ANNUAL REPORT 2021-22

INTERNATIONAL FINANCIAL SERVICES CENTRES AUTHORITY

ANNUAL REPORT 2021-22

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This report is in conformity with the form prescribed in the International Financial Services Centres Authority (Annual Report and Returns and Statements and Other Particulars) Rules, 2022 notified on February 28, 2022 in the Gazette of India.

IFSCA

Injeti Srinivas
Chairperson

IFSCA
INTERNATIONAL FINANCIAL SERVICES CENTRES AUTHORITY
सत्यमेव जयते
Government of India

410/आईएफएससीए/ईपीए/एआर/2021-22
नवंबर 29, 2022

सचिव,
भारत सरकार,
आर्थिक कार्य विभाग,
वित्त मंत्रालय, नॉर्थ ब्लॉक,
नई दिल्ली - 110 001

प्रिय महोदय,

अंतर्राष्ट्रीय वित्तीय सेवा केंद्र प्राधिकरण अधिनियम, 2019 की धारा 19(2) के उपबंधों के अनुसार, मैं एतत्द्वारा भारत के राजपत्र, असाधारण के भाग II खंड 3 उप-खंड (i) में, 28 फरवरी, 2022 को अधिसूचित अंतर्राष्ट्रीय वित्तीय सेवा केंद्र प्राधिकरण (वार्षिक रिपोर्ट और विवरणियां तथा विवरण और अन्य विशिष्टियां) नियम, 2022 में निर्धारित किए गए प्रारूप में, 31 मार्च 2022 को समाप्त वर्ष के लिए अंतर्राष्ट्रीय वित्तीय सेवा केंद्र प्राधिकरण की वार्षिक रिपोर्ट की प्रति अग्रेषित कर रहा हूँ।

भवदीय,
इंजेती श्रीनिवास
(इंजेती श्रीनिवास)
संलग्न: उपरोक्तानुसार

410/IFSCA/EPA/AR/2021-22
November 29, 2022

The Secretary,
Government of India,
Department of Economic Affairs,
Ministry of Finance, North Block,
New Delhi - 110 001

Dear Sir,

In accordance with the provisions of Section 19(2) of the International Financial Services Centres Authority Act, 2019, I forward herewith a copy of the Annual Report of the International Financial Services Centres Authority for the year ended March 31, 2022, in the format prescribed in the International Financial Services Centres Authority (Annual Report and Returns and Statements and Other Particulars) Rules, 2022, notified on February 28, 2022, in Part II Section 3 Sub-section (i) of the Gazette of India Extraordinary.

Yours faithfully,

(Injeti Srinivas)

Encl.: As above

Section **A**

Statement of Goals & Objectives

The International Financial Services Centres Authority (IFSCA) was established on April 27, 2020, as a unified financial regulator under the International Financial Services Centres Authority Act, 2019. It is headquartered at Gujarat International Finance Tec-City (GIFT City), Gandhinagar in Gujarat.

The Government of India set up IFSCA (hereinafter referred to as "the Authority") to develop and regulate financial services in the International Financial Services Centres (IFSCs) established in India with a mandate to create a world-class ecosystem based on ease of doing business and best in class regulatory system to make IFSCs in India a preferred global destination for international financial services.

As a unified financial regulator, IFSCA adopts a holistic vision towards the development and regulation of financial products, financial services, and financial institutions in IFSCs in India across the verticals of banking, insurance, capital markets, pension, and funds. At present, the GIFT IFSC is the maiden International Financial Services Centre in India. Prior to the establishment of IFSCA, the four domestic financial sector regulators viz. RBI, SEBI, IRDAI, and PFRDA regulated the respective business areas within IFSC.

Vision

To provide world-class regulatory environment and develop IFSCs into leading Global Financial Centres with a primary focus on India's economic development apart from serving as a regional and global financial hub.

Mission

To develop IFSCs into well-diversified and globally competitive financial hubs for international banking, insurance, and capital market activities through a pro-business environment, duly supported by a progressive regulatory architecture, state-of-the-art technology and infrastructure and talented financial professionals, which serve both the Indian Economy and the region as a whole.

Goals & Objectives

1. To facilitate the development of a strong base of international financial services in the country
2. To promote IFSC as a dominant gateway for international capital flows into and out of India
3. To emerge as a regional and global hub for international financial services
4. To provide a state-of-the-art unified regulatory framework, with robust regulation and supervisory technology aligned with international best practices
5. To develop a strong global-connect with leading international financial jurisdictions

Chairperson's Message

IFSCA has the twin mandate of development and regulation in respect of IFSCs established in the country. The two primary objectives of establishing the IFSC are - to onshore India-related international financial services business and further to emerge as an exporter of international financial services at the regional and global level. To fulfil these objectives, IFSCA is facilitating a favourable and comprehensive ecosystem to enable the financial institutions, products and services to gravitate towards the IFSC.

One of the critical components of this ecosystem will be cost-effective and speedy dispute resolution under international jurisprudence. It is with this objective that the Finance Minister announced setting up of an International Commercial Arbitration Center (IAC) in GIFT City in the Union Budget 2022-23. The Union Budget also proposed setting-up of world-class foreign universities in GIFT IFSC, free from domestic regulations, to facilitate the availability of skilled manpower in the financial services space. With IFSC gaining critical mass with the growth of the financial services industry, the demand for international commercial arbitration and high quality human capital is bound to increase significantly. IFSCA is in the process of creating the enabling environment for the above-mentioned initiatives to bear fruit.

As the global financial system is focused on climate transition, GIFT IFSC is well-positioned to become a global hub for sustainable finance. IFSCA is focused on development of a complete ecosystem that would accelerate global sustainable capital flows into India and emerging economies. IFSCA has taken measures across labelled capital market products, sustainable lending, and funds to provide a regulatory environment with increased transparency and disclosures on sustainability-related products. These measures have led to significant growth in sustainable product offerings at IFSC with ESG-labelled debt securities amounting to around $5.2 billion in 2021-22. IFSCA aims to play a vital role towards sustainable development of the world by providing a global platform for products and services catering to sustainable finance.

IFSCA has notified the Fund Management Regulations to provide a comprehensive framework governing a host of fund management activities in IFSC, ranging from various types of private investment funds, such as venture capital funds, special situations funds, hedge funds, etc. to retail investment funds, such as mutual funds and exchange traded funds. The regulations, in addition, provide for setting-up of portfolio management services, family offices, REITs and InvITs in IFSC. The Regulations, aligned with global best practices, ensure direct oversight and facilitate ease of doing business by seeking to register the fund management entity and thereby enable the entity to undertake host of activities related to fund management. Introduction of this unified regime is aimed at attracting global capital for investments into India and other countries.

Towards creating a world-class FinTech hub at GIFT IFSC, IFSCA has formulated a first-of-its-kind FinTech Entity Framework for FinTechs and TechFins cutting across Banking, Capital Markets, Insurance, and allied areas. IFSCA also became the first Indian financial sector regulator to notify a FinTech Incentive Scheme to provide grants to FinTech Entities. Positioning itself as a thought leader in this space, IFSCA launched 'InFinity Forum', a flagship financial technology event, uniting the world's leading minds in policy, business, and technology to explore and advance the biggest ideas in FinTech, and to develop those ideas into global solutions and opportunities. ISprint'21, a series of global hackathons/cohorts launched by IFSCA, provided the ideal launch and landing pads for Indian and foreign FinTechs respectively with problem statements across Banking, Insurance and Capital Market domains. The collaborations and partnerships that are being forged with international and domestic regulators, FinTech hubs, accelerators, investors etc. is all set to enable a vibrant FinTech ecosystem in GIFT IFSC.

With the launch of the International Bullion Exchange in IFSC, India will move to the centre stage of the gold market and will gradually emerge as a price influencer in the international gold market. IFSCA has also issued a framework for setting up and operating the International Trade Finance Services Platform ('ITFS') for providing trade finance services in IFSCs. ITFS platform will enable smooth digital onboarding, multiple financing options and efficient price discovery for buyers/sellers across the globe, especially the MSME exporters /importers in India.

GIFT IFSC with its well-developed financial system, duly supported by a large domestic economy, growing market liquidity and best-in-class regulations is fast emerging as an important gateway to connect India with global opportunities and connect rest of the world with the India growth story.

Members of the Authority (As on 31.03.2022)

Shri Injeti Srinivas
Chairperson

Shri Pankaj Jain
Secretary, Ministry of Petroleum and Natural Gas

Shri Anand Mohan Bajaj
Additional Secretary
Ministry of Finance

Smt. T. L. Alamelu
Member
Insurance Regulatory and Development Authority

Shri Saurav Sinha
Executive Director
Reserve Bank of India

Shri Sujit Prasad
Executive Director
Securities and Exchange Board of India

Shri Ananta Gopal Das
Executive Director
Pension Fund Regulatory and Development Authority

Senior Management of the Authority (As on 31.03.2022)

Name	Designation
Sh. Manoj Kumar	Executive Director
Sh. Praveen Trivedi	Executive Director
Sh. Dipesh Shah	Executive Director
Sh. Kumar Raghuraman	General Manager
Sh. Supriyo Bhattacharjee	General Manager
Sh. Kamlesh Sharma	General Manager
Sh. Ashutosh Sharma	General Manager
Sh. Joseph Joshy CJ	General Manager

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This report can also be accessed on internet at: https://ifsca.gov.in/

Conventions used in this Report

₹	:	Rupees (Rs)
Lakh	:	Hundred thousand
Crore	:	Ten million
Million (Mn)	:	Ten lakh
Billion	:	Thousand million/hundred crore

Differences in total are due to rounding off and sometimes they may not exactly add up to hundred percent.

Abbreviations

ADR	American Depository Receipt
AE	Advanced Economies
AI	Artificial Intelligence
AIF	Alternative Investment Fund
ALM	Asset Liability Mismatch
AMC	Asset Management Company
AML	Anti-Money Laundering
APAC	Asia-Pacific
API	Application Programming Interface
ARC	Asset Reconstruction Company
ASEAN	Association of South-East Asian Nations
ASSOCHAM	Associated Chambers of Commerce and Industry of India
AUM	Assets Under Management
BCBS	Basel Committee on Banking Supervision
BDR	Bullion Depository Receipt
BFSI	Banking, Financial Services and Insurance
BIS	Bank for International Settlements
BoE	Bank of England
BoP	Balance of Payments
BRL	Brazilian Real
BUs	Banking Units
CAD	Current Account Deficit
CBDT	Central Board of Direct Taxes
CBIC	Central Board of Indirect Taxes and Customs
CBS	Compliance Based Supervision
CDR	Credit-Deposit Ratio
CDSL	Central Depository Services (India) Limited
CEO	Chief Executive Officer
CFT	Combating the Financing of Terrorism
CGM	Chief General Manager
CII	Confederation of Indian Industry
CM	Clearing Member
COB	Conduct of Business

COMEX	Commodity Exchange
COP	Conference of Parties
CoR	Certificate of Registration
COVID	Coronavirus Disease
CPI	Consumer Price Index
CPSE	Central Public Sector Enterprises
DDG	Due Diligence Guidance
DEA	Department of Economic Affairs
DFS	Department of Financial Services
DGEP	Directorate General of Export Promotion
DGFT	Directorate General of Foreign Trade
DoC	Department of Commerce
DoP	Department of Pension
DR	Depository Receipt
DTA	Domestic Tariff Area
ECB	External Commercial Borrowing
ECGC	Export Credit Guarantee Corporation
ED	Executive Director
EMDEs	Emerging Market and Developing Economices
EME	Emerging Market Economies
EMEA	Europe, the Middle East and Africa
ESG	Environmental, Social, and Governance
ETF	Exchange Traded Fund
FAR	Fully Accessible Route
FATF	Financial Action Task Force
FC	Finance Company
FCA	Financial Conduct Authority
FCY	Foreign Currency
FDI	Foreign Direct Investment
FE	FinTech Entity
FEMA	Foreign Exchange Management Act
FI	Financial Institution
FICCI	Federation of Indian Chambers of Commerce & Industry
FinTech	Financial Technologies
FME	Fund Management Entity

FPI	Foreign Portfolio Investor
FSB	Financial Stability Board
FSDC	Financial Stability and Development Council
FSDC-SC	Financial Stability and Development Council Sub-Committee
FTWZ	Free Trade Warehousing Zone
FY	Financial Year
GDP	Gross Domestic Product
GIC	Global In-house Centre
GIFT	Gujarat International Finance Tec-City
GM	General Manager
GML	Gold Metal Loan
GMS	Gold Monetization Scheme
GNLU	Gujarat National Law University
GoI	Government of India
G-Sec	Government Security
GVA	Gross Value Added
HRMS	Human Resource Management System
HTM	Held-To-Maturity
IAs	Investment Advisers
IBC	Insolvency and Bankruptcy Code
IBE	International Bullion Exchange
ICMA	The International Capital Market Association
IFSC	International Financial Services Centre
IFSCA	International Financial Services Centres Authority
IGPC	India Gold Policy Centre
IIIO	IFSC Insurance Intermediary Office
IMF	International Monetary Fund
IIMA	Indian Institute of Management Ahmedabad
IIO	IFSC Insurance Office
IMF	International Monetary Fund
INDC	Intended Nationally Determined Contribution
INR	Indian Rupees
InvIT	Infrastructure Investment Trust
INX	India International Exchange (IFSC) Limited
IOSCO	International Organization of Securities Commissions

IPO	Initial Public Offering
IRDAI	Insurance Regulatory and Development Authority of India
KRW	Korean Won
LBMA	London Bullion Market Association
LCR	Liquidity Coverage Ratio
LLP	Limited Liability Partnership
LMA	Loan Market Association
LME	London Metal Exchange
LOLR	Lender of Last Resort
LR	Leverage Ratio
LRS	Liberalized Remittance Scheme
LSE	London Stock Exchange
MCX	Multi Commodity Exchange of India Limited
MII	Market Infrastructure Institutions
MIS	Management Information System
ML	Machine Learning
MMoU	Multilateral Memorandum of Understanding
MoU	Memorandum of Understanding
MVP	Minimum Viable Product
NBFC	Non-Banking Financial Company
NDC	Nationally Determined Contributions
NIC	National Informatics Centre
NICCL	NSE IFSC Clearing Corporation Limited
NICSI	National Informatics Centre Services Inc.
NIPFP	National Institute of Public Finance and Policy
NISM	National Institute of Securities Markets
NLP	Natural Language Processing
NPA	Non-Performing Asset
NSDL	National Securities Depository Limited
NSE	National Stock Exchange of India Ltd
NSFR	Net Stable Funding Ratio
NYSE	New York Stock Exchange
OECD	Organization for Economic Co-operation and Development
OMO	Open Market Operations
OPEC	Organization of the Petroleum Exporting Countries

ORF	Observer Research Foundation
OTC	Over the Counter
PFRDA	Pension Fund Regulatory and Development Authority
PLI	Production Linked Incentive
PMI	Purchasing Managers' Index
PML	Prevention of Money-laundering
PMLA	Prevention of Money Laundering Act
PMs	Portfolio Managers
PoC	Proof of Concept
PRC	Performance Review Committee
PRU	Prudential Directions
QFCA	Qatar Financial Centre Authority
QJ	Qualified Jewelers
RBC	Risk Based Capital
RBS	Risk Based Supervision
RBSF	Risk Based Supervision Framework
RDRR	Retail Deposit Reserve Ratio
REIT	Real estate investment trust
RFP	Request for Proposal
RRB	Regional Rural Bank
SAFAL	Ship Acquisition Financing and Leasing
SBI	State Bank of India
SCRA	Securities Contracts (Regulation) Act, 1956
SDG	Sustainable Development Goals
SEZ	Special Economic Zone
SGB	Sovereign Gold Bond
SGF	Settlement Guarantee Fund
SGX	Singapore Exchange Limited
SIAC	Singapore International Arbitration Centre
SLA	Surveyors and Loss Assessors
SLB	Sustainability-Linked Bonds
SNAS	Segregated Nominee Account Structure
SPAC	Special Purpose Acquisition Company
SPV	Special Purpose Vehicle
SupTech	Supervisory Technology

TCM	Trading-cum-Clearing Member
TFU	Trade Finance Unit
TLTRO	Targeted Long-Term Repo Operations
TM	Trading Member
TPA	Third Party Administrators
TSM	Trading-cum-Self Clearing Member
TWD	Taiwan dollar
UAC	Unit Approval Committee
UCC	Unique Client Code
UCP600	Uniform Customs & Practice for Documentary Credits
UK	United Kingdom
UN	United Nations
UNFCCC	United Nations Framework Convention on Climate Change
US	United States
USD	United States Dollar
VC	Venture Capital
VCC	Variable Capital Company
VRR	Voluntary Retention Route
VRRR	Variable Rate Reverse Repo
WEO	World Economic Outlook
WGC	World Gold Council
WPI	Wholesale Price Index
YoY	Year on Year

Section **B**

THE YEAR IN REVIEW: OVERVIEW OF THE GENERAL ECONOMIC ENVIRONMENT

A. Global Economic Assessment, Outlook, and Opportunities for IFSCA

The world is witnessing receding effects of the Covid-19 pandemic in 2022. Signs of global recovery are visible but are punctuated by formidable challenges, resulting in risks and a significant degree of uncertainty.

The green shoots of growth are visible in many countries after a sharp decline in 2020 supported by high vaccination coverage and growth in international trade. However, the revival is not equitable across different economies with many sectors undergoing structural changes.

Some major geopolitical developments have led to rising energy prices and supply disruptions, resulting in higher and more broad-based inflation than anticipated, notably in the United States, Europe and many Emerging Markets and Developing Economies (EMDEs). The ongoing slowdown of China's real estate sector and slower-than-expected recovery of private consumption have also limited the growth prospects. Other downside risks that cloud the outlook include the de-anchoring of inflation expectations, financial stress, climate-related disasters, and a weakening of long-term growth drivers.

As per IMF's World Economic Outlook (WEO) update, January 2022, global growth is expected to moderate from 5.9 in 2021 to 4.4 percent in 2022—half a percentage point lower for 2022 than that in WEO, October 2021, largely reflecting forecast markdowns in the two largest economies. A revised assumption removing the Build Back Better fiscal policy package from the baseline, earlier withdrawal of monetary accommodation, and continued supply shortages produced a downward 1.2 percentage-points revision for the United States. In China, pandemic-induced disruptions related to the zero-tolerance COVID-19 policy and protracted financial stress among property developers have induced a 0.8 percentage-point downgrade. Global growth is expected to slow to 3.8 percent in 2023.

As per the FSB Annual Report 2021, the combination of pronounced economic uncertainty, easy financing conditions and sustained policy support is shaping asset valuations, and could test financial resilience.

Structural changes which are impacting the nature of vulnerabilities in the financial system are technological innovations in finance, rapidly evolving crypto-asset markets and exposure to the physical and transition risks posed by climate change.

Various measures to steer global economy may include the following policy responses:

Rapid and global vaccination rollout coupled with support targeted at vulnerable populations.	**Domestic growth and innovation.**	**Effective monetary policy communication.**
Facilitating cross border trade and investsment	**Fiscal measures- prioritization of public spending, subsidies, and measures to expand the tax base**	**Measures to strengthen financial systems, and to reprofile debt to spread out repayments and reduce exchange-rate risks.**
Proactive measures to enhance debt sustainability in the poorest countries.	**Redoubled efforts to tackle climate change and within-country inequality.**	**Emphasis on growth-enhancing policy interventions and on reforms that broaden economic activity to decouple from global commodity markets.**

Financial markets performance

Banking Industry

As per BIS Quarterly Review of March 2022, even before the sharp rise in the geopolitical tensions introduced a new wave of uncertainty, financial markets had started seeing signals of a global shift towards a quicker pace of monetary policy tightening.

In most of the Advanced Economies (AEs), as investors perceived a shift in the stance by Fed, nominal bond yields increased materially, starting in mid-December. This translated mostly into a surge of real yields – while inflation compensation moved sideways with real (inflation-adjusted) yields remaining largely in negative territory.

In the EMEs, the financial conditions were mixed but remained largely stable with local currency yields increasing more at the short end, particularly in non-Asian countries and the spreads on dollar-denominated debt rising moderately across the board. Portfolio flows into Asian EMEs regained momentum, supporting less stringent financial conditions than in other EMEs.

The resurgence of inflation, Russia-Ukraine conflict and the lockdown in China posed challenges to the global economy in Q4 FY 2021-22. However, the aggregate market capitalization (MCap) of the global top 25 banks remained stable at $3.8 trillion during Q4 FY 2021-22, according to GlobalData.

During the quarter, banks' global cross-border claims surged by $1.4 trillion[1]. The expansion was the third largest on record, pushing the stock of cross border claims to $35.9 trillion at end-March 2022 (up 4% from a year earlier)[2]. Banks' cross-border claims on EMDEs changed little overall over Q4 FY 2021-22, as reduction in claims on China were offset by an increase in other EMDEs.

The foreign currency credit to non-bank borrowers witnessed slow growth in dollars but higher in euros.

[1] BIS
[2] BIS

Foreign currency credit to EMDEs remained buoyant. Against the backdrop of rising interest rates and geopolitical tensions, partial data on issuance of syndicated loans and bonds foreshadow weaker growth in credit to EMDEs in Q2 2022[3] .

Capital Markets

The roll-out of the Covid-19 vaccines along with the additional stimulus packages approved by governments, savings accumulated during the pandemic, and an increased confidence in the economic recovery boosted the markets. According to World Federation of Exchanges' statistics, key trends are as follows:

- 160.95 trillion USD were traded on the global markets in 2021 in nearly 46 billion trades, which represents 16.9% rise in equity value traded and 20.4% increase in volumes.
- The number of listed companies rose 5.9% in 2021 compared to the end of 2020
- The number of IPOs increased a significant 74.2% in 2021 compared to 2020, but the average size of an IPO increased only 3.5% to 186 million USD.
- The number of non-IPO listings went up a significant 90.1% in 2021 compared to 2020, the highest yearly increase in the last five years, each region recording its peak.
- IPO investment flows increased 80.4% in 2021, the highest yearly increase in the last five years, highlighting the fundamental role of exchanges in funding the global economy
- Investment flows through already listed companies rose 30.9% in 2021 compared to 2020, totalling 854.60 billion USD.
- In 2021 the number of listed ETFs and value traded fell 5.2% and 8.6%, respectively, while volumes increased 9.3% compared to 2020.
- Derivatives volumes increased 33.7% in 2021 compared to 2020, totalling a record 61.87 billion contracts traded. Volumes went up for all product lines, except ETF futures.

Insurance Industry

Post-Covid, opportunities wait for the insurance industry which may have a key role to play in driving towards a sustainable world, since an important outcome of the pandemic has been the heightened awareness of the value of risk-protection solutions, having an impact on insurance demand.

Preliminary data[4] suggest that premium growth and profits rebounded in 2021, especially in regions where strong vaccine rollouts have made many activities possible again, at least periodically. As per Swiss Re, premiums will grow by an estimated 8 per cent in 2022 and 6.3 per cent in 2023 as rate hardening momentum continues in response to inflation and new risks. Insurtechs are driving digital innovation and disruption in the industry. Investments in insurtechs worldwide show growth from USD 1 billion in 2004 to USD 7.2 billion in 2019 to USD 14.6 billion in 2021, with more than 40 per cent of insurtechs focused on the marketing and distribution segments of the insurance value chain[5.]

With imminent climate change events, solutions that manage the financial fallout from natural catastrophes and help speed recovery play a crucial role. However, while many insurers have begun to incorporate climate-risk considerations in their investment processes, new-product launches and underwriting processes are mostly unchanged.

[3] BIS
[4] Creating value, finding focus: Global Insurance Report 2022 (Mckinsey & Company)
[5] Ibid

B. Domestic Economic Assessment & Prospects

Gross Domestic Product

As per the first advance estimates of national income by the National Statistical Office (NSO), the growth in GDP during 2021-22 is estimated at 9.2 percent as compared to a contraction of 7.3 percent in 2020-21.

Sector specific growth rate is provided in the table below:

Table 1 - Annual Growth of GVA at constant (2011-12) prices (per cent)

Sector	2019-20 (1st RE[6])	2020-21 (PE)	2021-22 (1st AE)
Agriculture and allied sectors	4.3	3.6	3.9
Industry	-1.2	-7	11.8
Services	7.2	-8.4	8.2
Trade, hotels, transport, Communication and services related to broadcasting	6.4	-18.2	11.9
Financial, Real Estate and Professional services	7.3	-1.5	4
Public administration, defence and other services	8.3	-4.6	10.7
GVA at Basic Prices	4.1	-6.2	8.6

Source : Economic Survey 2021-22

Agriculture and allied sectors has been the least impacted by the pandemic and the sector is expected to grow by 3.9 per cent in FY 2021-22 after growing 3.6 per cent in the previous year. Advance estimates suggest that the GVA of Industry (including mining and construction) will rise by 11.8 per cent in FY 2021-22 after contracting by 7 per cent in FY 2020- 21. The Services sector has been the hardest hit by the pandemic, especially segments that involve human contact. This sector is estimated to grow by 8.2 per cent this financial year following last year's 8.4 per cent contraction.

Inflation

In 2021, inflation picked up globally as economic activity revived with opening-up of economies during the second year of the pandemic. COVID-19 related stimulus spending, mainly in the form of discretionary handouts to households in major economies, along with pent up demand fuelling consumer spending, pushed inflation up in both advanced and emerging economies. The surge in prices of energy, food, non-food commodities, inputs, along with supply constraints, disruption of global supply chains, and rising freight costs across the globe pushed up global inflation during the year.

[6] RE - Revised Estimate, PE – Provisional Estimates, AE – Advance Estimates

The average headline Consumer Price Index-Combined (CPI-C)[7] inflation in India moderated to 5.2 per cent in FY 2021-22 (April-December) from 6.6 per cent in the corresponding period of FY 2020-21 while the wholesale inflation based on Wholesale Price Index (WPI)[8], after remaining very benign during the previous financial year witnessed a sharp uptick, rising to 12.5 per cent during FY 2021-22 (April-December).

In comparison to many EMDEs and advanced economies, CPI in India remained range bound, touching 4.9 per cent in November 2021 and 5.6 per cent in December 2021, owing to the proactive steps taken by the Government for effective supply management

Financial Markets

The financial system often emerges as a possible area of vulnerability during turbulent times. However, India's capital market performed exceptionally well and has enabled record mobilization of risk capital for Indian companies. More significantly, the banking system is well capitalized and the overhang of NPAs seems to have structurally declined even after allowing for some lagged impact of the pandemic. Insurance sector has witnessed disruption in recent times due to extraneous factors including the pandemic as well as advancements in the financial services space, including increased focus on digitalization, increasing formalization of the economy, disruption in payments, etc. Insurance penetration and density are not very high when compared to global standards. However, there seems to be growth prospects in the future based on possibility of increased FDI in the sector, capital market activities and rising awareness about insurance, remote underwriting, technology etc.

Banking sector

Monetary policy and liquidity operations have been geared towards mitigating the adverse impact of COVID-19 pandemic on the economy. After several rate cuts in FY 2019-20 and FY 2020-21, the repo rate was maintained at 4 per cent in FY 2021-22. Liquidity in the system remained in surplus throughout. RBI undertook various measures, including secondary market Government Security Acquisition Programme (G-SAP), special Long Term Repo Operations (LTROs), on-tap targeted LTROs, etc. to provide further liquidity in the system. Thereafter, RBI used VRRR and reverse repo auctions to rebalance liquidity conditions.

The bank credit growth[9] (YoY) has been declining in India since 2019 but has witnessed an upturn from the beginning of April, 2021 wherein it stood at 5.3 per cent. It further went on increasing and stood at 7.3 per cent as on December 17, 2021. Personal loans and agriculture sector were major factors driving the growth momentum. Credit growth in the services sector continued to decelerate though credit to industry showed signs of improvement. Credit growth to industry which contracted from October to December 2020 entered positive territory in January 2021.

Gross NPA[10] ratio of Scheduled Commercial Banks (SCBs) continued to decline from 11.2 per cent at the end of FY 2017-18 to 6.9 per cent at the end of September 2021. Similarly, net NPA ratio[11] declined from 6 per cent to 2.2 per cent during the same period. Capital to risk-weighted asset ratio (CRAR) of SCBs continued to increase from 13 per cent in FY 2013-14 to 16.54 per cent at the end of September 2021.

In order to resolve the legacy NPAs and clean up the banking system, the Union budget 2021-22 announced the setting up of an Asset Reconstruction Company (ARC) and Asset Management Company (AMC) to consolidate and take over the existing stressed debt and then manage and dispose of the assets to Alternate Investment Funds (AIFs) and other potential investors for eventual value

[7] National Statistical Office (NSO)
[8] Office of the Economic Adviser, Department for Promotion of Industry, and Internal Trade (DPIIT)
[9] RBI
[10] RBI
[11] RBI

realization. Two entities viz. National Asset Reconstruction Company Limited (NARCL), and India Debt Resolution Company Limited (IDRCL) have since been formed.

Further, RBI vide the RBI (Transfer of Loan Exposures) Directions, 2021 dated September 24, 2021 replaced the existing instructions on the matter of sale/ transfer of loan exposures by lending institutions. The RBI directions, inter- alia, permit transfer of loan exposures to any class of entities that are under the regulatory purview of any financial sector regulator in India, subject to certain conditions. The RBI directions also call for the respective financial regulator to put in place a framework for this purpose in consultation with RBI. In this regard, IFSCA has set up a committee of experts to examine and recommend measures to create such a framework for transfer of stressed loans from domestic lenders to permitted financial institutions in IFSC.

With respect to international trade in banking services which focuses on cross-border fund-based banking services (e.g., deposits, credit) as well as fee-based services, the consolidated balance sheet of overseas branches of Indian banks expanded despite outflow of deposits and reduction in credit during FY 2020-21. There are 121 offshore branches of Indian Banks[12] with consolidated balance sheet size of USD 187.4 billion[13] as on March 2021.

Capital markets

The benchmark stock market indices in India - Sensex and Nifty 50 , gained 18.29 per cent[14] and 18.88 per cent[15], respectively during FY 2021-22. Driven by good corporate earnings, sharp rise in COVID-19 vaccination and opening up of business establishment across the country, Sensex and Nifty scaled up to touch its peak at 61,766 and 18,477 points respectively on October 18, 2021. Among major emerging market economies, Indian markets outperformed its peers during FY 2021-22.

52 Indian corporates raised an all-time high of ₹ 1,11,417 crore through the mainboard IPOs in FY 2021-22[16]. The IPO amount for 2021-22 was over 3.5 times of ₹ 31,268 crore raised through 30 IPOs in 2020-21. The year 2021-22 was an exceptional year for the primary markets with a boom in fundraising through IPOs by many new age companies/ tech start-ups/ unicorns. The exuberance associated with the listings manifested in huge oversubscriptions by retail, High Net worth Individuals (HNIs) and institutional investors and stellar listing gains have pushed more and more companies to tap the markets.

On the debt side, the amount of funds raised through corporate bonds was around ₹ 5.88 lakh crore[17] in FY 2021-22. This was amount of 24 per cent lower from a record ₹ 7.72 lakh crore mobilised in 2020-21. Overall, debt mobilization slowed, and this contrast with equity market suggests an increased appetite for risk among investors.

With respect to Mutual Funds, the Assets Under Management (AUM) of mutual fund industry rose by 19.5 per cent to Rs 37.56 lakh crore as on March 31, 2022 from ₹ 31.43 lakh crore as on March 31, 2021[18].

During FY 2021-22, FPIs made a net withdrawal of ₹ 1.22 lakh crore from equity, debt, and hybrid instruments all combined from the Indian markets[19]. According to data on FPI Asset under Custody, United States of America, Mauritius, and Luxembourg were top three jurisdictions accounting for more

12 Survey on International Trade in banking Services, 2020-21(RBI) dated Feb 04, 2022
13 Ibid.
14 BSE
15 NSE
16 Prime database
17 SEBI
18 AMFI
19 Data on FPI flows from NSDL/CDSL

than 50 per cent of the total FPI investments in India for the month of March 2022. Further, India received the highest annual FDI inflow of USD 83.57 billion in FY2021-22[20]. India has rapidly emerged as a preferred investment destination with FDI inflows increasing 20-fold in last 20 years. In terms of top investor countries of FDI equity inflow, Singapore is at the apex with 27%, followed by U.S.A (18%) and Mauritius (16%) for the FY 2021-22.

Insurance sector

The potential and performance of the insurance sector are generally assessed on the basis of two parameters, viz., insurance penetration and insurance density. In India, insurance penetration was 2.71 per cent in 2001 and has steadily increased to 4.2 per cent in 2021. As of 2021, the penetration for life insurance in India is 3.2 per cent and that of non-life insurance is 1 per cent. While India is doing better than the international average in terms of insurance penetration for life insurance, it lags in terms of non-life insurance. Globally, insurance penetration was 3 per cent for the life segment and 3.9 per cent for the non-life segment in 2021.

The insurance density in India increased from USD 11.5 in 2001 to USD 91 in 2021. In 2021, density for life insurance in India was USD 69 and non-life insurance was USD 22, much lower than global standards. Globally, insurance density was USD 382 for the life segment and USD 492 for the non-life segment respectively in 2021.

Fiscal developments

In the backdrop of the evolving Covid-19 situation in FY 2020-21, the government introduced stimulus packages to boost economic recovery in the second half of the financial year. These stimulus measures directed towards larger capital spending continued during the year 2021-22 which included liquidity enhancing and investment boosting measures, such as Production Linked Incentives (PLI) scheme, credit guarantee schemes and export boosting initiatives.

During the year 2020-21, the shortfall in revenue collection owing to the interruption in economic activity and additional expenditure requirements to mitigate the fallout of the pandemic on vulnerable people, small businesses, and the economy in general, created immense pressure on the available limited fiscal resources. As a result, the budgeted fiscal deficit for FY 2020-21 was revised from 3.5 per cent in budget estimates to 9.5 per cent in revised estimates. The fiscal deficit for 2020-21 Provisional Actuals stood at 9.2 per cent of GDP i.e. lower than revised estimates. The Medium-Term Fiscal Policy (MTFP) Statement presented with Budget 2021-22 envisaged a fiscal deficit target of 6.8 per cent of GDP for FY 2021-22. This reduction in deficit during the current year was budgeted on account of reduction in expenditure from 17.7 per cent of GDP in FY 2020-21 revised estimates to 15.6 per cent in FY 2021-22 budget estimates; and a budgeted marginal increase in gross tax revenues to the tune of 0.1 per cent of GDP.

Total liabilities of the Central Government include debt contracted against the Consolidated Fund of India, technically defined as Public Debt, as well as liabilities in the Public Account. These liabilities also include external debt. The Central Government debt as a ratio of GDP sharply increased to 59.3 per cent in FY 2020-21 on account of borrowing due to COVID-19 pandemic as well as sharp contraction in GDP.

Public debt is largely held by institutional segments like banks, insurance companies, provident funds etc. The Retail Direct Scheme has been launched by RBI in November 2021 with an objective to facilitate efficient direct access of retail individual investor to the G-Sec market to give a boost to financial inclusion and broaden the investor base.

[20] PIB

Further, in recent years, the GoI and RBI have taken several measures for encouraging the participation of eligible non-resident entities such as FPIs, NRIs and OCIs in government security market. The measures include the introduction of the voluntary retention route (VRR) Scheme in 2019 and the fully accessible route (FAR) in 2020. Currently, under the medium term framework, FPI in government securities is at around 2.5 per cent[21] of the outstanding stock of securities compared to maximum permitted limit of 6 per cent of outstanding stock of securities. Further, the channel of non-resident investors investing through International Central Securities Depositories (ICSDs) under FAR route is yet to be operationalised. Thus, foreign inflows into Indian G-Secs have not reached the potential levels as compared to the case of the other emerging economies like China and Mexico.

External Sector

The external sector primarily deals with the current account and the capital account situation of the country. Within the current account, the merchandise exports as well as imports have rebounded strongly and surpassed the pre-pandemic levels leading to an increase in merchandise trade deficit. This happened on account of recovery of global demand coupled with a revival in domestic activity. The current account balance recorded a deficit of 1.2 per cent of GDP in 2021-22 as against a surplus of 0.9 per cent in 2020-21 as the trade deficit widened to USD 189.5 billion from USD 102.2 billion a year ago[22].

Net invisible receipts were higher in 2021-22 due to increase in net exports of services and net private transfer receipts, even though net income outgo was higher than a year ago. This is mainly on account of top three - computer, business and transportation services that constitute more than 80 per cent of total services exports.

Net ECBs to India recorded an inflow of USD 7.4 billion in 2021-22 as compared with USD 0.2 billion in 2020-21. In 2021-22, there was an accretion of USD 47.5 billion to foreign exchange reserves (on a BoP basis).

With respect to trade in financial services during the period April-December, 2021, there is a significant outflow of resources linked to re-insurance business as well as financial intermediation services from India.

In terms of Capital/ Financial Account, net capital flows more than tripled to USD 65.6 billion[23] in H1: FY 2022 over those in H1: FY 2021, on the back of continued inflow of foreign investment, rise in loans mainly ECBs, banking capital and other capital. Foreign Investment, consisting of FDI and FPI, is the largest component of the capital account. Falling short of the pre-pandemic level, the net foreign investment inflows – primarily driven by FDI – moderated to USD 25.4 billion[24] in H1: FY 2022 compared to corresponding period of FY 2021.

The robust capital flows were sufficient to finance the modest current account deficit (CAD), resulting in an overall balance of payments (BoP) surplus of USD 63.1 billion in H1: FY 2022, that led to an augmented foreign exchange reserves reaching USD 633.6 billion[25] as on December 31, 2021. Overall, the external trade recovered strongly in FY 2021-22 after the pandemic-induced slump of the previous year, with strong capital flows into India, leading to a rapid accumulation of foreign exchange reserves.

Sustainable Finance

India has been a global leader in climate action initiatives. Hon'ble Prime Minister of India announced, in

[21] NSDL
[22] RBI
[23] ibid
[24] ibid
[25] ibid

COP26, ‘panchamrits’ as an unprecedented contribution of India to climate action. This includes India’s goal to achieve net-zero emissions by 2070. India has also committed to reducing 1 billion tonnes of projected emissions till 2030 and achieving carbon intensity reduction by 45 per cent over 2005 levels by 2030.

India is actively contributing to the global efforts towards mobilizing green finance. In January 2021, a Task Force on Sustainable Finance was set up by the Department of Economic Affairs, Ministry of Finance, Government of India. The Terms of Reference of the Task Force include defining the framework for sustainable finance in India, establishing the pillars for a sustainable finance roadmap, suggesting draft taxonomy of sustainable activities and a framework of risk assessment by the financial sector.

Further, in May 2021, RBI set up ‘Sustainable Finance Group’ (SFG) within its Department of Regulation to effectively counter these risks, and for leading the regulatory initiatives in the areas of sustainable finance and climate risk.

The liberalised ECB norms of RBI have enabled the Indian renewable energy companies and other firms to tap the ECB route for raising finance through green bonds and sustainable bonds, reflecting the growing attractiveness of this route for raising finance.

Section **C**

BANKING AND FINANCE COMPANIES

Activities with respect to Regulations, Circulars, Guidelines etc.

This section gives a picture of the various measures taken by the Authority towards regulation of banking and related services and the development of the banking ecosystem in IFSC during FY 2021-22.

The initial framework for banking regulation in IFSC was laid under IFSCA (Banking) Regulations, 2020[26], issued in November 2020. These were broadly based on the guidelines issued by RBI[27], with certain modifications, relaxations and insertions of enabling provisions, considered necessary for providing impetus to the growth of banking business in GIFT IFSC, while ensuring a certain degree of continuity in regulatory prescriptions and practices.

The IFSCA (Banking) Regulations, 2020, provided broad principles for licensing, operations, and prudential norms for IFSC Banking Units (IBUs). A select set of directions/ circulars/ guidelines issued by RBI under various statutes was made applicable to the IBUs, for ensuring a certain degree of continuity for the IBUs' operations. As more IBUs were being set up by Indian and foreign banks, these regulations and directions were amended from the perspective of an international financial centre. The amended IFSCA Banking Regulations[28] were notified on July 06, 2021.

IFSCA (Banking) (Second Amendment) Regulations, 2021

The framework is guided by a principle-based approach, as against a prescriptive or rules-based approach. The major changes under the amended regulations are delineated as under:

i. The definitions of qualified individuals (QI[29]) and qualified resident individuals (QRI[30]) are withdrawn from the regulations, as the classification and differential treatment of clients are covered as part of the IFSCA Banking Handbook - Conduct of Business Directions.

ii. IBUs are permitted to undertake all the activities permitted under the IFSCA Act, 2019 in addition to the activities under section 6 of the Banking Regulation Act, 1949, except for the activities prohibited for IBUs.

iii. IBUs are now required to comply with the directions and instructions issued by their home regulators, unless otherwise specified by the Authority. The robustness of prudential guidelines applicable to the banking company under the respective home regulations is one of the most important considerations while deciding on the application for a licence for setting up an IBU in IFSC. Such prudential guidelines of the home regulators of the banking companies as applicable also to the IBUs set up as branches – unless otherwise specified by the Authority, must be based on the updated Basel Framework comprising of all the current and future standards issued by the Basel Committee on Banking Supervision (BCBS) that are applicable to internationally active banks.

iv. IBUs are permitted to maintain the minimum regulatory capital at the parent level, with the requirement of periodic declarations/ returns to be submitted to the Authority.

[26] IFSCA/2020-21/GN/REG004, dated November 18, 2020
[27] Circular DOR.IBD.BC.14570/23.13.004/2014-15 dated April 01, 2015
[28] IFSCA/2021-22/GN/REG013, dated July 05, 2021
[29] Person resident outside India, having net worth not less than one million dollar or equivalent
[30] Person resident in India, having net worth not less than one million dollar or equivalent

IFSCA Banking Handbook

With a view to further enhancing ease of doing banking business in IFSC, the Authority issued the IFSCA Banking Handbook which is a compendium of all the detailed directions to the IBUs operating in IFSC, as branch of a banking company incorporated in India or outside India. The handbook has been prepared on the lines of international best practices followed for banking business in international financial centres and provides a single comprehensive source of all the instructions/ directions governing banking operations in IFSC, aligned with the amended regulations. The handbook was issued on August 13, 2021 (amended on November 12, 2021) and has come into effect from January 01, 2022.

The handbook consists of the following three components which contain the modules which communicate the Authority's regulatory expectations and directions with greater clarity and transparency on the various aspects under the IFSCA (Banking) Regulations:

i. **General directions (GEN)** - deals with licensing of IBUs, defines the 'controlled' and 'designated' functions and the requirements from 'approved/ authorized individuals' who can carry out such functions. It also lays out the broad principles for banking business and provides information about IFSCA's supervisory functions.

ii. **Conduct of business directions (COB)** - aims at ensuring that IBUs (and other financial institutions operating in IFSC, wherever made applicable) meet the minimum standards of conduct expected, particularly with regard to the treatment of their clients, their dealings with counterparties and other market participants and contribute to fostering and maintaining the integrity of the financial markets in IFSC.

iii. **Prudential directions (PRU)** - The extant IFSCA Banking Regulations permit an IBU to be set up and operate only as a branch of a banking company that is regulated by its home regulator. The non-qualitative prudential requirements applicable to the banking company under the respective home regulations have been made applicable in respect of the IBU, unless the Authority specifies any directions on any aspect.

Some of the important regulatory and operational provisions specified by the Authority in the handbook are discussed below:

1. Licensing Criteria

The extant Banking Regulations allow Indian and foreign banks to operate in IFSC as a branch (Banking Unit) or as a Representative Office.The banking company applying for licence to set up an IBU in IFSC is required to satisfy the following conditions:

a. Maintain necessary regulatory capital for the operations of the IBU subject to a minimum capital of USD 20 million (base capital requirement), from the date of commencement of its operations.
b. Obtain a No Objection Letter from their respective home regulators for setting up an IBU in IFSC and also submit an undertaking to provide liquidity to IBU, whenever needed.
c. Submit undertaking to the Authority to the effect that:
    - It complies and shall continue to comply with its home regulator's prudential requirements;
    - Share, with the Authority, the reports pertaining to capital adequacy, liquidity risk and leverage ratio that it submits to its home regulator;
    - In case of any anticipated or actual breach of any prudential requirements set by its home regulator, it shall notify the Authority forthwith with any relevant submissions made to the respective home regulator/ supervisor.

For foreign banks, not having presence in India, an additional screening mechanism is applicable for approving their application for setting up an IBU.

2. Governing Body

i) Composition

The banking company shall, prior to the commencement of the IBU's operations, appoint a governing body of the IBU and inform the Authority about the same. Governing body has been defined as:

a. that part of the board of directors of the Banking Company that has the responsibility of overseeing the IBU 's business in or from IFSC;

or

b. if the IBU does not have that part of the board of the Banking Company overseeing its business as described in **a**. that part of the management committee or similar body that has the responsibility of overseeing the IBU's business in or from the IFSC;

or

c. if the IBU does not have the governance structures described in **a** and **b** above—the persons delegated by the board, management committee or other body of the Banking Company, with the responsibility of overseeing the IBU 's business in or from the IFSC (The "persons" delegated shall be the employees of the Banking Company but not posted to the IBU or involved in the operations of the IBU in any capacity. The Banking Company may also consider appointing an independent member to the Governing Body).

ii) Duties of the Governing Body:

a. Approving the business strategy, plan and framework for governance, risk management, internal control and assurance functions of the IBU, commensurate with the nature, scale and complexity of its operations.

b. Ensuring the IBU's financial soundness, maintaining transparency and disclosure, and reviewing the its performance.

c. Keeping in mind the legitimate interests of depositors, clients and other stakeholders when making decisions.

3. Controlled Functions

These are the important functions of an IBU that are specified as such in the GEN module, and that may only be carried out by individuals who have been approved by the Authority to carry out those functions. Following functional roles are covered under the controlled functions of IBU:

a. CEO/ Head – IBU

b. Compliance officer

c. The non-executive governance function

d. Such other role or function as the Authority may direct from time to time

4. Compliance with AML-CFT standards and guidelines

While carrying out their activities, IBUs are required to adhere to the guidelines on KYC and AML/CFT norms, as applicable.

5. Prudential Requirements

The extant IFSCA regulations and the handbook have specified certain prudential regulatory requirements for IBUs, such as Liquidity Coverage Ratio (LCR), Net Stable Funding Ratio (NSFR) and Leverage Ratio (LR). As the regulations also permit retail banking business by IBUs, an additional requirement in the form of Retail Deposit Reserve Ratio (RDRR) has been prescribed. These prudential rules applicable to IBUs are as under:

i. **LCR and NSFR:** IBUs are required to maintain on a standalone basis LCR and NSFR at a level that is higher of the minimum ratio prescribed by the home regulator of the banking company (of which the IBU is a branch) or as specified by the Authority from time to time. IBUs are permitted to maintain LCR at the parent level subject to permission from the Authority. At present, the Authority has not implemented the requirement for NSFR and the minimum LCR prescribed is 100 per cent, with effect from April 01, 2021.

ii. **LR:** A minimum LR, as defined under the Basel Framework, for an IBU is required to be maintained by its banking company, subject to the regulations specified by the respective home regulator, unless otherwise specified by the Authority. IBUs are required to submit a quarterly certificate to this effect signed by an authorized official of its parent bank.

iii. **RDRR:** IBUs are required to maintain RDRR on daily basis at 3 per cent of the deposits raised from individuals, outstanding at the end of the previous working day. The RDRR may be maintained in any freely convertible foreign currency and in the form of balance in the nostro account of the IBU or as holdings of sovereign debt securities (including T-bills) rated investment grade or above by at least two rating agencies of international standing.

iv. **Reporting and Supervision:** IBUs are required to submit a copy of the prudential reports being submitted to the home regulator, to the Authority also and comply with the prudential reporting requirements, as specified under the guidelines/ directions/ circulars issued from time to time.

 The Authority may generally use the channels of cooperation with the home regulator/ supervisor for such information, subject to the degree of convergence of the home jurisdiction's prudential supervisory regime with the Basel Framework and the Basel Core Principles of Effective Supervision.

 Apart from the other applicable legislations, the Banking Regulation Act, 1949, empowers the Authority to inspect and supervise the IBUs in IFSCs. These powers may be exercised through on-site inspection and off-site surveillance, as per the supervisory framework of the Authority, based on the principles of risk based supervision (RBS). The powers of the Authority include, but are not limited to, the power to gather information; restrict, suspend or withdraw a License; and impose any additional requirement, prohibition or restriction on any activity.

6. Permissible activities

In keeping with the recent evolution in global perspectives on international banking, the IFSCA Banking Regulations were amended to enable the IBUs to carry out additional activities such as investment advisory services and portfolio management (wealth management) services, under the respective guidelines/ frameworks. With the amendment in the IFSCA Banking Regulations (notified on July 06, 2021), the IBUs have been allowed to undertake any activity that a financial institution is permitted under the IFSCA Act, 2019 and the Banking Regulation Act, 1949, except those expressly prohibited for banking entities.

Some of the permissible activities are as under:

i. **Deposits:**

 IBUs are permitted to open current account, savings account and term deposit account of an individual client. In addition to it, IBUs are allowed to offer structured deposits as well as issue Certificate of deposits. IBUs are permitted to deal only in a freely convertible foreign currency except for the purposes expressly permitted for dealing in INR, subject to provisions under the FEMA Act, 1999. All banking transactions are permitted to be carried out through bank account transfers only.

ii. Advances and Investment

IBUs are permitted to offer a plethora of lending/ investment products in IFSC, namely:

- Loans, trade finance and acceptances, commitments and guarantees
- Credit enhancement and insurance
- Sale and purchase of portfolios
- Acting as custodian of assets/ securities
- Operating as a Foreign Portfolio Investor (FPI) (IBUs may invest in Indian securities market under FPI route, subject to prior registration as an FPI under the guidelines issued by SEBI and intimation to the Authority after obtaining registration as an FPI).
- Inter-bank lending/ borrowing
- Post shipment export credit
- Factoring and forfaiting of export receivables
- Undertake equipment leasing (including aircraft leasing)
- Lending to resident/ non-resident retail investors (resident individuals are subject to provisions under FEMA Act, 1999).

iii. Derivative Products:

In recognition of the importance of increasing the INR NDF trading activity in the IFSCs, IFSCA constituted an expert committee headed by Shri. G. Padmanabhan, former Executive Director, RBI to recommend the measures required to position IFSC as a hub for offshore trading in INR. The committee studied international best practices in each of the critical components of the offshore INR market (products, participants, infrastructure and regulations) and recommended measures to adopt the same approach in IFSC, within the parameters of Indian law. Majority of these recommendations have also been incorporated in the handbook as under:

- Enabling framework for trading and clearing of OTC derivatives in line with globally accepted regulatory regimes
- Principle-based approach for regulating derivative products in IFSC
- IBUs are permitted to be market makers in generic and structured derivatives as under:
  - › OTC derivatives in forex, interest rate and credit, booked in IFSC.
  - › ODIs (IBUs holding FPI certificate under SEBI Regulations).
- Participation from the widest possible set of clients is permitted, such as:
  - › Financial Institutions (other than IBUs) as defined u/s section 3(1)(c) of IFSCA Act, 2019
  - › Persons resident in India as defined u/s 2(v) of FEMA, 1999
  - › Persons resident outside India
- IBUs are permitted to make markets in NDFs of other non-convertible currencies like TWD, BRL, KRW etc.
- IBUs are permitted to undertake transactions on electronic trading platform (ETP) and avail services of voice brokers, incorporated inside and outside IFSC. Venues of such ETPs may be disclosed, semi-disclosed and undisclosed.
- IBUs are required to, at the end of each quarter, report to the Authority, the names of ETPs and Voice brokers.
- IBUs are permitted to provide FX Prime Brokerage (FXPB) service or may act as an executing dealer in an FXPB arrangement.

iv. FX Prime Brokerage: IBUs are permitted to be a FX prime broker. Clients of the IBU are allowed to use the trading lines of the FX Prime Broker (the IBU) to execute foreign exchange transactions with an executing dealer (a IBU or Bank outside IFSC that is not the FX Prime Broker).

a. IBUs may provide FXPB service to

- A person resident in India (subject to the provisions of FEMA, 1999)
- A person resident outside India

b. FXPB service may be provided for:
- Freely deliverable currencies
- Non deliverable currencies.
- All products including spot, forwards (deliverable and non-deliverable), swaps, options (plain vanilla and exotic).

v. **Factoring and Forfaiting services:** IBUs are permitted to provide factoring and forfaiting services by one or more of the following routes:

a. Through a trading platform set up in IFSC and following the rules of such trading platform or;

b. On bilateral basis, by following the guidelines issued by the Authority under Factoring Regulation Act, 2011.

c. On bilateral basis, on the basis of a contract entered with the supplier, the terms of which mandate the contract to be governed by the law of a jurisdiction other than India.

vi. **Representative Office (RO):** A Banking Company incorporated in India or outside India is permitted to set up an RO. RO is permitted to undertake marketing activities pertaining to financial services or financial products offered in a jurisdiction outside the IFSC by a 'related party' i.e., its head office, another branch of the head office or a group member.

In addition to the marketing activities, an RO may undertake the following additional activities:

a. Activities intended for increasing the profile of its head office

b. Act as the point of contact and source of information about its head office

c. Report to the head office on matters such as business trends, business opportunities and developments in IFSC and rest of India

Finance Company / Finance Unit

Finance Companies, which are globally referred to as non-bank financial intermediaries, are the parallel engines of growth for any financial system that complement the banking institutions. They play an important role in the development of any financial centre. The Finance Companies/ Finance Units (FCs/ FUs) are governed under the IFSCA (Finance Company) Regulations, 2021 issued on March 25, 2021. The objective of the regulations is to provide risk-focused competitive environment for financial institutions; and ensuring fairness, transparency and efficiency while being aligned to international standards.

FCs are allowed to undertake activities similar to those enabled for IBUs except raising public deposits, thus complementing the role of IBUs in terms of providing financial services. The regulations specify differential requirements of prudential regulations, corporate governance regulations and requirement of minimum owned fund based on the nature of activity undertaken by FCs/ FUs.

The regulations have also enabled specific activities to be undertaken in the IFSC which include carrying out transactions relating to operating lease for aircrafts and ships, setting up of Global and Regional Treasury Centres and setting up of International Trade Finance Platforms.

During the FY 2021-22, the Authority issued circulars/ guidelines covering the prudential requirements, corporate governance and disclosure requirements and other activities of FCs/ FUs that are regulated under the specific guidelines.

Box 1 - Regulatory Framework for FCs/ FUs

The regulatory framework for FCs/ FUs is based on international best practices. The FC Regulations permit entities to be set up in IFSC, after registration with the Authority, in modes like subsidiary mode, joint venture or as a branch, etc. The branch is termed as a Finance Unit and can be set up, provided the investing entity or the ultimate parent of the investing entity, as the case may be, is carrying out regulated financial activity in its home jurisdiction. The salient features of the regulatory framework are given below:

- **Regulatory Capital:** An FC/ FU shall maintain a Capital Ratio (CR) of 8 per cent of its regulatory capital to its risk weighted assets. The capital computation is similar to the best practices adopted for banks.

- **LCR**: An FC/ FU shall maintain LCR on standalone basis, at all times, or as may be specified by the Authority from time to time. At present the LCR stands at 100 per cent. The methodology adopted for computation of LCR was aligned with that prescribed for NBFCs by RBI. This would help develop a sound and robust liquidity risk management system by the FCs/ FUs.

- **Exposure Ceiling:** The sum of all exposures of a FC/ FU, to a single/ group of connected counterparties shall not exceed twenty-five per cent of its available capital base or such higher amount with the specific approval of the Authority. The computation methodology is aligned with the regulations as applicable to the IBUs setup by Indian banks. Further, aspects such as sector specific limits on exposure were not adopted considering the nature of the business and capital regulations prescribed for FC/ FU, providing the flexibility to the Board/ Governing Body of the FC/ FU to develop a policy for monitoring the risks associated with their exposures.

- **Corporate governance and disclosure requirements:** These guidelines aim to ensure accountability and transparency for FC in order to foster investor confidence and achieve sustainability in business operations. The guidelines on corporate governance, while benchmarked with the comparable jurisdictions, have been mainly aligned with those applicable under the Companies Act, 2013 in the initial phase.

- **Activity specific guidelines:** These guidelines bring out the activity specific directions/ instructions for various core and non-core activities permitted under the FC Regulations while at the same time requiring the entities to be in compliance with the specific regulations and registration requirements applicable for such activities.

- **Guidelines on Factoring and Forfaiting of Receivables:** The guidelines enable entities set up in IFSC as an FC/ FU to undertake factoring and forfaiting activities. These guidelines are also applicable for ITFS platforms. These guidelines are majorly aligned with Factoring Regulation Act, 2011 and the guidelines of FCI (the global representative body for factoring and financing of open account domestic and international trade receivables), whereas the guidelines on forfaiting require the entities to conform to the global best practices like UCP600 (the Uniform Customs & Practice for Documentary Credits).

In addition to the circulars issued by the Authority, a notification was issued by the Government of India, which enabled operating lease and hybrid of operating and financial lease for products or equipment as a financial product in the IFSC. Accordingly, the Authority enabled ship lease as a financial product through a separate notification.

- **Notifying operating lease of any product/ equipment as a financial product in the IFSC.**

  The GoI vide Gazette notification dated October 06, 2020 notified aircraft operating lease as a financial product. In view of the Authority's assessment of a huge potential for operating lease of ships and for various other equipments in the IFSC, the GoI vide notification dated December 14, 2021, notified operating lease including any hybrid of operating and financial lease of such product or equipment, as specified by the Authority, as a financial product. Based on this, enabling operating lease of aircraft ground support equipment is also under consideration.

- **Notification on ship lease as a financial product** Pursuant to the above notification, the Authority notified ship lease as a financial product vide gazette notification dated January 07, 2021. This notification succeeded the study carried out by an expert committee on positioning IFSC as a global hub for Ship-Acquisition, Financing and Leasing (SAFAL committee). The Authority is in the process of finalising a 'ship leasing framework' for IFSC after holding consultations with the stakeholders.

During the FY 2021-22, nine entities were granted Certification of Registration by the Authority to undertake activity of Aircraft Operating Lease as Finance Companies whereas four entities were granted in-principle approval. A holding company was also registered as a Finance company and four entities were given in-principle approval to undertake testing under regulatory sandbox for setting up of ITFS platform.

Box 2 - Activity specific regulatory framework for FCs/ FUs

Framework for setting up of ITFS platform: The Framework issued by the Authority enables sellers/ exporters and buyers/ importers to avail various types of trade finance facilities at competitive terms, for their international trade transactions. As per the framework, exporters or importers create a Trade Financing Unit (TFU) on the ITFS platform, which refers to an invoice or a bill or any other standard trade document. This TFU is then financed by a financier (Banking Unit or FC/ FU or any such eligible entity) licensed/ regulated/ registered by the Authority or with any other financial services sector regulator in India or abroad, which is permitted to conduct trade finance services.

The Authority has granted 'in-principle' approval to four entities to test their platform in its regulatory sandbox. Successful exit from the sandbox would enable the entities to operate the ITFS platform in IFSC.

Framework on Global/ Regional Corporate Treasury Centres: The framework intends to create opportunities for global and Indian corporates to consolidate international operations by centralising their treasury activities for availing corporate financing, including intra-group financing, liquidity and risk management, among others.

Draft framework on sustainability linked lending by financial institutions (FIs): Sustainable finance is a key focus area for the Authority and it aims to develop IFSC into a global hub for Sustainable Finance. The draft framework was prepared based on globally recognised standards and principles on sustainable lending. As per the draft framework, FIs are required to develop a Board approved policy for green/ social/ sustainable/ sustainability-linked lending within nine months from the issuance of final circular and it also proposes to introduce a lending target of ten per cent of the FIs total loan assets towards such lending activities.

Transaction / Processes / Operations / Trends

At present there are fifteen licensed IBUs operating in IFSC with an average staff strength of eleven per IBU. The total turnover (volume of business) booked by the IBUs has more than quadrupled over the year. The IBUs as on March 31, 2022 had a total outstanding value of asset of USD 29.38 billion, which was almost double of the outstanding value of asset as on March 31, 2021. Credit deployment formed the largest component of total outstanding assets of the IBUs, of which majority was in the form of trade finance and commercial loans. The total value of credit extended by the IBUs as on March 31, 2022 stood at USD 18.49 billion.

Among the activities performed by the IBUs, sources of fund raising have been interbank borrowings, interbranch borrowings, medium term notes, borrowings from multilateral institutions, etc. Activities on asset deployment have been largely concentrated towards trade finance and commercial loans. The major investment avenues for the IBUs are investment in T-bills, corporate bonds, equity shares, etc. Outstanding investment increased from USD 1.2 billion as on March 31, 2021 to USD 2.4 billion, as on March 31, 2022.

Table 2 - Banking ecosystem in IFSC

Particulars	FY 2020-21	FY 2021-22
No. of IBUs as at end of the period	15	15
Total Assets outstanding in USD Mn at end of the period	14,977	29,381
Turnover (volume of business in USD Mn) during the period	21,110	1,06,982
No. of employees as at end of the period	118	162

Transaction flows of IBUs at IFSC for FY 2021-22 (in USD Million)

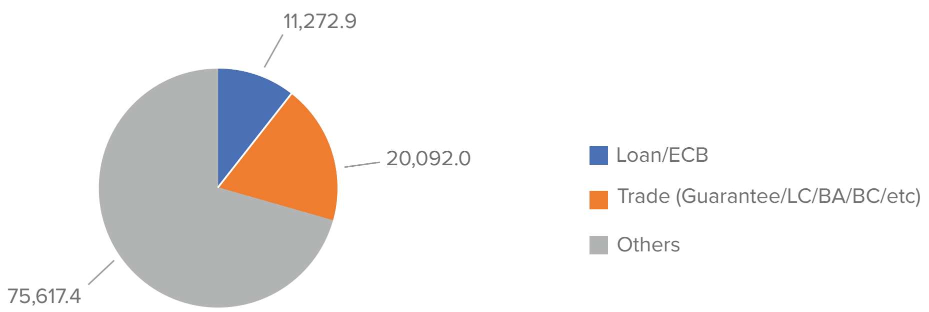


Fig. 1

Turnover (Volume of Business) for FY 2021 - 22

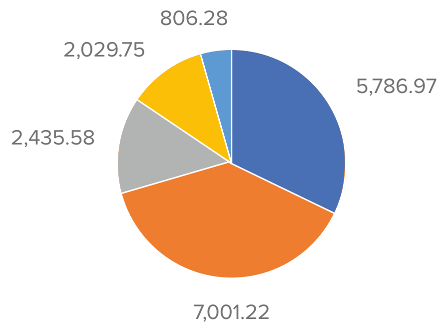


Fig. 2 - Outstanding Credit as on Mar 31, 2022

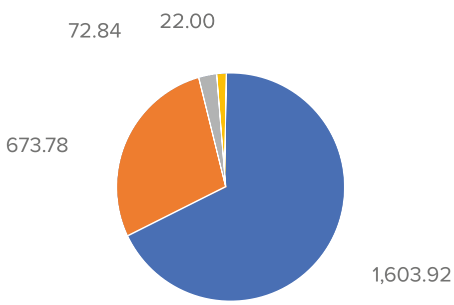


Fig. 3 - Investment Outstanding as on Mar 31, 2022

Table 3 - A comparison of Derivative contracts outstanding at IBUs in IFSC (in Mn USD)

Derivative Outstanding	Outstanding as on Mar 31, 2021	Outstanding as on Mar 31, 2022
Non-Deliverable Derivative Contracts (FCY-INR) (including NDF, Fx-Swaps and options)	18,128.82	23,478.52
FCY-FCY forwards	1,482.97	1,673.00
FCY-FCY currency swap	839.50	1,333.63
FCY-FCY currency option	10.00	31.12
INR Interest rate swap (IRS) (Including overnight indexed swaps (OIS))	25.00	7,293.33
FCY Interest rate swap (IRS) (Including overnight indexed swaps (OIS))	24,600.73	44,413.40
Others	304.84	1,171.94
Total	**45,391.86**	**79,394.94**

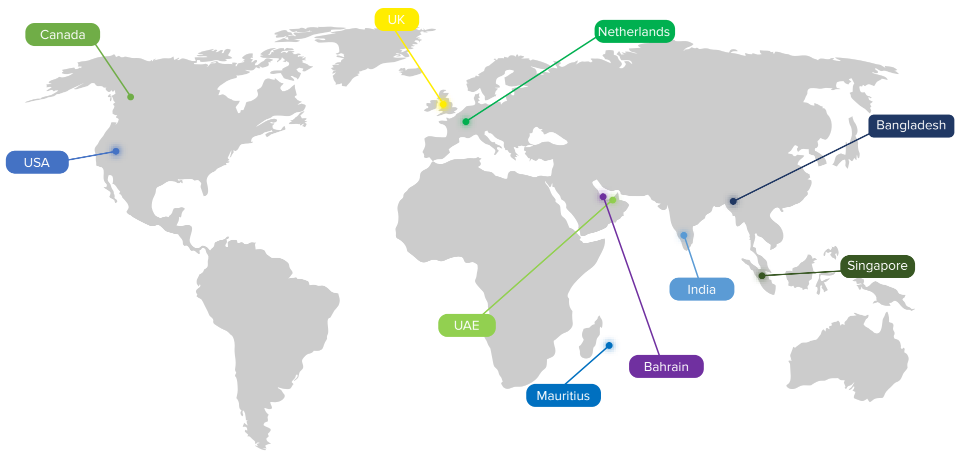


Fig. 4 - Major country exposure of IBUs

Policies and Programmes for the Following Year

- Capacity building through FSI Connect, e-learning platform of Bank for International Settlements
- Setting up of a foreign currency clearing mechanism in IFSC
- Exploring the possibility of a wholly owned subsidiary model for banking business under a suitable regulatory framework
- Exploring the possibility of setting up Regional Administrative Office by the IBU under a suitable regulatory framework
- Roll out of operational guidelines on various aspects covered in the FC regulations which would include aspects related to the prudential regulations, capital framework, corporate governance guidelines, and conduct of business regulations, among others
- Issuance of activity specific guidelines on factoring, forfaiting, operating lease for ships and other activities
- Roll out of framework for aircraft leasing, ship leasing and sustainable & sustainability-linked lending by financial institutions (IBUs, FC/ FUs).

CAPITAL MARKET

The role of securities market is to facilitate efficient allocation of capital to companies and contribute towards overall development of the economy. There are several types of securities such as equity shares, debt instruments, convertible securities, units of funds, derivatives etc. The capital markets play an important role in channelizing savings and investments into the financial system.

The capital market in IFSC has the potential to be the gateway to channelize flow of foreign capital into India through various means, including fund management and raising of capital through listing of securities on IFSC exchanges.

The funds set up in IFSC can pool capital from foreign investors and NRIs for investments into various products in securities markets in India. Further, the fund ecosystem in IFSC can also contribute towards attracting foreign investments in certain sectors such as start-ups, SMEs, green and sustainable projects, real estate projects, infrastructure investments, etc. The Indian corporates (including banks, CPSEs etc.) can also raise capital through listing of foreign currency bonds and/ or masala bonds on the stock exchanges in IFSC.

During FY 2021-22, the Authority has notified the regulatory framework for several activities in capital markets, including policies relating to regulation and supervision of market infrastructure institutions (stock exchanges, clearing corporations and depositories), issuance and listing of various securities on recognized stock exchanges in IFSC, regulation and supervision of various types of intermediaries operating in capital markets in IFSC and various fund management activities in IFSC.

The Authority aims to benchmark regulations with the best practices in other jurisdictions and to facilitate ease of doing business in IFSC. Going forward, capital markets in IFSC aim to emerge as a regional/ global hub to attract investments from the investors (including India) for providing services and channelizing investments into overseas jurisdictions.

Activities with respect to Regulations, Circulars, Guidelines etc.

Market Infrastructure Institutions (MIIs)

Stock Exchanges

Stock exchanges provide critical infrastructure and liquidity, which help investors and market participants in buying and selling securities at fair market value. A stock exchange plays a key role for companies and institutions to access capital from the market. The regulated ecosystem ensures transparency and security, which help investors to maintain their wealth safely, along with the opportunity to participate in the growth and business cycle of the companies and of the country as a whole.

As on March 31, 2022, there are two international stock exchanges operational in IFSC namely, India International Exchange (IFSC) Limited (India INX) and NSE IFSC Limited (NSE IFSC). Further, an international bullion exchange namely India International Bullion Exchange IFSC Limited (IIBX) has also been established in IFSC.

During the year, the Authority accorded renewal of recognition to NSE IFSC on May 29, 2021 and India INX on December 29, 2021, for a period of one year each. IIBX was granted recognition for the first time on December 09, 2021.

Clearing Corporation

A clearing corporation is an MII that handles the confirmation, clearing and settlement of transactions that are executed on the stock exchange. The clearing corporations fulfil the main obligation of ensuring that transactions are settled between counter-parties in a prompt and efficient manner.

There are two clearing corporations operational in IFSC namely, India International Clearing Corporation (IFSC) Limited (India ICC) and NSE IFSC Clearing Corporation Limited (NICCL). The Authority accorded renewal of recognition to NICCL on May 29, 2021 and India ICC on December 29, 2021 for a period of one year each.

Depository

A depository is a specialist financial organization holding securities such as equity shares in dematerialized form so that ownership can be easily transferred through a book entry rather than the transfer of physical certificates. This allows brokers and financial companies to hold their securities at one location where they can be available for clearing and settlement. CDSL IFSC Limited is the sole depository functional in IFSC which acts as the record keeper for securities including Bullion Depository Receipts.

IFSCA (Market Infrastructure Institutions) Regulations, 2021

The IFSCA (Market Infrastructure Institutions) Regulations, 2021 ("MII Regulations") have been notified and published in the Gazette of India on April 16, 2021, providing a unified regulatory framework for stock exchanges, clearing corporations and depositories operating in IFSC.

The salient features of the MII Regulations are as follows:

A. Shareholding

The shareholding of MIIs in IFSC shall be in the following manner:

MIIs	Without consortium		With Consortium	
	Held by	%	Held by	%
Stock exchange	Stock exchange	At least 26	Consortium of MIIs	At least 51
	Any other person	Up to 25	Any other person	Up to 25
Clearing Corporation	Stock exchange or clearing corporation	At least 26	Consortium of MIIs	At least 51
	Any other person	Up to 25	Any other person	Up to 25
Depository	Depository	At least 26	Consortium of MIIs	At least 51
	Any other person	Up to 25	Any other person	Up to 25

B. **Net Worth**

A recognized MII shall have a net worth of at least USD 3 million at all times. Further, if required, as a risk management measure, the Authority may prescribe higher net worth for a recognized MII based on the nature and scale of business of the entity.

C. **Governance**

I. The governing board of a recognized MII shall include shareholder directors, public interest directors, and managing director, within the timeline as may be specified by the Authority, in compliance with the requirements specified in the MII Regulations.
ii. The roles and responsibilities of the governing board of a recognized MII should be clearly specified and the procedures for its functioning, including procedures to identify, address, and manage conflicts of interest should be documented.
iii. The governing board of a recognized MII shall review the overall performance and the performance of its individual directors regularly.
iv. Every director and key management personnel of a recognized MII shall abide by such Code of Ethics and Code of Conduct as may be specified by the Authority.
v. A recognized MII shall constitute such committees as may be specified by the Authority from time to time.
vi. A recognized MII shall adopt an appropriate policy to segregate its regulatory departments from other departments.

D. **General obligations**

The MIIs shall be required to comply with the various obligations and responsibilities as specified in the MII Regulations.

Harmonization of Bullion Exchange Regulations with MII Regulations

The IFSCA (Bullion Exchange) Regulations, 2020 (“Bullion Exchange Regulations”) have been notified and published in the Gazette of India on December 11, 2020, providing the regulatory framework for bullion exchange, bullion clearing corporation, bullion depository, vault manager and other intermediaries associated with the bullion market in IFSCs in India.

Subsequently, the MII Regulations have been notified and published in the Gazette of India on April 16, 2021, providing the regulatory framework for MIIs in the securities markets in IFSC.

The Bullion Exchange Regulations have been harmonized by way of amendment notified and published in the Gazette of India on July 06, 2021 specifying that in case of any conflict or inconsistency of the provisions of the Bullion Exchange regulations with the MII Regulations on the same subject matter, the provisions of MII Regulations shall prevail.

Other Circulars/Guidelines

Application forms for recognition and renewal of MIIs - The Authority has by way of circular dated September 20, 2021 specified the application form for recognition and renewal of MIIs in IFSC.

Code of Conduct and Code of Ethics for the Directors and Key Management Personnel (KMP) of recognized MIIs - In order to strengthen the corporate governance framework of the recognized MIIs in IFSC, the Authority has by way of circular dated September 13, 2021 (read with circular dated November 30, 2021) specified detailed requirements regarding code of conduct and code of ethics for the directors and KMPs of MIIs.

Status of transactions executed at Disaster Recovery (DR) Site of the MIIs - The Authority has by way of circular dated June 22, 2021 clarified that the trades executed from the DR site (site located outside GIFT IFSC) of the stock exchanges in GIFT IFSC, due to the regulatory requirement, shall be deemed to have been executed at GIFT IFSC.

Guidelines for Liquidity Enhancement Scheme - In order to increase liquidity on the stock exchanges, the Authority has by way of circular dated March 31, 2022 reviewed the guidelines for LES. The stock exchanges have been permitted to introduce LES in any security/ listed products subject to the conditions mentioned in the circular.

Settlement of trades executed on stock exchanges in the IFSC - With a view to keep pace with the changing market dynamics in IFSC and to align the clearing and settlement process with international best practices, the Authority has by way of circular dated December 16, 2021 specified that the settlement for all the trades being executed on the stock exchanges in IFSC shall be done at least once a day. The clearing corporations shall ensure that the risk management framework is in line with the Principles for Financial Market Infrastructures (PFMIs) issued by the Committee on Payments and Market Infrastructures (CPMI) and the International Organization of Securities Commissions (IOSCO) at all times. Further, the clearing corporations shall ensure that during the trading day/ session, the mark-to-market losses on open futures contracts are collateralized at regular intervals based on risk assessment.

NSE IFSC - SGX CONNECT

NSE IFSC-SGX Connect will bring together international and IFSC participants to create a bigger liquidity pool for Nifty products in IFSC. The buy and sell orders in NIFTY derivatives from SGX shall be routed through a subsidiary, SGX SPV to the order matching platform on NSE IFSC. The SGX SPV which will act as a pass-through entity for order entered through SGX. NSE IFSC will match orders received from SGX SPV along with orders from its own trading members in GIFT IFSC. SGX had already incorporated an SPV in IFSC named 'SGX India Connect IFSC Private Limited' in February 2021.

Progress during FY 2021-22

The Authority granted registration to SGX India Connect IFSC Private Ltd. as a trading member and a self-clearing member of NSE IFSC and NICCL respectively on September 07, 2021. As a step towards operationalizing the ‘NSE IFSC - SGX Connect’ at GIFT IFSC, the GIFT Data Connect was launched in October 2021. It enables international members to access real-time trading data of Nifty derivatives contracts through SGX, giving investors insights into India’s equity market. This connect is one of the key developments for the integration of GIFT City ecosystem with the international financial markets.

Image 1 - Inauguration of SGX GIFT City Office & launch of GIFT Data Connect

India INX Global Access

India INX launched the India INX Global Access IFSC Limited ("Global Access"), on September 18, 2018, to facilitate access to global markets through a single centralized platform. Global Access offers easy access to a diverse range of products traded on international exchanges to its members in GIFT IFSC.

The Authority on November 25, 2021 granted approval to Global Access to act as an introducing broker and further tie-up with multiple international brokers, subject to certain conditions.

Capital Market Intermediaries

Trading Members

Broker dealers/ Trading members are entities which execute trades on their own account as well as on behalf of their clients on the recognized stock exchanges in IFSC.

Table 4 - Trading Members in GIFT IFSC (as on March 31, 2022)

Stock Exchanges	No. of trading members
India INX	53
NSE IFSC	49

(Source: India INX and NSE IFSC)

Clearing Members

A clearing member has the responsibility of clearing and settlement of all deals executed by a broker dealer/ trading member.

Table 5 - Clearing Members in GIFT IFSC (as on March 31, 2022)

Clearing Corporation	Self-Clearing member	Trading Cum Clearing member	Professional Clearing Member
India ICC	4	7	2
NICCL	5	6	2

(Source: India ICC and NICCL)

Depository Participants (DPs)

A DP is a participant of a recognized depository and acts as an intermediary between the depository and the investor. As on March 31, 2022 there are 4 DPs registered with the Authority. All the DPs were granted registration during FY 2021-22.

Custodian

A custodian is a specialized financial institution that carries on the business of providing custodial services in relation to financial products which include safekeeping of such financial products and providing services incidental thereto. As on March 31, 2022, there are 4 custodians registered with the Authority.

Debenture Trustee

A debenture trustee is a trustee appointed in respect of any issue of debentures. It acts as a liaison between the issuer company and debenture holders for the purpose of securing the interest of the debenture holders, by holding the secured property on behalf of the issuer company. The IFSCA (Capital Market Intermediaries) Regulations, 2021 provide procedure to be followed for the registration of debenture trustees in IFSC.

With increase in bond listings on IFSC exchanges, there has been growing demand for intermediary financial services related to debt issuance. In this regard, IFSC provides an opportunity for debenture trustees to offer financial services to both Indian and foreign entities issuing international bonds.

During FY 2021-22, IFSCA has received three applications for seeking registration as debenture trustees. During the year, the Authority has granted license to one entity and other applications are under process as on March 31, 2022.

Portfolio Managers

A portfolio manager is a person, who pursuant to a contract with a client, advises or directs or undertakes on behalf of the client (whether as a discretionary portfolio manager or otherwise) the management or administration of a portfolio of securities or financial products or funds of the client, as the case may be. As on March 31, 2022, there are 6 portfolio managers registered with the Authority. All the portfolio managers were granted registration during FY 2021-22.

Investment Advisers

An investment adviser is a person, who for consideration, is engaged in the business of providing investment advice to clients relating to investments in securities or investment products. As on March 31, 2022, there are 5 investment advisers registered with the Authority.

IFSCA (Capital Market Intermediaries) Regulations, 2021 (CMI Regulations)

CMI Regulations were notified and published in the Gazette of India on October 18, 2021. The regulations provide a comprehensive and unified regulatory framework for regulatory requirements in respect of registration, obligations and responsibilities, cross-border business, inspection, and enforcement of various types of capital market intermediaries, such as broker dealers, clearing members, depository participants, investment bankers, portfolio managers, investment advisers, custodians, credit rating agencies, debenture trustees, and account aggregators. These regulations focus on ease of doing business and are consistent with the fundamental principles laid down by IOSCO.

A. Registration Requirements

a. It shall be mandatory for broker dealers, clearing members, depository participants, investment bankers, portfolio managers, investment advisers and custodians to obtain registration from the Authority prior to commencement of operations in the IFSC. Additionally, the credit rating agencies, debenture trustees and account aggregators may register with the Authority and shall comply with all the applicable requirements specified in the CMI Regulations.

b. The banking units recognized by the Authority shall be permitted to function as bankers to an issue in the capital markets in IFSC, without any additional registration requirement, subject to compliance with the regulatory provisions that may be specified by the Authority from time to time.

c. The Authority shall consider, inter alia, factors such as past experience, necessary infrastructure, compliance with eligibility criteria, financial credit worthiness, net worth, and compliance with fit and proper requirements by the applicant and its principal officers, directors/ partners/ designated partners, key managerial personnel and controlling shareholders, for registration of capital market intermediaries.

d. An applicant may apply for registrations for multiple categories under these regulations. An entity operating as a capital market intermediary in multiple categories shall maintain the highest of the applicable minimum net worth requirements.

B. Simplified Application

Considering that IFSC is at a nascent stage, a window (until March 31, 2022) for simplified registration was provided to entities already registered and regulated in India or a Foreign Jurisdiction having[31] valid registration under the same category.

C. Structure

The intermediaries seeking registration with the Authority shall be required to be present in IFSC by establishing a branch or by forming a company or LLP or body corporate or partnership firm or proprietorship firm or any other form as may be permitted by the Authority. The branch structure shall be permitted only for (a) intermediaries that are already registered or regulated in India or a Foreign Jurisdiction for conducting similar activities, or (b) applicant already licensed, registered or authorized with the Authority in any other capacity. Further, the entities operating as a branch in IFSC shall adequately ring fence the operations of their branch in IFSC and comply with the additional requirements specified in the CMI Regulations.

D. General obligations and responsibilities

The registered intermediaries shall be required to comply with the general obligations and responsibilities specified in the regulations including code of conduct, maintenance of books of account, records and other documents, submission of information and furnishing of returns and statements to the Authority, redressal of investor grievances, maintaining a business continuity plan, cyber security and cyber resilience, risk management and internal controls, change in control, payment of fees, annual audit and appointment of compliance officer.

E. Specific obligations and responsibilities

Further, the registered intermediaries shall be required to comply with the detailed obligations and responsibilities specified for the respective categories in the regulations.

F. Cross-border Business

The registered intermediaries incorporated in IFSC may also undertake cross-border business in capital markets in India or a Foreign Jurisdiction, subject to compliance with the conditions specified in the regulations.

[31] As defined in the CMI Regulations

Global Access to Broker Dealers

The broker dealers play an important role in the capital markets by providing intermediation facilities between the client and various products on the stock exchanges. The Authority, with the objective to provide more flexibility to the broker dealers operating in the IFSC and promote ease of doing business, has by way of circular dated November 25, 2021 permitted broker dealers to access global markets (exchanges outside IFSC), with appropriate checks and balances.

The broker dealers have been permitted to access exchanges outside IFSC by entering into a cross-border arrangement with a regulated entity providing such global access. Further, the broker dealer trading only through its proprietary account have also been permitted to register itself as a trading member of an international exchange.

The broker dealers are required to seek no-objection from the recognized stock exchange(s) in IFSC before availing global access. Further, the broker dealers with global access shall comply with the conditions prescribed in the CMI Regulations and the reporting requirements specified in the circular dated November 25, 2021.

IBUs authorized to operate as investment bankers

The investment bankers play an important role in facilitating issuance and listing of securities on the recognized stock exchanges and overall development of the ecosystem for primary market issuances in IFSC. Considering that the investment banking activities in the capital markets are being carried out by banks or their associates in various jurisdictions globally, IFSCA has by way of circular dated December 03, 2021 permitted a banking unit licensed by the Authority to undertake investment banking activities in IFSC. During FY 2021-22, one IBU has been authorised to operate as investment banker in IFSC.

Clearing Membership for non-bank Custodians

In order to facilitate a vibrant ecosystem for custodial services in IFSC and also to ensure a level playing field in line with global jurisdictions, the Authority has by way of circular dated September 15, 2021 permitted recognized non-bank custodian, operating in IFSC through branch mode, to acquire clearing membership in IFSC, subject to compliance with the conditions specified in the circular.

Products available for trading on the exchanges

Derivatives

These are contracts between two or more parties whose value is based on an agreed-upon underlying financial asset or set of assets. Common underlying instruments include bonds, commodities, currencies, interest rates, market indices and stocks. Common types of derivatives available for trading at the stock exchanges in IFSC are equity, index, commodity and currency derivatives.

Introduction of Negotiated Large Trade (NLT) facility on Stock Exchanges

To facilitate a vibrant capital market ecosystem in IFSC and to attract global investors and foreign capital, IFSCA introduced NLT facility for derivatives on the stock exchanges vide circular dated June 22, 2021. The regulatory framework for NLT facility was subsequently amended on March 11, 2022 to facilitate connect of recognized stock exchanges in IFSC with other international exchanges.

Depository Receipts (DRs)

A DR is a negotiable financial instrument representing underlying securities of a company issued or listed in another jurisdiction. As on March 31, 2022, there is one secondary listing of DRs of Dr. Reddy's Laboratories Limited available for trading on NSE IFSC.

Unsponsored DRs (NSE IFSC Recepits) on Global Stocks

On March 03, 2022, NSE IFSC launched trading in India's first Unsponsored DRs (NSE IFSC Receipts) under the regulatory sandbox framework prescribed by the Authority, which will offer Indian retail investors an opportunity to invest in global stocks in an easy and affordable way under LRS prescribed by RBI.

Key features:

- Trading, clearing and settlement of NSE IFSC Receipts on NSE IFSC and NICCL
- The securities will be held in the demat holdings with IFSC depository
- The unsponsored DRs will be created based on a defined ratio while conversion from stocks
- Investors are entitled to receive corporate action benefits.

Image 2 - Launch of trading in India's first Unsponsored Depository Receipts

Debt Securities

Debt plays a critical role in financing public and private organizations. The issuances in India are majorly driven by private placements while the banking, financial services, and insurance (BFSI) sector continues to dominate the total issuances. Foreign investors could play a vital role in broadening and deepening the Indian corporate debt market. In this regard, IFSC is well positioned to act as a critical enabler in driving global capital inflows into India through debt instruments.

The debt securities listed on the stock exchanges in IFSC are required to comply with the Listing Regulations notified by IFSCA and the Exchange's framework on listing of debt securities.

IFSCA (Issuance and Listing of Securities) Regulations, 2021

The development of capital markets in IFSC has been a priority area of the Authority and towards this end, it has issued a robust regulatory framework in respect of issuance and listing of securities in IFSC.

The IFSCA (Issuance and Listing of Securities) Regulations, 2021 ("Listing Regulations") were notified and published in the Gazette of India on July 19, 2021. These regulations have been formulated with the dual objectives of ensuring ease of doing business and protecting the interests of investors in the capital market ecosystem.

The Listing regulations provide the unified regulatory framework for issuance and listing of specified securities and debt securities by companies incorporated in IFSC, India and foreign jurisdictions[32].

Box 3 - Notification facilitating listing of Foreign Companies

Ministry of Corporate Affairs has issued notification on August 05, 2021 under section 393A of the Companies Act, 2013 exempting foreign companies/ companies incorporated outside India from the provisions of sections 387 to 392 of the Companies Act, 2013 in so far as they relate to the offering for subscription in the securities, requirements related to the prospectus, and all matters incidental thereto in the IFSCs.

Further, in respect of listing of debt securities, the following entities are also eligible to list on the recognised stock exchanges in IFSC:

i. any supranational, multilateral or statutory organisation/ institution/ agency provided such entitye is permitted to issue securities as per its constitution and is registered or headquartered in India, IFSC or a Foreign Jurisdiction;

ii. any municipality or any statutory body or board or corporation, authority, trust or agency established or notified by any Central or State Act or any Special Purpose Vehicle notified by the State Government or Central Government including for the purpose of raising fund by the issuer to develop infrastructure or SMART city; and

iii. any entity whose securities are irrevocably guaranteed by a Sovereign (India or a Foreign Jurisdiction)

Additionally, in order to ensure that capital markets in IFSCs support the financing of innovative business models especially those in the areas of fintech, corporate restructurings, etc., the framework provides for dedicated chapters relating to issuance and listing of securities by start-ups, Small and Medium Enterprises (SMEs) and Special Purpose Acquisition Companies (SPACs).

The Listing Regulations have a dedicated chapter on ESG debt securities. This would help in bridging the gap between investors and issuers of green bonds, social bonds, sustainable bonds and sustainability linked bonds. It would also help in achieving the objective of making IFSC a prominent centre for sustainable finance.

The salient features of the Listing Regulations are as follows:

A. Initial Public Offers

Eligibility: An issuer shall be eligible to make an initial public offer only if:

a. the issuer has an operating revenue of at least USD 20 million in the preceding financial year; or

b. the issuer has an average pre-tax profit, based on consolidated audited accounts, of at least USD 1 million during the preceding three financial years, or

c. any other eligibility criteria that may be specified by the Authority.

Further, the issuer shall have commenced business at least three years prior to the date of filing of prospectus.

Offer size: The issue shall be of size not less than USD 15 million.

[32] As defined in the Listing Regulations

Minimum subscription: For the offer to be successful, the minimum subscription received in the issue shall be at least seventy-five per cent of the issue size and the minimum number of subscribers shall be 200.

B. Start-ups and SMEs

Eligibility

A start-up company shall be eligible to list its specified securities on a recognized stock exchange, with or without making a public offer, if it meets the following criteria:

a. The offer document of the company should be filed within a period of ten years from the date of incorporation/ registration

b. The annual turnover of the company for any of the financial years since incorporation/ registration should not have exceeded USD 20 million; and

c. The company is working towards innovation, development or improvement of products or processes or services, or it is a scalable business model with a high potential of employment generation or wealth creation.

An SME company shall be eligible to list its specified securities on a recognized stock exchange, with or without making a public offer, if the annual turnover of the company for any of the financial years since incorporation/ registration has not exceeded USD 50 million.

Listing with public offer

- Offer size: The issue shall be of size USD two million or more but less than USD 15 million.
- Minimum subscription: For the offer to be successful, the minimum subscription received in the issue shall be seventy-five per cent of the offer size and the minimum number of subscribers shall be 50.

C. Special Purpose Acquisition Company

SPAC is a company which does not have any operating business and has been formed with the primary objective to affect a business combination. The SPACs have witnessed a surge in recent years in some of the jurisdictions (particularly USA) and are seen as an alternative to traditional IPOs for many companies to raise funds.

The Authority has specified the regulatory framework for listing of SPACs based on global best practices. The Authority's listing framework gives scope for innovation and at the same time has the necessary checks and balances to protect the interests of investors. The framework on SPACs is aimed at facilitating the start-up ecosystem by providing access to global capital.

Box 4 - Regulatory Framework for Listing of SPACs

Eligibility Criteria

- A SPAC incorporated in IFSC, India or foreign jurisdiction is eligible to list its specified securities in IFSC.
- A SPAC issuer shall be eligible to raise capital through IPO of specified securities on the recognized stock exchange(s) in IFSC, only if:

(a) The target business combination has not been identified prior to the IPO; and

(b) The SPAC has the provisions for redemption and liquidation in line with the Listing Regulations.

- A sponsor of the SPAC issuer shall have a good track record in SPAC transactions or business combinations or fund management or merchant banking activities, and the same shall be disclosed in the offer document.

Initial Disclosures in the Offer Document

- The offer document shall contain all material disclosures which are true, correct and adequate to enable the investors to take an informed investment decision (details provided in Regulation 74 of the Listing Regulations).

Issue size

- The issue shall be of size not less than USD 50 million.
- The sponsors shall hold at least fifteen per cent and not more than twenty per cent of the post issue paid up capital. The sponsors shall also have aggregate subscription (all securities) in terms of amount in the SPAC company prior to or simultaneous to the IPO, amounting to at least 2.5 per cent of the issue size or USD 10 million, whichever is lower.

Underwriting

- May be underwritten and in such case adequate disclosure regarding underwriting arrangements shall be disclosed in the offer document.
- At least fifty per cent of the underwriting commission shall be deferred until successful completion of the business combination and shall be deposited in the escrow account.
- In case of liquidation, the underwriter shall waive their rights on the deferred commission deposited in the escrow account.

Application and allotment

- Minimum application size: USD 100,000. For the offer to be successful, at least seventy-five per cent of the issue size shall be subscribed and the minimum number of subscribers shall be at least 50.
- No single application shall be allotted more than ten per cent of the post issue capital and the allotment to investors shall be on proportionate basis or discretionary basis, as disclosed in the offer document.

Warrants

- The warrants may be detached with the equity shares and traded separately on the recognised stock exchanges provided that details have been appropriately disclosed in the offer document.

Escrow Accout

- The SPAC issuer shall ensure that the entire proceeds of the IPO are kept in an interest-bearing escrow account controlled by an independent custodian until consummation of the SPAC 's business combination. The escrow funds shall be invested only in instruments disclosed in the offer document and shall include only short-term investment grade liquid instruments.
- The interest and other income derived from the amount placed in the escrow account may be withdrawn by the SPAC issuer for the following purposes:

    a) Payment of taxes; and

b) General working capital expenses, subject to prior approval by way of special resolution of the shareholders other than sponsors.

Prospectus regarding proposed business combination:

- The SPAC shall file a detailed prospectus with the recognised stock exchange(s) containing all relevant disclosures regarding the proposed business combination, while seeking shareholders 'approval.

Shareholders' approval:

- The SPAC shall seek prior approval by way of majority of shareholders other than sponsors, for the proposed business combination.

Redemption

- If a shareholder (other than sponsors) has voted against the proposed business combination, he shall have the redemption right for converting his securities into a pro rata portion of the aggregate amount held in the escrow account (net of taxes payable).
- In the event of change in control of the SPAC, the SPAC issuer shall provide the redemption option to the shareholders (other than sponsors) for converting their securities into a pro rata portion of the aggregate amount held in the escrow account (net of taxes payable).

Business Combination

- Shall complete the business combination within the timeline disclosed in the offer document, not exceeding thirty-six months from the date of listing on the stock exchange(s)
- The SPAC issuer shall ensure that the businesses acquisition shall have an aggregate fair market value equal to at least eighty per cent of the aggregate amount deposited in the escrow account, excluding deferred underwriting commissions held in escrow and any taxes payable on the income earned on the escrowed funds.
- The SPAC and the sponsors shall ensure that there is no related party transaction or connection of sponsor or any of their associates with the business combination.

Liquidation

- If the business combination is not completed within the permitted time frame, the escrow account shall be liquidated in terms of these regulations and disclosures in the offer document.

Post business combination

- The resulting issuer shall be required to meet the listing eligibility criteria set out in these regulations within 180 days, in order to continue listing on the recognized stock exchange(s). The resulting issuer shall comply with the listing obligations and continuous disclosure requirements specified in the IFSCA Listing Regulations.
- The shareholding of the sponsors of the SPAC in the resulting issuer shall be locked up for a period of one year from the date of closing of the business combination. The shareholding of the promoters, promoter groups, controlling shareholders, directors and key managerial personnel of the resulting issuer shall be locked up for a period of one year from the date of closing of the business combination.

D. Secondary Listing

The Listing Regulations provide the framework for secondary listing of the specified securities of the company on the stock exchanges in IFSC, if the securities are already listed in India (outside IFSC) or a foreign jurisdiction.

E. Depository Receipts

The listing framework enables the eligible listed companies to raise capital through issuance and listing of Depository Receipts (DRs) on the stock exchanges in IFSC. Additionally, the framework enables eligible companies having DRs listed on any exchange in India (outside IFSC) or a foreign jurisdiction to list and trade such DRs on the stock exchange(s) in IFSC as an additional venue for trading, without any fresh public offering.

F. Listing of Debt Securities

The regulatory framework facilitates listing of debt securities (including issuances under Medium Term Notes) on the recognized stock exchanges in IFSC.

G. ESG Debt Securities

The Authority aims to make IFSC a prominent international financial centre for sustainable finance, supporting the needs of sustainable projects. Towards this direction, the Listing Regulations have a dedicated chapter on listing of ESG debt securities such as green bonds, social bonds, sustainable bonds, and sustainability linked bonds.

H. Listing Obligations and Disclosure Requirements

The Listing Regulations specify detailed requirements for various event-based disclosures, periodic disclosures and other obligations by companies with specified securities listed on the stock exchanges, inter alia relating to:

a. Material or price sensitive information
b. Disclosures relating to meeting of Board of Directors, Annual General Meetings and Extraordinary General Meetings
c. Change in directors, key managerial personnel, auditor and compliance officer
d. Any adverse opinion, disclaimer of opinion, qualified opinion by the auditors on the financial statements
e. Encumbrance of specified securities by promoters and controlling shareholders
f. Shareholding pattern
g. Audited standalone and consolidated financial statements
h. Annual report
i. Statement of deviation or variation in the use of proceeds
j. Corporate governance
k. Sustainability report
l. Corporate actions
m. Maintenance of website

The Listing Regulations also specify disclosure requirements in respect of issuers with (a) secondary listing of specified securities on the stock exchanges, (b) DRs listed on stock exchanges and (c) Debt securities listed on stock exchanges.

IFSCA (Fund Management) Regulations, 2022

After the Authority was vested with the powers to develop and regulate IFSCs in India, it has notified various regulations under the IFSCA Act, 2019 and, thereby, repealed the corresponding regulations which were drawn from the domestic regulators so far as their applicability in IFSCs is concerned. The AIFs in IFSCs were previously governed under the provisions of SEBI (AIF) Regulations, 2012. Over a period of time, the Government, IFSCA and other regulators made certain changes with regard to AIF regime to benchmark a few key practices in line with those prevalent in various global financial centres. Further, IFSCA issued detailed framework for Real Estate Investment Trusts (REITs), Infrastructure Investment Trusts (InvITs) and Portfolio Management Services (PMS) separately. An operational framework for investment funds meant for non-institutional investors was yet to be specified. Thus, in line with other developed financial centres, there was a need to have a unified approach concerning the various activities related to fund management.

In this backdrop, the Authority constituted an Expert Committee on Investment Funds to recommend the road map for the funds industry in IFSCs. The Committee was constituted under the Chairmanship of Mr. Nilesh Shah, MD, Kotak Mahindra Asset Management Co. Ltd. and Member, Economic Advisory Council to the Prime Minister. The Committee comprised of leaders from the Fund Management ecosystem including from areas such as technology, distribution, legal, and compliance.

The Committee submitted its report to the Authority on January 31, 2022. Subsequently, the draft IFSCA (Fund Management) Regulations, 2022 have been approved by the Authority in its meeting held in March 2022.

The salient features of the regulations are as under:

A. **Registration of the Fund Manager:** In order to have direct oversight over the fund manager, in line with global practices, the Fund Management Entity (FME) shall be registered and regulated by IFSCA.

B. **Single registration for multiple activities:** An FME intending to undertake host of activities related to fund management such as managing retail schemes (including Exchange Traded Funds), non-retail schemes (AIFs), undertaking PMS or operating as a manager to various investment trusts (REIT and InvIT) can do so by seeking a single unified registration (Registered FME – Retail) from IFSCA. A fund manager intending to manage funds or activities for non-retail investors only, shall have lower eligibility requirements (Registered FME – Non-Retail). Further, a special registration with light touch requirements shall be accorded to a fund manager (Authorised FME) intending to invest in unlisted securities of start-ups, emerging or early-stage companies mainly involved in new products, new services, and technology through a venture capital (VC) scheme in IFSC.

   The detailed eligibility and regulatory requirements for FMEs, retail schemes, non-retail schemes, VC schemes, PMSs and investment trusts have been specified in the Regulations.

C. **Green Channel:** VC schemes or non-retail schemes soliciting money only from accredited investors or such investors who invest above a prescribed threshold, shall qualify for a green channel i.e. the schemes can open for subscription by investors immediately upon filing with IFSCA. The requirements regarding scheme size, number of investors, permissible investments, etc. have been specified in the regulations.

D. **ETFs:** Considering that ETFs offer a means to gain exposure to specific markets or asset classes at a low cost, Registered FME-Retail shall be able to launch Index-based ETFs and Commodity-based ETFs. Requirements regarding composition of ETFs have also been specified. Fund Managers for gold and silver ETFs, in addition to investment in physical bullion, shall also be able to invest directly in Bullion Depository Receipts traded on a bullion exchange in IFSC.

E. **PMSs:** To develop the complete ecosystem in IFSC related to fund management industry, registered FMEs have been permitted to offer PMS to clients, subject to satisfying the criteria as per the regulations. An FME shall not accept from the client, funds or securities worth less than USD 150,000 for providing portfolio management services. However, for accredited investors, this minimum investment threshold shall not be applicable. The requirements prescribed in regulations are broadly aligned with the requirements for PMS as already notified by Authority in CMI Regulations with certain additional requirements.

F. **Investment Trusts:** Considering the similarities in the asset class and the regulatory framework, the existing regulatory framework for REITs and InvITs has been consolidated as Investment Trusts and incorporated in Investment Funds regime. In addition to public offer for Investment Trusts and private placement of InvIT, the regulations enable private placement of REIT as well.

G. **Stressed Assets**: Realising the need to address the issue of NPAs faced by banks and the role that IFSC can play in this regard, enabling provisions have been specified for Special Situation Funds by FMEs in IFSC.

H. **ESG:** Growing number of investors expect fund managers to incorporate ESG factors into their investment strategies. With the intent of making IFSC as a hub for activities related to sustainable finance, sustainability-related disclosures have been mandated at entity and scheme level.

I. **Family Office:** Globally, there is an increasing need for having a formal structure for managing and preserving the wealth of HNIs and Ultra HNIs and their families. This has paved the way for conceptualisation of a regulatory framework for family offices. Accordingly, a framework to facilitate self-managed investment fund of a family office has been specified.

J. **Innovations:** To support various innovations in a regulated manner, the regulations also include the following:

a. **Fund Lab**: A platform has been provided to aspirational fund managers to try new products, strategies, processes, services, business models, use of technology etc., in a live environment of regulatory sandbox for 18 months.

b. **SPV as a co-investment structure**: Similar to international jurisdictions, fund managers are permitted to create SPVs under the main scheme to enable undertaking co-investment or leverage along with the Fund/ scheme subject to certain conditions.

c. **Retail participation in private markets:** There has been growing need to facilitate investors at large to invest in private markets. Accordingly, retail close ended schemes have been permitted to invest in unlisted securities subject to certain conditions.

K. **Listing:** The regulations, among other things, detail the requirements for listing of schemes (mandatory only in case of close ended retail schemes), mandatory listing of ETFs, enable secondary listing of ETF or Investment Trust, etc. The details for suspension, mandatory and voluntary listing have also been specified.

L. **Other requirements:** A detailed code of conduct has been specified for FMEs, its fiduciaries and KMPs (including Principal officer, Fund Managers and Designated Compliance Officer). The regulations also specify the requirements regarding business continuity plan, cyber security and cyber resilience, risk management, change in control, etc. Requirements have also been specified with respect to scheme annual report, auditor's report, disclosure of other material information to investors, etc. The procedure for inspection and audit, obligations of entities, liability for action in case of default, etc., have been specified along with a code for advertisement to ensure that advertisements by FMEs are accurate, true, fair, clear, complete, unambiguous and concise. With a view to ensure fair treatment to all investors, existing investors as well as those who are seeking to invest, overarching principles of fair valuation have also been specified.

Transaction / Processes / Operations / Trends

Turnover on stock exchanges

The notional turnover on the recognised stock exchanges in IFSC increased to USD 2,867 billion during FY 2021-22 compared to USD 1,980 billion during FY 2020-21. Therefore, the notional turnover during FY 2021-22 increased by approximately 45% compared to previous year.

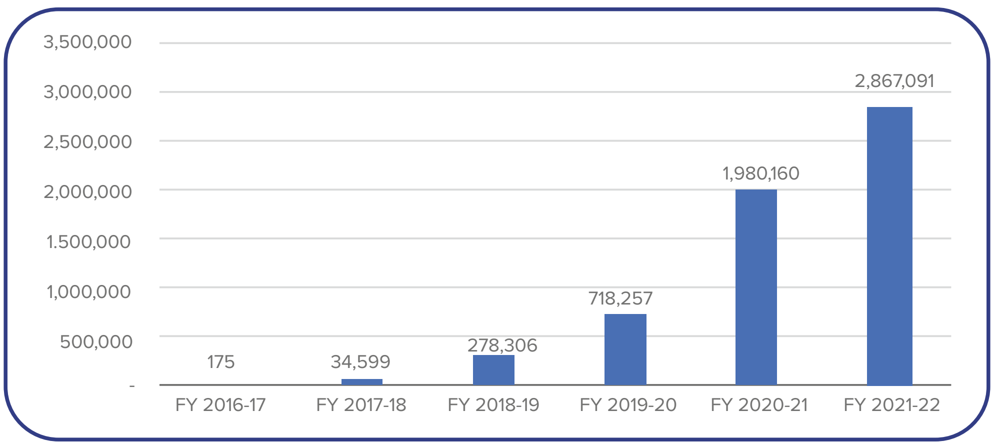


Fig. 5 - Notional Turnover on Exchanges (Million USD)

Derivatives available for trading on IFSC Exchanges

Index Derivatives

The most popular index derivatives on India INX are S&P BSE SENSEX & S&P BSE SENSEX 50. NSE IFSC offers trading in Futures and Options contracts on 4 Indices which are, NIFTY 50 Index, NIFTY BANK INDEX, NIFTY IT Index and FINNIFTY Index.

Index Futures: Trading in index futures grew by 20% in terms of notional turnover in the financial year 2021-22.

Table 6 - Trends in Index Futures

Financial Year	No of Contracts		Notional Turnover (USD Mn)	
	India INX	NSE IFSC	India INX	NSE IFSC
2020-21	7,248,004	3,320,859	93,199	56,678
2021-22	5,515,681	2,488,692	96,461	83,707

(Source: India INX and NSE IFSC)

Index Options: Trading in index options grew by 51% in terms of national turnover in the financial year 2021-22. During the same period, number of contracts traded grew at 18%.

Table 7 - Trends in Index options

Financial Year	No of Contracts		Notional Turnover (USD Mn)	
	India INX	NSE IFSC	India INX	NSE IFSC
2020-21	117,264,788	9,454,922	1,648,052	114,961
2021-22	145,295,033	4,793,400	2,498,722	156,381

(Source: India INX and NSE IFSC)

Commodity Derivatives

There are various commodities derivatives available for trading on the recognized stock exchanges as mentioned in the table below.

Table 8 - Commodity Derivatives Available for Trading on IFSC Exchanges

Precious Metals	Gold, Silver
Base Metals	Copper, Aluminum, Lead, Nickel, Zinc
Energy	Brent Crude Oil

Within commodities, gold derivatives remain the most traded commodity on the exchanges. The turnover in commodity derivatives has decreased in the financial year 2021-22 as mentioned in the table below:

Table 9 - Trends in Commodity Derivatives

Turnover (USD Million)	FY 2020-21	FY 2021-22
India INX	41,776	26,195
NSE IFSC	8,930	1,005

Currency Derivatives

There are various currency derivatives available for trading on the recognized stock exchanges as mentioned below:

Global Currency Derivatives	EUR - USD, GBP-USD, JPY – USD, CHF-USD, AUD-USD
Rupee Derivative	INR - USD, USD – INR

The turnover in currency derivatives has decreased in the financial year 2021-22 as shown below:

Table 10 - Trends in Currency derivatives

Financial Year	No of Contracts		Notional Turnover (USD mn)	
	India INX	NSE IFSC	India INX	NSE IFSC
2020-21	1,192,347	215,248	12,113	4,450
2021-22	215,886	67,114	2,899	1,722

Listing of Debt Securities

There has been a significant growth in the debt listings on IFSC exchanges in financial year 2021-22. The overall debt listing on IFSC exchanges in FY 2021-22 is around USD 18 billion which includes primary listings of around USD 6 billion.

Table 11 - Debt Listings on IFSC Exchanges

Description	FY 2021-22
Medium Term Notes established	12,500 Mn USD
Debt Securities (Drawdowns and Standalone)	18,186 Mn USD
No. of issuers	17
No. of issuances	31

Debt issuances that are exclusively listed on IFSC exchanges have the advantage of reduced withholding tax of 4% (compared to 5% otherwise), which is beneficial for Indian entities to raise capital at lower cost. This has resulted in increased number of exclusive listings in IFSC. Various labelled debt securities such as social, sustainable, and sustainability-linked bonds have debuted on IFSC exchanges. Similarly, Formosa bonds, which are issued in Taiwan in USD have been listed for the first time in IFSC.

Image 3 - Listing ceremony of SBI's USD 300 Million Formosa bonds on India INX

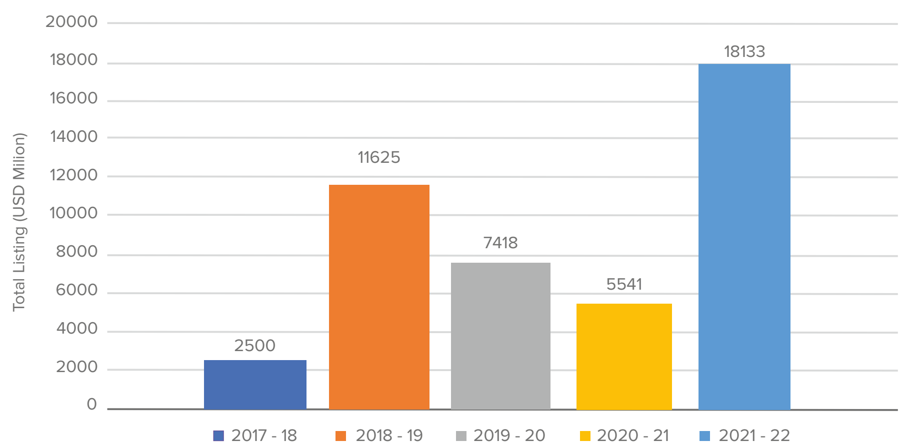
Table 12 - List of debt issuances in FY 2021-22

Name of Issuer	Debt Securities Listed (USD Million)
Adani Electricity Mumbai Limited	300
Adani Green Energy Limited	750
Adani Ports and Special Economic Zone Limited	750
Axis Bank Limited	600
HDFC Bank Limited	1,100
Indian Railway Finance Corporation Limited	500
Indian Oil Corporation Limited	1,697
JSW Infrastructure Limited	400
Power Finance Corporation Limited	352
REC Limited	400
Reliance Industries Limited	7,050
ReNew Power Private Limited	400
ReNew Wind Energy Delhi Private Limited (along with 9 other group companies)	585
Shriram Transport Finance Company Limited	2,579
State Bank of India	300
IIFL Finance Limited	376
Aavas Financiers Limited	47
Total	**18,186**

Table 13 - Exclusive Listing on IFSC Exchanges in FY 2021-22

Name of issuer	Label	Amount in Million USD
Renew power	Green	585
HDFC Bank		1000
HDFC Bank		100
Renew power	Green	400
IRFC	Sustainability-linked	500
JSW Infrastructure	Social	300
Aavas Financers		47

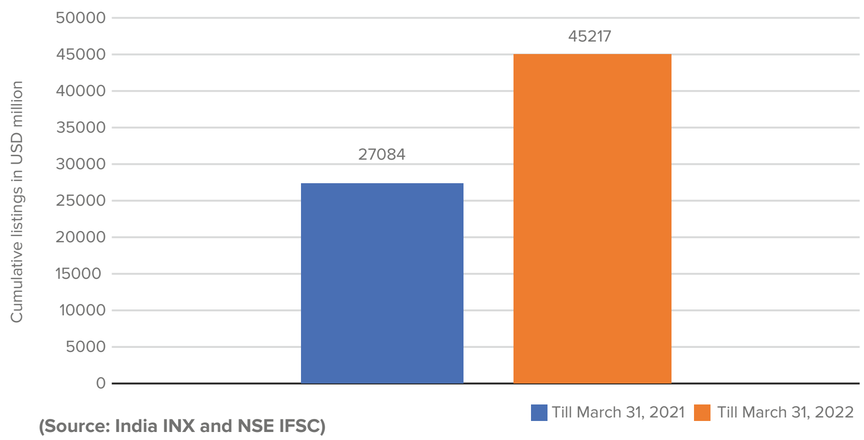
The below figure depicts the growth of debt listings on IFSC exchanges in FY 2021-22. The total issuance in the financial year is approximately USD 18 billion which includes primary, secondary and exclusive listings.



(Source: India INX and NSE IFSC)

Fig. 6 - Debt Listings on IFSC Exchanges

The cumulative listing of debt securities increased by around 67 per cent at the end of FY 2021-22 over the previous financial year



(Source: India INX and NSE IFSC)

Fig. 7 - Cumulative debt listings on IFSC Exchanges

Alternate Investment Funds

The number of funds registered with IFSCA also gathered momentum in 2021-22. There are total of 24 AIFs in IFSC as on March 31, 2022. Out of these 24 AIFs, 10 belong to Category 1 and Category 2 AIF having a total committed funds of USD 4,081 million while 14 are under Category 3 AIF with total committed funds of USD 1,072 million.

Table 14 - AIFs in GIFT IFSC

AIF Category	Corpus (in USD million)
Category 1 and Category 2	4,081
Category 3	1,072
Total	5,153

Advocacy and Outreach

IOSCO World Investor Week (WIW) 2021

WIW 2021 is a week-long global campaign promoted by IOSCO to raise awareness about the importance of investor education and protection and highlight various initiatives of securities regulators. During the WIW, IOSCO securities regulators and other IOSCO members conduct a range of activities, such as launching investor-focused communications and services, promoting contests to increase awareness of investor education initiatives, organizing workshops and conferences, and conducting local/ national campaigns in their own jurisdictions. The key messages of the IOSCO WIW campaign in 2021 was on the following themes:

- Sustainable Finance, and
- Frauds and Scams prevention

(i) Opening Bell Ringing Ceremony

The opening bell ringing ceremony was hosted by India INX to commence the celebration of IOSCO WIW 2021 on November 22, 2021. During the event, various measures taken by the Authority to promote green and sustainable finance in IFSC were highlighted.

(ii) Panel Discussion hosted by NSE IFSC Ltd

A panel discussion was held on the topic “Impact Investing Landscape post CoP 26”. The panel consisted of representatives from financial services industry and IFSCA. The importance of CoP 26 was reiterated and the need for value creation over value extraction was emphasized. Topics such as growth of green bonds, ESG funds, ESG sustainability reporting, ESG bond listing regulatory framework, role of private sector in sustainable financing etc. were highlighted.

(iii) Roundtable Conference with IBUs on Sustainable Finance

As part of the WIW 2021, a virtual roundtable conference with IBUs on sustainable finance was held to discuss several topics including regulatory framework with respect to green/ sustainable banking products.

(iv) Social Media Campaign on Sustainable Finance

As part of the IOSCO WIW 2021, the Authority through its social media platforms generated awareness about smart investing in sustainable finance, green bonds, listing framework for ESG Bonds, greenwashing, independent external review, alignment with various international standards, etc.

(v) Closing Bell Ceremony

The closing bell ceremony was hosted by NSE IFSC. During the ceremony, an expert session was conducted on “Sustainability and Finance: Emerging Dynamics” by Professor Amit Garg, IIM Ahmedabad. NSE IFSC also organized a tree plantation drive in GIFT City.

International Engagements

IOSCO

The Authority is an associate member of IOSCO. It is also member of IOSCO's Growth and Emerging Markets Committee (GEM) and Asia-Pacific Regional Committee (APRC). During the year 2021-22, it participated in the meetings of GEM and APRC held virtually.

The Authority also participated in the IOSCO SPAC Network which was formed by IOSCO to discuss issues relating to special purpose acquisition companies.

European Securities and Markets Authority (ESMA)

The clearing corporations in the IFSC viz. NICCL and India ICC are recognised by ESMA as third country CCPs under European Market Infrastructure Regulation (EMIR). IFSCA and ESMA have expressed their willingness to sign a bilateral MoU between the two authorities for exchange of information relating to the clearing corporations, subject to approval of the Government of India.

Financial Centres for Sustainability (FC4S)

The Authority has become a member of FC4S network in September 2021. FC4S network is a collective of the international financial centers working together to achieve UN sustainable development goals and the objectives of Paris Agreement. Its objective is to accelerate the expansion of sustainable finance by enabling financial centers to evaluate the state of green and sustainable finance, exchange experience, drive convergence, and act on shared priorities. The Authority aims to collaborate with FC4S to promote strategic action globally on green and sustainable finance.

India - UK Sustainable Finance Forum

The Authority is a core member of India-UK Sustainable Finance Forum, which was established to drive forward deeper cooperation between India and UK in sustainable finance. The objectives of the forum include potential initiatives to mobilise flows of international capital, exchange of best practices on policies and regulations, and promote bilateral partnership in sustainable space.

Policies and Programmes for the following year

- **Guidelines related to Fund Management activities**

  Subsequent to publishing of the IFSCA (Fund Management) Regulations, 2022 in the official gazette, the detailed guidelines on various areas relating to fund management activities in IFSC, such as Framework for Angel Funds, Accredited Investors, Disclosures by ESG Schemes, Family Offices, Distribution of financial products, Periodic reports by FMEs, etc. are proposed to be issued.

- **Sustainable Finance**

  IFSCA plans to undertake following initiatives :

  a) Implementation of the recommendations of the Expert Committee on Sustainable Finance
  b) Encouraging sustainable lending and sustainability-linked lending by IBUs
  c) Establishing IFSC as a preferred destination for listing of ESG debt securities by Indian corporates, including CPSEs
  d) Framework for establishment of a dedicated platform based on Distributed Ledger Technology for issuance and trading of various green products such as green bonds, carbon credits, green REITs, green equity etc.
  e) Framework for Transition Bonds.

- **NSE IFSC-SGX Connect**

  The Connect is expected to be completely operational in the FY 2022-23, which would bring together international and IFSC participants to create a bigger liquidity pool for Nifty products in IFSC.

INTERNATIONAL BULLION EXCHANGE

India is second largest gold market and accounts for around 25 percent of worlds gold demand. Gold demand is majorly driven by Jewellery consumption (73.1%), Bullion (15.9%), Coins (6.9%), ETF (2.7%), Industrial (1.4%) demand[33]. Jewellery Gold supply in India is primarily met through imports, less than 1 percent coming from local mining and about 10 percent from recycling[34]. India's gold imports consist of gold in refined form and gold in doré form. The demand for gold has always remained high with an approximate annual import demand of 1000 tonnes.

Gold provides safety and security for women, and under difficult circumstances, liquidity for the whole family. Gold is a form of collateral, not only for the common man in distress but even for RBI and the Government of India when there is a crisis, as in 1991.

In the initial years of restricted environment, particularly post the Gold Control Act 1962, a strong domestic demand coupled with a relatively restrictive policy resulted in higher domestic gold prices as compared to international markets. The demand and supply of the gold has important macroeconomic and foreign trade policy implications. The large demand of gold through imports has an adverse impact on the CAD and has further implications on the external sector stability. Thus, financialization of gold by mobilization of above-ground gold stock of domestic gold attains importance.

With the view to monetise the idle gold, the Government introduced the Gold Monetisation Scheme (GMS) in the Union Budget, 2015 under which the accumulated gold is to be used productively and profitably, by banks through the Gold Metal Loan (GML), a low interest rate financial product for meeting inventory financing needs of the borrower. With the main objective to reduce the demand for physical gold and shift a part of the gold imported every year for investment purpose into financial savings, the Government launched the Sovereign Gold Bonds Scheme (SGBS) in November, 2015.

The Government has also been trying to bring more transparency in gold trade by streamlining the taxation especially on import side. However, despite various initiatives, the gold market in India is marked by its opacity and unorganized/ fragmented nature, disaggregated across the value chain, inefficient market mechanism and processes. It is found lacking in aspects like quality and standard of bullion delivery as per global practices that promote supply chain integrity and responsible sourcing of gold. Further, lack of transparent pricing inhibits flourishing of organized avenues for bullion as an investment option.

Union Budget 2018-19 recognized the role of gold ecosystem in promoting economic growth wherein it was announced that the Government would formulate a comprehensive Gold Policy to develop gold as an asset class and, also establish a system of consumer friendly and trade efficient system of regulated gold exchanges in the country. In the Union Budget 2020-21, Hon'ble Finance Minister of India announced setting up an International Bullion Exchange at IFSC.

In an exchange model, all eligible market participants have the benefits of transparent price discovery and reduced risks due to centralized clearing/ settlement and availability of Settlement Guarantee Fund (SGF) to meet default shortfall, if any. Also, there is a potential for higher participation, including from smaller players, both on supply side as well as demand side as compared to the current model wherein intermediaries (nominated banks and nominated agencies) play a major role.

[33] Transforming India's Gold Market, Feb. 2018 NITI Aayog
[34] World Gold Council and Metals Focus

Activities with respect to Regulations, Circulars, Guidelines etc.

To enable operationalization of IIBX, Government notified bullion spot trading and bullion depository receipts (BDR) with underlying bullion, as financial products and bullion related services as financial services respectively on August 31, 2020. IFSCA (Bullion Exchange) Regulations, 2020 were notified on December 11, 2020. These regulations, inter alia, cover the bullion exchange, clearing corporation, depository and vault managers.

IFSCA (Bullion Exchange) (Amendment) Regulations, 2021 were notified on July 06, 2021. The amendment clarifies that in case of any conflict or inconsistency of the provisions of these regulations with the IFSCA (Market Infrastructure Institutions) Regulations, 2021 on the same subject matter, the provisions of IFSCA (Market Infrastructure Institutions) Regulations, 2021 shall prevail.

Notifications/ Circulars/ Guidelines

- Bullion spot delivery contract and BDR with underlying bullion have been notified as securities for the purpose of the SCRA vide Gazette notification dated December 24, 2021.
- DGFT notification no. 49/2015-20 dated January 05, 2022 enabled import of gold by Qualified Jewellers (QJs) through International Bullion Exchange.
- RBI Master Directions dated January 06, 2022 for imports of goods and services have enabled QJs to import gold through IIBX.
- Department of Commerce Instruction dated February 01, 2022 has allowed units, authorized by IFSCA to operate in IIBX, for trading in precious metals for their authorized operations as approved by the Authority.

Circulars/ Guidelines issued by IFSCA

I. **Operating guidelines for the bullion exchange, bullion clearing corporation, bullion depository, bullion intermediaries, refinery and vault manager issued on August 25, 2021**.

Salient features of the operating guidelines:

i. The bullion exchange shall enable trading of bullion through BDRs issued in electronic form by bullion depository.

ii. The bullion exchange shall only enable trading in bullion which adhere to OECD due diligence guidance for responsible supply chain of minerals from conflict affected and high-risk areas for establishing supply chain integrity.

iii. In case of bullion contracts where the settlement is likely to be on T+0 basis, the funds are required to be available prior to initiation of the trade by the trading member or its customers.

iv. A member shall set up operations in IFSC, either through a subsidiary or a branch or any other mode as permitted by the Authority. All entities shall comply with the 'fit and proper criteria' specified under the regulations.

v. The consolidated operating guidelines has prescribed the eligibility criteria for setting up a bullion refinery in IFSC. A bullion refinery shall have a tangible net worth of not less than USD 7 million or its equivalent as per its latest audited financial statement (to be maintained at all points of time).

vi. The minimum net worth requirement for customers - Qualified Individuals who is a person resident outside India and Qualified Resident Individual is USD 250,000 each. The minimum net worth requirement for persons resident outside India who are corporate or institutional entities is USD 500,000.

vii. The bullion clearing corporation shall follow a Net-Net settlement model which may be adopted by having a multi-tiered netting procedure to determine the net settlement obligations (delivery/ receipt positions) of the clearing members (CMs).
viii. The net worth of the clearing member shall be not less than USD 10 million.
ix. Bullion depositories shall perform the function of storage and safeguarding of bullion through a vault manager and issuance of the BDR for the underlying bullion in electronic form for trading on the Bullion Exchange.
x. Bullion depository must ensure that the vault manager shall clearly demarcate the storage area meant for vaulting services for bullion in respect of which the BDR is issued. The physical storage of bullion for activities related to IIBX shall be separate from the vaulting services provided for other activities.
xi. The vault manager guidelines elucidate on registration, eligibility criteria, duties and obligations, inspection and audit and other miscellaneous relevant matters.
xii. The vault shall be under complete physical and operational control of the vault manager .
xiii. The vault manager registered with the Authority shall fulfil minimum net worth of USD 7 million which shall be maintained at all times.

II. **Criteria for QJ and manner of participation on IIBX specified vide IFSCA circular dated January 19, 2022.**

Salient Features:

i. DGFT vide Notification No. 49/2015-2020 dated January 05, 2022, has inter alia, specified that import of gold under ITC (HS) Codes 71081200 and 71189000, shall be permitted by QJs through IIBX.
ii. To be considered as QJ and be permitted to transact as TM or clients of TM, the entity shall be engaged in the business of goods falling under ITS (HS) codes 7108, 7113, 7114 and 7118 under Chapter 71 of ITC (HS).
iii. QJs shall comply with the 'fit and proper criteria' specified under the IFSCA (Bullion Exchange) Regulations, 2020, at all times.
iv. A QJ based in India and not having a physical presence in IFSC, may apply for a limited purpose trading membership, wherein the entity can only trade on its own account (proprietary trading). No client onboarding shall be permitted for such a trading member. The entity shall comply with all the other applicable norms specified in IFSCA (Bullion Exchange) Regulations, 2020, operating guidelines issued by IFSCA on August 25, 2021 and regulatory requirements as may be specified by IFSCA and IIBX from time to time.

III. **Gold and Silver ETF**

Considering that ETFs offer a means to gain exposure to specific markets or asset classes at a low cost, registered fund managers in IFSC have been permitted to launch Index based ETFs and Commodity based ETFs. In addition to investment in physical bullion, Gold and Silver ETFs, are permitted to invest directly in BDR at IIBX.

Transaction/Processes/Operations/Trends

The following steps have been taken to enable IIBX so far:

- A holding company, India International Bullion Holding IFSC Limited has been incorporated on June 04, 2021 for setting up and operationalizing IIBX, bullion clearing corporation and bullion depository in GIFT IFSC, post signing of an MoU among the five MIIs - CDSL, India INX, MCX, NSDL and NSE, and has been granted Certificate of Registration as a Finance Company on August 09, 2021.
- The holding company has set up the International Bullion Exchange through its subsidiary, 'India International Bullion Exchange IFSC Ltd.', encompassing the Bullion Exchange and the Bullion Clearing Corporation.
- IIBX was granted recognition on December 09, 2021 by the Authority and was notified by the Government in the official gazette on December 10, 2021.
- CDSL-IFSC, an IFSC based depository has been designated as the Bullion Depository for the Bullion Exchange on August 17, 2021. SOPs have been put in place for creation and extinguishment of BDR, and deposit and withdrawal of bullion from IFSC. Bullion Depository System and SEZOnline portal have been integrated using API methodology for seamless exchange of data to facilitate customs clearance for delivery of bullion to the qualified jewellers in domestic tariff area.
- Existing registered members in IFSC have been permitted to be grandfathered as bullion trading/ clearing members subject to fulfilment of net worth and base minimum capital as mentioned in the IFSCA circular dated September 17, 2021.
- Certificate of Registration has been issued to Sequel Logistics Private Limited as a vault manager for its vault in IFSC with a capacity of storing 25 tonnes of gold. Additionally, two more vault managers are likely to be registered with IFSCA with a cumulative vaulting capacity of approx. 125 tonnes of gold.

Bullion Market Intermediaries

The categories of participants at IIBX are:

i. Trading Member (TM): This category of membership entitles a member to execute trades on his own account as well as on account of his clients but, clearing and settlement of trades executed through the TM is done through a Clearing Member (CM).

ii. Trading-cum-Self Clearing Member (TSM): This category of membership entitles a member to execute trades and to clear and settle trades executed on his own account as well as on account of his clients.

iii. Trading-cum-Clearing Member (TCM): This category of membership entitles a member to execute trades on his own account as well as on account of his clients and to clear and settle trades executed by themselves as well as by other trading members who choose to use clearing services of the member.

iv. Professional Clearing Member (PCM): This category of membership entitles a member to clear and settle trades only of trading members of the exchange who choose to clear and settle their trades through the PCM.

The clearing and settlement shall be done on a multilateral netting basis as per the settlement obligations of the respective clearing members. As a set process, all obligations in respect of trades entered by TMs will be transferred to the respective CMs, who have undertaken to act as CM for them.

The number of entities registered as bullion market intermediaries in the capacity of TM, TCM, PCM as on March 31, 2022, are mentioned in the table below.

Table 15 - Bullion Market Intermediaries in GIFT IFSC

Bullion TM	Bullion TCM	Bullion PCM
7	4	2

Further, 30 QJs have been notified as on March 31, 2022.

Fig.8 - Products available for trading on IIBX

Advocacy and Outreach

Dubai Precious Metals Conference **18 November, 2021**	• MoU between IIBX and DMCC • Engagements with Emirates refinery, Al-Etihad refinery and various Gulf-based banks/ large traders.
India Gold Conference **12-13 November, 2021**	• The event focussed on the theme -“Reforms Shaping India’s Bullion Markets” • Discussions with market participants in India
India International Bullion Summit **12 March, 2022**	• The event focussed on topics such as how IIBX will help Gems & Jewellery sector, Gold price outlook for FY 2022-23, etc. • Engagements with the bullion market participants (global as well as domestic)

Policies and programmes for the following year

- Operationalisation of import of gold through IIBX by QJs
- Enhancing the remit of IFSCA to the vaulting units in other geographical locations within Special Economic Zones across India
- Enabling Indian IBUs to operate as clearing members and trading members on IIBX
- Enabling remote membership for select market participants such as global bullion banks on IIBX
- Enabling gold leasing/ gold loans
- Framing policies/ guidelines on Digital Gold, Gold Savings Accounts, Gold Accumulation Plans.

FINTECH HUB

In the Union Budget 2021-22, the Hon'ble Finance Minister announced that the Government would support the development of a world class FinTech Hub at GIFT IFSC. The Authority, in line with this vision, formulated a strategy to create visibility and mindshare among FinTechs globally and develop progressive regulatory frameworks, incentives, and other levers, enabling a robust FinTech ecosystem.

Activities with respect to Regulations, Circulars, Guidelines etc.

Regulatory/ Innovation Sandbox

IFSCA had introduced a framework for "Regulatory/ Innovation Sandbox" in October 2020 under which the entities operating in the Capital Market, Banking, Insurance and other financial services space shall be granted certain facilities and flexibilities to experiment with innovative FinTech solutions in a live environment with a limited set of real customers for a limited time frame. These features shall be fortified with necessary safeguards for investor protection and risk mitigation. To foster an innovation-centric ecosystem in IFSC, an "Innovation Sandbox" was introduced, which would be a testing environment where FinTech firms can test their solutions in isolation from the live market, based on market related data made available by MIIs operating in IFSC. The Innovation Sandbox will be managed and facilitated by MIIs operating within IFSC.

As on March 31, 2022, IFSCA is also formulating a **FinTech Entity (FE) Framework** which is a first of its kind framework cutting across Banking, Capital Markets, Insurance, and Allied Areas.

IFSCA FinTech Incentive Scheme, 2022

To promote the establishment of a world class FinTech Hub, comparable with those located in well-established international financial centers across jurisdictions, IFSCA FinTech Incentive Scheme, 2022 was notified in the Gazette in February 2022, making IFSCA the first Indian financial sector regulator to formulate an incentive scheme and providing financial support to FinTech activities in the form of specific grant(s).

The six categories of grants for eligible applicants are as follows:

- **i. FinTech Start-up Grant** - for developing a product or a service and related 'go to-market' initiatives for a start-up with a novel FinTech idea or solution. At this stage, the focus is on converting the idea into an MVP.
- **ii. Proof of Concept (PoC) Grant** - for the purpose of conducting a PoC by an early or mature FinTech Entity (FE) in domestic or overseas market.
- **iii. Sandbox Grant** - for experimenting with innovative products or services in a sandbox.
- **iv. Green FinTech Grant** - for developing solutions facilitating sustainable finance and sustainability linked finance, including ESG investments.
- **v. Accelerator Grant** - for supporting accelerators at the IFSC.
- **vi. Listing Support Grant** - for supporting domestic FEs aspiring to go for listing on stock exchanges recognized by the Authority.

Over 125 FinTechs are estimated to get the benefit of this scheme over the next three years.

Advocacy and Outreach

InFinity Forum

As the first component of the Authority's strategy to create visibility and mindshare among FinTechs globally, IFSCA launched '**InFinity Forum**' as an annual thought-leadership forum. The Forum is a flagship financial technology event, uniting the world's leading minds in policy, business, and technology to explore and advance the biggest ideas in FinTech, and to develop those ideas into global solutions and opportunities.

The inaugural edition of the Forum was inaugurated by Hon'ble Prime Minister of India on December 03, 2021. The event was conducted in virtual mode for two days and was hosted by IFSCA under the aegis of GoI, in collaboration with GIFT City Co. Ltd. and Bloomberg. It attracted over 95,000 registrations from across 70+ countries. The event included 8 InFinity talks, 9 InFinity panels and 62 speakers from 9 countries.

Image 4 - Hon'ble Prime Minister of India, Shri Narendra Modi Inaugurating InFinity Forum 2021 on December 03, 2021

Indonesia, South Africa and UK were the partner countries in the inaugural edition of the Forum. NITI Aayog, Invest India, FICCI and NASSCOM acted as key domestic partners. InFinity Forum 2021 was truly global with its organising team spread across 4 continents and 5 countries including India, Singapore, Australia, UK, and USA. The organising team was guided by an advisory committee constituted for the purpose of steering the event. The committee had members from the Indian Government, Indian industry, and international shores including FinTech Leaders from the three partner countries.

The agenda of the Forum focused on the idea of **'Beyond'**. The entire event was broadly constituted into three themes, each of which sought to extend the realm of FinTech beyond boundaries, keeping in line with the overarching spirit of the event. It included talks by influential political leaders & FinTech entrepreneurs, and panel discussions, all seeking to push the boundaries of thoughts around FinTech.

The vision of the Hon'ble Prime Minister for transforming GIFT IFSC into a FinTech Hub was underlined during his inaugural address at the InFinity Forum 2021 as-

> "Fintech industry in India is innovating to enhance access to finance and the formal credit system to every person in the country. Now it is time to convert these fintech initiatives into a fintech revolution, a revolution that helps to achieve financial empowerment of every single citizen of the country."

A brief introduction on the focus areas is given below:

FinTech Themes	Focus Areas
FinTech Beyond Boundaries	Focus on global collaboration to support inclusive and collaborative growth of new technologies and themes – **Building a Global Stack**
FinTech Beyond Finance	Focus on the convergence of FinTech with other economic activities – **Space, Agriculture, Green**
FinTech Beyond Next	Focus on next-gen ideas and opportunities **– Quantum Computing**

Highlights of InFinity Forum

InFinity Talks and Panels

1. **InFinity Panel: FinTech for an inclusive growth across the globe**

The panel comprised of the Finance Ministers from three countries:

i. Smt. Nirmala Sitharaman, Hon'ble Minister of Finance and Corporate Affairs, Government of India

ii. Ms. Sri Mulyani Indrawati, Hon'ble Finance Minister of Republic of Indonesia

iii. Mr. Tengku Zafrul Aziz, Hon'ble Finance Minister of Malaysia

The members of the panel focused on how technology was leveraged to achieve inclusive growth and provide better services to the citizens of their respective countries, the challenges they faced and the future opportunities. The panel noted that technology does not have physical borders and so global action is required for formulating effective regulations especially in the evolving areas of crypto, data privacy, etc. The panel also highlighted the importance of national digital identity for promoting financial inclusion.

Image 5 - Hon'ble Finance Minister of India, Smt. Nirmala Sitharaman at the InFinity Forum 2021

2. InFinity Panel: FinTech Beyond Finance

Shri Ashwini Vaishnaw, Hon'ble Minister of Railways; Communications; and Electronics & Information Technology, Government of India and Mr. Sandiaga S Uno, Hon'ble Minister of Tourism and Creative Economy of the Republic of Indonesia spearheaded the panel on **FinTech Beyond Finance.**

The panel discussed the role of FinTech beyond finance to help accelerate economic growth and open new opportunities. The concept of JAM trinity was discussed as a model of financial inclusion in India. Further, the role of IRCTC as an example of FinTech beyond Finance was brought forward for Indian case. Similarly, the leverage and opportunities which FinTech sector is creating for tourism sector in Indonesia was also highlighted. Overall, the panel emphasized investment in digital infrastructure in both countries.

3. InFinity Talk: FinTech Beyond Boundaries - A Banker's Perspective

Mr. Uday Kotak, MD and CEO, Kotak Mahindra Bank shared his perspective about taking India's' pioneering innovations, UPI and Aadhar, beyond boundaries, by way of co-operation between different countries with India in the lead. He underlined the importance of democratising financial services by realising the power of data through artificial intelligence, machine learning and data analytics. He noted that the idea of allowing UPI for Overseas Indians may work tremendously.

4. InFinity Talk: FinTech for Good- An Investor's Perspective

Mr. Masayoshi Son, Chairman & CEO SoftBank Group Corp, highlighted the importance of creating a level playing field and looking beyond the short term to develop the FinTech industry across the world to harness it for global good. He highlighted that small businesses have embraced technology due to impact of COVID-19 and digital divide has been crossed by people going beyond their boundaries. He mentioned that Soft Bank Group has invested around 14 billion USD in India and provided 10% of funding to all Indian unicorns which have created nearly 10 million new jobs.

5. InFinity Talk: Digital Nation - The Infrastructure of Tomorrow: A Corporate Perspective

Mr. Mukesh Ambani, Chairman and MD, Reliance Industries Ltd. highlighted the importance of decentralized technological solutions to ensure availability of finance to everyone. He mentioned that if data is the new oil, then digital infrastructure is the new pipeline and the next phase of global growth will depend on nations and companies that will build and leverage a robust digital infrastructure. In this context, he highlighted that IFSCA's vision to enable tech and innovation, and make IFSC a gateway to the rest of the world provides unique opportunity for India.

6. InFinity Talk: FinTech Beyond Boundaries

Mr. Rishi Sunak, Hon'ble Chancellor of the Exchequer, the UK, threw light on role of India-UK partnership in global transformation of Fintech sector. He underscored the importance of FinTech sector in UK's economy with around 44 FinTechs becoming Unicorns. He emphasized that the shared commitments between the two Governments shall only strengthen the financial corridor between India and UK going forward with FinTech sector at the center stage.

7. **InFinity Talk: Zero G to Zero C**

Mr. Sunil Bharti Mittal, Founder and Chairman, Bharti Enterprises and Mr. Nandan Nilekani, Chairman and Co-Founder, Infosys discussed the importance of investment and innovation in Zero G (Zero Gravity) to accelerate the next phase of growth in Zero C (Zero Carbon) - the green economy.

The discussion revolved around how space technologies and telecom sector together can provide comprehensive connectivity to the remote locations in India. Emphasis was placed on power of high speed internet connectivity which shall spin off lot of benefits to the country including monitoring and reduction of carbon emission through Internet of Things(IoT).

8. **InFinity Talk: How can Quantum Computing change the Future of FinTech?**

Mr. Arvind Krishna, Chairman and CEO of IBM highlighted the power and potential of Quantum Computing (QC) to change the world we live in. He mentioned that as the world is driving towards adoption of blockchain and Web 3.0, QC is emerging as a major disruptor.

He mentioned that there are many uses and fields for which the QC can be deployed, especially financial services including solving complex optimization problems in finance. He emphasized that India has a primary role to play in advancing the future of QC with a strong scientific and engineering culture, as well as the spirit of innovation.

The topics discussed in other InFinity Talk and Panels are listed below :

InFinity Talks
- Identity Beyond Boundaries: Aadhaar 2.0
- Financial Regulation and Innovation in FinTech Era

InFinity Panels
- FinTech Beyond Boundaries - Building a Global Stack
- How Artificial Intelligence and Quantum Communication will impact FinTech
- Convergence of Space Tech with FinTech
- FinTech Beyond Boundaries: Capitalising Opportunities beyond Boundaries
- Promoting Diversity and Inclusion in FinTechs
- FinTech Beyond Next: Rise of Quantum Computing in Financial Services
- Big Opportunities in FinTechs - An Investor's Perspective

FinTech Showcase

The InFinity Forum also provided opportunities to select FinTechs from India and other foreign countries including the finalists from sprints organized under I-Sprint'21 series of IFSCA to showcase their innovation in virtual exhibition on December 04, 2021. The showcase organized at the InFinity Forum 2021 witnessed 107 FinTechs from across 11 countries (USA, Singapore, Sweden, HongKong, UAE, South Africa, Indonesia, etc.) and 10 FinTech presentations from 6 countries & 6782 footfalls.

Call for Action

Under the 'Call for Action' segment, students of colleges and universities across india and partner countries were asked to develop and submit Call for Action statements on policy recommendations emanating out of various sessions at the Forum.

More than 150 submissions were received from students. The top 10 submissions were awarded cash prizes upto INR.25,000 and three students out of the top five were offered an internship at IFSCA.

I-Sprint'21

IFSCA launched I-Sprint'21, a series of global FinTech hackathons to encourage the promotion of FinTech initiatives in financial products and financial services across the spectrum of banking, insurance, securities, and fund management in IFSCs.

(I) Sprint 01 on Bank Tech

It was launched under the banner of I-Sprint'21 with the focus on banking sector and was hosted by IFSCA and GIFT City Co. Ltd. in collaboration with NITI Aayog. The Partners to the hackathon were ICICI Bank, HSBC Bank, International Centre for Entrepreneurship, and Technology (iCreate), Zone Startups and Invest India. The hackathon was open to all eligible FinTechs from across the globe and was one of its kind being backed by a financial sector regulator.

The problem statements for the hackathon were as follows:

a. Unified - Know Your Customer (U-KYC) solution
b. Retail banking products for IFSC
c. Buyer's credit optimization
d. RegTech/ SupTech solutions

After multiple rounds of assessments, the winning entities are as per table below.

Table 16 - Winners of Bank Tech Hackathon

Entities	Problem Statement/Category
Signzy Technologies Private Limited	Unified KYC Solution
SBNRI Technologies Private Limited	Retail Banking Products at IFSC
EdgeVerve Systems Limited	Buyers Credit Optimization

A prize money of INR 24 lakhs was announced for the winners of Sprint01: BankTech that was sponsored by iCreate. The winners of the hackathon will be allowed direct entry into the applicable IFSCA Regulatory/ Innovation Sandbox. They will receive Regulatory guidance and handholding.

(II) Sprint02: "<GO> Quant Camp"

IFSCA, GIFT City Co. Ltd. and Bloomberg as part of I-Sprint'21 launched Sprint02 titled "<GO> Quant Camp" on October 26, 2021. The <GO> Quant camp was a three-stage competition, where 915 students from over 30 of India's top B-schools including IIM Ahmedabad, IIM Bangalore, ISB Hyderabad, etc. had participated. 281 students completed the training and were awarded certification in Quant Investing. The Chairperson, IFSCA announced the winners of the hackathon and encouraged the youth to participate in the hackathons and take advantage of new-age technologies like Quant Investing which will expand the horizons of the financial markets.

(III) Sprint 03: InsureTech

"Sprint 03: InsureTech" under the banner of I-Sprint'21 was launched with a focus on insurance sector and was hosted by IFSCA and GIFT City Co. Ltd. in collaboration with FICCI. The partners to the hackathon were ICICI Lombard, Max Life, iCreate, India Insure-Tech Association and Invest India.

The problem statements for this hackathon were as follows:

a. Development of technologies for increasing penetration, better underwriting, claims management of life/ health products
b. Digital innovation for global health insurance cover
c. Innovations in commercial insurance
d. Digital platform for settlement of balances between insurance companies

After multiple rounds of assessments, the following six applicants (4 domestic and 2 overseas) were declared as winners of the Insure Tech hackathon:

Table 17 - Winners of the Insure Tech Hackathon

Name of the Entity	Problem Statement Applied for:
UMBO IDTech Private Limited (Riskcovry InsureTech)	Development of technologies for increasing penetration, better underwriting, claims management of life/health products
Livwell Asia (Singapore)	Digital Innovation for Global Health Insurance Cover
GOQii Technologies Private Limited	Digital Innovation for Global Health Insurance Cover
Onsurity Technologies Pvt Ltd	Development of technologies for increasing penetration, better underwriting, claims management of life/health products
ZignSec AB (Sweden)	Development of technologies for increasing penetration, better underwriting, claims management of life/health products
Signzy Technologies Pvt Ltd	Development of technologies for increasing penetration, better underwriting, claims management of life/health products

The winners of the hackathon will be allowed direct entry into the applicable IFSCA Regulatory/ Innovation Sandbox and will receive regulatory guidance and handholding.

(IV) **Sprint04: MarketTech**

Towards the closure of the Infinity Forum 2021, IFSCA launched "Sprint04: Market-Tech" hackathon on December 04, 2021, which focused on the capital market segment. It was hosted by IFSCA and GIFT City Co. Ltd. in collaboration with National Stock Exchange. The partners to the hackathon were Zerodha, PwC, ChainFlux, TalentSprint, iCreate, IIM-B (NSRCEL), and Invest India.

The problem statements for this hackathon were as follows:

a. Solutions for promoting retail capital market products in GIFT IFSC
b. Solutions for encouraging participation of banks, institutional investors, and retail investors in green finance products in GIFT IFSC
c. A solution based on distributed ledger technology (DLT) for tokenization and fractional ownership of physical assets
d. Innovative solutions on Web 3.0 focusing on capital markets, and
e. An innovative solution in the form of a decentralized exchange/ trading platform for unlisted bonds issued in India or overseas.

International Engagements

IFSCA became a member of the Global Financial Innovation Network (GFIN) in 2021, which is a network of 29 organizations committed to supporting financial innovation in the interests of consumers. The network also seeks to provide a more efficient way for innovative firms to interact with regulators, helping them navigate between countries as they look to scale new ideas. This includes a pilot for firms wishing to test innovative products, services or business models across more than one jurisdiction. It also aims to create a new framework for co-operation between financial services regulators on innovation related topics, sharing different experiences and approaches.

Policies and Programmes for the following year

I-Sprint'22 and hackathons on Longevity Finance, Sustainable Finance, RegTech etc. are being planned for the next financial year. The second edition of the InFinity Forum which is an annual thought-leadership event by IFSCA is proposed to be held in 2022.

Aside from the current engagements of IFSCA with external organizations, MoUs are being planned with overseas regulators (towards building FinTech bridges), and FinTech hubs (both domestic and international) and relevant stakeholder groups to further the growth of FinTech ecosystem in GIFT IFSC.

INSURANCE

The insurance industry plays a vital function in an economy by virtue of its role in covering major types of risks, which include personal risk, business risk, among others. It also shapes the financial ecosystem by the amount of premium it underwrites, diversity of the investments it makes, and magnitude of claims it services.

With the growth of insurance sector in India, immense opportunity lies to develop IFSC as a global insurance and reinsurance hub. It will provide a two-way opportunity to insurers i.e. Indian insurers can have access to foreign jurisdictions and foreign insurers can have access to other jurisdictions through conducive regulatory policies and framework in IFSC.

Activities with respect to Regulations, Circulars, Guidelines etc.

To promote ease of doing business in IFSC, the Authority has issued the Regulations and detailed Operating Guidelines for IFSC Insurance offices (IIOs) and IFSC Insurance Intermediary Offices (IIIOs) covering all the regulatory and operational matters for the conduct of their business.

The IFSCA (Registration of Insurance Business) Regulations, 2021

The IFSCA (Registration of Insurance Business) Regulations, 2021 (IIO Regulations) provide for registration of (re)insurers. Based on international best practices, these regulations are made very comprehensive and business friendly. The regulations lay down the regulatory framework for entities offering insurance from IFSC and other activities permitted to be carried out by them. An insurance and reinsurance company intending to set up an office in IFSC is required to seek certificate of registration from the Authority under IIO Regulations.

Salient features of IIO Regulations

(1) Following entities may set up an Insurance office in IFSC:

a. Indian Insurer or Re-insurer
b. Foreign Insurer or Foreign Re-insurer
c. Branch office of Foreign Re-insurer or Lloyd's India registered by IRDAI
d. A Public Company
e. An Insurance co-operative society
f. A Body Corporate
g. Society of Lloyds'
h. Managing General Agent

(2) Managing General Agent (MGA) may be a body corporate incorporated outside India, or a company incorporated under the Indian Companies Act, 2013 which has been authorized to do insurance business, reinsurance business or both, based on binding agreement with foreign insurer or re-insurer. In case of registration as MGA, the assigned capital, solvency, net owned fund requirements are to be complied by relevant foreign (re)insurer.

(3) If an IIO is set up as a branch, it neither has to bring in any onshore capital nor have any onshore solvency requirement. The specified assigned capital of USD 1.5 million can be maintained in home jurisdiction. Further, subsidiaries or incorporated companies will require a paid-up capital of Rs 100 crore for direct insurance and Rs 200 crore for reinsurance, as per Insurance Act, 1938.

(4) IIOs can also be established in branch form and in that case, assigned capital and solvency to be maintained at parent level.

(5) Foreign re-insurers desirous of setting up a branch office in the IFSC shall have reduced net owned funds (NOF) requirement of INR 1000 Crores.

(6) All business transactions of IIO shall be in freely convertible foreign currency.

(7) Life Insurer in IFSC can cater to the:
   a. person resident in India (subject to the aggregate remittance including amount of premium not exceeding the limits prescribed by RBI under the LRS from time to time).
   b. non-resident Indian (NRI)
   c. unit located in IFSCs
   d. unit located in SEZs,and
   e. person resident outside India

(8) General Insurers in IFSC can undertake following insurance business :
   a. risks of Units in IFSC
   b. risks of units situated in SEZs across India
   c. direct insurance from outside India (subject to local laws)
   d. direct insurance from DTA subject to provisions of the Insurance Act, 1938
   e. offshore insurance risks of exporters and importers, and
   f. overseas travel & health insurance for NRIs, PIOs and foreign residents/ nationals

(9) Reinsurers in IFSC can provide reinsurance support to the following :
   a. IIOs transacting direct insurance business in the IFSC
   b. IIOs transacting re-insurance business in the IFSC
   c. cedants based in India transacting direct insurers business (subject to extant regulatory framework)
   d. Indian re-insurers and FRBs based in India
   e. cedants / re-insurers based outside India

IFSCA (Operations of IIOs) Guidelines, 2021

The Authority had issued IFSCA (Operations of IIOs) Guidelines, 2021 dated October 27, 2021 to put in place a framework to address operational issues for IIOs in the IFSC. These cover the following areas:

1. Re-insurance and retrocession requirements
2. maintenance of books of accounts, records and documents
3. Corporate governance
4. Protection of policy holders interests
5. Fee Structure for the IIOs
6. Insurance products
7. Outsourcing arrangements etc.
8. Reporting requirements along with formats

IFSCA (Insurance Intermediary) Regulations, 2021

IFSCA (Insurance Intermediary) Regulations, 2021 (IIIO Regulations) lay down the regulatory framework for registration of IIIOs and activities permitted to be carried out by them. An entity intending to provide intermediation services in insurance is required to seek Certificate of Registration from the Authority under these regulations. The intermediaries or insurance intermediaries include brokers, corporate agents, third party administrators (TPAs) and surveyors and loss assessors (SLAs). The COVID pandemic accelerated the adoption of remote and digital means of transacting business and in line with such modern-day realities, the aforesaid regulations comprehensively provide for digital solicitation, procurement and servicing of insurance/ reinsurance business. In order to ensure fairness and level playing field and to protect the interest of policyholders, the regulations lay down in detail the functions, activities and the code of conduct for different types of intermediaries.

Salient features of IIIO Regulations

(1) Following entities can set up an insurance intermediary office in IFSC:

a. an intermediary or insurance intermediary registered with IRDAI
b. a foreign insurance intermediary registered with home country regulatory or supervisory authority
c. an Indian company incorporated under the Companies Act, 2013, or a firm or a co-operative society, or
d. a body corporate incorporated under the laws of any country outside India

(2) An insurance intermediary can seek registration for any of the categories:

a. Insurance distributor:
   i) Composite broker
   ii) Corporate agent
   iii) Direct broker
   iv) Reinsurance broker

b. Insurance claim service provider:
   i) Surveyor and loss assessor
   ii) Third party administrator

(3) Scope of operations:

a. Direct insurance broker is permitted to perform its activities from and within the IFSC, from other SEZs in India and from outside India. However, it cannot solicit direct insurance business from the DTA in India except in accordance with section 2CB of the Insurance Act;

b. Composite broker or reinsurance broker is permitted to perform its activities within the IFSC, in other SEZs in India, DTA and outside India;

c. TPAs, Surveyors and Loss Assessors, registered in the IFSC, are permitted to render services for the policies issued by an IIO and an insurer domiciled outside India. However, a TPA can service foreign travel policies and health policies issued by Indian insurers covering medical treatment or hospitalization outside India.

IFSCA (Operations of IIIOs) Guidelines, 2021

The Authority had issued IFSCA (Operations of IIIOs) Guidelines, 2021 dated November 01, 2021 to put in place a framework to address operational issues for IIIOs in the IFSC. These cover the following areas:

1. Qualifications, training and examination requirements
2. Format for maintenance of records
3. Manner of change in beneficial ownership of shares or contribution and control
4. Payment of remuneration, reward, fee or any other payment to IIIO
5. Segregation of insurance money
6. Outsourcing of activities
7. Amalgamation, merger & acquisition and transfer of business
8. Sale of insurance business through digital mode
9. Reporting requirements along with formats

IFSCA (Insurance Web Aggregator) Regulations, 2022

With a focus on the development of retail insurance business from IFSC, the Authority notified the IFSCA (Insurance Web Aggregator) Regulations, 2022 for registration and operations of Insurance Web Aggregators (IWAs). An IWA compiles and provides information about insurance policies of various companies on its website and assist the insurance companies in providing insurance solutions to global clientele. IWA may cater insurance requirements of large Indian diaspora. Further, to promote such retail business through technology, the Authority has notified a comprehensive regulatory framework for IWAs, which inter alia provides liberalized minimum capital and net-worth requirements and a light touch regulatory framework for operations of IWAs from IFSC.

In an increasingly customer-centric environment, it is essential to help a prospective client navigate through the plethora of insurance policies available. Finding a policy that is best suited to customer's needs and budget, is a challenging task but the advances made in technology in the fields of data processing and analytics can be leveraged to find a perfect match. The IWA regulations are, thus, a futuristic endeavour to allow the growth of such aggregators.

Transaction / Processes / Operations / Trends

Insurance sector has different kinds of players who can be classified under two broad heads: Insurers/ Reinsurers (IIOs) and Insurance Intermediaries (IIIOs). These work together to create an ecosystem providing insurance solutions to global clientele.

Table 18 - Insurance entities operating in the IFSC as on March 31, 2022

No. of IFSC Insurance Offices (IIOs)	4
No. of IFSC Insurance Intermediary Offices (IIIOs)	15
Total	**19**

The following four IIOs have been granted Certificate of Registration (CoR) to transact insurance and/ or re-insurance business in IFSC

1. General Insurance Corporation of India (GIC Re) (w.e.f. January 30, 2017)
2. The New India Assurance Co. Ltd. (w.e.f. September 06, 2016)
3. Export Credit Guarantee Corporation (ECCGC) Ltd. (w.e.f. July 24, 2017)
4. ICICI Lombard General Insurance Co. Ltd. (w.e.f. January 20, 2021)

Out of 15 IIIOs, one intermediary is direct insurance broker and 14 are composite insurance brokers.

Business Transactions at the IFSC

a) IFSC Insurance Office (IIOs)

In FY 2021-22, the IIOs have booked gross (re)insurance premium of USD 71.64 million, as against USD 18.60 million in FY 2020-21.

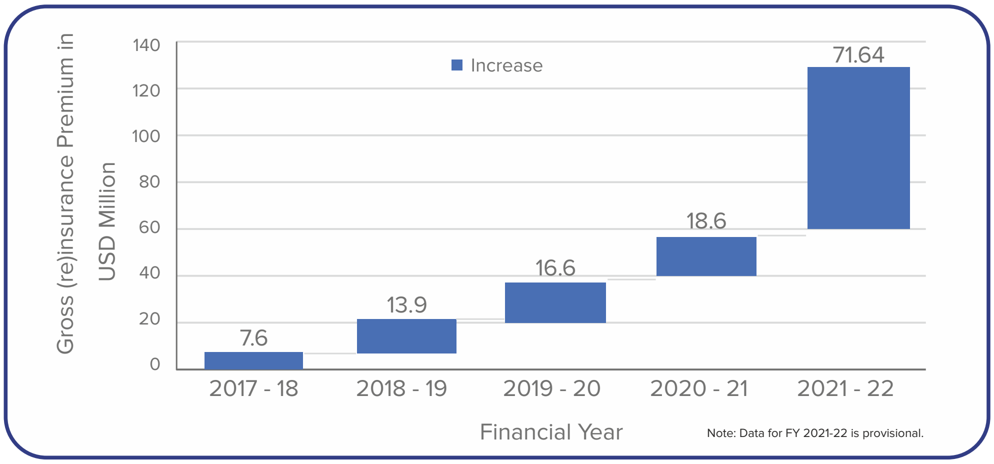


Fig.9 - Business underwritten by the IIOs

b) IFSC Insurance Intermediary Office (IIIOs)

The IIIOs transacted Re(insurance) premium of USD 223.45 million as against USD 153.1 million in FY 2020-21. The Financial year wise transactions of IIIOs are as under:-

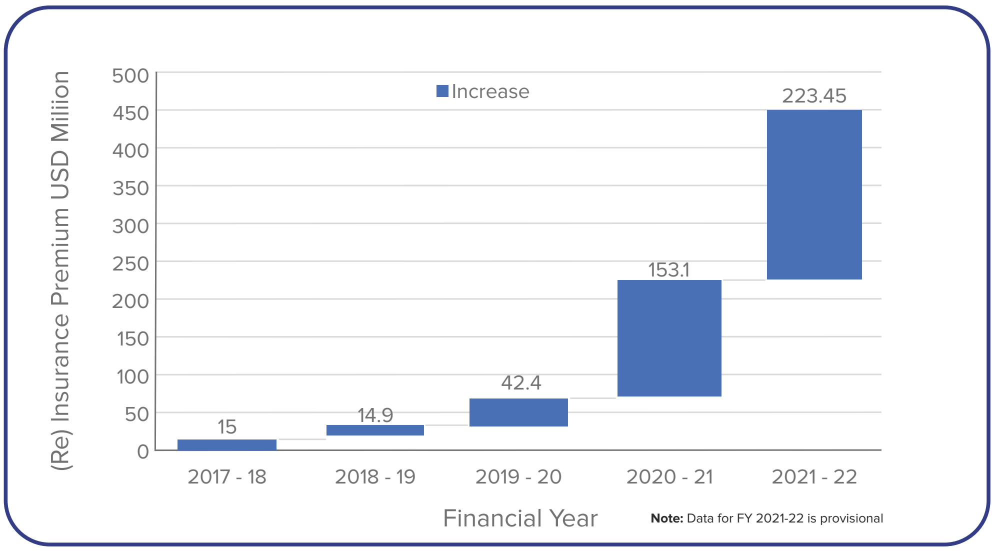


Fig.10 - Business Transacted by IIIOs

Advocacy and Outreach

Sprint03: InsureTech under I-Sprint'21

In its endeavour to encourage the promotion of financial technologies ('FinTech') initiatives in financial products and financial services across the spectrum of banking, insurance, securities, and fund management in IFSC, the Authority organised a series of hackathons cutting across these sectors under the banner of I-Sprint'2021 as part of InFinity Forum 2021. “Sprint03: InsureTech” hackathon was organised in the insurance sector and was one of its kind being backed by a regulator. It was conducted virtually and was open to eligible FinTechs from across the globe.

MoU with Insurance Institute of India

As part of its engagement and outreach activities, the Authority inked an MoU with the Insurance Institute of India (III) on January 17, 2022 for capacity building of professionals in insurance sector in IFSCs. The Institute is involved in devising and continuously upgrading curriculums and imparting training programmes for professionals in insurance industry in India and abroad, to meet the needs of the ever-dynamic insurance sector. The certification by the Institute is recognized by the insurance industry, regulators, and other internationally reputed insurance education providers. The Institute is also a member of the Institute of Global Insurance Education (IGIE).

Research

Report of the Committee of Experts on Insurance

The Authority, with an objective to develop the financial products and services in IFSC had constituted a Committee under the Chairmanship of Mr. G.N. Bajpai, former Chairman LIC and SEBI, to identify key areas for the development of insurance and reinsurance business from IFSC. The Committee after widespread consultations, incisive studies and in-depth discussions has made far reaching recommendations to develop IFSC as Global (Re)Insurance Hub on following areas:

(I) IFSCA has developed eco-system for aircraft leasing and financing which can be utilized to develop aviation insurance hub and trade credit insurance at IFSC. Also, similar platform may be implemented for shipping industry through facilitating of Protection and Indemnity clubs;

(ii) The Captive insurance model is a cost-efficient manner of managing own risk. Globally, leading financial centres have favourable regulatory regime for captive insurance model. Hence IFSCA may develop a new framework for enabling operations of Captives;

(iii) The Global In-house centres (GICs) enabled by IFSCA in the IFSC may be utilized by (re)insurers to develop GICs to provide services ancillary to insurance;

(iv) Investment framework may be redesigned to give more avenues for insurers to mobilize their funds to a basket of financial instruments and products offering them more returns and flexibility;

(v) Globally, premium financing is prevalent which is very significant driver for some of the niche areas of insurance business. The same may be introduced in IFSC;

(vi) Developing alternate risk transfer solutions such as insurance linked securities, catastrophe bonds and parametric risk transfers available for the global market;

(vii) Mapping of insurance needs of the Indian diaspora and meeting such needs through promotion and development of the 'hub and spoke' model.

'Making GIFT IFSC a Reinsurance Hub'

The Authority entrusted National Council of Applied Economic Research (NCAER) to commission a comparative study of international financial centres with a well-developed offshore reinsurance market. NCAER identified three established financial hubs - namely, Singapore, London and DIFC, for undertaking the same.

The objectives of this study were two-fold:

a. To identify relevant regulatory designs and business practices/ innovations from these jurisdictions for a comparison with the existing reinsurance ecosystem in IFSC. Doing this comparison helped understand whether the new reinsurance regulatory design in GIFT IFSC is at par with the international standards, and whether it allows a congenial atmosphere to promote international business practices.

b. To suggest corrective measures to bridge the gap, if any, between IFSC and the international centres. Adopting these measures can help IFSC to compete in the international market as a provider of global reinsurance solutions.

The final report was submitted on December 31, 2021 and it contained many specific recommendations like introduction of a risk-based supervisory framework, prudence-based investment framework, alternative risk transfer framework, building specialisation, ease of doing business, etc.

Regulations and Supervision

Risk Based Supervision Framework (RBSF)

Traditionally, the domain of insurance regulation and supervision has been based on a compliance or rules-based regime which leads to a checklist approach where all entities are treated alike. At IFSC, the Authority endeavours to apply the international best practices in matters of regulation and supervision. One such framework, RBSF, makes supervision dynamic as it enables a regulator to build risk profiles, conduct risk assessment, and monitor indicators to systematically identify, measure and monitor risks, determine the probability of risk materializing & its impact, and allocate scarce supervisory resources to the areas posing greatest risks to supervisory objectives. The Authority is in talks with leading expert institutes in this regard from across the globe. Such collaboration will help the Authority transition seamlessly from the rules-based regime to a risk-based regime. RBSF has also been a key recommendation of the NCAER report submitted in December 2021.

The ambitious RBSF will require the Authority to continuously gather intelligence, interact with industry experts, and stay abreast of present and future risks. This will involve deep knowledge about the sector in general and the entity being supervised in particular. Risk Based Supervision (RBS), unlike the prevailing Compliance Based Supervision (CBS) approach, is proportional and forward looking. It aims at managing the risk than avoiding it altogether. Central to the concept of RBS is its linkage with Risk Based Capital (RBC). Based on risk assessment, capital requirement will be prescribed - higher risk would require higher capital to provide a cushion in times of crisis. In an innovative work environment, such as the one at GIFT IFSC, RBS, as advocated by standard setting bodies like the International Association of Insurance Supervisors (IAIS), is the need of the hour.

International Engagements

International Association of Insurance Supervisors

IFSCA became a member of IAIS in December, 2020. The Union Cabinet has also approved the proposal of IFSCA for becoming a signatory to the IAIS MMoU (Multilateral Memorandum of Understanding). This would establish a formal basis for global cooperation and information exchange between the Authority and other insurance supervisors. Based on the Cabinet approval, the Authority has filed an application for accession to the IAIS MMoU, which is under consideration.

Policies and Programmes for the following year

As a result of the turbulence created by the pandemic, insurance industry is witnessing a radical shift in customer's needs, expectations and behaviour. Digital modes of insurance are gaining prominence at an accelerated pace. Insurance ecosystem consisting of insurers, reinsurers, intermediaries and the regulators has to adapt to these new realities.

The pandemic has also led to increased awareness among people and the need for getting insurable interests protected. This is a positive development for the insurance industry and IFSCA is ready to grab this opportunity.

Indian diaspora, which is more than 30 million strong, presents an immense opportunity awaiting to be captured and encashed from the globally competitive ecosystem of GIFT IFSC. Present steps like comprehensive and enabling regulatory framework and future endeavours like RBSF, Insurtech, Prudence-based investment framework etc. can help attain our goal of becoming a hub of reinsurance and aviation insurance.

AIRCRAFT LEASING

Activities with respect to regulations, notifications, issuance of major circulars/ guidelines

Aircraft leasing is one of the most profitable business segment in the aviation value chain. Globally, aircraft leasing business is done from international financial centres that provide business-friendly regulatory and tax regimes.

A working group was constituted by the Ministry of Civil Aviation for developing avenues for aircraft financing and leasing activities in India in May 2018. The group, in its 2019 report 'Project Rupee Raftaar', observed that the International Financial Services Centre provides a valuable platform to host aircraft leasing and financing businesses.

Subsequently, in the Union Budget 2020, Hon'ble Finance Minister announced-

“As the world's third largest domestic aviation market, the time is ripe for India to enter into aircraft financing and leasing activities from Indian shores. This is critical to the development of a self-reliant aviation industry, creating aspirational jobs in aviation finance, besides leveraging the business opportunities available in India's financial Special Economic Zones (SEZs), namely, International Financial Services Centre (IFSC). Government will implement the essential elements of the regulatory roadmap for making India a hub for such activities.”

IFSCA in its second Authority meeting held on September 09, 2020, had recommended the Central Government to notify 'aircraft financing and leasing activity, including operating lease' as a financial product in IFSC. Accordingly, on October 16, 2020, the Central Government notified 'Aircraft lease which shall include operating and financial lease and any hybrid of operating and financial lease of aircraft or helicopter and engines of aircraft or helicopter or any part thereof' as a 'financial product' under the IFSCA Act, 2019.

To enable the aircraft operating lease business for the first time in IFSC, the Authority issued 'Framework for Aircraft Operating Leases' on February 19, 2021, covering permissible activities, eligibility, capital requirement, registration and other compliances, for the aircraft leasing entities.

As on March 31, 2022,the framework for Aircraft Operating Lease is currently under revision. The revised framework aims to include framework for Finance Lease and inclusion of aircraft asset management/ support services as well.

Box 5 - Features of Framework for Aircraft Operating Lease:

Permissible Activities

- Operating lease for an aircraft lease arrangement including sale and lease back, purchase, novation, transfer, assignment, and any such other similar transactions in relation to aircraft lease.
- Any other activity with prior approval of IFSCA.

Permitted Structure

- A company or a LLP or a trust or any other form as may be specified by the IFSCA

Eligibility

- The person controlling the entity shall be located in a FATF compliant jurisdiction.
- The entity shall deploy resources commensurate with the business operations in IFSC

Capital Requirement

- A minimum capital of USD 200,000 or its equivalent in freely convertible foreign currency, is to be maintained at all times by the entity.

Currency

- To deal in freely convertible foreign currency only.
- Defray administrative expenses in INR

Advocacy and Outreach:

India Aircraft Leasing Summit 2021

Ministry of Civil Aviation organized the “India Aircraft Leasing Summit” in collaboration with IFSCA, GIFT City Co. Ltd. and FICCI on February 26, 2021 at Vigyan Bhavan, New Delhi. The Hon'ble Union Finance Minister was the chief guest and Hon'ble Union Civil Aviation Minister was the guest of honour at the summit. In the summit, various stakeholders from the Indian civil aviation sector and industry members were also present. During the Summit, panel discussions were held to highlight the 360-degree approach taken by the Government of India and IFSCA and to enable aircraft leasing business at GIFT IFSC under a globally competitive ecosystem.

Aero India Expo 2021

Aero India is a biennial air show and aviation exhibition at the Yelahanka Air Force Station, Bengaluru, organised by the Defence Exhibition Organization, Ministry of Defence. The 13th edition of the Aero India was held in February 2021. During the event, aircraft leasing opportunities on the globally competitive aircraft leasing platform at IFSC were showcased to the international and domestic audiences.

Masterclass for Principals: “India Aircraft Leasing”

The Ministry of Civil Aviation, IFSCA and GIFT City Co. Ltd. in association with FICCI, with the support of Boeing and Airbus organized a virtual masterclass “India Aircraft Leasing” on April 09, 2021. The masterclass discussed the progress and steps needed to make GIFT IFSC a hub for Aircraft Leasing and Financing.

The masterclass witnessed an overwhelming participation of more than 700 international and national delegates. It became a single platform to bring together Ministry of Civil Aviation, the industry leaders from the sector and subject matter experts to discuss India's current positioning, highlight the growth opportunities in each segment of the financing and leasing activities, and the potential challenges that need to be addressed for India to become the aviation financing and leasing hub.

Wings India 2022

“Wings India” is a biennial flagship event jointly organized by the Ministry of Civil Aviation and the FICCI . The four days event was held in March, 2022 at Begumpet Airport, Hyderabad with the theme 'India@75: New Horizon for Aviation Industry'.

The event included exhibitions, conferences, chalets, CEOs forum, static display, media conferences and awards. More than 125 international & domestic exhibitors participated in the event. The exhibitors include aircraft & helicopter manufacturers, aircraft interiors, aircraft machinery & equipment companies, airport infrastructure companies, drones, skill development, space industry, airlines, airline services & cargo. During the event a dedicated panel discussion was held on 'The Outlook: Aviation Financing and Leasing'.

Transaction / Processes / Operations / Trends

The first Aircraft leasing entity was registered with IFSCA on May 06, 2021, and the first aircraft was leased by an IFSC entity to a lessee in India on August 19, 2021, marking the beginning of onshoring the offshore aircraft leasing services through GIFT IFSC.

Subsequently, there has been rising interest in the aviation market. As on March 31, 2022, there are nine lessors registered with the Authority. Also, four lessors' applications have been granted in-principle approval and two lessors' applications are under process.

GLOBAL IN-HOUSE CENTRES

Activities with respect to regulations, notifications, issuance of major circulars/ guidelines

In the last two decades, India has emerged as a leading hub for Global In-house Centres (GICs) owing to its inherent strengths such as availability of highly skilled talent pool and competitive cost of operations. Essentially, GICs are offshore centres that perform designated in-house functions for large corporates and organizations. In the financial sector, GICs serve as offshore back-end processing centres for the parent company, which provide technological solutions by leveraging low-cost talent pool. Over the years, GICs have evolved to become innovation centres providing services for credit and decision analytics, risk management, fraud prevention, etc.

To enable the GIC business in GIFT IFSC, the Central Government on the recommendation of the IFSCA, notified GICs as a financial service under the IFSCA Act 2019 to provide services relating to financial products and financial services. Subsequently, the IFSCA notified the Global In-House Centres, Regulations, 2020 which permitted an entity belonging to a financial services group to set up a GIC in the IFSC.

Box 6 - Salient features of the Global In-House Centre Regulations, 2020

- "Global In-House Centre" is defined as a unit set up in the International Financial Services Centre for providing support services, directly or indirectly, to entities within its financial services group, including but not limited to banks and non-banking financial companies, financial intermediaries, investment banks, insurance companies, re-insurance companies, actuaries, brokerage firms, funds, stock exchanges, clearing houses, depositories, and custodians, for carrying out a financial service in respect of a financial product
- A "financial services group" is defined as any entity which is regulated by a financial services regulator or any other competent body regulating financial services activities in its home jurisdiction and include its holding, subsidiary or associate companies, branch, or subsidiary of a holding company to which it is also a subsidiary.
- It shall exclusively cater to its financial services group wherein the entities served must be located in FATF compliant jurisdictions
- The support services should be for the purpose of carrying out a financial service in respect of a financial product
- GIC should provide services to non-resident entities only
- Relocation of employees from an existing entity in the domestic area in India shall be permissible with respect to supervisory personnel only, which may be allowed with prior approval of the Authority up to a maximum of twenty percent of the strength in such category

As on March 31, 2022, BA Continuum India Pvt. Ltd., a subsidiary of Bank of America Corporation, is operating its GIC with more than 800 employees in IFSC.

Other Areas

Developmental Activities

To develop GIFT IFSC as a leading global financial centre with best-in-class regulatory regime, competitive tax structure and ease of doing business, Government of India established IFSCA as a unified regulatory authority for the development and regulation of financial services, financial products and financial institutions in the IFSCs in India.

IFSCA Act, 2019 empowers the Authority with a dual mandate of developing and regulating the financial services market in the IFSCs in India. More specifically, Section 12 of the Act provides that the duty of IFSCA shall be to develop and regulate financial services, financial products and financial institutions in the IFSCs in India. In the initial growth phase, developing a vibrant financial services ecosystem that fosters innovation, attracts global talent and facilitates ease of doing business is of foremost importance for the Authority.

Steadfast in its commitment to discharge the development mandate, the Authority undertook the following activities in FY 2021-22:

i. Developed globally benchmarked regulatory architecture in IFSC
ii. Proactive outreach and engagement with global and domestic financial service industry to present opportunities in IFSC
iii. Promotion and development related activities including webinars, digital roadshows, roundtable interactions, etc.
iv. Handholding support to entities applying to set up business in IFSC with a view to promote ease of doing business
v. Analyze and evaluate changing global landscape of financial services industry with a view to make proposals and recommendations for enabling new financial businesses in IFSC
vi. Collaboration with overseas jurisdictions and financial centres, including regulatory authorities, trade representatives, industry bodies, etc.
vii. Coordination with domestic stakeholders including, Ministry of Finance, Ministry of Commerce and Industry, Ministry of Civil Aviation, RBI, SEBI, IRDAI, etc.

The global financial services industry is undergoing a major transformation on account of technological disruptions and development of new age financial products and services. The current state of flux provides GIFT IFSC a unique opportunity to take lead and become a front runner in new age sunrise financial segments. Towards this end, the Authority studied global trends and initiated the process of introducing new financial products and services in IFSC, which inter alia, includes Ship leasing and Financing, Longevity Finance, Global Corporate Treasury Centre, etc.

i. Ship Leasing: India, despite having a large coastline and significant international seaborne trade continues to have a small share in international shipping sector. To provide an enabling regulatory framework, IFSCA on June 24, 2021 constituted a committee to examine global best practices in ship financing and leasing, identify opportunities and devise a roadmap to enable such activities from GIFT IFSC. The committee on October 28, 2021 submitted its report titled "**SAFAL**: **S**hip **A**cquisition, **F**inancing **A**nd **L**easing" to IFSCA.

ii. Longevity Finance: IFSCA constituted an expert Committee on Longevity Finance under the chairpersonship of Ms. Kaku Nakhate, Country Head (India), Bank of America and Mr. Gopalan Srinivasan, Ex-CMD, New India Assurance Co. Ltd. to study global trends on longevity economy and make recommendations for developing IFSC as Longevity Finance Hub.

iii. Global Corporate Treasury Centre: After evaluating global regulatory architecture, IFSCA, in June 2021, issued framework for undertaking Global/ Regional Corporate Treasury Centres activities by FC/ FUs in IFSC. This framework now provides opportunities for global and Indian corporates to conduct international operations by centralizing their treasury activities for availing corporate financing, including intra-group financing, better liquidity management, and risk management practices among others.

Collaboration with overseas jurisdictions and financial centres

To effectively facilitate cross border trade in financial services , it is imperative that strong connections are developed with major global financial centres and jurisdictions. Towards this end, several such collaborations were initiated through inter-governmental forums and bilateral inter-regulatory cooperation with overseas regulators in FY 21-22.

Inter-Governmental Forums:

i. United Kingdom: At the 10th Economic and Financial Dialogue (EFD) held in 2020, the two countries decided to establish a new UK-India strategic collaboration to accelerate the development of India's first IFSC at GIFT City and promote greater links between GIFT City and the UK financial services ecosystem by bringing together governments, regulators and businesses to share experiences and expertise.

As part of the strategic collaboration, the Authority has been working closely with the UK counterparts to foster greater collaboration across various business segments. In FY 2021-22, the Foreign Commonwealth Development Office (FCDO) of British High Commission through its technical assistance programme extended support towards the development of a global fintech ecosystem at GIFT IFSC. Additionally, the UK participated as a “Partner Country” in IFSCA's flagship FinTech thought leadership event “InFinity Forum 2021”. The event provided an opportunity to FinTechs from across the UK to showcase their innovative solutions and network with relevant stakeholders.

Image 6 - Visit of Sir Steve Smith,
UK Government's International Education Champion, to IFSCA

Further, at the 11th EFD held in September 2021, the two sides welcomed the progress of the UK-India strategic partnership and agreed to work towards developing a global FinTech and Sustainable Finance hub in IFSC. Both sides also agreed to explore facilitating the dual listing of green, social and sustainable bonds on the LSE and IFSC Exchanges with a view to enable firms to raise foreign capital.

ii. United States of America: The two sides at the 8th India-USA Economic and Financial

Partnership held in October 2021 agreed to initiate discussions for exploring collaboration on the development of GIFT IFSC.

Inter-regulatory Cooperation:

The Authority held extensive dialogue and formalized the bilateral cooperation with the following overseas regulators in FY 2021-22:

1. Financial Services Regulatory Authority of Abu Dhabi Global Markets (FSRA-ADGM)
2. Commission de Surveillance du Secteur Financier (CSSF-Luxembourg)
3. Qatar Financial Centre Authority (QFCA)
4. Finansinspektionen (FI-Sweden)
5. Dubai Financial Services Authority (DFSA)

The MoU's paved the way for greater cooperation and collaboration through exchange of information on new and emerging financial market trends, regulations, and best practices. Additionally, the Authority is in advance stage of finalizing inter-regulatory cooperation (MoU) with other overseas regulators.

SUSTAINABLE FINANCE

Global Scenario

Sustainable finance gained significance internationally as a result of increased commitments on climate action by countries across the world. Regulators around the world are focused on integration of sustainable considerations into every aspect of financial markets.

The continued acceleration in issuances led the green bond market to cross half a trillion (USD 517.4 billion) in 2021 according to Climate Bonds Market Intelligence. The 2020 record figure of USD 297 billion in green bonds was overtaken in 2021 with an overall growth of more than 60 per cent.

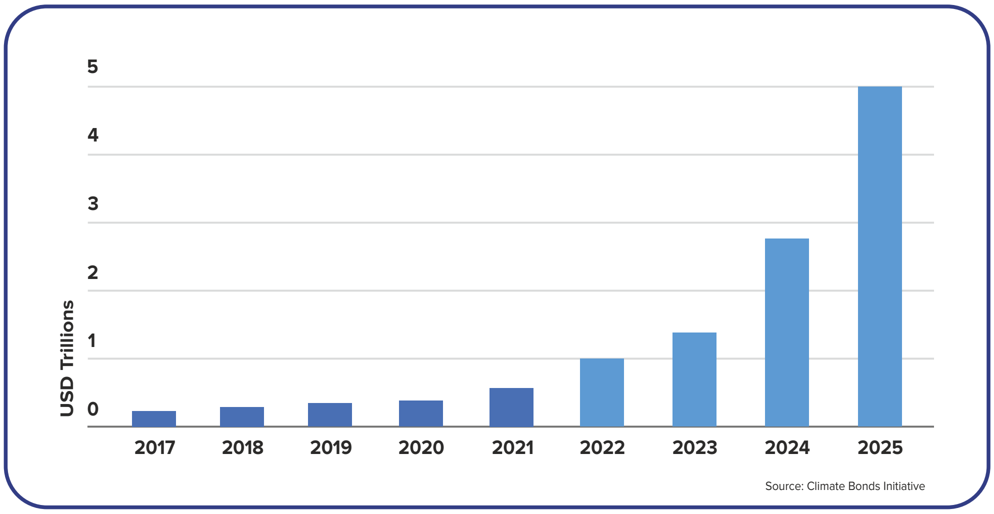


Fig.11 - Green Bond Issuance

Further, there has been a substantial growth in the issuance of social, sustainability, sustainability-linked bonds (SLBs) and transition labels in 2021. The overall issuance across all these themes was USD 646.5 billion in 2021. This represents a 50 per cent increase from USD 434.5 billion in 2020. Cumulatively, this takes the total labelled sustainable debt volume to a record USD 1.2 trillion according to Climate Bonds definitions.

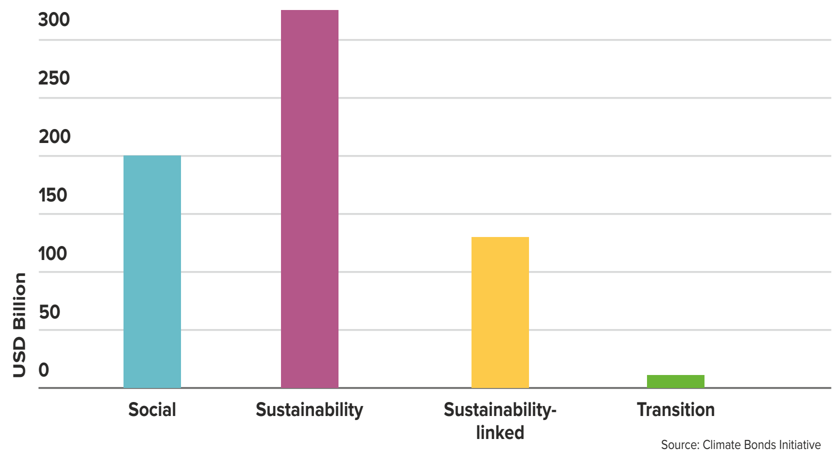


Fig.12 - Sustainable Debt excluding Green by Label

Sustainable Finance in India

At the COP26 summit in Glasgow in November 2021, Hon'ble Prime Minister of India pledged to cut India's total projected carbon emission by 1 billion tons by 2030, reduce the carbon intensity of the nation's economy by less than 45% by the end of the decade and net-zero carbon emissions by 2070. The commitment also includes meeting 50% of India's energy requirements from renewable energy by 2030 and increasing non-fossil fuel power generation capacity to 500GW by 2030.

India would need cumulative investments of USD 10.1 trillion to achieve net-zero emissions by 2070, as per a report by Council on Energy, Environment and Water (CEEW)[35]. The report suggests, USD 8.4 trillion out of the USD 10.1 trillion would be required to significantly scale up generation from renewable energy (and associated distribution and transmission infrastructure), and USD 1.5 trillion would be required to decarbonize the industrial sector, with the remainder for mobility transition. The study also estimates that there is a high chance that India could face a substantial investment deficit of USD 3.5 trillion. A significant portion of this investment need to be financed through foreign capital and IFSC could play an important role as a gateway for foreign investments into India's green and sustainable projects. The dynamic landscape and a favorable regulatory environment will act as an important enabler.

Sustainable Finance in IFSC

The Authority has notified Listing Regulations on July 16, 2021, providing the regulatory framework for listing of ESG debt securities.

Box 7 - Listing of ESG Debt Securities

1) The debt securities shall be labelled as green, social, sustainability-linked if aligned with any of the recognized frameworks such as International Capital Market Association Principles/ Guidelines, Climate Bonds Standard, ASEAN Standards, European Union Standards/ Taxonomy, any framework or methodology specified by a competent authority in India or other international standards (to be considered on a case-by-case basis).

2) It is mandatory for the issuers to appoint an independent external reviewer to ascertain that

[35] Investment Sizing India's 2070 Net-Zero Target

the ESG debt securities are in alignment with the mentioned recognized framework(s).

3) The issuers of green bonds, social bonds and sustainable bonds are mandated to provide additional disclosures in the offer documents including statement on ESG objectives, details of process followed by the issuer for evaluating and selecting the projects and/ or assets, proposed utilization of the proceeds of the issue, and details of the systems and procedures to be employed for tracking the deployment of the proceeds of the issue. Post listing, the issuers are also required to provide additional disclosures on an annual basis (until full allocation of the proceeds) on (a) Utilization of proceeds of the issue, (b) Allocation Report, and (c) Impact report.

4) The issuers of sustainability linked debt securities are required to provide additional disclosures in the offer document including rationale for issuance of sustainability-linked debt securities and consistency with issuers' overall sustainability and business strategy. Further, the issuer shall adhere to pre-issuance and post-issuance obligations in accordance with the international standards that the securities are aligned with.

The Authority has developed a comprehensive strategy for the development of sustainable finance at IFSC across capital markets, banking, insurance and fintech. IFSC has a well-functioning capital markets and banking ecosystem with two international Stock Exchanges, Clearing Corporations and around 20 IBUs. The cost competitiveness of IFSC and tax incentives for the entities operating from IFSC are advantages for capital flows, through IFSC, into sustainable projects.

During the FY 2021-22, total listing of ESG-labelled debt securities on IFSC exchanges amounts to USD 5234 million. The framework for ESG-labelled debt securities, based on international standards, enabled the debut of social, sustainable, and sustainability-linked debt securities at IFSC exchanges.

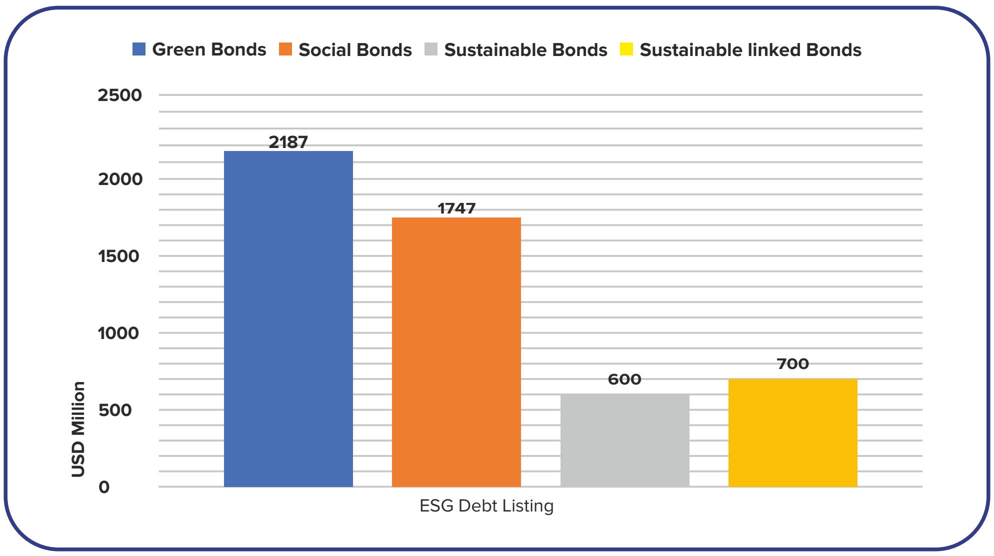


Fig.13 - ESG Debt Securities on IFSC Exchanges in FY 2021-22

On January 24, 2022, Indian Railway Finance Corporation (IRFC) listed its USD 500 million green bonds exclusively on IFSC exchanges. IRFC became the first Central Public Sector Enterprise (CPSE) to list its offshore bonds exclusively on IFSC exchanges. On March 11, 2022, Aavas Financiers became the first issuer to list their social masala bonds on INR 3600 million exclusively on an IFSC exchange.

Image 7 - Shri Amitabh Banerjee, CMD of Indian Railway Finance Corporation & Shri Injeti Srinivas, Chairperson, IFSCA at the listing event of IRFC's Green Bonds on IFSC exchanges

Union Budget 2022-23

In the Union Budget 2022-23, Hon'ble Finance Minister announced that services for global capital for sustainable & climate finance in the country would be facilitated in GIFT City.

IFSCA Expert Committee on Sustainable Finance

The Authority, in its endeavor to develop the required eco-system, has constituted an Expert Committee to recommend approach towards development of Sustainable Finance Hub and provide road map for the same. The expert committee is chaired by Shri C.K. Mishra, Former Secretary, Ministry of Environment, Forest & Climate Change. The committee consists of leaders across the sustainable finance spectrum, including international agencies, standard setting bodies, funds, academia, and consultancies.

The Expert Committee has been formed with the objective to:

- Study the current regulatory practices in Sustainable Finance across major international financial jurisdictions and recommend a robust framework to develop a world-class sustainable finance hub at IFSC
- Identify existing and emerging opportunities in Sustainable Finance for GIFT-IFSC to act as a gateway to meet India's requirements, and
- Recommend a short, medium, and long-term vision/ roadmap on sustainable finance.

The Expert Committee is expected to submit the report in FY 2022-23.

Fund Management Regulations

Fund managers, across the world, have started incorporating ESG risks and opportunities in the investment decision making process. Sustainable funds that integrate sustainability related considerations in their asset allocation strategy have been growing rapidly in last couple of years. The AUM under sustainable mutual funds and ESG-focused ETFs rose globally by 53 per cent last year to USD 2.7 trillion, with a net USD 596 billion flowing into the sustainable strategies[36].

[36] Morningstar Inc.

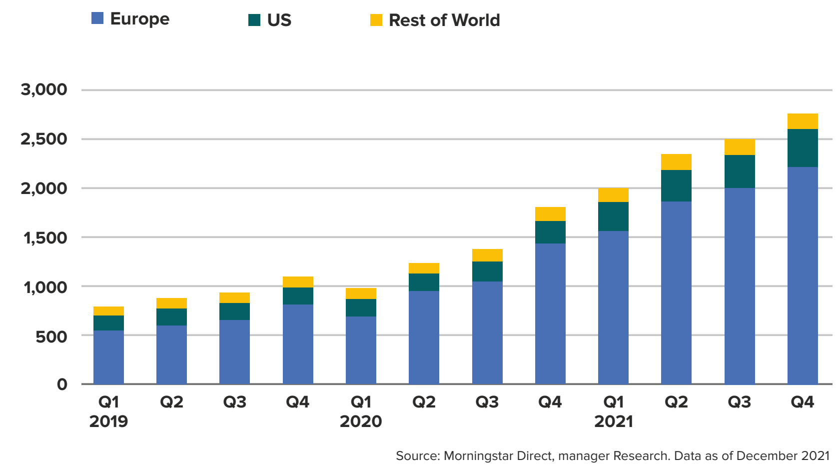


Fig.14 - Quarterly Global Sustainable Fund Assets (USD Billion)

The Authority intends to facilitate and provide supportive environment for funds focusing on ESG with the framework of enhanced disclosures benchmarked to the best-in-class global practices.

Based on recommendations of IOSCO and regulations in other important jurisdictions, IFSCA (Fund Management) Regulations, 2022, have specified requirements on ESG disclosures by FMEs. FMEs managing AUM above a specified threshold (above USD 3 Billion as at the close of a financial year or any other threshold of AUM as may be specified by the Authority) are required to comply with the following requirements:

Particulars	Remarks
(I) Governance	Establish policy on governance around material sustainability-related risks and opportunities.
(II) Risk management	Disclose in its annual report how the fund manager identifies, assesses and manages material sustainability-related risks.
(III) Investment Strategy	Establish and disclose in its annual report the process of factoring sustainability-related risks and opportunities into fund manager's investment strategies and processes, including, where relevant, data and methodologies used.

Further, according to the Regulations, an FME that launches a scheme related to ESG is required to make full disclosures regarding investment objective, investment policy, strategy, material risk, benchmark, etc.

Sustainable and Sustainability linked Lending

The Authority has put in place a consultation paper on the framework to promote sustainable lending by IBUs and FCs set up in IFSC. As part of the overall strategy to make IFSC a global sustainable finance hub, the framework is intended to encourage lending by banking units to sustainable sectors. The core components of the proposed framework are highlighted below:

i. It provides guidance to IBUs and FCs on the development of a comprehensive Board approved framework on sustainable financing. This framework will in turn allow lenders to grant long-term financing for facilities which can be labelled as green/ social/ sustainable and similar short-term financing with respect to working capital financing, trade financing etc.
ii. The framework proposes to direct the IBUs and FC/FUs (undertaking lending activities from IFSCs) registered with it to develop a board approved policy on sustainable lending within a time period of nine months from the date of issuance of the final framework. Further, such entities shall have at least five per cent of their loan assets in the form of lending to green/ social/ sustainable/ sustainability-linked sectors/ facilities, from next year.
iii. The guidance framework proposes the IBUs to incorporate assessment process, reporting mechanisms and monitoring process while creating the board approved policy, in alignment with international standards/ principles created by ICMA, LMA etc.
iv. The framework mandates the IBUs and FCs to report on a half-yearly basis the details of lending under green/ social/ sustainable/ sustainability-linked categories.

Sustainability Reporting by companies listed on IFSC Exchanges

The Authority in the Listing Regulations, 2021 has mandated every listed company (having market capitalisation of USD 50 million or more) to disclose to the stock exchanges a sustainability report with respect to environmental, social and governance factors every year. The sustainability report shall be based on:

a. internationally accepted reporting frameworks such as Global Reporting Initiative, Sustainability Accounting Standards Board, Task Force on Climate-related Financial Disclosures, Integrated Reporting or any other standards that may be specified by recognized stock exchange(s) or IFSCA; or
b. standards prescribed by Ministry of Corporate Affairs, Government of India from time to time.

ANCILLARY SERVICES

Globally, professional services have played a pivotal role in creating a conducive ecosystem for the financial services industry to thrive in an International Financial Centre. Professional service providers support the financial institutions/ firms by providing key support services such as legal services, advisory services, accounting & management consultancy services, secretarial services, etc. The demand for professional services in an IFSC is driven by the complex and sophisticated nature of financial services transactions and products, which are primarily in the nature of cross-border transactions.

With the availability of skilled talent pool in India, especially for the professional services like Charted Accountants, Company Secretaries, Charted Financial Analyst, there is immense potential for IFSC to become a hub for professional service providers which caters to the demand generated from IFSC as well as overseas. Considering the inherent importance of professional service providers in the development of financial markets in GIFT IFSC, the Authority in February 2021 issued “Framework for enabling Ancillary Services at International Financial Services Centres”.

The operationalization of ancillary services firms in GIFT IFSC provided great impetus to the growth of financial services ecosystem by addressing the demand for professional services and attracting global and domestic financial industry to IFSC.

Activities with respect to regulations, notifications, issuance of major circulars/ guidelines

Framework for enabling Ancillary services at International Financial Services Centres

Ancillary Services are defined as services which directly or indirectly aid, help, assist or strengthen or are attendant upon or connected with 'services' as defined under section 3 of IFSCA Act, 2019.

The Permissible ancillary services under the framework are as follows:

i. Legal, Compliance and Secretarial.
ii. Auditing, Accounting, Book-keeping and Taxation Services;
iii. Professional & Management Consulting Services.
iv. Administration, Assets Management Support Services and Trusteeship Services;
v. Any other services as approved by IFSCA from time to time.

The following entities are eligible to act as a service provider:

i. Any existing or newly incorporated entity set up in the IFSC or
ii. Any Indian or foreign incorporated entity by establishing a branch or a subsidiary

Service providers can provide permissible services to any one or more of the following:

i. Entities set up in the IFSC;
ii. Financial services entities from foreign jurisdictions for various activities in the IFSCs in India or other related activities overseas;
iii. Indian entities who propose to open, set up or carry out operations in IFSCs or foreign jurisdiction, provided consideration is received in freely convertible foreign currency.

The Authority further issued a clarificatory circular on Framework for enabling Ancillary Services on June 10, 2021. Some of the clarifications issued under this circular are as follows:

- The entity may be set up in the IFSC in the form of a company or a limited liability partnership or a registered partnership firm, branch thereof or any other form as may be approved by the IFSCA.

- The service providers can provide services to entities from foreign jurisdictions for various permissible ancillary services in the IFSCs in India or overseas.
- The applicant under the framework shall not take client assets (including money), directly or indirectly in its custody and shall only provide permissible services within the prescribed framework. Further, the applicants shall seek IFSCA registration separately under the appropriate framework for undertaking regulated activities such as Debenture Trustee, Investment Advisor, AIF, Fund Management, etc.

Transaction/Processes/Operations/Trends

Under the ancillary framework, 36 entities applied to the authority for authorization out of which 28 entities were granted authorization as on March 31, 2022. The ancillary services ecosystem in GIFT IFSC evolved rapidly in FY 2021-22 with several leading professional services firms, fund administrators, trusteeship service providers, accounting firms, consultancy firms and law firms setting up presence in IFSC.

Advocacy and Outreach

As part of outreach activities strategy, IFSCA organized webinars in collaboration with Institute of Company Secretaries of India (ICSI) and Institute of Charted Accountants of India (ICAI) for showcasing opportunities for professional service providers in IFSC.

INFORMATION TECHNOLOGY (IT)

Technology is a key enabler for financial environment across the globe. The Authority has identified a series of initiatives in IT systems and infrastructure. In order to keep pace with the demands and challenges of an increasingly digitalized world, the Authority aims to create synergy between all business verticals to improve effectiveness and efficiency.

Some of the major IT initiatives in FY 2021-22 are:

Supervisory Technology (SupTech) System

The Authority requires an effective end-to-end IT-enabled system to promote ease of doing business. This system shall cover administrative, compliance, supervision, and enforcement framework amongst its regulated entities. It would also collaborate with other financial sector regulators in India through Application Programming Interface (API) based machine-to-machine communication or integration, as appropriate.

The system shall be developed as an effective and transparent platform covering reporting, RBS and data analytics. The system shall include an in-house repository for storing data received from regulated entities. It shall also have a portal for them to submit disclosures, reports, and other related information. The process of developing the system has been initiated and request for proposal (RFP) has been floated for the selection of vendor, who will implement the system.

Going forward, the focus area will be on implementation of the system to facilitate regulatory and supervisory functions of the Authority. Further, the emphasis will be on infusing cutting edge technology for realizing the Authority's objectives.

IFSCA website

The website acts as an important interface of the Authority with the public as well as the regulated entities and other ancillaries to disseminate information about its functioning. The website went live with the inception of the organization and was moved to NIC data centre in March 2022 which increased its performance and security.

The Authority is in the process of revamping its website as per latest design guidelines to make it future ready. The benchmarking of IFSCA website with its counterparts is being carried out to make it world-class. The new website will provide user-friendly interface with improved navigation design and advanced features like speed refresh, AI/ML assisted functionalities, etc. It will also be synchronized with social media to provide a wider reach across the globe. The next gen features will facilitate ease of doing business by providing seamless communication with the entities coming up in IFSC.

IT Infrastructure

The Authority provides workstations equipped with computers, printers, telephones and high-speed Local Area Network (LAN) connectivity to its employees. IFSCA commissioned an internal mail server so that important information is circulated securely and efficiently. The internal file server helps in ease of document sharing within the organization. The networking infrastructure of the office is capable of handling maximum peak traffic. The Authority premises is enabled with high-speed Wi-Fi connectivity and the board room and the meeting rooms are enabled with world-class video conferencing devices for seamless and secure communication.

eOffice-IFSCA Application

The eOffice application, developed by NIC, is an electronic file management system which aims to support governance within IFSCA by ushering in more effective and transparent inter and intra-departmental processes. The vision of the application is to achieve a simplified, responsive, effective and transparent working within and among the departments.

The eOffice application helps the Authority to enable a less-paper office by providing services like scanning, registering, routing of inward correspondences along with file creation, noting, referencing, correspondence attachment, draft for approvals and movement & tracking of files as well as receipts. The application also includes file management system, knowledge management system, management information systems, employee data management and master data management, which help in digitalizing the Authority's internal processes.

Section **D**

A List/Coverage of the Quasi-legislative, Executive and Quasi-judicial Functions of the Authority

IFSCA has been established as a unified regulator for IFSCs in India to exercise all the regulatory powers which were previously exercised by the four domestic financial sector regulators namely RBI, SEBI, IRDAI and PFRDA. Thus, IFSCA can perform all such quasi-legislative, executive, and quasi-judicial functions in IFSCs as are being performed by these regulators in domestic areas. Section 12 of the IFSCA Act, 2019 (Act) empowers IFSCA to develop and regulate financial products, financial services, and financial institutions in an IFSC. It can also recommend to the Central Government such other financial products, financial services, and financial institutions which may be permitted in an IFSC. Further, under section 13 of the Act, IFSCA can exercise all powers and functions exercisable by the aforesaid four domestic regulators with respect to certain acts specified under Schedule-I of the Act in so far as they relate to financial products, financial services, and financial institutions in the IFSCs.

The Authority exercising its quasi-legislative powers has issued regulations in multiple areas. Apart from the core activities of Banking, Capital markets and Insurance, the regulations have been issued on administrative and miscellaneous matters also. To give effect to the functioning of various financial products and financial services regulated by the Authority, the following regulations, notifications and circulars have been issued:

Table 19 - List of Regulations

S.NO	REGULATIONS	DATE OF ISSUE	OBJECTIVES
1	International Financial Services Centres Authority (Market Infrastructure Institutions) Regulations, 2021 IFSCA/2021-22/GN/REG011	12/ 04/ 2021	The regulations provide a framework for recognition and operation of Market Infrastructure Institutions and for matters connected therewith or incidental thereto.
2	International Financial Services Centres Authority (Banking) (Second Amendment) Regulations, 2021 IFSCA/2021-22/GN/REG013	05/ 07/ 2021	The Authority has issued these regulations to make certain amendments to insert, modify, omit and to substitute certain definitions and provisions in the IFSCA (Banking) Regulations, 2020.
3	International Financial Services Centres Authority (Procedure for making Regulations) Regulations, 2021 IFSCA/2021-22/GN/REG012	05/07/2021	The Authority has issued these regulations to outline the mode and manner of making regulations and the process to be followed in case certain regulations are required to be made or existing regulations are required to be amended urgently.

4	International Financial Services Centres Authority (Bullion Exchange) (Amendment) Regulations, 2021 IFSCA/2021-22/GN/REG014	05/07/2021	The Authority has issued these regulations to make certain amendments in the IFSCA (Bullion Exchange) Regulations, 2020.
5	International Financial Services Centres Authority (Issuance and Listing of Securities) Regulations, 2021 IFSCA/2021-22/GN/REG015	16/07/2021'	The Authority has issued these regulations in order to provide a unified regulatory framework specifying the requirements for (i) issuance and listing of various types of securities and (ii) initial and continuous disclosures. The regulations provide framework for issuance and listing of securities by Start-ups, SMEs and SPACs. Further, enabling framework has been proposed for issuance and listing of debt securities including those focusing on ESG and smart cities.
6	International Financial Services Centres Authority (Capital Market Intermediaries) Regulations, 2021 IFSCA/2021-22/GN/REG018	18/10/2021	The Regulations, inter alia, provide for regulatory requirements in respect of registration, obligations and responsibilities, inspection and enforcement of various types of capital market intermediaries such as broker dealers, clearing members, depository participants, investment bankers, portfolio managers, investment advisers, custodians, credit rating agencies, debenture trustees and account aggregators.
7	International Financial Services Centres Authority (Insurance Intermediary) Regulations, 2021 IFSCA/2021-22/GN/REG-017	18/10/2021	The Regulations, inter alia, provide for eligibility criteria, registration process and permissible activities for Insurance Intermediaries.
8	International Financial Services Centres Authority (Registration of Insurance Business) Regulations, 2021 IFSCA/2021-22/GN/REG016	18/10/2021	The Regulations, inter alia, provide for eligibility criteria, registration process and permissible activities, basic regulatory and governance requirements for registration of insurance business in an IFSC.

9	International Financial Services Centres Authority (Insurance Intermediary) (Amendment) Regulations, 2021 IFSCA/2021-22/GN/REG020	04/01/2022	The Authority has issued these Regulations to substitute certain provisions of the IFSCA (Insurance Intermediary) Regulations, 2021.
10	International Financial Services Centres Authority (Registration of Insurance Business) (Amendment) Regulations, 2021 IFSCA/2021-22/GN/REG019	04/01/2022	The Authority has issued these Regulations to make certain amendments in IFSCA (Registration of Insurance Business) Regulations, 2021.
11	International Financial Services Centres Authority (Insurance Web Aggregator) Regulations, 2022. IFSCA/2021-22/GN/REG021	31/01/2022	Focusing on the development of retail insurance business in the IFSC, the Authority has issued these Regulations, inter-alia, for registration and operations of Insurance Web Aggregators.
12	International Financial Services Centres Authority (Performance Review Committee) Regulations, 2022 IFSCA/2021-22/GN/REG022	23/03/2022	The Regulations, inter alia, provides for constitution and composition of the Performance Review Committee (PRC), scope of review by the committee, review of Compliance and Governance functions and Risk Management, complaint handling system and also accessibility of information to PRC.

Table 20 - List of Notifications

S.NO	NOTIFICATION	DATE OF PUBLICATION	OBJECTIVES
1	Amendment to the Companies Act for exemption of certain sections for IFSC. S.O.3156(E) [37]	05/08/2021	Notification provided an exemption from the provisions of sections 387 to 392 (both inclusive) for the following companies: - (a) foreign companies (b) companies incorporated or to be incorporated outside India, whether the company has or has not established, or when formed may or may not establish, a place of business in India, insofar as they relate to the offering for subscription in the securities, requirements related to the prospectus, and all matters incidental thereto in the IFSC.
2	Companies (Registration of Foreign Companies) Amendment Rules, 2021. G.S.R.538(E) [38]	05/08/2021	An explanation has been added under the clause (c) of sub-rule (1) of Rule 2 of Companies (Registration of Foreign Companies) Rules, 2014. Under the explanation, electronic based offering of securities, subscription thereof or listing of securities in the IFSCs shall not be construed as 'electronic mode' for the purpose of clause (42) of section 2 of the Companies Act.".
3	Companies (Specification of definitions details) Third Amendment Rules, 2021 [39]	05/08/2021	An explanation has been added under the clause (h) of sub-rule (1) of Rule 2 of Companies (Specification of definitions details) Rules, 2014. Under the explanation, electronic based offering of securities, subscription thereof or listing of securities in the IFSCs shall not be construed as 'electronic mode' for the purpose of clause (42) of section 2 of the Act."

[37] The notification for amendments in Companies Act have been issued by the Ministry of Corporate Affairs
[38] Ibid
[39] The notification is issued by the Ministry of Corporate Affairs

Table 21 - List of Major Circulars / Guidelines

S.NO	CIRCULARS / GUIDLEINES	DATE OF ISSUE	OBJECTIVES
1	Offering of Portfolio Management Service (PMS) and Investment Advisory Service by BUs	26/04/2021	The circular specifies that the Operating Guidelines for Portfolio Managers in IFSC dated 09/09/2020 (issued by SEBI) shall be applicable mutatis mutandis to Banking Units (BUs). The circular also specifies certain other requirements by BUs.
2	Prudential Regulations and Activity-specific Guidelines	03/05/2021	These guidelines are applicable to Finance Company/ Finance Units (FC/FU) set up in an IFSC. Under these Prudential Regulations, activity-specific regulations and other such provisions are specified for the FC/FUs.
3	Guidelines on distribution of mutual funds and insurance products by Finance Company /Finance Unit	03/05/2021	The guidelines on distribution of mutual funds units and insurance products, applicable to FC/FUs set up in an IFSC, are provided.
4	Information on various guidelines/ circulars/ directions applicable for undertaking non-core activities by an FC/FU	03/05/2021	It is applicable to FC/FUs set up in an IFSC. All FC/FU registered with the Authority and intending to undertake any of the specified non-core activities under the circular are to adhere the applicable IFSCA or SEBI circular/ directions/ guidelines provided under the circular.
5	Framework on computation of Exposure Ceiling for Finance Companies (FC) / Finance Units (FU)	25/05/2021	The framework aims at monitoring the exposures that are significant compared to the capital resources of the FC/FUs and thus protecting them from concentration risk arising from large exposure to a single counterparty or to a group of connected counterparties.

6	Clarificatory Circular on Framework for enabling Ancillary Services	10/06/2021	The circular, inter alia, provides clarification to the ancillary services circular issued on February 10, 2021. It specifies that applicants shall seek registration separately under the appropriate framework for undertaking regulated activities such as Debenture Trustee, Investment Advisor, AIF, Fund Management, etc.
7	Guidelines on Liquidity Risk Management for a Finance Company/Finance Unit	24/06/2021	The Liquidity Risk Management framework ensures that the FC/FU anticipates liquidity needs and is prepared to meet them. The Authority directs the FC/FU in IFSCs to adhere to the guidelines on Liquidity Risk Management.
8	Framework for undertaking Global/Regional Corporate Treasury Centres Activities by Finance Company/Finance Unit in IFSC	25/06/2021	This framework shall apply to a unit set up in an IFSC, which is registered as a FC/FU under the Finance Company Regulations and is desirous to perform the functions of Global/ Regional Corporate Treasury Centre. The circular provides for permissible treasury services, permissible treasury activities, and other matters.
9	Framework for setting up of International Trade Financing Services Platform ('ITFS') for providing Trade Finance Services at International Financial Services Centres ('IFSCs').	09/06/2021	In order to enable exporters and importers to avail various types of trade finance facilities at competitive terms, the Authority provides for a framework on establishing ITFS in IFSCs.
10	Guidelines on Corporate Governance and Disclosure Requirements for a Finance Company	09/08/2021	The circular aims to ensure accountability, transparency, and sustainability for the FC in order to foster investor confidence and achieve long term sustainable business goals.

11	The IFSCA Banking Handbook	13/08/2021	IFSCA Banking Handbook contains the directions of the Authority to IBUs operating as branch of a Banking Company. The Handbook has three components: general directions, conduct of business (COB) directions and prudential directions applicable to IBUs. The COB directions are aimed at ensuring that IBUs meet the minimum standards of conduct expected, particularly with regard to the treatment of their clients, their dealings with counterparties and other market participants. The prudential directions cover the qualitative aspects of prudential requirements in respect of governance, governing body responsibilities, policies, systems and controls to be made applicable on IBUs.
12	Operating Guidelines on Bullion Exchange, Bullion Clearing Corporation, Bullion Depository & Vault Manager	25/08/2021	The circular is issued to enable the Bullion Exchange, Bullion Clearing Corporation, Bullion Depository and Vault Manager in an IFSC to operationalise their activities as per the IFSCA (Bullion Exchange) Regulations, 2020.
13	Circular for the Code of Conduct and Code of Ethics for the Directors and Key Managerial Personnel (KMP) of the MIIs GIFT-IFSC	13/09/2021	The Code of Conduct and Code of Ethics for the Directors on the governing board and KMP of the recognized MIIs is provided in the circular.
14	Guidelines on Factoring and Forfaiting of Receivables	17/08/2021	These guidelines are applicable to FC/FUs registered with the Authority and that are intending to undertake the activity of factoring and forfaiting of receivables.
15	Global Access to Broker Dealers	25/11/2021	The registered broker dealers incorporated in IFSC are permitted to access exchanges in jurisdictions outside IFSC, subject to compliance with Chapter V of CMI Regulations and conditions laid out in the circular.

16	Investment banking in the IFSC	03/12/2021	The circular, inter-alia, authorises IBUs to operate as investment bankers and also prescribes the fee structure and other incidental matters.

Advocacy and Outreach

IFSCA- Gujarat National Law University (GNLU) Certification Course

GNLU under the aegis of IFSCA has introduced a Certificate course on Financial Market Laws with special emphasis of their applicability in IFSCs on December 06, 2021. The course facilitates academic outreach and generates awareness on the nuances of IFSCs and financial market laws.

Research

Research on special dispensation for IFSCs in the proposed new legislation repealing Special Economic Zones Act, 2005 (SEZ Act) and Rules

It is observed that in the present framework, the entities in IFSCs have to undergo dual compliance under the provisions of both the SEZ Act and the IFSCA Act. In this regard, detailed research on the provisions of the SEZ Act and Rules is being undertaken to enable special dispensation for the IFSCs in the background of proposed new legislation repealing SEZ Act.

Research on the regulatory framework for establishing foreign universities in GIFT IFSC

In the Union Budget 2022-23, it was proposed that world- class foreign universities and institutions will be allowed in the GIFT City to offer courses in Financial Management, FinTech, Science, Technology, Engineering and Mathematics free from domestic regulations, except those by IFSCA to facilitate availability of high-end human resources for financial services and technology. In this background, research will be undertaken on the regulatory structure of foreign universities across major jurisdictions along with a comparative analysis of framework/ governing rules framed by the regulators in those countries.

Policies and Programmes for the following year

Setting up of International Arbitration Centre (IAC) in GIFT IFSC

In the Union Budget 2022-23, Hon'ble Finance Minister announced setting up of an IAC in GIFT City for timely settlement of disputes under international jurisprudence. In pursuance of the above, IFSCA is deliberating with the stakeholders on the mode and manner of setting up of an IAC.

One of the main objectives of IFSCA is to attract offshore business to IFSC and thereby make it a robust global financial centre having ability to compete with other jurisdictions. Having a contemporary and robust dispute resolution centre will nudge international financial sector players towards IFSC. Keeping in view the importance of dispute redressal mechanism, IFSCA had entrusted GNLU to undertake research on setting up appropriate dispute resolution facilities in IFSC. The research report was submitted to IFSCA on September 03, 2021.

Anti-Money Laundering (AML), Combating of Financing of Terrorism (CFT) and Know Your Customer (KYC) Guidelines

As a unified regulator, IFSCA is required to put in place comprehensive guidelines on AML/ CFT in line with FATF recommendations and the Prevention of Money Laundering Act, 2002 & the rules made thereunder. The guidelines once operationalized would provide a clear framework to the IFSC entities on client onboarding and measures required to be undertaken for prevention of money laundering and combating the financing of terrorism. The Authority is conducting a comprehensive study to incorporate FATF recommendations and other global best practices in its proposed guidelines.

Section **E**

SOURCE OF FUNDS AND MAJOR AREAS OF EXPENDITURE (FY 2021-22)

Table 22 - Sources of Funds for 2021-22

Sources of Fund - Receipts	Amount in ₹ Lakhs
Annual Fees	854.04
Application Fees	82.29
Broker Turnover Fees	340.24
Listing Fees	2.03
Registration Fees	635.21
Government Grants	9,603.89
Interest income on regulatory fee earned by IFSCA	35.86
Miscellaneous Income	1.25
Total	**11,554.81**

Table 23 - Major Areas of Expenditure for 2021-22

Major Areas of Expenditure - Payments	Amount in ₹ Lakhs
Establishment Expenses	2,052.04
Administrative Expenses	1,050.96
Purchase of Fixed Assets	1,455.07
Prepaid Expenses / Advances on Capital Account	1,736.30
Other Prepaid Expenses	33.77
Total	**6,328.14**

Section **F**

ORGANISATIONAL MATTERS

Table 24 - International Financial Services Centres Authority - Departmental Structure

Department	Divisions
Banking	Banking Regulations – 1
	Banking Regulations – 2
	Banking Supervision
	Finance Company Regulations
Capital Market	Corporate Finance-Equity, Hybrid and related products
	Corporate Finance-Debt and Sustainable Finance
	Market Infrastructure Institutions – Regulation and Supervision
	Investment Funds - I and New Products & Services
	Investment Funds - II and Aircraft Leasing
Insurance	Insurance
Precious Metals	Market Structure and Risk Assessment
	Technology & Supervision
	Products - Development and Regulation
	Regulatory Affairs and Coordination
Development	Development of Financial Market – I
	Development of Financial Market – II & International Affairs
Economic Policy and Analysis	Economic Policy and Analysis
General Administration	Administration & HR
	Treasury, Finance and Accounts
IT and Fintech	IT and Fintech
Legal Policy & Regulatory Affairs	Legal Policy
	Regulatory Affairs

Table 25 - IFSC Authority Meetings held in FY 2021-2022

Meeting	Date
Seventh Authority meeting	June 30, 2021
Eighth Authority meeting	September 24, 2021
Ninth Authority meeting	December 27, 2021
Tenth Authority meeting	March 16, 2022

Human Resources

The Government of India has set up IFSCA vide notification dated April 24, 2020, and its first Chairperson was appointed on July 06, 2020. Being a newly established unified regulator responsible for developing and regulating the financial services market in IFSCs, IFSCA aims to attract the right talent, train them for the tasks, build domain expertise and motivate them for excellence.

IFSCA has issued guidelines for engagement of young professionals, consultants and senior consultants with professional expertise in the field of financial services. IFSCA also provides internship opportunities to students who wish to pursue a professional career in financial services.

Recruitment

Despite being a new organization, recruitment to fill various posts from Grade A officer to Executive Director on Direct Recruitment/ Deputation/ Loan basis has been completed in less than three months. The details of sanctioned strength and employees in position post recruitment are as below:

Table 26 - Sanctioned and Actual strength of employees

Position	Sanctioned strength as on 31.03.2022	Actual strength as on 31.03.2022
Executive Director	6	3
Chief General Manager	9	0
General Manager	12	5
Deputy General Manager	15	15
Assistant General Manager	20	3
Manager	26	6
Assistant Manager	30	20
Executive Assistant / Senior Executive Assistant / Executive Superintendent*	20	0
Multi-Tasking Staff Grade A / Grade B / Grade C*	10	0
TOTAL	**148**	**52**

* Requirements have been met through contractual engagement on outsourcing basis.

Human Resource Management System (HRMS)

IFSCA has introduced an online Human Resource Management System, which provides the following solutions:

- **HR Administration**
- **Employee Management**
- **Reporting**
- **Talent Management**
- **PTO/Leave Management & Time tracking**
- **Payroll**
- **Module for performance review, career development, training (LMS)**

Training Programmes and Webinars

IFSCA organized training programmes for capacity building of officers involved in regulation and development of financial products, financial services and financial institutions. The details of the training programmes and various webinars/ seminars/ meetings organized are as follows:

Table 27 - Training programmes

S.No.	Name of Programme
1	IOSCO SPAC Network
2	Abu Dhabi Sustainable Finance Forum
3	Global Certificate Program for Regulators of Security Market by Harvard Law School
4	Introduction to Sustainable Finance by University of Oxford
5	CFTRI program (University of Cambridge Course)
6	IGPC Precious Metal Workshop
7	IOSCO training on Securities and Derivatives Clearing and role of CCPs
8	IOSCO APRC TA Workshop on Developing Enforcement Manuals
9	Intensive Bank Analysis by Fitch Learning
10	Capsule programme on Organizational Risk Acculturation and Quality of Internal Audit and Compliance environment by College of Supervisors, RBI
11	Capsule programme on Operational Risk by College of Supervisors, RBI
12	Capsule programme on IT and Cyber Resilience Risk by College of Supervisors, RBI

13	Programme on Fintech, Regtech & Suptech technologies foundations & building blocks by College of Supervisors, RBI
14	Virtual Core Curriculum Certificate course by Toronto Centre
15	Live online training programme on Financial Derivatives by NIBM, Pune
16	Web 3.0 Knowledge Certificate in Financial Services – issued by National University of Singapore
17	Webinar on Framework for Fintech & TechFin in IFSC-PWC
18	Singapore Fintech Festival
19	FCA – Sustainability themed TechSprint
20	IBM Technology Workshop (Blockchain and Quantum)

Research Activities

The research wing works in close collaboration with the respective operational departments by providing research inputs for policy formulation. During the year, comprehensive research was undertaken on feasibility of developing a carbon market in IFSC. A study was conducted on developing climate finance and technology ecosystem in IFSC which would help in achieving Paris Agreement's targets.

During the year, IFSCA launched a Knowledge Enrichment Portal, an initiative to provide updates on global developments in areas related to finance and economy. It is a web-based information aggregator platform containing regulations, publications, news, reports, trends in emerging areas, etc.

Box 8 - IFSCA-IIMA MoU

IFSCA and IIM-A signed an MoU at IIM-A campus on February 10, 2022, for cooperation and collaboration to strengthen active participation in conducting evidence-based policy research to aid policy formulation and also encourage research in emerging financial areas.

The MoU will provide an ideal platform for a two-way collaboration between IFSCA and IIM-A, especially in the areas of policy research, economic impact analysis, strategy management and emerging areas such as FinTech, Climate Finance, etc.

Under the MoU, both the institutions will explore opportunities for research, consultancy, training, internships and capacity building for policy analysis and development in areas of finance and convergence of technology.

Image 8 - Director, IIM-A (L) and Chairperson, IFSCA (R) on the occasion of MoU signing ceremony at IIM-A

IFSCA Headquarters Building Project

As GIFT IFSC is being developed as an international jurisdiction with truly world class & modern infrastructure, the proposed IFSCA head office building (herein after referred to as IFSCA Tower) has been designed and conceptualized as an iconic structure which is reflective of the growing prominence and stature of GIFT IFSC as a leading international financial centre. The 27 floors IFSCA Tower has been designed to become a highly efficient and sustainable structure in line with Smart City concept. Once completed in the year 2024, IFSCA tower will symbolize the dreams and aspirations of a New and Atma Nirbhar Bharat.

The allotment of development rights to IFSCA for construction of 3 lakh sq. ft. built-up area was made in April 2021 by GIFT City Co. Ltd., after which IFSCA has submitted a detailed proposal to DEA for budgetary assistance of INR 200 crore. In September 2021, DEA approved grant-in-aid of INR 100 crore, and the balance INR 100 crore was approved in the form of loan which would be repaid over a 10-year period.

For the execution of the project, IFSCA appointed GIFT SEZ Limited as Project Management Consultant (PMC) in August 2021. The PMC in October 2021 appointed M/s HPC Design Planning & Management as the Principal Architect for the design and development of the project.

Right to Information (RTI)

RTI Act, 2005 mandates timely response to citizen requests for government information. The basic object of the Act is to empower the citizens, promote transparency and accountability in the working of the Government.

Table 28 - Status of RTI Applications as on March 31, 2022

Number of RTI requests received during FY 2021-22	Number of RTI requests replied within the prescribed time-limit
17	17

Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 (POSH Act)

Workplace harassment is a form of gender discrimination. It violates fundamental right to equality and right to life, guaranteed under Articles 14, 15 and 21 of the Constitution of India and affects work environment, health, and economic growth.

IFSCA endeavours to promote a healthy and positive workplace environment in the organization. A safer work environment, devoid of any feelings of discomfort and fear among the employees is instrumental in assuring quality and efficiency at work. A strengthened workplace culture motivates individuals and improves productivity. Necessary steps have been taken by IFSCA to ensure effective enforcement of the Act.

An Internal Complaints Committee (ICC) was constituted on July 27, 2021 under provisions of section 4 of the POSH Act. No complaint of sexual harassment has been received during the year.

Activities During FY 2021-22

- An awareness programme was conducted on September 29, 2021 for sensitization of IFSCA employees regarding the POSH Act.
- International Women's Day was celebrated at IFSCA on March 08, 2022 with the campaign theme **#BreakTheBias.** In this event, a workshop was also organized wherein a session was conducted by the external member of ICC on the POSH Act. The activities of installation/ display of posters and placing the contact details of ICC at places of due prominence within the office premises were undertaken.
- Three Quarterly Meetings of ICC have been held on September 29, 2021, December 23, 2021 and March 08, 2022.

Image 9 - International Women’s Day Celebrations

INTERNATIONAL FINANCIAL SERVICES CENTRES AUTHORITY

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