictions on NRI or OCI investments would restrict the overall capital-raising capabilities of a Fund set up in IFSC for investing in India. For IFSC in India to act as gateway for funds investing into India, investment by NRIs or OCI is essential and that shall naturally lead to trust building for other foreign investors.

Therefore, relaxation may be considered for GIFT IFSC based funds since they are closely monitored and supervised.

## Section 5

# Future prospects



The hallmark of a robust international finance centre is to be forward looking and consistently introduce innovative products and enabling regulation that can both attract and retain capital. In that regard, GIFT IFSC has been proactive in understanding the needs of multiple ecosystem stakeholders and introducing the right solutions.

Select solutions that the community can look forward to include:



An investment fund should ideally offer its investors / shareholders the ability to freely invest in and out of the structure by way of subscriptions and redemptions. The notion of variable capital provision is critical to the operation of an investment fund, thereby making the VCC structure compelling for both investors and manufacturers.

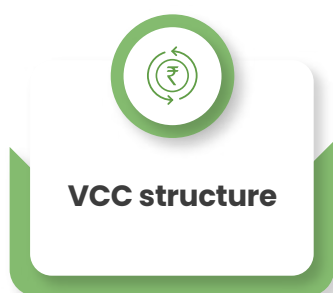
Recognising this, the IFSC Authority, by an Order dated September 22, 2020, constituted an Expert Committee (“Committee”) to examine the relevance and adaptability of the VCCs in the IFSC. The Committee has provided a detailed report recommending the broad framework for the implementation of the VCC structure in the IFSC including principles for incorporation of VCC/sub-fund, capital funding, corporate governance, etc. It is expected that once this is incorporated as law, VCCs would provide the option of setting up IFSC funds in an internationally accepted legal form, providing greater comfort to the international LP community.

While funds and several other financial services players are slowly gravitating towards GIFT IFSC, there are also a number of family offices that are showing interest in setting up at GIFT IFSC. This interest is increasing following the introduction of new norms that allow family offices to establish an authorised Fund Management Entity (FME) and utilise the corpus for investment outside India or for re-investment purposes.

Further, the new norms also effectively address select prevailing challenges with respect to Indian entities not permitted to invest in overseas funds. While for resident individuals, the USD 2,50,000 annual limit may apply, resident entities will be allowed to invest upto 50% of their networth into the family office investment fund, which can in turn invest overseas.

In December 2022, the GIFT IFSC introduced a regulatory framework for the distribution of capital market products and service from IFSCs. It allows for distributors of capital market products to register with the IFSC. Following the registration, distributors can undertake the distribution of financial products and services from the IFSC and offer their services to potential customers across jurisdictions.

Distributors registered at GIFT IFSC will be allowed to enter into engagements with other distributors, also called associated distributors, from India, IFSC, and foreign jurisdictions. This move will enable distributors to access a larger pool of issuers and service providers, and broaden their offerings to customers. However, to ensure that client interests are well-protected, the regulatory framework provides for select eligibility requirements, a detailed code of conduct including an advertisement code, other obligations, various permissible activities, responsibilities of issuers and service providers in IFSC, etc.



The key features of VCCs as proposed by the Committee include:

- The share capital of the VCC should be variable in nature. This means that it should allow for the frequent entry and exit of shareholders without the need for any significant regulatory filings and approval.
- The VCC can be set up as a standalone investment fund or structured as an umbrella fund with underlying sub-funds, holding segregated portfolios. However, in case of the latter, the VCC must issue a separate class or classes of shares for each sub-fund within the VCC.
- The sub-fund of a VCC should not be a legal person separate from the VCC.
- To address the key risk of cross-cell contagion, that is, to prevent the assets of one sub-fund from being utilised for/ set-off against the liabilities of another sub-fund, the requirements of asset and liability segregation should override all other requirements applicable to the VCC. All contracts that the VCC enters must contain a provision that restricts any contractual claim to the relevant counterparty to the assets of the sub-fund only.
- For the purpose of tax laws, each sub-fund of a VCC should be treated as a separate entity having a separate PAN. Further, for the purpose of insolvency proceedings, the sub-funds may be treated as separate entities.
- A VCC could have a mix of both open and closed ended fund, with ability to convert from an open ended to a closed ended strategy, and vice versa.

## Distribution of products

### Applicability:

- All Fund Management Entities (FMEs) in GIFT International Financial Services Centres (IFSC)
- All Investment Advisers in GIFT IFSC
- All Investment Bankers in GIFT IFSC
- All Banking Units in GIFT IFSC
- All Finance Companies in GIFT IFSC
- All Broker-Dealers in GIFT IFSC
- All Corporate Agents in GIFT IFSC
- All Distributors of Capital Market Products and Services

### Brief:

The IFSC Authority has issued a framework for distribution of capital market products and services. The salient features of the circular are as follows:

- Distributor shall mean a person who for remuneration engages with clients on behalf of an issuer or a service provider to facilitate investment or subscription into capital market products or capital market services, respectively.
- The distributors may carry out distribution of capital market products and services.
- To act as a registered distributor, an entity shall take registration with the Authority. Registered Distributors may tie up or collaborate with Associate Distributors for various permissible activities.
- IFSCA licensed Banking units, Finance Companies or units, Broker Dealers, Investment Bankers, Investment Advisors, Corporate Agents etc. may avail of the Simplified registration process and act as a Registered Distributor.
- For investing in such jurisdictions which permit omnibus structures, certain distributors, such as Banking Units, Finance Companies, Broker-Dealers and those with a net worth more than USD 1,50,000, are permitted to invest through such structure, subject to adequate measures, such as prior consent of clients, maintenance of records, compliance with KYC and AML/CFT norms, etc.

<b>Form of entity:</b>	Company, LLP, body corporate, partnership firm or proprietorship firm.
<b>Net worth requirement:</b>	Minimum USD 50,000
<b>Permissible Activities:</b>	<ul style="list-style-type: none"> <li>• Distribution of capital market products and/or services to any client in IFSC or Foreign Jurisdiction</li> <li>• Distribution of capital market products and/or services to sophisticated investors in IFSC or Foreign Jurisdictions</li> <li>• Distribution of capital market products and/or services to any client in India</li> <li>• Distribution of capital market products and/or services to sophisticated investors in India</li> <li>• Any other activities as may be specified by the Authority.</li> </ul>
<b>Code of Conduct:</b>	All Registered Distributors, Associated Distributors and entities that undertake distribution of capital products or services offered by issuers and service providers in IFSC shall abide by the Code of Conduct as specified in the Regulations to ensure distributors maintain high standards of integrity, disclosure, diligence, promptitude and fairness in their dealings with clients.
<b>Fees for Registered Distributors:</b>	<ul style="list-style-type: none"> <li>• Application Fee: USD 750</li> <li>• Registration Fee: USD 7500</li> <li>• Annual Fee: USD 2000</li> </ul>

# Partners & Acknowledgements

## Authors



**Upasana Koul**

Co-founder & Director,  
Eleveight

Upasana has over 12 years experience in business analysis, strategy, and business consulting. In her previous roles she has led strategy for large corporations like Nippon India Life Asset Management & Rich Products where she managed the end-to-end execution of large scale projects. She has in-depth experience of building and creating value propositions across multiple domains - financial service, pharma, FMCG, and manufacturing and has also been instrumental in building one of the largest distributor platforms in the mutual fund industry.

She is also a director and core founding team member of a leading financial education company, AV Financial Experts Network Pvt. Ltd (FinX).



**Deepika Asthana**

Co-founder & Director,  
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Deepika has spent almost two decades in the financial markets across a variety of verticals spanning equity sales, derivatives sales, derivatives research, and macro research. She has worked in leadership roles at India's leading financial institutions including Edelweiss Securities, B&K Securities, ICICI Securities, and D.E. Shaw. She has also worked as a freelance financial journalist (multiple cover stories for Outlook Money and Business Today) and was shortlisted for the Shriram Capital Awards for Excellence in Financial Journalism, 2018.

Prior to co-founding Eleveight, she built and successfully managed ARNA Write Strategy, a marketing communications and content creation firm.

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