



PRESS RELEASE

The IFSC International Retail Business Development Committee presented the final report to IFSCA

The IFSC International Retail Business Development Committee was appointed by International Financial Services Centres Authority (IFSCA) on Aug 3, 2020 with a mandate to submit a report in three months' time. The Committee had earlier submitted two interim reports covering banking and insurance and in the final report it included recommendations on Capital Markets. The terms of reference of the Committee were to create a roadmap for the development of international retail business in the IFSC and also make other suggestions. The Committee also made recommendations for the overall development of the IFSC.

The Committee highlighted the opportunity for **FinServ from India** and taking India global through the IFSC. The Committee suggested that IFSCA should balance a robust regulatory framework with ease of doing business and aim to benchmark itself with the best-in-class jurisdictions.

It suggested that, there is immediate potential to promote international retail business in the IFSC, it will meet the three key objectives: a) boosting job creation, b) generating additional revenue for India, and c) attracting funds (especially from the Indian Diaspora) for building India's infrastructure.

In light of the duty enjoined on the IFSCA by the International Financial Services Centres Act, 2019, the Committee outlined the dual role of IFSCA of development and regulation and stressed that the role of development would be critical in the initial years as IFSCA builds a conducive ecosystem for financial institutions to operate in the IFSC.

Shri Injeti Srinivas, Chairman IFSCA said " Our Vision is to develop the IFSC in India into a leading Global Financial Centre having strong connect with global markets. A huge domestic economy and around 30 mn strong Indian diaspora globally would help IFSC to emerge as a dominant gateway for global capital flows into and out of the country.

Shri Pradip Shah, Chairman of the Committee, said "As a greenfield IFSC and with a new regulatory body, there is also an opportunity for the IFSCA to set a new global benchmark by providing an environment that fosters innovation in financial products and services and the development of financial technology solutions on the back of a progressive regulatory framework and a conducive work environment. The IFSC, with its approach of 'FinServe from India', will complement the 'Make in India' vision of the Government of India (GoI)."



The executive summary of the report is available at www.ifsc.gov.in

Some of the Key recommendations of the report for Banking, Insurance and Capital Markets segment are as below:

1. Banking:

- Permit retail participation including LRS investments by resident Indians and enable IFSC Banking Units (IBUs) to provide banking products and solutions to retail/ individual clients.
- Wealth management capabilities should be enabled in the IBU by allowing investments in various markets across different geographies.
- Permit IBUs to offer foreign currency (FCY) clearing services from the IFSC. For this purpose, a central clearing mechanism should be set-up in the IFSC.
- Permit IBUs to obtain Foreign Portfolio Investor (FPI) license and invest in rupee-denominated Government Securities (G-Secs), corporate bonds and other permissible rupee-denominated securities.
- Permit IBUs to extend financing to Indian exporters for pre-shipment (in addition to post shipment) in FCY.
- Permit IBUs to open current account (including Escrow account) for all entities who wish to do so.
- Remove the requirement to maintain liquidity ratios [Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR)].

2. Insurance:

- Permit Non-resident Indians (NRIs)/ Persons of Indian Origin (PIOs) to buy Life Insurance policies for themselves as well as their family members who are based in India and abroad from companies set up in the IFSC and allow them to pay premium in the currency of their choice (including Indian rupees).
- Allow insurance companies to offer health insurance products to NRIs/PIOs including covering their family members who are based in India.
- Insurers be allowed to set up subsidiaries in IFSC to promote business.
- IFSC should emerge as Reinsurance Hub for Asia and Africa with more reinsurers encouraged to set up base in IFSC. IFSC can also emerge as Aviation insurance Hub for the world.
- Reduce Net Owned Funds (NOF) requirement to INR 5 bn to promote mid-sized foreign reinsurers to set up base in the IFSC.
- Indian investors be allowed to set up direct and reinsurance companies with lower capital requirements to promote insurance abroad.
- Foreign reinsurance brokers be encouraged to set up base in IFSC to create a vibrant insurance market.



3. Asset Management and Capital Markets:

- Permit resident individuals to invest in Alternative Investment Funds (AIFs) or Mutual Funds (MFs) in the IFSC via the LRS route.
- Permit resident individuals to invest in companies listed on the IFSC exchanges via the LRS route.
- Develop a framework for allowing foreign or Indian issuers to raise equity or debt in the IFSC.
- Allow wholly owned subsidiaries of banks to operate as Trading/ Clearing Members without setting up a separate company.
- Implement a separate safe harbour regime which is simple and practical for IFSC Fund Managers and which is comparable to other international jurisdictions.
- Develop a payment system for USD and other FCY settlements in the IFSC.
- Allow hybrid structures such as a Variable Capital Company (VCC) for managing funds in the IFSC.

The Government of India had constituted the IFSCA with Shri Injeti Srinivas as its Chairman earlier this year to develop and regulate all international financial services in the IFSC in India. The other members of the Committee comprise G. Srinivasan, (Ex-CMD, New India Assurance Ltd.), Siddhartha Sengupta, (ex-DMD, State Bank of India), Shyamal Mukherjee (chairman, PWC), Prakash Subramanian (head-strategy, Standard Chartered Bank), Dipesh Shah (head-IFSC dept., GIFT IFSC) and Nitin Jaiswal (head-Govt Affairs and Strategic relations, Bloomberg, Asia Pacific).

Apart from channelizing India's offshore business to the IFSC located at GIFT City and making it the gateway for India centric international financial services, the objective is to make it a global hub for international financial services on the lines of London, Hong Kong, Singapore, and Dubai.

Gandhinagar

November 11, 2020