

Our Views

Gift City can be a real Gift

Over our professional life of last 30 years, we have seen many offshore financial centres (OFCs) emerge and take away business from the more closed economies like ours. The business model of these OFCs was essentially based on two important factors – first, the ease of doing business and second, a very friendly taxation regime. As a consequence, we did not just start losing business and employment opportunities – the collateral damage was brain-drain. Even today, a significant part of the Indian financial services such as trading, lending, and investing are operated from or booked in other jurisdictions.

As a creative solution to this, the Government of India introduced the framework of International Financial Services Centre (IFSC). The IFSC - Gift City at Gandhinagar operates under this framework and is akin to a foreign jurisdiction on Indian soil. The International Financial Services Centre Authority (IFSCA) has been vested with the powers of four domestic sectoral regulators namely – RBI, SEBI, IRDA and PFRDA. The other sops provided to IFSC are also very significant such as 100% income tax exemption for 10 out of 15 years with a lower MAT, zero capital gains tax, lower withholding tax and No CTT, STT, GST and Stamp Duty.

With Mr. Injeti Srinivas being handpicked by the Government of India as Chairman, IFSCA, to deliver an effective International Financial Services Centre in India, we at FICCI have also committed ourselves towards an evolved IFSC. We are playing the role of a bridge between the IFSC, the industry and the market participants. A taskforce set up by FICCI is conceptualizing various initiatives for the IFSC. The endeavor of the taskforce is to provide constructive suggestions across various verticals including – banking, insurance, capital markets, fund management, fintech, aircraft leasing and other ancillary services. FICCI is also hosting a series of 7 Digital Roadshows for IFSC on different topics. The first such roadshow on opportunity for the fund management industry was done last week.

With over 209 financial services entities already registered in the IFSC - Gift City, it is gaining good momentum. The two largest stock exchanges, BSE and NSE, are offering 22 hours trading services in the IFSC. The daily average trading volume has reached approximately \$15bn in a short period of time. The IFSC is also seeing significant traction as an offshore centre for booking trades, foreign currency loans and investments, which were earlier booked in other jurisdictions. External Commercial Borrowings (ECB), lending and other transactions have touched more than \$110 bn. There are 4500 people employed in the Gift City. On the fund management side also there are 9 AIFs, 9 Fund Managers and 7 PMSs and Investment Advisors operating out of Gift City. There are 19 entities providing insurance related services and aircraft leasing has also started.

The IFSC - Gift City has the potential to become an investment gateway for India. With investors moving out of some of the other jurisdictions and looking to diversify to other investment destinations, this is clearly an inflection point to attract the fund industry and create a vibrant financial services ecosystem. This opportunity arising from the current scenario must not be lost.

As our Hon. PM has earlier said, “My vision is that in 10 years from now, Gift City should become the price setter for at least a few of the largest traded instruments in the world, whether in commodities, currencies, equities, interest rates or any other financial instrument.” I am sure, we are well on a path in that direction.

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