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GIFT City – The New Gateway to India!

What's the Point? (A Brief Summary)

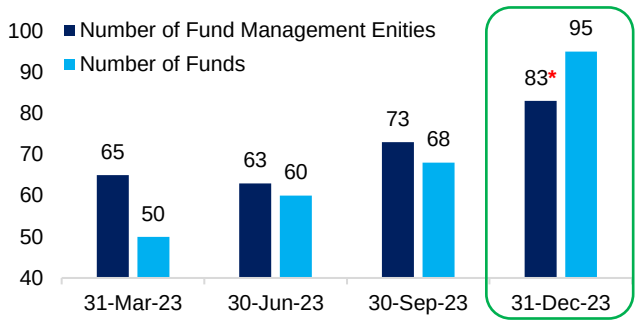
The Gujarat International Finance Tec-City (GIFT City) International Financial Service Centre (IFSC) is seeing steady success in terms of moving offshore financial transactions and activities relating to investments in and from India. The past year has seen significant activity in trading value (~$477 billion between Mar-23 and Dec-23), banking assets (Outstanding of ~$52 billion as on Dec-23), setting up of Fund Management Entities (83 funds with ~$7 billion of commitments). As India becomes a global investment destination, GIFT City could prove to be the way the world invests in India, boding well for India's vision of becoming a leading global financial and technology hub.

Numbers in Perspective

Current Business Activities in the GIFT City look strong

Particulars	Current Stats
Banking Assets (As of Dec-23)	$52 billion
Capital Market (Traded Value) (Oct-23 to Dec-23)	$193 billion
Cumulative Listing of Debt Securities at IFSC Exchanges (As of Dec-23)	$53 billion
Total Commitments raised by Fund Management Schemes at GIFT IFSC (As of Dec-23)	$7 billion
Commodity Market (Traded Value) (Oct-23 to Dec-23) on IIBX (in $ billion) (Oct-23 to Dec-23)	$138 billion**

Increase in Number of Fund Management Entities and Funds registered in the GIFT City



Source: IFSCA, *Excluding in principle approvals, **Trading of silver started on India International Bullion Exchange from 13-Dec-23

What is GIFT City?

GIFT City, located on the banks of the Sabarmati River between Ahmedabad and Gandhinagar, is a business district envisaged and built to cater to global and domestic business enterprises. It is the flagbearer for smart cities in India and aims to be an international benchmark for finance and technology hubs worldwide. By competing with other IFSCs such as Dublin, Hong Kong, and Singapore, it puts India on the global map of finance.

This tri-city ecosystem fosters an environment supporting business, industry, international finance, and foreign investment. Spread across 886 acres (now being expanded to 3,300+ acres), GIFT City consists of a multi-service SEZ$, which has been notified as India's maiden IFSC, and an exclusive Domestic Tariff Area (DTA).

This City, conceptualized as a vertical city, hosts state of the art infrastructure such as District Cooling System (DCS), Automated Waste Collection System (AWCS), and Underground Utility Tunnel (UUT). Such high-quality infrastructure has contributed to developing GIFT City as one of the world's leading Smart Cities.

Is there a Unified Regulator for GIFT City?

The Government of India, with effect from October 2020, granted International Financial Services Centres Authority (IFSCA (established under the IFSCA Act (2019)) the regulatory powers of 4 domestic regulators namely RBI, SEBI, IRDAI and PFRDA for the purpose of developing and regulating IFSCs in India. By virtue of this, the IFSCA has the statutory mandate to develop and regulate financial institutions, financial services, and financial products within the IFSCs in India.

As the dynamic nature of business in the IFSCs requires a high degree of inter-regulatory coordination within the financial sector, the IFSCA has been established as a unified regulator with a holistic vision to promote ease of doing business and provide world class regulatory environment.

Operations of GIFT City IFSC

GIFT City IFSC operates in 6 business activities – asset management, banks, capital markets, insurance, other financial institutions and emerging activities.

- **Speaking about one of the Key Activities – Asset Management**

IFSCA Regulations, 2022 provide for the registration of Fund Management Entities (FMEs) to facilitate various fund management activities under a single registration. The regulations provide for registration of FMEs under three categories:

Authorised FME	Registered FME – Non-Retail	Registered FME – Retail
Invest only in unlisted securities of start-ups through a Venture Capital (VC) Scheme and cater to accredited investors or investors investing at least $250,000	Manage funds or provide Portfolio Management Services (PMS) and also act as investment manager for private placement of REITs and InvITs to accredited investors or investors investing at least $150,000	Offers products and services such as retail schemes (including ETFs), non-retail schemes (Alternative Investment Funds), VC Schemes, PMS

Why consider GIFT City IFSC?

With GIFT City IFSC operating in multiple business activities, it aims to provide the following advantages:

- Ability of foreign investors to invest in India-centric solutions
- Competitive operational and tax regime similar to other key international jurisdictions
- Cost effective jurisdiction of operations
- Connecting ~3 crore strong Indian diaspora to India's growth story
- Unified regulatory framework with simplified registration process for Funds and Fund Managers
- Set framework for investor protection and transparency
- Established and deepening Fund ecosystem
- Access to both large Indian base and to markets solutions worldwide

The Indian Government has been taking various steps to open its financial markets to the world. With GIFT City IFSC being another step in this direction, India is well-positioned to be an attractive destination for global investors. Such efforts should have positive long-term effects on India's economic growth and increase its influence on the global financial stage.

Sources: GIFT City, IFSCA, and other publicly available information ([$]SEZ: Special Economic Zone)

About Tuesday's Talking Points (TTP)*: TTP is an effort by HDFC AMC to guide key conversations in the Indian financial markets and investing ecosystem. We aspire to do this by providing relevant facts, along with our perspective on the issue at hand. If you have a topic that you would like to be featured here please write to us at hello@hdfcfund.com*

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