



International Financial Services
Centres Authority (IFSCA)

Payment Services and Payment Systems

The India Opportunity



Maximising the India Opportunity

Fastest Growing Large Economy & Stable Democracy

Key Achievements

- GDP currently at USD 3.94 Tn
- Exports of USD 779 Bn in FY23-24



High Real GDP Growth Rate of **8.2% FY 23-24**



5th largest economy;
To be 3rd largest by FY28



Gross FDI inflows reached
USD 70.09 Bn in FY 24

Key Achievements

- 77 years of Democracy
- Strong Institutions – Parliament, Media, Judiciary



Youngest population : 65% of
population under **35 years of age**



Average real income of citizens has
increased by 50% in the last decade



Manufacturing sector contributed
15% to Nominal GVA in Q4, FY 24

Viksit Bharat@2047 – Developed India@2047

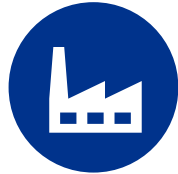
Inclusive Sustainable Growth for the World's Largest Democracy



Potential Growth of 7+% over next 25 years



Per Capita Income to grow 9x to ~USD 22,000



Industry share to rise from 17% → 25% of GDP



Exports to grow x5 to USD 8 Tn. by 2047



Net Zero Transition by 2070: USD 10 Tn

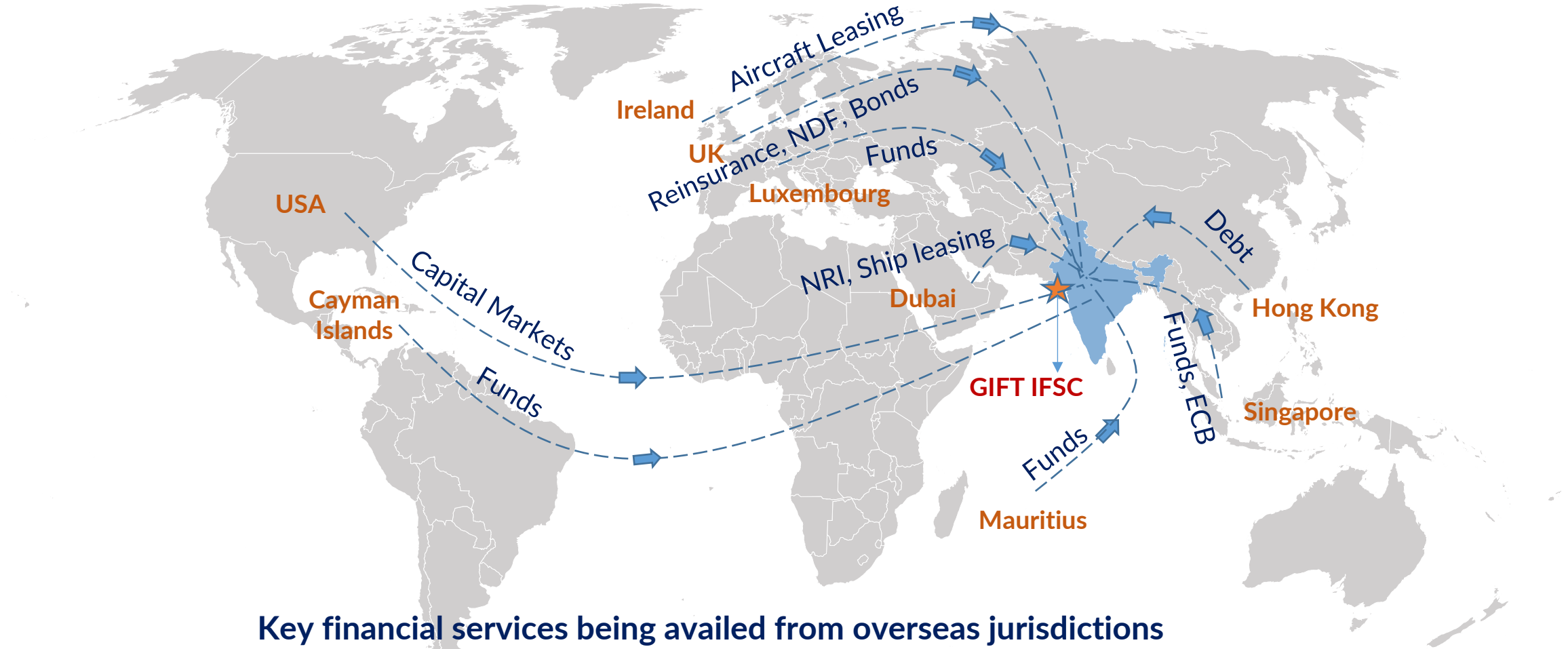
GIFT City and IFSC Opportunity

5.41



IFCs catering to India's demand for International Financial Services

GIFT IFSC: Onshoring the Offshore International Financial Services



Banking Services: ECB, Trade Finance, Non-Deliverable Forwards & Loan syndication

Funds Industry: Pooling of global capital by Pvt. Equity/ VC Funds/ Hedge Funds for investments into India

Capital Mkts: Issuance & listing of Bonds including ESG bonds, trading of Indian securities & products

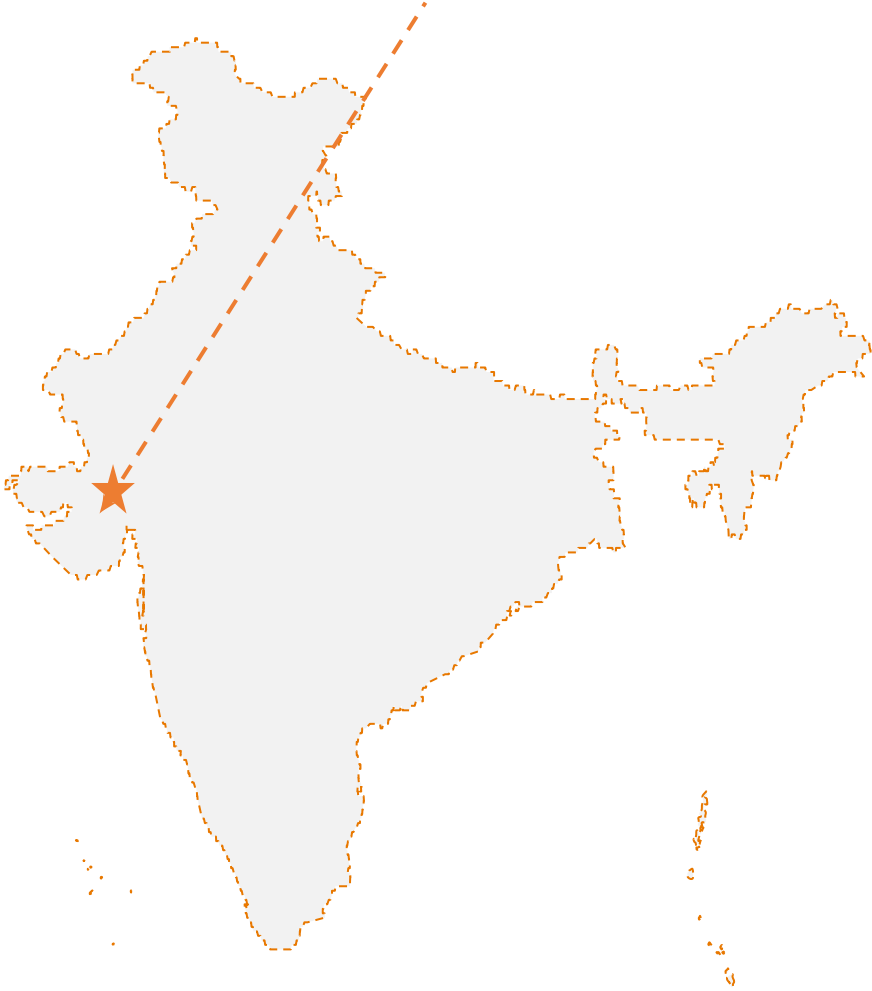
Insurance: Reinsurance business
Aircraft & Ship Leasing business

Objectives of GIFT IFSC

- 1 Onshore international financial services business from offshore centres such as Singapore, Hong Kong, Dubai, London, etc.
- 2 Serve as a dominant gateway for channelizing global capital for **Viksit Bharat @ 2047**
- 3 Develop expertise in niche and specialized businesses such as aircraft & ship leasing, fintech, global treasury centres, commodity trading, etc.
- 4 Provide high quality employment opportunities to the talented Indian workforce

GIFT City and IFSC

India's 1st Operational Smart City & IFSC



27.70 Mn Sq ft	12.99 Mn Sq ft	20
Total development rights allotted	Area under development	Number of Operational Buildings

GIFT City is divided into two zones:
a. Special Economic Zone (IFSC Zone)
b. Domestic Tariff Area (Domestic area)

Greenfield smart city

Land parcel size: 886 acres

Social Infra – Hotels, Hospitals, Schools, etc

‘Walk to work concept’ – Residential & Riverside

Vision for GIFT IFSC



Hon'ble Prime Minister of India
Sh. Narendra Modi

“We want to make GIFT City the Global Nerve Center of **New Age Global Financial and Technology Services**”

“GIFT IFSC's **cutting-edge digital infrastructure** provides a platform that enables businesses to increase efficiency”

“GIFT City is an important gateway to **connect India with global opportunities...**”

Jurisdictional Comparison

	Foreign jurisdiction (rest of the world)	IFSC SEZ (India)	India DTA (India)
Jurisdiction			
FEMA	Offshore Non-Resident	Offshore Non-Resident	Onshore Resident
Currency	Respective Int'l Currency	15 Currencies (INR Not Permitted)	INR denominated
Tax	Offshore	Tax Holiday (Tax Resident)	Taxes as applicable
Law	Resident's Jurisdiction	Indian Jurisdiction	Indian Jurisdiction

GIFT IFSC: Unique and Distinct Features



Dedicated & Unified
Financial Regulator

No capital controls

Full Convertibility with
15 foreign currencies

Globally benchmarked
regulations

Attractive Tax Regime

Sovereign support,
including carve outs



Competitive Advantage

- Access to large hinterland Indian economy (**Hinterland advantage**)
- Beneficial cost of operations (**Cost advantage**)
- Availability of skilled talent pool (**Talent advantage**)

Competitive tax regime

1

Tax Holiday on Business Income for 10 out of 15 years

2

Minimum Alternate Tax* @ 9%

3

No CTT**/STT**/GST**/Stamp Duty

4

Reduced Withholding Tax of 9% on interest paid on Debt Instruments

5

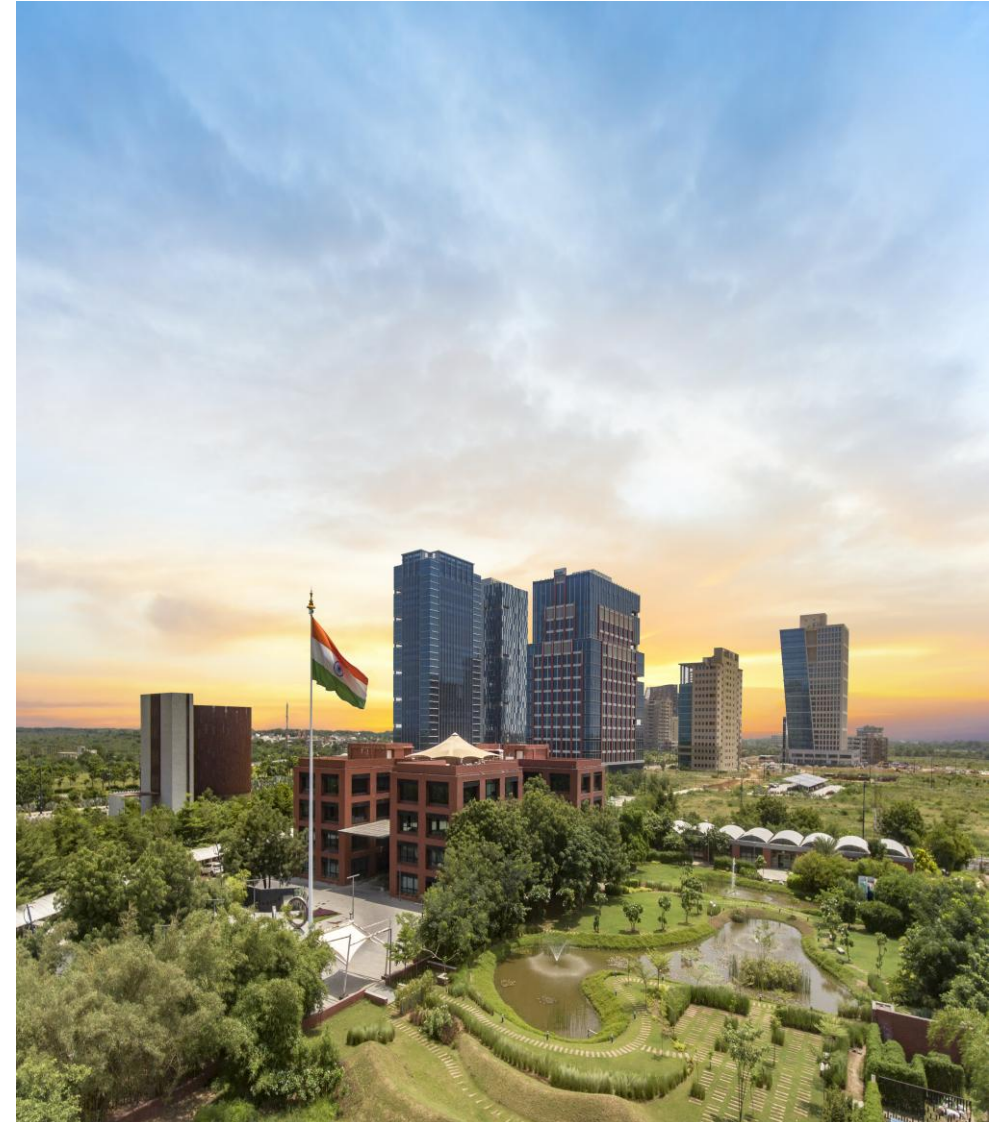
Competitive Tax Regime for Funds

6

Incentives under Gujarat IT/ITeS Policy (2022-27)

*MAT provisions not applicable for companies opting for concessional tax rate under Sec. 115 BA of Income Tax Act, 1961

**CTT- Commodity Transaction Tax, STT- Securities Transaction Tax, GST- Goods and Service Tax



IFSC: Business activities

Banking

- Indian Banks (16)
- Foreign Banks (12)
- Global Administrative Office (1)
- Rep. Offices

Capital Market

- Stock Exchanges (2)
- Clearing Corporation (2)
- International Depository (1)
- Broker Dealers (82)
- Investment Bankers (3)
- Custodians (5)
- Depository Participants (10)
- Clearing members (22)

Asset management

- Fund Management Entities (137)
- Alternate Investment Funds (189)
- Investment Advisers (3)
- Portfolio Managers (19)
- Distributors (10)

Insurance

- Indian & Foreign Insurer (12)
- Indian & Foreign Reinsurer (3)
- Insurance Intermediaries (24)
- Insurance Web-Aggregators

Niche Institutions

- International Bullion Exchange
- Finance Companies (6)
- Global Treasury Centre (3)
- ITFS Platform (4)
- Aircraft Leasing & Financing (32)
- Ship Leasing & Financing (21)

Emerging businesses

- Foreign Universities (2)
- Global Fintech Hub (57)
- Global in-House Centres (3)
- Professional Service Providers (83)
- Payment Service Providers (2)
- BATF Service Provider

Figures in brackets are the number of entities authorized by IFSCA

Business Highlights: GIFT IFSC



725 +

Number of IFSCA Registered* Entities till Nov. 2024



\$ 87 Bn

Monthly turnover on IFSC International Stock Exchanges in Nov. 2024



\$ 71 Bn

Total Banking Asset Size in Nov. 2024



137

Number of Funds Management Entities registered till Nov. 2024



\$ 63 + Bn

Cumulative Debt Listing on IFSC Exchanges till Nov. 2024



\$ 1048 Bn

Cumulative Banking transactions till Nov. 2024



184

Aviation Assets leased from IFSC till Nov. 2024



\$ 45 + Bn

Total targeted corpus of Alternative Investment Funds till Nov. 2024



\$ 40 Bn

Derivative Transactions booked by banks in Nov. 2024

Regulatory Framework for Payment Services

- ❑ The IFSCA (Payment Services) Regulations, 2024 including the amendments made therein lay down the regulatory framework for Payment Service Providers and their activities in IFSC.
- ❑ IFSCA has adopted principle based regulations.
- ❑ Companies intending to provide Payment Services are required to obtain authorisation from IFSCA before commencement of operations.
- ❑ Payment Service Providers shall meet the minimum net worth requirements as specified in the IFSCA (Payment Services) Regulations, 2024 on an ongoing basis.
 - For Regular Payment Service Provider - \$100,000 on the date of CoO* which shall increase to \$200,000 by the end of the 3rd FY of operations.
 - For Significant Payment Service Provider - \$250,000 on the date of CoO which shall increase to \$500,000 by the end of the 3rd FY of operations.
- ❑ Payment Service Provider shall ensure that its directors, Key Managerial Personnel and persons exercising control over it satisfy the “fit and proper requirements” (‘FPR’), specified in Schedule II of the IFSCA (Payment Services) Regulations, 2024.

* CoO – Commencement of Operations



Key Business Opportunities for Payment Service Providers

- **Account issuance service (including e-money account issuance service)**
 - the service of issuing a payment account to a payment service user
 - the service required for operating a payment account, and includes any service (other than a cross-border money transfer service) that enables money to be placed in or withdrawn from payment account.
- **Cross-border money transfer service**
 - accepting money from a person in IFSC, whether as principal or agent, for the purpose of transmitting, or arranging for the transmission of, the money to any person outside IFSC.
 - receiving money from a person outside IFSC or arranging for the receipt of money from a person outside IFSC whether as principal or agent, for the purpose of transmitting or arranging for the transmission of the money to any person in IFSC or any person outside IFSC.
- **E-money issuance service**
 - the service of issuing e-money to a Payment Service User for the purpose of allowing a Payment Service User to make payment transactions.
- **Escrow service**
 - the service provided by a Payment Service Provider under an agreement, whereby money is held by such Payment Service Provider in an escrow account on behalf of two parties that are in the process of completing a transaction.
- **Merchant acquisition service**
 - any service of accepting and processing a payment transaction for a merchant under an agreement between the Payment Service Provider and the merchant, which results in a transfer of money to the merchant pursuant to the payment transaction, regardless of whether the Payment Service Provider comes into possession of any money in respect of the payment transaction.

Process Flow for Authorisation of Payment Service Provider

APPLICATION*

- Parent company wishing to set up a subsidiary to offer payment services may apply for In-principle Approval.
- A Financial institution, set up as a company and authorised by the Authority under applicable regulatory framework, may also seek to apply for authorisation to act as a PSP.

IN-PRINCIPLE APPROVAL

- On scrutiny of the application, In-principle Approval may be issued to the parent company.
- In-principle approval may contain conditions to be satisfied before the grant of final authorisation.

SETTING UP A COMPANY

- To set up a Company with its registered office in IFSC (In case, Parent Company is applying to set up a subsidiary to offer payment services).

GRANT OF AUTHORISATION

- On satisfaction of the requirements, the IFSC company may be granted a Certificate of Authorisation.
- The IFSC Company authorised shall commence operations within the time period of six months as specified in the PS Regulations.

*The Authority views the formal submission of application as the last step in the process of setting up a PSP. Prospective applicants are encouraged to engage with the Authority and give an overview of its business model and plan of operations prior to submitting a formal application. The application form format is available at <https://ifsc.gov.in/Pages/Contents/Payment-services>.

Regulatory Framework for Payment Systems

- ❑ The IFSCA (Payment and Settlement Systems) Regulations, 2024 lay down the regulatory framework for Payment Systems Operators and their activities in IFSC.
- ❑ IFSCA has adopted principle based regulations.
- ❑ Entities intending to operate Payment Systems are required to obtain authorisation from IFSCA before commencement of operations.
- ❑ Every Payment System Operator shall comply, on an ongoing basis and to the extent applicable, with the Principles for Financial Market Infrastructure issued by Committee on Payments and Market Infrastructures (CPMI) and International Organization of Securities Commissions (IOSCO).



Key Business Opportunities in the Payment Systems space

- Real time or deferred large value payment system
- Trade Repository
- Issuers of Legal Entity Identifier (LEI)
- Card Payment Networks
- TREDS platforms
- Any other

Process Flow for Authorisation of a Payment System

APPLICATION FOR AUTHORISATION*

- An entity wishing to operate a Payment System may apply for authorisation.

IN-PRINCIPLE APPROVAL

- On prima facie satisfaction of the conditions under section 7(1) of Payment and Settlement Systems Act, 2007 and other conditions as decided by the Authority, an In-principle approval may be issued.

GRANT OF AUTHORISATION

- On satisfaction of the satisfaction of the conditions mentioned in the In-principle approval, the entity may be issued a Certificate of Authorisation.

*The application form format is available at <https://ifsc.gov.in/Viewer?Path=Document%2FLegal%2FApplication-as-a-payment-system-provider-circular23102024070748.pdf&Title=Format%20and%20manner%20of%20seeking%20authorisation%20to%20commence%20or%20carry%20on%20a%20Payment%20System%20in%20an%20International%20Financial%20Services%20Centre&Date=23%2F10%2F2024>.