



**International Financial
Services Centres Authority**

ANNUAL REPORT 2022-23

Beyond Borders
Bridging Markets, Building Futures



ANNUAL REPORT 2022-23

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.



Injeti Srinivas
Chairperson

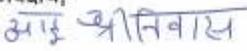


सचिव,
भारत सरकार,
आर्थिक कार्य विभाग,
वित्त मंत्रालय, नॉर्थ ब्लॉक,
नई दिल्ली - 110 001

410/आईएफएससीए/ईपीए/एआर/2021-22
जुलाई 6, 2023

प्रिय महोदय,

अंतर्राष्ट्रीय वित्तीय सेवा केंद्र प्राधिकरण अधिनियम, 2019 की धारा 19(2) के उपबंधों के अनुसार, मैं एतद्वारा 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 2023 को समाप्त वर्ष के लिए अंतर्राष्ट्रीय वित्तीय सेवा केंद्र प्राधिकरण की वार्षिक रिपोर्ट की प्रति अद्योषित कर रहा हूँ।

भवदीय,

(इंजेती श्रीनिवास)
संलग्न: उपरोक्तानुसार

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

410/IFSCA/EPA/AR/2021-22
July 6, 2023

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, 2023, 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,

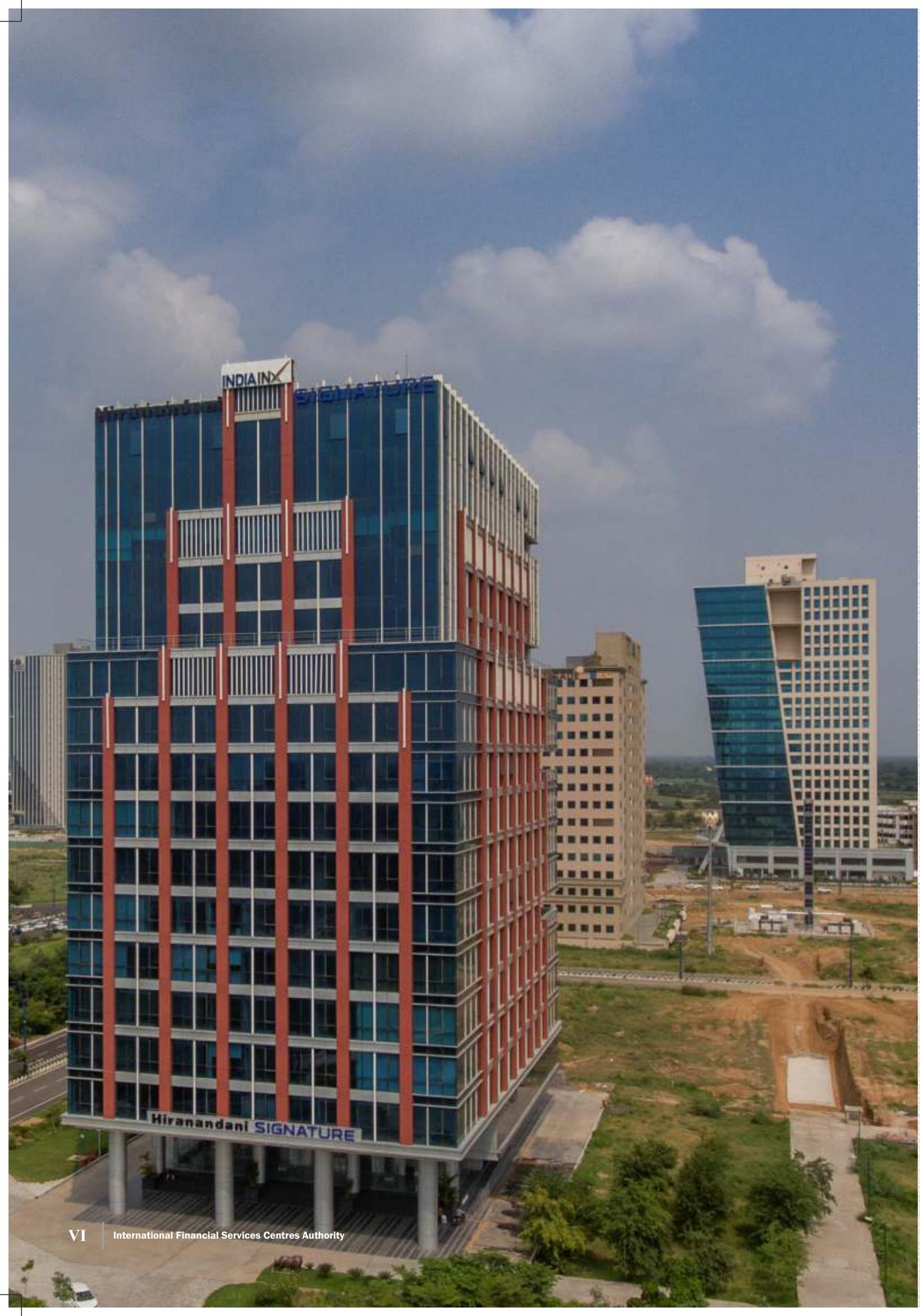

(Injeti Srinivas)
Encl.: As above

INTERNATIONAL FINANCIAL SERVICES CENTRES AUTHORITY

Second & Third Floor, PRAGYA Tower, Block 15, Zone 1, Road 1C, GIFT SEZ, GIFT City,
Gandhinagar-382 355, Gujarat, India. P: +91 79 6180 9800



SECTION-A



STATEMENT OF GOALS & OBJECTIVES

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

As a unified financial regulator, having power to regulate banking, capital market, insurance and pension funds, which in domestic India are being regulated by RBI, SEBI, IRDAI and PFRDA respectively, and other related activities in IFSC, IFSCA adopts a holistic vision towards the development and regulation of financial products, financial services, and financial institutions in IFSCs in India. At present, the GIFT IFSC is the maiden International Financial Services Centre in India.

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 IFSCs 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

The year 2022-23 marked a significant milestone for IFSCA in its journey towards developing GIFT IFSC as a preferred international financial centre. It witnessed several noteworthy achievements including the inauguration of India International Bullion Exchange, the launch of NSE IFSC - SGX Connect and laying the foundation stone of IFSCA headquarters building by the Hon'ble Prime Minister of India.

India is the second largest importer of gold in the world, which accounts for nearly 25% of world production. IIBX will facilitate transparency, efficient price discovery and provide impetus to financialisation of gold in India. This initiative shall empower India to gain its rightful place in global bullion market and serve the global value chain with integrity and quality.

With India's economy projected to become the world's third largest in the foreseeable future, the launch of NSE IFSC - SGX Connect presents a robust pathway for global investors to participate in India's growth story. It will deepen liquidity in derivative markets and create a positive impact on the financial ecosystem in the IFSC. I believe that the Connect has the potential to emerge as a capital corridor for various other products and services in the future.

With the objective to onshore the fund management activities, IFSCA has laid down the regulatory framework aligned with global best practices. During the year, a significant number of fund managers have chosen the IFSC for setting up their new funds across categories such as venture capital, angel, private equity, hedge funds, etc. I am delighted that the global investor community including large pension funds, sovereign funds and other institutional investors have begun their journey in GIFT IFSC. I am confident that IFSC is now well poised to emerge as a global hub for fund management.

In the endeavour to onshore re-insurance business placed with Cross Border Re-insurers across the globe, IFSCA has formulated comprehensive regulatory regime covering operational and supervisory aspects of the (re)insurers established in the IFSC. These principle-based regulations are based on global standards and lay the foundation for attracting (re)insurance business in the IFSC.

In the words of Hon'ble Prime Minister, *"IFSCA will not only become an enabler but will also support innovation and will also act as a catalyst for growth opportunities."* Today, India is one of the leaders in the world in the field of technology, particularly in the area of digital payments. IFSCA's regulatory framework for Fintech provides the start-ups an opportunity to experiment their innovative solutions under the regulatory/innovation sandbox, supported by one of its kind incentive scheme. We have received applications from more than ten jurisdictions and have granted authorisations in more than fifteen areas, with remittances and payments, AI/ ML and RegTech emerging as the top three.



Shri Injeti Srinivas
Chairperson

IFSCA has also taken significant steps in accelerating global sustainable capital flows by creating a conducive regulatory environment, based on international best practices, focused especially on the needs of developing countries. The listing of more than USD 10 billion ESG-labelled debt securities on IFSC exchanges indicates that GIFT IFSC has emerged as a preferred destination for raising sustainable finance. Further, new initiatives such as mandatory sustainable lending by banks and disclosure regime of ESG Funds are aimed at creating a comprehensive suite of products catering to green and sustainable projects. IFSCA intends to play a key role in channelizing funds for India and other emerging economies to meet their net zero ambitions and achieve SDGs by developing the IFSC as a global hub for sustainable finance.

GIFT IFSC has the potential to emerge as a preferred centre for various areas beyond traditional finance to transform into a bustling financial hub. In this direction, IFSCA has enabled the top ranked foreign universities to establish their international branch campus in IFSC. Apart from making available world class education within India, setting up of foreign universities is also expected to be a huge value proposition in terms of reduced costs for students with greater international employment opportunities. This will also lead to greater internationalisation of GIFT IFSC by attracting students from all parts of the world. I am delighted that Deakin University, Australia became the first foreign university to set up its branch campus.

Considering that IFSC is an international financial centre, it is imperative to establish collaborations with international bodies and authorities. IFSCA is a member of IOSCO and IAIS, the global standard setting bodies of the securities market and insurance market respectively. During the year, IFSCA has become a signatory to the IOSCO MMoU enabling it to exchange information with the regulators of more than 125 jurisdictions, and implement various cross-border initiatives. IFSCA has also signed bilateral MoUs with regulators of six jurisdictions for information sharing and bilateral cooperation.

There are several ongoing reforms to establish IFSC as a reputed international financial centre towards achieving the dual mandate of development and regulation of financial services. IFSCA is in the process of implementing robust regulatory and supervisory systems backed by best-in-class technology. The announcements made in the Union Budget 2023-24, such as single window IT system for registrations and delegating powers under the SEZ Act to IFSCA to avoid dual regulations, will be important enablers towards enhancing ease of doing business.

Going forward, I believe the IFSC will emerge as a preferred gateway for global capital flows into and out of the country.

MEMBERS OF THE AUTHORITY (As on 31.03.2023)



Shri Injeti Srinivas
Chairperson



Shri Suchindra Misra
Member



Ms. Surbhi Jain
Member



Shri Saurav Sinha
Member



Shri Sujit Prasad
Member



Shri Ananta Gopal Das
Member



Dr. (Ms.) Mamta Suri
Member

SENIOR MANAGEMENT OF THE AUTHORITY (As on 31.03.2023)

Name	Designation
Shri Praveen Trivedi	Executive Director
Shri Dipesh Shah	Executive Director
Shri Kumar Raghuraman	General Manager
Shri Supriyo Bhattacharjee	General Manager
Shri Kamlesh Sharma	General Manager
Shri Ashutosh Sharma	General Manager
Shri Joseph Joshy C J	General Manager
Shri Sathyaraj C M	General Manager

CONTENTS

SR. NO.	PARTICULARS	PAGE NO.
A	SECTION A	
	Statement of Goals & Objectives	VII
	Chairperson's Message	IX
	Members of the Authority	XI
	Senior Management of the Authority	XII
	Contents	XIII
	List of Tables	XIV
	List of Figures	XVI
	List of Boxes	XVII
	List of Images	XVIII
	List of Abbreviations	XX
B	SECTION B: The Year in Review: Overview of the General Economic Environment	
	I. Global Economic Assessment and Outlook	02
	II. Domestic Economic Assessment and Prospects	05
C	SECTION C: Review of Policies, Programmes and Activities of the Authority	
	1. Banking	12
	2. Finance Companies	18
	3. Capital Markets	24
	4. Fund Management	38
	5. International Bullion Exchange	44
	6. Fintech Hub	52
	7. Insurance	64
	8. Global In-House Centres	72
	9. Sustainable Finance	74
	10. Ancillary Services	84
	11. Aircraft Leasing	88
	12. Foreign Universities and Institutions	90

SR. NO.	PARTICULARS	PAGE NO.
	13. Information Technology	94
	14. Developmental Activities	98
D	SECTION D: Quasi-Legislative Functions of the Authority	116
E	SECTION E: Performance Assessment	126
F	SECTION F: Source of Funds and Major areas of Expenditure (FY 2022-23)	130
G	SECTION G: Organisational Matters	132

List of Tables

TABLE NO.	PARTICULARS	PAGE NO.
	BANKING	
Table 1.1	No. of IBUs	14
Table 1.2	Total Assets in IBUs in USD Mn	14
Table 1.3	No. of employees in all IBUs	14
Table 1.4	Outstanding Over the Counter (OTC) Derivative Contracts	16
	CAPITAL MARKETS	
Table 3.1	Trading Members in IFSC (as on March 31, 2023)	28
Table 3.2	Clearing Members in IFSC (as on March 31, 2023)	28
Table 3.3	No. of Contracts and Turnover in Index Futures	30
Table 3.4	No. of Contracts and Premium Turnover in Index Options	30
Table 3.5	Commodity Derivatives Available for Trading on IFSC Exchanges	31
Table 3.6	No. of Contracts and Premium Turnover in Gold derivatives	31
Table 3.7	Currency Derivatives	31
Table 3.8	No. of Contracts and Premium Turnover in Currency Derivatives	31
Table 3.9	List of debt issuances in FY 2022-23	32

TABLE NO.	PARTICULARS	PAGE NO.
	FUND MANAGEMENT	
Table 4.1	No. of FMEs registered as on March 31, 2023	42
Table 4.2	No. of schemes approved as on March 31, 2023	42
	INTERNATIONAL BULLION EXCHANGE	
Table 5.1	Registered Bullion Market Intermediaries at GIFT IFSC	48
	INSURANCE	
Table 7.1	Number of IIOs and IIIOs operating in the IFSC	68
	SUSTAINABLE FINANCE	
Table 9.1	Additional requirements related to ESG factors	76
	ANCILLARY SERVICES	
Table 10.1	Activity-wise break up of ancillary services entities as on March 31, 2023	85
	DEVELOPMENTAL ACTIVITIES	
Table 14.1	Key outreach and engagement activities of IFSCA during FY 2022-23	108
	QUASI-LEGISLATIVE FUNCTIONS OF THE AUTHORITY	
Table D.1	List of Regulations	117
Table D.2	List of Notifications	119
Table D.3	List of Major Circulars/Guidelines	120
	SOURCE OF FUNDS AND MAJOR AREAS OF EXPENDITURE (FY 2022-23)	
Table F.1	Sources of Funds for FY 2022-23	130
Table F.2	Major Areas of Expenditure for FY 2022-23	130
	ORGANISATIONAL MATTERS	
Table G.1	Authority Structure	132
Table G.2	IFSC Authority Meetings held in FY 2022-23	133
Table G.3	Sanctioned and Actual strength of employees	134
Table G.4	Consultants at IFSCA as on March 31, 2023	135
Table G.5	Training Programmes and Webinars	135
Table G.6	Status of RTI applications during FY 2022-23	136

List of Figures

FIGURE NO.	PARTICULARS	PAGE NO.
	BANKING	
Fig 1.1	Outstanding under various credit products (USD Mn)	14
Fig 1.2	Turnover (Volume of Business) in USD Mn	15
Fig 1.3	Investment profile in USD Mn	15
Fig 1.4	Exposure of IBUs in various countries	16
	FINANCE COMPANIES	
Fig 2.1	Growth in Finance Companies in IFSC	21
	CAPITAL MARKETS	
Fig 3.1	Year-wise Turnover of Stock Exchanges in IFSC (in USD Mn)	29
Fig 3.2	Contract-wise Turnover of Stock Exchanges in IFSC (in USD Mn)	30
	INTERNATIONAL BULLION EXCHANGE	
Fig 5.1	Products available for trading on IIBX	46
	FINTECH HUB	
Fig 6.1	Illustrative list of permissible FinTech areas/activities	54
Fig 6.2	Illustrative list of allied areas/activities aiding and assisting activities in relation to TechFin	55
Fig 6.3	Vertical spread of FE applicants	56
	INSURANCE	
Fig 7.1	Classification of IIIOs	68
Fig 7.2	Business underwritten by IIOs	69
Fig 7.3	Business transacted by IIIOs	69
	SUSTAINABLE FINANCE	
Fig 9.1	Volumes of Green, Social, Sustainable and Other Labeled (GSS+) bonds in 2022	74
Fig 9.2	Cumulative Listing of ESG-labelled debt securities on IFSC Exchanges (USD Bn)	78

List of Boxes

BOXE NO.	PARTICULARS	PAGE NO.
	FINANCE COMPANIES	
Box 2.1	Salient features of IFSCA (Finance Company) (Amendment) Regulations, 2022	19
Box 2.2	Salient features of the 'Framework for Ship Lease'	20
	FUND MANAGEMENT	
Box 4.1	Regulatory Framework for Angel Funds in IFSC	39
Box 4.2	Regulatory Framework for Distribution of Capital market Products and Services	41
	SUSTAINABLE FINANCE	
Box 9.1	Salient features of "Framework for Disclosures by Fund Management Entities for Environmental, Social or Governance (ESG) Schemes"	77
	AIRCRAFT LEASING	
Box 11.1	Salient features of the 'Framework for Aircraft Lease'	88
	FOREIGN UNIVERSITIES AND INSTITUTIONS	
Box 12.1	Salient Features of IFSCA (Setting Up and Operation of International Branch Campuses and Offshore Education Centres) Regulations, 2022	91
	QUASI-LEGISLATIVE FUNCTIONS OF THE AUTHORITY	
Box D.1	IFSCA (Anti Money Laundering, Counter-Terrorist Financing and Know Your Customer) Guidelines, 2022	123

List of Images

IMAGE NO.	PARTICULARS	PAGE NO.
	CAPITAL MARKETS	
Image 3.1	Listing Ceremony of India Exim Bank's USD 1 Bn, 10-year Sustainability Bond on March 3, 2023	32
Image 3.2	Shri Injeti Srinivas, Chairperson, IFSCA at the IOSCO MMoU Signing Ceremony	34
Image 3.3	Shri Praveen Trivedi, Executive Director, IFSCA at the opening bell ceremony of IOSCO WIW 2022	34
Image 3.4	Shri Dipesh Shah, Executive Director, IFSCA participated in the closing bell ceremony of IOSCO WIW 2022.	35
	FUND MANAGEMENT	
Image 4.1	Shri Praveen Trivedi, Executive Director, IFSCA at Fireside Chat during IVCA Conclave 2023	43
	INTERNATIONAL BULLION EXCHANGE	
Image 5.1	Visit of Hon'ble Union Minister of Commerce and Industry to vault facility at GIFT IFSC	50
Image 5.2	Shri Kamlesh Sharma, General Manager, IFSCA at the 14 th International Gold Economic Forum	51
	FINTECH HUB	
Image 6.1	Shri Joseph Joshy, CTO, IFSCA receiving the "Outstanding New Asian Regulatory and Technological Innovation in Financial Services" award on behalf of IFSCA	62
	SUSTAINABLE FINANCE	
Image 9.1	Committee of Experts on Sustainable Finance submits Report to Chairperson, IFSCA	79
	DEVELOPMENTAL ACTIVITIES	
Image14.1	Digital gallery presentation by Chairperson, IFSCA to the Hon'ble Prime Minister of India	99
Image14.2	Hon'ble Prime Minister addressing the gathering at GIFT IFSC	99
Image14.3	Hon'ble Prime Minister launching various initiatives at GIFT IFSC on July 29, 2022	100
Image14.4	Hon'ble Prime Minister launching the NSE IFSC-SGX Connect	102

IMAGE NO.	PARTICULARS	PAGE NO.
Image14.5	Visit of Singapore delegation to GIFT IFSC	103
Image14.6	Chairperson, IFSCA presenting momento to Deputy Prime Minister, Singapore	103
Image14.7	11 th India - US Financial Regulatory Dialogue	104
Image14.8	IFSCA delegates at Nasdaq Market Site, New York	105
Image14.9	IFSCA delegates at New York Stock Exchange	105
Image14.10	Chairperson, IFSCA delivering the keynote address at the 5 th ASEAN India Business Summit in Kuala Lumpur, Malaysia	106
Image14.11	Shri Dipesh Shah, Executive Director, IFSCA at Universities Australia Conference, 2023 in Canberra	107
Image14.12	Review of GIFT IFSC by Hon'ble Union Minister of Commerce and Industry	107
ORGANISATIONAL MATTERS		
Image G.1	Celebration of IDY 2022 at IFSCA	137
Image G.2	Walkathon organised by IFSCA as part of 'Har Ghar Tiranga' campaign	138
Image G.3	'Har Ghar Tiranga' campaign at IFSCA	138

Conventions used in this report

₹ : Rupees (Rs)

Lakh : Hundred thousand

Crore : Ten million

Million (Mn) : Ten lakh

Billion(Bn) : Thousand million/hundred crore

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

This report can also be accessed on internet at: <https://www.ifsc.gov.in/>

ABBREVIATIONS

AIF	Alternative Investment Fund
ALM	Asset/Liability Management
AML	Anti Money Laundering
BCP	Business Continuity Plan
BDR	Bullion Depository Receipt
CDD	Customer Due Diligence
CDSL	Central Depository Services (India) Limited
CEPA	Comprehensive Economic Partnership Agreement
CM	Clearing Member
COB	Conduct of Business
CRAR	Capital to Risk-Weighted Assets Ratio
DB	Digital Bank
DEA	Department of Economic Affairs
DGFT	Directorate General of Foreign Trade
DoC	Department of Commerce
DoS	Department of Space
DP	Depository Participant
DR	Disaster Recovery
DRS	Disaster Recovery Site
EMDE	Emerging Market and Developing Economy
EME	Emerging Market Economy
ESG	Environmental, Social or Governance
ETF	Exchange-traded Fund
EXIM Bank	Export-Import Bank of India
FAQs	Frequently Asked Questions
FATF	Financial Action Task Force
FC	Finance Company
FCFC	Freely Convertible Foreign Currency
FCY	Foreign Currency

FDI	Foreign Direct Investment
FE	FinTech Entity
FME	Fund Management Entity
FPI	Foreign Portfolio Investment
FU	Finance Unit
GAO	Global Administrative Office
GDP	Gross Domestic Product
GIC	Global In-house Centre
GNPA	Gross Non-Performing Assets
GRCTC	Global/Regional Corporate Treasury Centre
HRMS	Human Resource Management System
IAC	International Arbitration Centre
IAIS	International Association of Insurance Supervisors
IBC	International Branch Campus
IBU	IFSC Banking Unit
ICC	Internal Complaints Committee
ICEGATE	Indian Customs Electronic Data Interchange Gateway
IDY	International Day of Yoga
IFSC	International Financial Services Centre
IIBH	India International Bullion Holding IFSC Limited
IIBX	India International Bullion Exchange IFSC Limited
IIDI	India International Depository (IFSC) Limited
IIIO	IFSC Insurance Intermediary Office
IIO	IFSC Insurance Office
India ICC	India International Clearing Corporation (IFSC) Limited
IoRS	Interoperable Regulatory Sandbox
IPO	Initial Public Offer
IRTG	Inter-Regulatory Technical Group
ITFS	International Trade Finance Service
LCR	Liquidity Coverage Ratio

LES	Liquidity Enhancement Scheme
LPTM	Limited Purpose Trading Member
LRS	Liberalised Remittance Scheme
MAR	Monthly Activity Report
MCA	Ministry of Corporate Affairs
MCX	Multi Commodity Exchange of India Limited
MDR	Monthly Development Report
MIIs	Market Infrastructure Institutions
ML	Money Laundering
MMoU	Multilateral Memorandum of Understanding
MoCA	Ministry of Civil Aviation
MoF	Ministry of Finance
MoU	Memorandum of Understanding
NBFC	Non-Banking Financial Company
NDB	New Development Bank
NIC	National Informatics Centre
NICCL	NSE IFSC Clearing Corporation Limited
NIST	National Institute of Standards & Technology
NLTs	Negotiated Large Trades
NSDL	National Securities Depository Limited
NSE	National Stock Exchange of India Limited
OEC	Offshore Education Centre
PCM	Professional Clearing member
PMLA	Prevention of Money Laundering Act
PSU	Public Sector Undertaking
QJ	Qualified Jeweller
RBA	Risk-Based Approach
RBI	Reserve Bank of India
RE	Regulated Entity
SAFAL	Ship Acquisition, Financing and Leasing

SCB	Scheduled Commercial Bank
SME	Small and Medium Enterprise
SOP	Standard Operating Procedure
TM	Trading Member
TMCM	Trading and Member Clearing Member
TRQ	Tariff Rate Quota
TSCM	Trading cum Self Clearing Member
UAEGD	UAE Good Delivery
USD	US Dollars
WPI	Wholesale Price Index
YoY	Year-on-Year



SECTION-B



THE YEAR IN REVIEW

(I) Global Economic Assessment and Outlook

2021-22 was the year when the global financial system witnessed a strong rebound after being tested during the COVID-19 pandemic. The global GDP growth rate in 2021-22 was 5.9 per cent compared to negative global growth rate of -3.1 per cent during 2020-21.

A carry-forward of this momentum into the year 2022-23 could have eclipsed the hardships faced by the world during 2020-21. However, fresh outbreaks of the pandemic in China along with geopolitical tensions precipitated by the Ukraine war and consequential supply chain disruptions led to increased price of commodities and energy. Shrinking global output; obstinately higher-than-anticipated inflation; a cost-of-living crisis; and tightening financial conditions, all took a heavy toll on the global economy.

The year 2023 did usher in some rays of hope, especially with China reopening earlier than expected, easing supply chain bottlenecks, and moderated energy and food prices healing elevated inflation levels. Such trends encouraged both industry and households, boosting demand and economic activity. However, barring food and energy, core inflation remained elevated.

Many Central Banks responded with unexpectedly rapid and synchronous monetary policy tightening in a bid to curb high inflation. Market sentiments were assuaged to some extent due to emphatic actions taken by policymakers to contain systemic risks. However, the recent financial sector turmoil, like sudden failures of Silicon Valley Bank and Signature Bank in the United States, and collapse of Credit Suisse, a global systemically important bank in Europe has brought to fore the unintended fallouts of the interplay between tightening of monetary and financial conditions and the buildup in vulnerabilities. What appeared to be isolated events in the US banking sector had significant spill-over effects on many other banks and financial markets. Therefore, anxiety over whether such events were manifestations of deeper, hidden vulnerabilities that could amplify into a system-wide crisis, continued to beleaguer the market.

At the close of the year, inflation remained high, and labour markets remained tight in many economies.

The International Monetary Fund's World Economic Outlook for baseline forecast (assuming that the recent financial sector stresses are contained) estimates a reduction in global economic growth rate from 3.4 per cent in 2022 to 2.8 per cent in 2023, before rising slowly and settling at 3.0 per cent in 2024. This is the lowest medium-term forecast in decades, with growth slowdown expected to be more pronounced in advanced economies (from 2.7 per cent in 2022 to 1.3 per cent in 2023) vis-à-vis emerging market and developing economies (from 4.0 per cent in 2022 to 3.9 per cent in 2023).¹

The Outlook also estimates that in case of further financial sector stress, global growth could fall to about 2.5 per cent in 2023, with growth of advanced economies dipping below 1 per cent. Driven by falling commodity prices, global headline inflation is estimated to fall from 8.7 per cent in 2022 to 7.0 per cent in 2023 but core inflation is likely to decelerate more slowly.²

In such a scenario, any headwinds due to renewed geopolitical tensions, persistent or increasing inflationary pressures, interest rate escalations to curb inflation, or the COVID-19 pandemic rearing its ugly head again, could spell fresh trouble for the global economy. Emerging markets could face further indebtedness. High level of interconnectedness coupled with financial fragmentation due to geopolitical tensions could threaten financial stability adversely affecting liquidity, cost of funds, and consequently profitability.

Policymakers have their task cut out and must tread a narrow path in trying to get inflation back to target while maintaining financial stability. They also need to account for the risks posed by geopolitical tensions. Stronger and focused international cooperation has become imperative to enable countries to mobilise resources required to navigate the challenges facing all countries, both developed and developing.

Financial Markets Performance

Banking Industry

As per BIS Quarterly Review of March 2023, with both inflation and policy measures showing signs of easing early in the year, financial markets were buoyed by the expectations of not only a halt in interest rate hike later during the year, but also a reduction in 2024. Credit spreads between various debt securities diminished due to the perception of default risk being lower. In general, risky assets saw gains due to the market perception that risks were on the decline. Easing inflation and resilient growth translated into a decline in bond yields. The depreciation of US dollar helped further asset appreciation in Emerging Market Economies (EMEs).³

However, with inflation being still high, and labour markets still tight, market sentiments expecting a downward trend in interest rates were out of synchrony with cautious signals relayed by most central banks, who gave no indication that there would be any easing of monetary policy in the short term.

¹ World Economic Outlook, April 2023

² *ibid*

³ BIS Quarterly Review, March 2023

In early February 2023, however, market participants were compelled to reassess their expectations of policy measures in light of empirical evidence. There was a slight appreciation in the US dollar and some reversal of risky asset gains.

Financial conditions in EMEs followed trends like those in Advance Economies. While bond yields declined, equity markets fluctuated in response to US dollar fluctuations. The sudden end to zero-Covid policy in China did buoy its equity market but failed to revive portfolio flows into the country significantly. Such flows not only stabilized for most other EMEs but even increased for some.

In a complete turnaround from the situation in March 2022, global banks' cross-border claims fell by USD1.4 trillion in Q4 2022, pulled back by lower bank credit and a drop in the market value of banks' derivatives and other residual instruments. There was a decline of 4 per cent in dollar credit to emerging market and developing economies.⁴

The aggregate market value of the top 25 global banks by market capitalisation too declined significantly by 6.7 per cent quarter-on-quarter to USD 3 trillion during Q3 2022. However, high inflation and spill-overs of geopolitical tensions notwithstanding, these top 25 global banks managed to garner encouraging revenue and total assets growth of 15.5 per cent and 5.8 per cent, respectively during 2022.⁵

Capital Markets

The effects of high inflation coupled with tightening of monetary policies, the Ukraine war, and the lingering effects of COVID-19, were felt in the global stock markets which too witnessed significant decline compared to 2021. As per the data published by the World Federation of Exchanges (WFE) for 2022, market capitalisation of stock markets plummeted by 20 per cent equating to reduction of more than 25 trillion US dollars in stock markets worldwide. During the same time, value traded slipped by 10 per cent.⁶

On the positive side, barring commodity derivatives, volumes of exchange-traded derivatives continued to rise, with options witnessing a significant jump, possibly to hedge against market uncertainty.

Global volumes increased about 5 per cent, translating to highest global volumes in the last six years (48.32 Bn trades). The primary market witnessed a decline of about 50 per cent in the number of IPOs resulting in about 65 per cent decline in capital raised through this avenue. Exchange-traded derivative contracts, including both options and futures saw a jump of about 34.4 per cent, the highest level in the last six years. Volumes of equity, currency and ETF derivatives jumped by 48.4 per cent, 48.2 per cent, and 36.9 per cent respectively, while interest rate derivatives volumes increased by 8.5 per cent. Single stock futures, stock index options, stock index futures, currency options, currency futures, commodity options, interest rate futures and ETF options reached their highest level in volumes in the last six years. On the flip side, commodity derivatives volumes (futures and options) declined by 14.5 per cent.⁷

⁴ BIS Statistical Release-April 2023

⁵ Global Data

⁶ World Federation of Exchanges-FY 2022 Market Highlight Report

⁷ *ibid*

Insurance Industry

The future trajectory of the global Insurance industry is expected to be driven by multiple opportunities coupled with novel obstacles. With government aided health and retirement schemes facing funding gaps and/or proving to be inadequate, an increasing number of people are realizing that they are personally responsible for their future health and retirement costs. Similarly, the trend of climate related adverse events and cyber risks, indicate that such events are likely to increase significantly in future. These developments present a host of opportunities for the Insurance industry as more people are seeking stronger protection for their valued possessions, life included, given the ever increasing and divergent threats facing humankind. This protection gap has the potential to bring in revenue of as much as USD 1 trillion more, with gain of billions in profits.

However, the effects of high inflation, tightening of monetary policies, geo-political tensions in Europe, and the lingering effects of COVID-19 pose significant challenge to the insurance industry. While the industry has emerged from high inflation situations earlier, the present challenge seems more difficult. Insurers have to deal not only with lower demand but also with higher claims costs. While the downside risk in respect of unit-linked policies is largely borne by policyholders, the possibility of customers migrating to guaranteed income products need to be accounted for. The industry will also have to grapple with the growing competition from InsurTech market.

Considering the unfavourable geo-political environment, insurers will also have to exercise caution to underwrite political and trade credit insurance risks. These factors will be of major concern especially to trans-national insurance firms and could lead them to refocus on their home markets. Similarly, with climate change induced events and natural catastrophes likely to become more frequent and severe in future, insurers are faced with greater likelihood of higher claim costs.

In such an uncertain scenario, insurers would need to leverage technology and innovate solutions to make their offerings more attractive yet viable. The possibility of public-private partnerships to make insurance accessible to the greater mass would also have to be explored.

(II) Domestic Economic Assessment and Prospects

Gross Domestic Product

The domestic economy, despite subdued global economic outlook, is poised to outdo the general trend in FY 2023-24. Various institutions, including multilateral agencies, predict India as the fastest-growing major economy in forthcoming financial year.

According to the World Bank's April 2023 release, some moderation of growth notwithstanding, the Indian economy has displayed resilience even in the face of challenges prevalent in the global environment and is expected to post stronger growth than many of its peer economies. The World Bank estimates overall growth to be 6.9 per cent for the full year with real GDP growing at 7.7 per cent YoY during the first three quarters of FY 2022-23. On similar lines, the Asian Development Bank has projected a domestic GDP growth of 6.4 per cent in FY 2023-24.

The estimates of the World Bank and the Asian Development Bank are also reflected in domestic estimates. The second advance estimates released by the National Statistical Office (NSO) placed India's real GDP growth at 7.0 per cent in 2022-23. According to the Economic Survey 2022-23, domestic baseline GDP growth in real terms in FY 2024 is estimated to be 6.5 per cent.

The Indian growth projections are premised primarily on sound macroeconomic fundamentals, elevated private investment supported by increased Capex and enabling policy measures taken by the Central Government, increased production catalysed by robust private consumption, strengthening balance sheets of corporates and banks, and well-capitalised public sector banks geared to fuel credit growth.

Inflation

Globally, high inflation proved costly to the economy reeling under the effects of geo-political strife in Europe and resurgence of the pandemic in China resulting in supply-chain disruptions and soaring energy and food markets prices. This prompted monetary policy interventions by most central banks to curb higher-than-expected inflation.

In India, Consumer price inflation (CPI) witnessed a rise till April 2022, peaking at 7.8 per cent, before plateauing out at around 7.0 per cent by August 2022. Thereafter, it witnessed a decline to around 5.7 per cent by December 2022.⁸ It surged again to 6.4 per cent YoY in February 2023 as food inflation rose.⁹

The WPI-based inflation, which had already begun to rise from the lows during the Covid-19 pandemic, has further exacerbated during the FY 2022-23 because of disruption of global supply chains due to the Russia-Ukraine conflict. It witnessed double digit growth between April 2021 and September 2022 and moderated to 1.4 per cent in March 2023 on the back of a fall in international commodity prices and favourable base effects.¹⁰

According to World Bank, although headline inflation is elevated, it is projected to decline to an average of 5.2 per cent in FY 2023-24, amid easing global commodity prices and some moderation in domestic demand.

⁸ Economic Survey

⁹ RBI MPC Report, April 2023

¹⁰ Office of the Economic Adviser

Financial Markets

Banking sector

Over the years, focussed policy measures adopted by the RBI and the Government of India have resulted in a healthier banking system balance sheet both in terms of asset quantity and quality. Consequently, the risk absorption capacity of banks has also improved.

Gross Non-Performing Assets (GNPA) ratio of Scheduled Commercial Banks (SCBs) has declined from 8.2 per cent in March 2020 to a seven year low of 5.0 per cent in September 2022. More encouragingly, Net Non-Performing Assets Ratio (NNPA) has improved to a ten-year low of 1.3 per cent.

With heightened demand for home loans, retail credit has outperformed an already healthy overall credit growth of the SCBs. Significantly, catalysed by growing economic activities, non-food bank credit touched 15.3 per cent in December 2022¹¹, simultaneously mirroring positive expectations for future growth as well.

Compared to FY 2021-22, NBFCs fared better with improved GNPA and capital position (CRAR of 27.4 per cent). Their focus area was in continuity with that during the previous FY, with industrial sector, retail, services and agriculture remaining their biggest credit recipients. In addition, services sector and personal loans also witnessed a robust growth.

Financial inclusion has also received due importance with the Government taking committed steps to enhance concessional institutional credit, as evidenced by initiatives like Emergency Credit Line Guarantee Scheme (ECLGS) and production-linked incentive scheme to MSMEs. The services sector too benefitted by a recovery in credit to NBFCs, commercial real estate and trade sector.

Capital Markets

While global capital markets largely suffered the side-effects of geopolitical tensions, high inflation and rising interest rates in the FY 2022-23, domestic capital markets displayed greater resilience during this period.

The primary markets saw brisk activity during April to November 2022, with a rise of 37 per cent in the number of firms opting to list on the Stock Exchanges during this period¹². In Initial Public Offerings (IPOs), the fund mobilisation has reduced vis-à-vis last FY, however, the number of SMEs coming out with public offer and the total amount raised by them has shown a surge¹³.

While the number of issues of debt securities in the primary market rose by 11 per cent during the period, the value of funds raised increased by 5 per cent.

Secondary capital market indices of the Nifty 50 and the S&P BSE Sensex fared better than their peers between April and December 2022, despite experiencing volatility in Foreign Portfolio Investment (FPI) flows. Nifty 50 managed a return of 3.7 per cent during the period. The total assets with FPIs increased by 3.4 per cent at the end of November 2022 compared to November 2021, and net FPI flows became positive by end of December 2022¹⁴.

¹¹ Economic Survey 2022-23

¹² *ibid*

¹³ *ibid*

¹⁴ PIB

Insurance Sector

Insurance penetration of both life and non-life insurance (the ratio of total insurance premiums to GDP in a year) in India was 4.2 per cent in 2021-22 wherein, life insurance penetration accounted for 3.2 per cent, almost double than that of the insurance penetration observed in emerging markets and slightly above the global average. However, since most life insurance products opted by the insured are linked to savings/investment products, the protection or insurance coverage offered by such products is rather small¹⁵.

In the non-life insurance segment, the YoY growth in gross direct premium (within and outside India) stood at 10.8 per cent in the FY 2021-22 with health and motor segments being the key drivers. This was supported primarily by rising per capita income, product innovations, robust distribution channels, and rising financial literacy¹⁶. Net incurred claims of Non-Life Insurers stood at ₹1.4 lakh crore in FY 2021-22. In the Life insurance segment, the YoY growth in premium during the FY 2021-22 was 10.2 per cent. Of the total premium in the life insurance segment, 45.5 per cent was received from new business¹⁷. Benefit payouts in the life insurance sector during FY2021-22 stood at ₹5.02 lakh crore, with 8.3 per cent benefits paid out on death claims¹⁸.

There has been a sharp increase in insurance density (premium to population/per capita) in India. While life insurance density went up from USD 9.1 in 2001-02 to USD 69 in 2021-22, non-life insurance density has gone up from USD 2.4 to USD 22, in the same period.

As per Swiss Re, India, with an estimated market share of 1.9% in total USD premium volumes, is the second largest in all emerging markets.

The year also saw the largest IPO ever in the history of India, with the Central Government diluting its stake in the Life Insurance Corporation (LIC) of India, making it the sixth biggest IPO of 2022 globally.

Fiscal Developments

The fiscal policy in India has been geared towards providing a safety net to the vulnerable, reviving the economy by boosting demand, and addressing certain domestic supply-side constraints through public investments and sustained structural reforms.

The fiscal deficit of the Union Government, which stood at 9.2 per cent of GDP during FY 2020-21, has moderated to 6.7 per cent of GDP in FY 2021-22, with the fiscal target being 6.4 per cent of GDP in FY 2022-23. This gradual decline in the Union government's fiscal deficit as a per cent of GDP, in line with the fiscal glide path envisioned by the government, is a result of careful fiscal management supported by buoyant revenue collection over the last two years.¹⁹

¹⁵ Economic Survey 2022-23

¹⁶ ibid

¹⁷ IRDAI Annual Report 2021-22

¹⁸ ibid

¹⁹ Economic Survey 2022-23

External Sector

India's external sector has been strongly supported by international trade, as evident from an all-time high annual merchandise export of USD 422.0 Bn in FY 2021-22, though the current FY witnessed some slowdown due to side effects of deceleration in global trade.

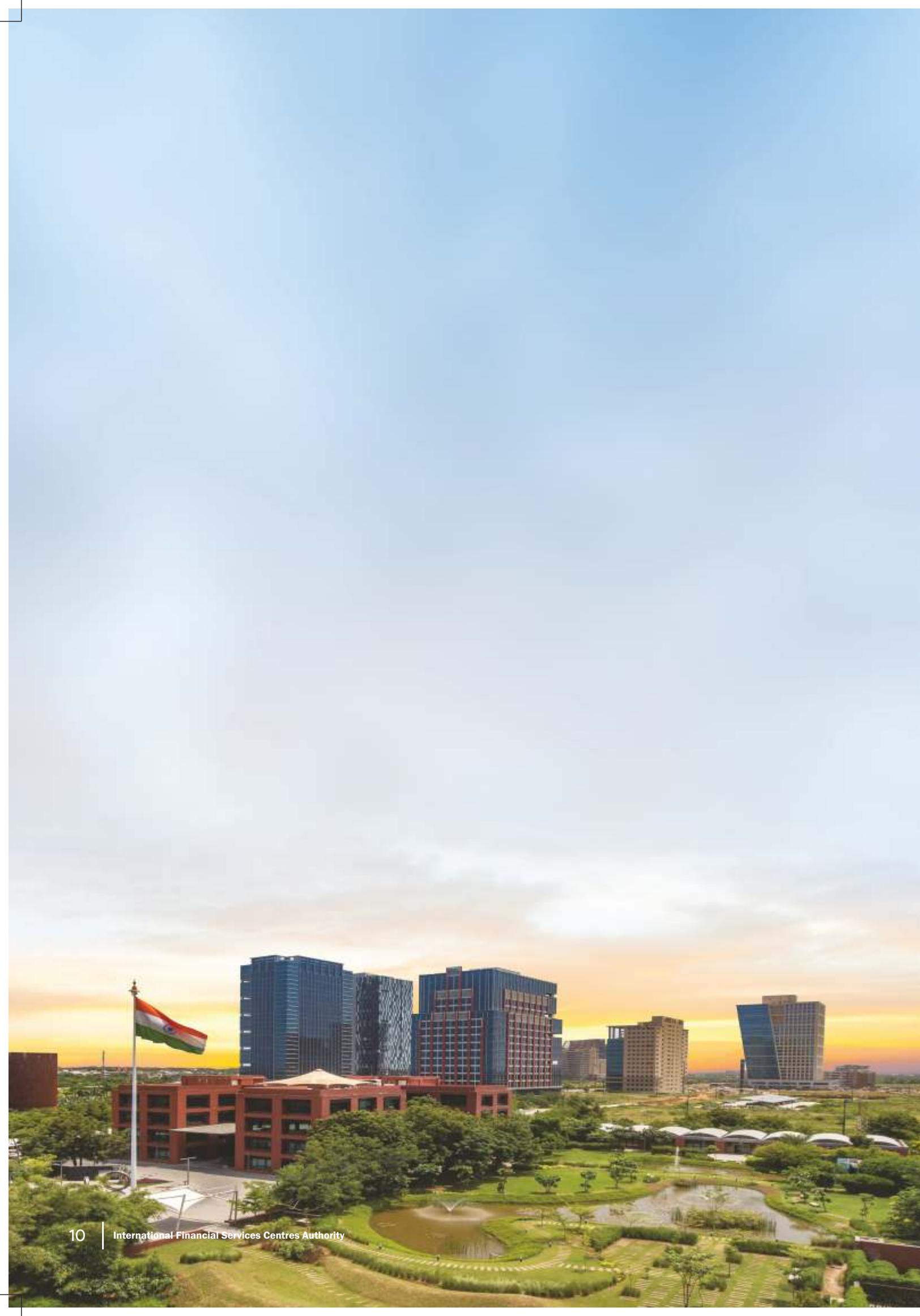
India's overall exports (Merchandise and Services combined) in FY 2022-23 is estimated to exhibit a growth of 13.84 per cent over FY 2021-22. As India's domestic demand has remained steady amidst the global slump, overall imports in FY 2022-23 is estimated to exhibit a growth of 17.38 per cent over FY 2021-22. Merchandise exports growth for the period FY 2022-23 remain impressive at 6.03 per cent (USD 447.46 Bn) as against FY 2021-22 (USD 422.00 Bn). Services exports remain strong and are projected to grow at 26.79 per cent (USD 322.72 Bn) during FY 2022-23 over FY 2021-22 (USD 254.53 Bn).²⁰

As per RBI, India's current account deficit declined from USD 22.2 Bn (2.7 per cent of GDP) in Q3:2021-22 to USD 18.2 Bn (2.2 per cent of GDP) in Q3:2022-23, contributed by a contraction in merchandise trade deficit combined with robust services and private transfer receipts. Services exports reported a growth of 24.5 per cent on a YoY basis on the back of rising exports of software, business and travel services. Net services receipts increased, both sequentially and on a YoY basis.

Net FDI inflows at USD 21.7 Bn during April-December 2022 were lower in comparison with USD 24.8 Bn during April-December 2021. Portfolio investment recorded a net outflow of USD 3.5 Bn during April-December 2022 as compared with a net outflow of USD 1.6 Bn a year ago. During April-December 2022, there was a depletion of USD 14.7 Bn from the foreign exchange reserves (on a Balance of Payment basis).²¹

²⁰ PIB

²¹ RBI



SECTION-C

BANKING

This section gives a picture of the various measures taken by the Authority towards the regulation of banking and related services and the development of banking ecosystem in IFSC during FY 2022-23.

IFSCA (Banking) (Third Amendment) Regulations, 2022

The IFSCA (Banking) Regulations, 2020, was further amended vide the IFSCA (Banking) (Third Amendment) Regulations, 2022, which was notified on June 30, 2022.

The major changes/additions under the amended Regulations are as under:

- i) In order to enable setting up of Global Administrative Offices (GAO), the terms “Global Administrative Office” or “GAO” and “Group entities” were defined by making necessary additions to sub-Regulation (1) of Regulation 2.
- ii) The definition of a “Parent Bank” in clause (j) of sub-Regulation (1) of Regulation 2 was substituted with a new definition.
- iii) The definitions of a “Representative Office” (RO) and “Support services” were inserted under sub-Regulation (1) of Regulation 2.
- iv) Sub-regulation (9) of Regulation 3 was substituted to the effect that a Parent Bank may set up its RO or GAO in IFSC under a suitable mechanism, subject to such conditions as may be specified by the Authority.

IFSCA Banking Handbook

The handbook was issued on August 13, 2021, (amended on November 12, 2021) and has come into effect from January 01, 2022.

With effect from June 06, 2022, the following major amendments were undertaken in the handbook:

- i) Provision added in the Licensing module (LIBU) of the General Directions (GEN) for issuance of “In-principle approval” by the Authority, in certain circumstances, before issuance of full license.
- ii) A new module named “Raising queries related to Banking” was inserted in the General Directions laying down a structured procedure through which IBUs and other interested parties could raise queries with the Authority and the procedure for dealing with such queries by the Authority.
- iii) The “Providing credit” (PRCR) module of the Conduct of Business (COB) Directions was amended to Clarify the applicability of restrictions under the Banking Regulation Act, 1949 to IBUs of Indian and Foreign Banks
- iv) Guidance was added to the “Prudential Reporting, Disclosures and Supervision” module of the Prudential Directions (PRU) to clarify the requirement about reporting of actual and anticipated breaches.

Later in the year, the COB Directions of IFSCA Banking Handbook was amended with effect from July 13, 2022, and a new module for setting up a Global Administrative Office (GAO) was inserted.

Global Administrative Office

A new category of financial institution, entitled as Global Administrative Office (GAO), was allowed to be set up by an Indian or foreign bank to undertake management, administration, and coordination of overseas branches (including IBU) of the Parent Bank and provide “Support services” for banking activities undertaken within and outside IFSC. Unlike an IBU, the GAO shall not undertake banking business in IFSC. A GAO is permitted to be located in IFSC, but not on the same or contiguous premises as the IBU or the RO, if any, of the applicant bank (unless permitted by the Authority).

A GAO is permitted to undertake following activities:

- i) Manage, administer, or coordinate the operations of their Parent Bank or any of their Group entities either in IFSC or outside IFSC.
- ii) Provide support services to their Parent Bank or any of their Group entities for execution of the permitted activities either in IFSC or outside IFSC.

Under the new GAO framework, State Bank of India has set up Global Administrative Office in GIFT IFSC.

Trends and Transactions

As on March 31, 2023, 20 IBUs were operational. Further, two IBUs, which have been licensed before March 31, 2023 are expected to commence operations during the FY 2023-24.

Table 1.1: No. of IBUs

Particulars	As on Mar 31, 2022	As on Mar 31, 2023
No. of IBUs	15	20

Table 1.2: Total Assets in IBUs in USD Mn

Particulars	Outstanding as on Mar 31, 2022	Outstanding as on Mar 31, 2023
Total Assets	29,380.82	38,286.41

Table 1.3: No. of employees in all IBUs

Particulars	FY 2021-22	FY 2022-23
No. of employees	162	277

Sources of fund raising for IBUs have been interbank and interbranch borrowings, medium term notes, borrowings from multilateral institutions, retail deposits etc. Credit activities of IBUs have been largely concentrated in the areas of trade finance and commercial loans.

Customer Credit of the IFSC Banking ecosystem as on March 31, 2023 stood at USD 23.94 Bn and total asset size of IBUs stood at USD 38.28 Bn.

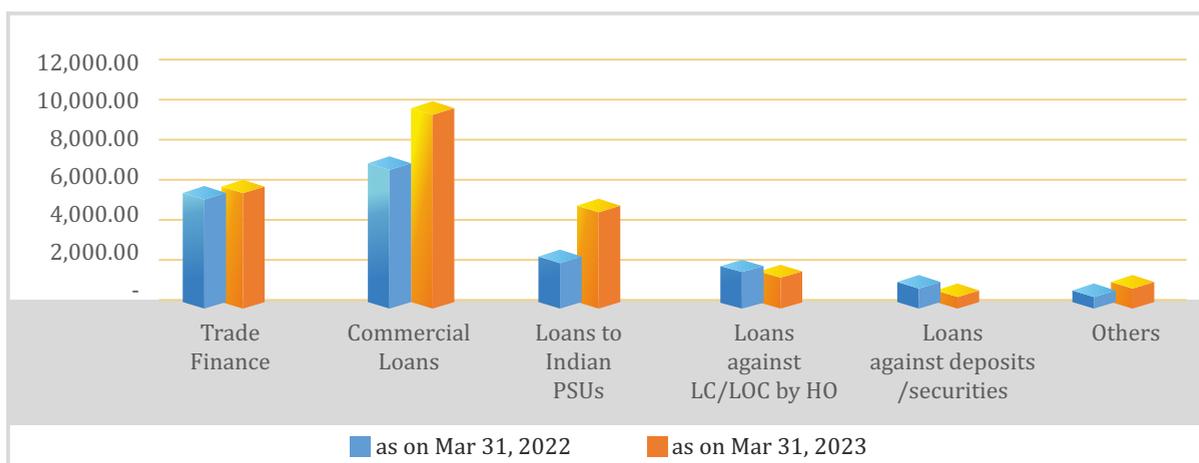


Fig 1.1: Outstanding under various credit products (USD Mn)

Total customer credit outstanding has increased by 29.47% from USD 18.49 Bn (as on 31.03.2022) to USD 23.94 Bn (as on 31.03.2023). Growth in commercial loans disbursed by the IBUs has been the biggest contributor for this increase in the customer credit outstanding for the IFSC. Increased borrowings by the Indian PSUs from the IBUs in IFSC is another main contributor to this growth.

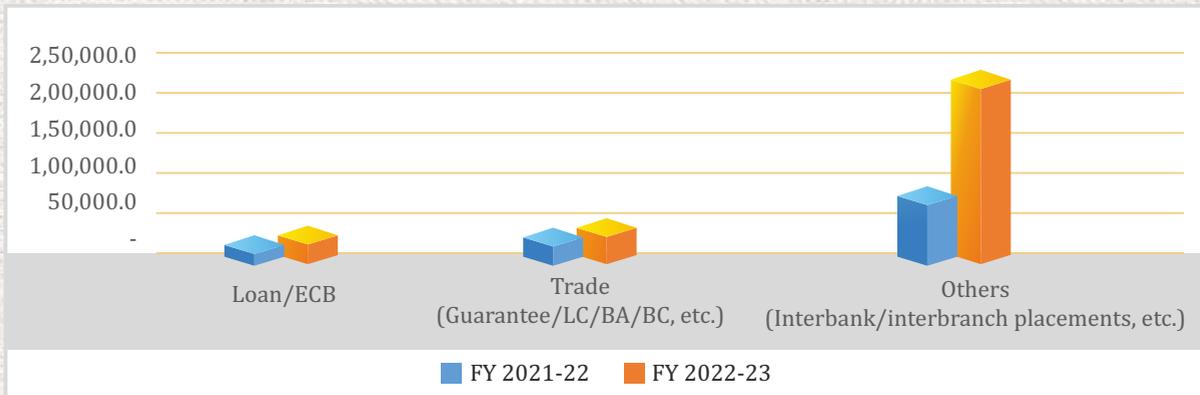


Fig 1.2: Turnover (Volume of Business) in USD Mn

Volume of business in the IBUs has more than doubled (USD 106.98 Bn during FY21-22 to USD 258.59 Bn during FY 22-23) with interbank/interbranch placements contributing the major share of this growth after a few IBUs were designated as treasury hubs for their parent banks.



Fig 1.3: Investment profile in USD Mn

IBUs were maintaining investment in Treasury bills for compliance with the prudential requirement of LCR maintenance. However, as per the guidelines, IBUs have been permitted to maintain LCR at their parent bank. The same has resulted in reduction of investments at IBUs in IFSC.

Table 1.4: Outstanding Over the Counter (OTC) Derivative Contracts

Derivative Outstanding (USD Mn)	Outstanding as on Mar 31, 2022	Outstanding as on Mar 31, 2023
Non-Deliverable Derivative Contracts (FCY-INR) (including NDF, Fx-Swaps and options)	23478.52	14092.67
FCY-FCY forwards	1673.00	3082.44
FCY-FCY currency swap	1333.63	957.56
FCY-FCY currency option	31.12	606.70
INR Interest rate swap (IRS) (including overnight indexed swaps (OIS))	7293.33	25343.29
FCY Interest rate swap (IRS) (including overnight indexed swaps (OIS))	44413.40	66924.23
Others	1171.94	1.62
Total	79394.94	111008.51

The outstanding derivative contracts at IFSC have increased by 39.81%. A few IBUs have commenced their market operations during the financial year whereas a few have increased their derivative trading portfolio based on their business strategies resulting in the overall increase in the derivative contracts outstanding at IBUs as on 31.03.2023.

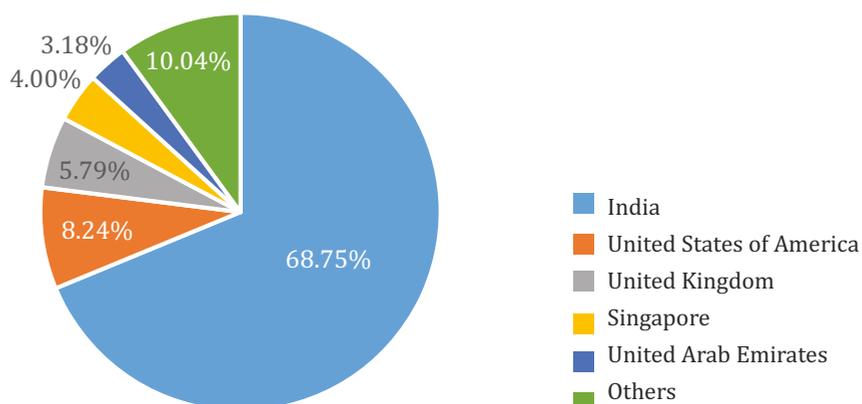


Fig 1.4: Exposure of IBUs in various countries

IBUs have highest exposure to entities from India (68.75%) followed by USA (8.24%) and United Kingdom (5.79%). Top five countries constitute 89.96% of the exposure of the IBUs.

Advocacy and Outreach

Visit to Sibos, 2022

Sibos is the global financial services networking event organised by SWIFT. The annual conference and exhibition connects more than 8000 executives from banks, financial institutions and technology companies from across the globe.

A team of IFSCA officials attended Sibos 2022 held at Amsterdam, Netherlands from October 10-13, 2022. The centrepiece of the visit was a presentation entitled “Opportunities in GIFT IFSC: The financial gateway to India”. Over 40 participants attended the presentation to know more about the concept of IFSC and the opportunities for their firms.

Besides the presentation, the team had bilateral interactions with financial institutions across various sectors like banking, market infrastructure, financial technology, etc.

Policies and programmes for the following year

- 1) Issuing the framework for setting up a wholly owned subsidiary model for banking business in IFSC including Digital Banks (DBs). DBs are envisaged to issue deposits, offer loans, and offer the full suite of services that the Banking Regulation Act, 1949 empowers them to. However, DBs are principally expected to utilise internet and other similar online channels to offer their services instead of physical branches.
- 2) Further amendments to the Banking Handbook for permitting activities like issuance of Offshore Derivative Instruments on equities and corporate bonds, provision of Acquisition Finance by IBUs of foreign banks, etc.
- 3) The Authority has created a separate Division of Payment and Settlement Systems under the Department of Banking Regulation and Development to look into the matters concerning authorisation, prescribing policies, and framing guidelines for regulating and supervising all the payment and settlement systems and payment service providers in IFSC. The Division plans to issue the Payment and Settlement Systems Regulations and the Payment Services Regulations and create the necessary framework thereunder for licensing/authorisation of payments related systems and fintechs to be registered in IFSC as a payment system and/or service provider.



FINANCE COMPANIES

Finance Companies/Units (FCs/FUs) play a crucial role in providing non-banking financial intermediary services in the IFSC. These entities are permitted to carry out activities that are similar to those authorised for IBUs, with the exception of raising public deposits. This allows FCs/FUs to complement the services provided by IBUs in the realm of financial services. They are regulated by the IFSCA (Finance Company) Regulations, 2021 (FC Regulations) which outlines specific prudential, corporate governance and minimum owned fund requirements among others for FCs/FUs.

The primary intent of the regulations was to provide the entities to undertake non-banking business as well as to bring entities which were not covered under any specific regulation under the regulatory net. Accordingly, the FC Regulations adopted a combination of entity based and activity-based approach, wherein permissible activities were classified into core, non-core and specialised activities. Entities intending to undertake these activities were subject to different levels of prudential, corporate governance, capital requirements and other norms.

Subsequently, as the regulatory landscape evolved in the IFSC, a need was felt to ease/simplify the FC Regulations. Accordingly, IFSCA (Finance Company) (Amendment) Regulations, 2022, were issued on July 1, 2022.

Box 2.1: Salient features of IFSCA (Finance Company) (Amendment) Regulations, 2022

i) **Reclassification of permissible activities**

In the modified regulations, given the nature of the activities and the applicability of regulations, the erstwhile specialised activities have been included in core activities.

ii) **Registration requirements for FC/FU**

An explanation was added for the purpose of clarity, wherein an entity that has obtained a certificate of registration or authorisation for a specific activity under another framework or regulations, issued or notified by the Authority, shall not be required to seek a fresh registration under the regulations for carrying out the same activity.

iii) **Branch Route for GRCTC**

Global/Regional Corporate Treasury Centres are generally set up by large conglomerates. The entity needs to consolidate its operations so as to gain advantage of funds held at multiple jurisdictions. Further, based on the industry feedback it was felt that such entities would like to take advantage of its parent's balance sheet. Hence, GRCTC, though being a core activity, was enabled to be set up in the branch form.

iv) **Capital Inclusivity**

The concept of capital inclusivity has been introduced for entities undertaking a combination of core and/or non-core activities in line with the principle adopted in other IFSCA regulations. Accordingly, an entity carrying out multiple permissible activities under the FC regulations will have to maintain the higher of the minimum owned funds/net worth as prescribed for each individual activity.

v) **Permit investments by FC/FU undertaking non-core activities**

It permitted FCs/FUs to undertake investment activities for the purpose of liquidity and balance sheet management as part of its normal business operations, even if undertaking non-core activities.

Aircraft Leasing

A revised framework for Aircraft Leasing was issued by the Authority on May 18, 2022. The Framework enabled leasing of 'Aircraft Ground Support Equipment' in the IFSC. It also specified regulatory requirements for undertaking financial lease and/or hybrid of operating and financial lease of aircrafts and Aircraft Ground Support Equipment. Further, it broadened the scope of providing asset management support services so as to extend it to assets leased by the entity or by its wholly owned subsidiary without the need for separate authorisation.

Ship Leasing

The 'Framework for Ship Lease' was issued by the Authority on August 16, 2022. It is based on the suggestions of the Ship Acquisition, Financing and Leasing (SAFAL) committee report published on October 28, 2021, and the subsequent notification dated January 10, 2022, enabling ship lease as a financial product in IFSC. This Framework was amended in March 22, 2023, based on feedback received from the industry.

Box 2.2: Salient features of the 'Framework for Ship Lease'

- i) The Framework enables an entity to become a Ship Lessor in IFSC by registering itself as an FC/FU. This enables the entity to undertake operating lease, financial lease, and/or a hybrid of operating and financial lease of ships and/or ocean vessels including engines of ships and ocean vessels.
- ii) A broad definition is adopted for the purpose of identifying an 'ocean vessel', which is aligned with the SAFAL report recommendations, and includes ships (i.e. any watercraft, used or capable of being used in navigation by its own propulsion, in, above or under the water), boats, sailing vessels, fishing vessels, submersibles, semi-submersibles, hydrofoils, amphibious craft, Mobile offshore drilling units, inland vessels, and coasting vessel among others but excludes fishing or sailing crafts.
- iii) In addition to leasing activities, a ship lessor in IFSC can also provide asset management support services for assets owned or leased by the entity or any of its group entities in IFSC. Further, in order to enlarge the shipping ecosystem in IFSC, the Framework also enables voyage charter contracts, contracts of affreightments, employment in shipping pools, and other legal commercial transactions related to the employment of ships.
- iv) Ship lessors in IFSC are required to maintain a minimum owned fund of USD 0.2 mn for undertaking operating leases and USD 3 mn for financial leases and/or a hybrid of operating and financial leases.
- v) All ship lessors must comply with KYC, AML, and corporate governance requirements as set out in the FC Regulations, regardless of the type of lease they undertake.

Sustainable and Sustainability Linked Lending

The ‘Guidance Framework for Sustainable and Sustainability linked lending by Financial Institutions’ was issued on April 26, 2022. According to the framework, IBUs and FCs/FUs in the IFSC are required to develop a Board-approved policy, aligned with international principles/frameworks, for green/social/sustainable/sustainability-linked lending by March 31, 2023. Further, from April 1, 2023, IBUs and FCs/FUs that engage in lending as a permitted activity are required to direct at least five per cent of their gross loans and advances towards green/social/sustainable/sustainability-linked sectors/facilities.

ITFS Platforms

The Authority has issued the Framework for setting up of ‘International Trade Financing Services Platform (ITFS) for providing trade finance services at IFSC on July 9, 2021. The ITFS platforms are the first of its kind regulated platforms which provide trade finance services digitally to exporters/importers across the globe at competitive prices via a bidding mechanism. The trade financing services include import factoring, export factoring, reverse factoring, forfaiting, insurance/credit guarantee among others.

Trends and Transactions

The IFSC has been attracting an increasing number of entities interested in setting up Finance Companies (FCs) for various activities, including lending, factoring & forfaiting, leasing of aircrafts, ships among others. This interest is not limited to national entities but also includes large public sector undertakings and international entities.

In FY 2022-23, Certificate of Registration has been granted to 13 FCs for undertaking aircraft operating lease, two FCs for undertaking ship leasing, and four entities to commence their live testing in the regulatory sandbox. Further, provisional registration has been granted to two entities to set up as FCs for undertaking core activities in IFSC. The following figure outlines the growth in the Finance Companies (including Aircraft lease, Ship lease, ITFS entities) registered in IFSC:

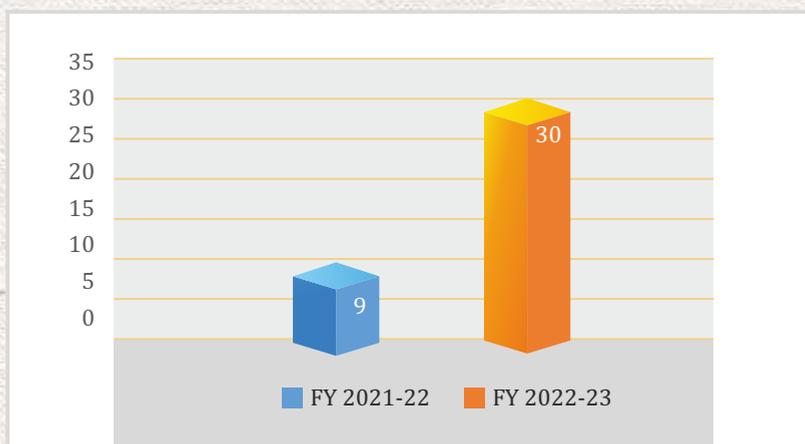


Fig 2.1: Growth in Finance Companies in IFSC

In addition to above, IFSCA has granted in-principle approval to two entities to set up as a finance company.

Advocacy and Outreach

Roadshows in collaboration with IFSCA

In the FY 2022-23, the Authority had granted registration to four ITFS entities for operating in the IFSC, namely Kredx Ventures IFSC Pvt. Ltd, Vayana IFSC Pvt. Ltd, RXIL Global IFSC Pvt. Ltd, and Mynd IFSC Pvt. Ltd for undertaking live transactions under the regulatory sandbox.

To generate awareness and promote the platforms, the entities held roadshows in Delhi-NCR, Ahmedabad, Chennai and Mumbai respectively, in collaboration with IFSCA and export promotion councils (EPCs) located in and around these regions. These regions were chosen in order to achieve widespread coverage.

During the roadshows the ITFS entities showcased the features, and demonstrated the functionality of their respective ITFS platforms. The events were attended by exporters, importers and financiers among others. These participants were also provided with an overview of the ITFS Framework issued by the Authority. Subsequently, panel discussions took place, featuring distinguished panelists including representatives from the IFSCA, industry and the EPCs. The panel discussed topics such as strengthening India's export sector, role of evolving regulatory framework for aiding exports among others.

The roadshows highlighted the potential of ITFS platforms in digitising the trade finance ecosystem. The significance of these platforms in India's goal of achieving a 5 trillion USD economy was also underscored. It was emphasised that achieving this target would require nearly 1 trillion USD in exports. Given that MSMEs contribute around 40% of India's exports, the role of the ITFS platform is vital as it enables MSMEs to access finance from global financiers at competitive rates through a transparent bidding mechanism. Recognising the potential of ITFS platforms in revolutionising export services, IFSCA shared its vision to position these platforms akin to Unified Payments Interface (UPI) for export services in India.

Considering the substantial participation and keen interest exhibited by participants on the ITFS platform during the roadshows, IFSCA intends to collaborate with the ITFS entities to host similar roadshows in Southeast Asian region in the near future.

Policies and programmes for the following year

- i) **Enabling lease of 'Aviation training simulation devices' in IFSC:** Similar to the enablement made for the lease of Ground Support Equipment in IFSC, the Authority intends to enable the lease of aviation simulation training devices to develop the aviation leasing and training ecosystem in IFSC. These devices include full flight simulators and flight training devices among others.
- ii) **Enabling Ship broking in IFSC:** Enabling ship broking services is aimed to facilitate the permissible activities of ship lessors in IFSC. Ship operating and financial lease activities are already permitted in IFSC under the 'Framework for Ship Lease', and the addition of ship broking services would facilitate the creation of a complete ecosystem for the shipping industry.
- iii) **Sharing of manpower or office space or both among group entities by Aircraft lessors in IFSC:** The Ministry of Commerce and Industry vide Gazette notification dated February 23, 2023, had inserted rule 21B in the SEZ Rules, 2006. This rule enables aircraft leasing unit in IFSC to utilise the office space or manpower or both of another unit in IFSC for the purpose of aircraft leasing, with the approval of the Authority. Pursuant to the above notification, the Authority intends to issue guidelines specifying the conditions and the process by which an FC/FU undertaking Aircraft Lease in IFSC may avail this facility.
- iv) **Framework for Holding Company in IFSC:** This framework would provide companies, particularly aircraft and ship lessors, with a clear understanding of how to manage their investments and subsidiaries through their holding company in IFSC, thus enabling ease of doing business.
- v) **Guidelines on change of management by FC/FU in IFSC:** The Authority intends to issue these guidelines to outline the conditions and reporting requirements that FCs/FUs need to adhere to for effecting any change in management beyond the threshold of 20 per cent of total share capital or of business decisions under an agreement which results in a change of control. Further, the guidelines would enable the Authority in carrying out due diligence of the new management and promote transparency and accountability in the financial sector.
- vi) **Handbook on FC/FU:** The Authority also intends to issue FC/FU Handbook by the end of the FY 2023-24. The handbook aims to consolidate all the existing regulations and provide detailed directions on the conduct of business, prudential guidelines, and other general guidelines to FCs/FUs.
- vii) **Exploring the possibility of Aviation simulation training institutes to be set up in IFSC:** The Authority intends to explore the possibility of enabling aviation simulation training institutes to set up in IFSC with a view to reduce the cost of aviation training and enable Indian pilots to train locally.

CAPITAL MARKETS

The role of capital market is to mobilise savings, facilitate investment, manage risk, allocate capital efficiently to support economic growth and development. The capital market serves as a crucial bridge between savers and investors. There are several types of securities in capital market such as equity shares, debt instruments, convertible securities, units of funds, derivatives, etc.

The capital market in IFSC has the potential to be the gateway to channelise 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 financing, 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.

Since October 2020, IFSCA has notified the following regulations relating to securities market activities in the IFSC:

- a) IFSCA (Market Infrastructure Institutions) Regulations, 2021
- b) IFSCA (Issuance and Listing of Securities) Regulations, 2021
- c) IFSCA (Capital Market Intermediaries) Regulations, 2021
- d) IFSCA (Fund Management) Regulations, 2022

The Authority aims to benchmark regulations with the best practices in other jurisdictions and to facilitate ease of doing business in IFSC.

Market Infrastructure Institutions

The stock exchanges, clearing corporations and depositories (collectively referred as market infrastructure institutions) are the most important institutions in the capital markets and they provide the necessary infrastructure for listing, trading, clearing and settlement of securities. These market infrastructure institutions (MIIs) are therefore critical institutions for the overall development and regulation of the capital markets in the IFSC.

Stock Exchanges

As on March 31, 2023, there are two international stock exchanges operational in IFSC namely, India International Exchange (IFSC) Limited (India INX) and NSE IFSC Limited (NSE IFSC) and one bullion exchange, India International Bullion Exchange (IFSC) Limited (IIBX).

During the year, the Authority renewed the annual recognition to NSE IFSC for the period May 29, 2022 to May 28, 2023 and India INX for the period December 29, 2022 to December 28, 2023.

Clearing Corporations

As on March 31, 2023, 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 renewed the annual recognition to NICCL for the period May 29, 2022 to May 28, 2023 and India ICC for the period December 29, 2022 to December 28, 2023.

Depository

As on March 31, 2023, India International Depository (IFSC) Limited (IIDI) is the sole depository functional in IFSC which acts as the record keeper for securities including Bullion Depository Receipts.

Circulars/Guidelines

Market Access through Authorised Persons appointed in India

In October 2020, the Authority had permitted registered broker dealers of the stock exchanges to provide market access to investors through Authorized Persons based in foreign jurisdictions. However, based on the representations from market participants, with a view to expand the depth and reach of the capital markets in IFSC and enable access to resident Indian investors through Liberalized Remittance Scheme (LRS) route, the Authority, vide circular issued in April 2022, permitted the broker dealers to appoint Authorized Persons in India.

Amendment to Liquidity Enhancement Scheme

The Authority issued the guidelines for Liquidity Enhancement Scheme (LES) in IFSC in March 2022. Based on the representations received from stock exchanges in IFSC, the Authority amended these LES guidelines in September 2022, granting the authority to the governing board of stock exchanges for annual approval of the scheme. Further, to maintain liquidity, stock exchanges have been permitted to introduce LES on any security even beyond a period of five years.

Committees at Market Infrastructure Institutions in IFSC

The Authority vide circular dated June 28, 2022, mandated the MIIs to constitute the following committees:

- (a) Functional Committees, comprising:
 - i) Member Selection Committee
 - ii) Investor Grievance Redressal Committee
 - iii) Nomination and Remuneration Committee
- (b) Oversight Committees, comprising:
 - i) Standing Committee on Technology
 - ii) Advisory Committee
 - iii) Audit Committee
 - iv) Regulatory Oversight Committee
 - v) Risk Management Committee

The Authority also specified the functions and detailed composition of the above mentioned Committees.

Guidelines for Business Continuity Plan and Disaster Recovery Site for MIIs

As part of the operational risk management, MIIs in IFSC have been mandated to put in place Business Continuity Plan (BCP) and Disaster Recovery Site (DRS) to maintain data and transaction integrity. Apart from DRS, all MIIs need to have a Near Site (NS) to ensure zero data loss. MIIs have also been advised to prepare BCP-DR policy approved by the governing board of MIIs which *inter-alia* should include:

- Broad scenarios that would be defined as a disaster for an MII.
- Standard operating procedure to be followed in the event of a disaster.
- Escalation hierarchy within the MII to handle the disaster.
- Clear and comprehensive communication protocols and procedures for both internal and external communications from the time of incident till resumption of operations of the MII.
- Documentation policy on record keeping pertaining to DR drills.

Refund of security deposit to broker dealers on surrender of membership

In case of surrender of registration of broker dealers, the stock exchanges have been mandated to release security deposit of the broker dealer after twelve months from the date of approval of surrender application by the Authority (if the broker dealer is engaged in trading on behalf of clients).

However, in the case of broker dealers engaged only in proprietary trading for the last three years prior to the date of application of surrender, stock exchanges must refund security deposit after six months from the date of approval of surrender application by the Authority.

Monthly Development Report and the Monthly Activity Report

Stock exchanges in IFSC have to submit the Monthly Development Report (MDR) and the Monthly Activity Report (MAR) on a monthly basis. The Authority vide circular dated December 14, 2022, revised the format as per the applicable requirements in IFSC. Stock exchanges are required to submit the MAR and MDR in the revised format within 10 days from the close of each month from January 2023 onwards.

NSE IFSC - SGX Connect

The NSE IFSC-SGX Connect was launched on July 29, 2022, by the Hon'ble Prime Minister of India. During the launch, Hon'ble Prime Minister highlighted role of IFSCA, *"IFSCA will not only become an enabler but will also support innovation and will also act as a catalyst for growth opportunities. This is being started today through the launch of NSE IFSC- SGX Connect in GIFT City."*

The Connect aims to bring together international and IFSC participants to create a bigger liquidity pool for Nifty products in GIFT IFSC. SGX has set up a subsidiary SGX India Connect IFSC Private Limited (SGX-ICI) in GIFT IFSC to act as a pass-through entity for orders routed through SGX. SGX-ICI is registered as a trading and self clearing member with the Authority.

All the Negotiated Large Trades (NLTs) in SGX Nifty derivatives are currently being reported to NSE IFSC via the Connect. NLTs represent approximately 15 per cent of the total Nifty derivatives volume on SGX.

A joint press release by NSE IFSC and SGX, with respect to full scale operation of the Connect, highlighted that the migration of trading of the NIFTY futures contracts from SGX to NSE IFSC is targeted by the end of second quarter of 2023.

Capital Market Intermediaries

To create an overall ecosystem for smooth functioning of capital market, IFSCA has enabled the regulatory framework for various categories of capital market intermediaries in the IFSC such as broker dealers, clearing members, depository participants, custodians, investment bankers, debenture trustees, investment advisors, etc.

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 3.1: Trading Members in IFSC (as on March 31, 2023)

Stock Exchanges	No. of Trading Members
India INX	58
NSE IFSC	57

Source: India INX and NSE IFSC

Clearing Members

A clearing member is an intermediary that is responsible for clearing and settlement of all deals executed by a broker dealer/trading member.

Table 3.2: Clearing Members in IFSC (as on March 31, 2023)

Clearing Corporation	No. of Self-Clearing members	No. of Trading Cum Clearing members	No. of Professional Clearing Members
India ICC	5	9	2
NICCL	7	9	2

Source: India ICC and NICCL

Depository Participants

A Depository Participant (DP) is a participant of a recognized depository and acts as an intermediary between the depository and the investor. As on March 31, 2023, there are eight DPs registered with the Authority out of which four entities were granted registration during FY 2022-23.

Custodians

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, 2023, there are five custodians registered with the Authority out of which one entity has been granted registration during FY 2022-23.

Debenture Trustees

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. As on March 31, 2023, there are three debenture trustees registered with the Authority, out of which two entities have been granted registration during FY 2022-23.

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, 2023, there are six investment advisers registered with the Authority, out of which one entity has been granted registration during FY 2022-23.

Investment Bankers

The Authority vide circular dated December 3, 2021, permitted a banking unit licensed by the Authority to undertake investment banking activities in IFSC, subject to the conditions mentioned in the circular. As on March 31, 2023, there is one IBU authorized to undertake investment banking activities in the IFSC.

Trends and Transactions

Turnover on Stock Exchanges

The turnover (including value of premium in case of options) on the stock exchanges in IFSC increased to USD 447 Bn during FY 2022-23 compared to USD 219 Bn of FY 2021-22, increasing by approximately 104 per cent.

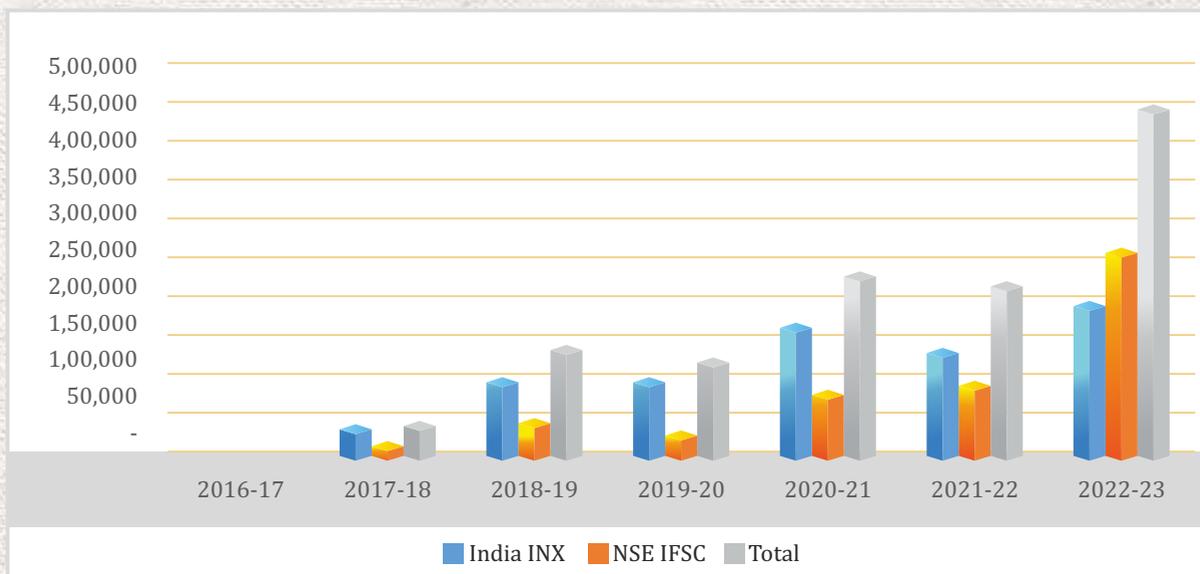


Fig 3.1: Year-wise Turnover of Stock Exchanges in IFSC (in USD Mn)

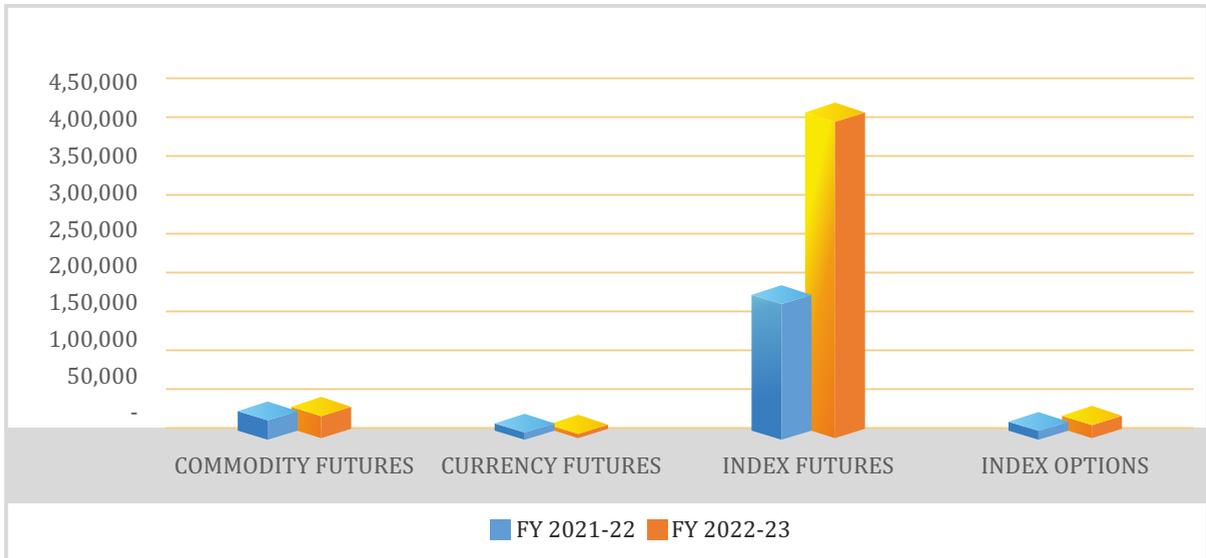


Fig 3.2: Contract-wise Turnover of Stock Exchanges in IFSC (in USD Mn)

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 four Indices which are, NIFTY 50 Index, NIFTY BANK Index, NIFTY FINANCIAL Services Index and NIFTY IT Index.

Index Futures: Turnover in index futures grew by 124 per cent in FY 2022-23 compared to FY 2021-22. During the same period, the number of contracts grew by 94 per cent.

Table 3.3: No. of Contracts and Turnover in Index Futures

Financial Year	No. of Contracts		Turnover (USD Mn)	
	India INX	NSE IFSC	India INX	NSE IFSC
2021-22	5,515,681	2,488,692	96,461	83,707
2022-23	8,161,501	7,397,074	148,374	254,965

Source: India INX and NSE IFSC

Index Options: Turnover in index options grew by 33 per cent in FY 2022-23 compared to FY 2021-22. During the same period, the number of contracts traded grew by 16 per cent.

Table 3.4: No. of Contracts and Premium Turnover in Index Options

Financial Year	No. of Contracts		Premium Turnover (USD Mn)	
	India INX	NSE IFSC	India INX	NSE IFSC
2021-22	145,295,033	4,793,400	7,121	310
2022-23	173,297,387	724,776	9,695	188

Source: India INX and NSE IFSC

Commodity Derivatives

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

Table 3.5: Commodity Derivatives available for trading on IFSC Exchanges

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

The turnover in gold derivatives has increased by 16 per cent in the FY 2022-23 as compared to FY 2021-22 while the number of contracts has increased by 10 per cent during the same period.

Table 3.6: No. of Contracts and premium turnover in Gold derivatives

Financial Year	No. of Contracts		Premium Turnover (USD Mn)	
	India INX	NSE IFSC	India INX	NSE IFSC
2021-22	445,898	57,199	26,195	1,005
2022-23	552,439	-	31,632	-

Currency Derivatives

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

Table 3.7: Currency Derivatives

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

The turnover in currency derivatives has decreased in the financial year 2022-23 as shown below:

Table 3.8: No. of Contracts and Premium Turnover in Currency Derivatives

Financial Year	No. of Contracts		Premium Turnover (USD Mn)	
	India INX	NSE IFSC	India INX	NSE IFSC
2021-22	215,886	67,114	2,899	1,722
2022-23	133,711	26,007	1,662	645

Overall, the turnover at the stock exchanges across all products in IFSC has increased by 104 per cent in FY 2022-23 from FY 2021-22.

Listing of Debt Securities

As on March 31, 2023, the cumulative listing of all debt securities on the recognised stock exchanges in the IFSC is USD 50.6 Bn. During FY 2022-23, around USD 5.36 Bn of debt securities have been listed on the stock exchanges in IFSC, out of which primary listings are of USD 1.9 Bn.



Image 3.1: Listing Ceremony of India Exim Bank's USD 1 Bn, 10-year Sustainability Bond on March 3, 2023.

Table 3.9: List of debt issuances in FY 2022-23

S. No.	Name of Issuer	Debt Securities Listed (USD Mn)
1	ICICI Bank	1,950
2	Power Finance Corporation Limited	300
3	Power Finance Corporation Limited (Green Bond)	400
4	REC Limited	300
5	REC Limited (Green Bond)	450
6	Cholamandalam Investment and Finance Company	56
7	India EXIM Bank	1,000
8	HDFC Bank	750
9	Shriram Finance	150
Total		5,356

Advocacy and Outreach

IOSCO Annual Meeting 2022

IFSCA is an associate member of IOSCO with effect from December 2020. As member of IOSCO, the IFSCA delegation participated in the various meetings/ events of the IOSCO Annual Meeting 2022 held in Marrakech, Morocco during October 17-19, 2022.

IFSCA held bilateral meetings on the sidelines of the IOSCO Annual meeting with regulators of several jurisdictions, including Singapore, Hong Kong, Abu Dhabi Global Markets, Dubai International Financial Centre and Mauritius. The purpose of the meeting was to discuss developments at their respective jurisdictions and potential areas for collaborations between the regulators.

IOSCO MMoU

IFSCA has become a signatory to the IOSCO Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information (MMoU) on August 3, 2022.

The MMoU represents a common understanding among its signatories of how they should consult, cooperate, and exchange information for the purpose of regulatory enforcement regarding securities markets.

The MMoU provides securities regulators with the tools for combating cross-border fraud and misconduct that can weaken global markets and undermine investor confidence. It also sets out specific requirements regarding the confidentiality of the information exchanged and ensures that no domestic banking secrecy laws, blocking laws or regulations will prevent securities regulators from sharing this information with their counterparts in other jurisdictions.

The MMoU would enhance cross-border enforcement and cross-border connect of the Authority with other foreign jurisdictions. IFSCA will now be able to exchange information with the regulators of securities markets of more than 125 jurisdictions for enforcement and ensuring compliance with the securities laws. Further, the MMoU will also play an important role in implementing various cross-border initiatives of IFSCA.

IFSCA participated in the MMoU signing ceremony held during the IOSCO Annual Meeting at Marrakech in October 2022.



Image 3.2: Shri Injeti Srinivas, Chairperson, IFSCA at the IOSCO MMoU Signing Ceremony

IOSCO World Investor Week 2022

World Investor Week (WIW), 2022 is a week-long global campaign promoted by IOSCO to raise awareness about the importance of investor education and protection and to highlight various initiatives of securities regulators. As a member of IOSCO, IFSCA celebrated the World Investor Week 2022 on the theme related to sustainable finance and investor resilience during the week starting from October 10, 2022. The two stock exchanges in GIFT IFSC, namely India INX and NSE IFSC, actively took part in the celebrations. A series of events and activities were organized as part of the celebrations that included opening bell ringing ceremony, webinar, virtual conference, capacity building workshop, social media campaign, sustainability pledge campaign and closing bell ceremony. Details about some of the key events are as follows:

- a) *Opening Bell Ringing Ceremony:* Executive Director, IFSCA and MD & CEO, India INX rang the opening bell at India INX, on October 10, 2022, to commence the celebration of IOSCO World Investor Week 2022.



Image 3.3: Shri Praveen Trivedi, Executive Director, IFSCA at the opening bell ceremony of IOSCO WIW 2022

- b) *Webinar in coordination with India INX:* India INX conducted a webinar on October 11, 2022, on the subject “*Opportunities for Indian Investors in Global Stocks in GIFT IFSC.*” The representatives from IFSCA and India INX participated in the webinar. During the webinar, the various measures taken by IFSCA for development and regulation of capital market ecosystem in the IFSC were highlighted.
- c) *Virtual Round Table Conference:* NSE IFSC organised a virtual round table conference on October 12, 2022 on the subject “*Role of International Financial Centres in Sustainable Investing.*” The panel consisted of representatives from IFSCA, educational institutes and the financial services industry. During the course of discussion, the importance of robust and internationally recognized ESG standards and disclosures in the scaling of sustainable finance was highlighted. The discussions included topics such as carbon markets, social bonds, impact funds, role of philanthropic money in supplementing commercial capital, capacity building etc.
- d) *Closing Bell Ceremony:* Executive Director, IFSCA participated in the closing bell ringing ceremony to mark the closure of the IOSCO World Investor Week 2022. On this occasion, Executive Director, IFSCA highlighted the various opportunities and the initiatives taken by IFSCA towards developing GIFT IFSC as a global hub of sustainable finance. He also encouraged the various stakeholders to incorporate an element of ESG across various verticals in the financial system.



Image 3.4: Shri Dipesh Shah, Executive Director, IFSCA participated in the closing bell ceremony of IOSCO WIW 2022.

IOSCO Asia-Pacific Regional Committee (APRC) Meeting

APRC is one of the four regional committees constituted by IOSCO to focus on regional issues relating to securities regulation in the Asia-Pacific region. The IFSCA Delegation participated in the IOSCO APRC Meeting held in Bangladesh during February 22-23, 2023.

IOSCO Training Programs

IFSCA participated in various training programmes organized by IOSCO for capacity building of officers involved in development and regulation of securities markets, including cyber resilience, sustainable finance, fintech, use of technology in enforcement, market infrastructures, etc.

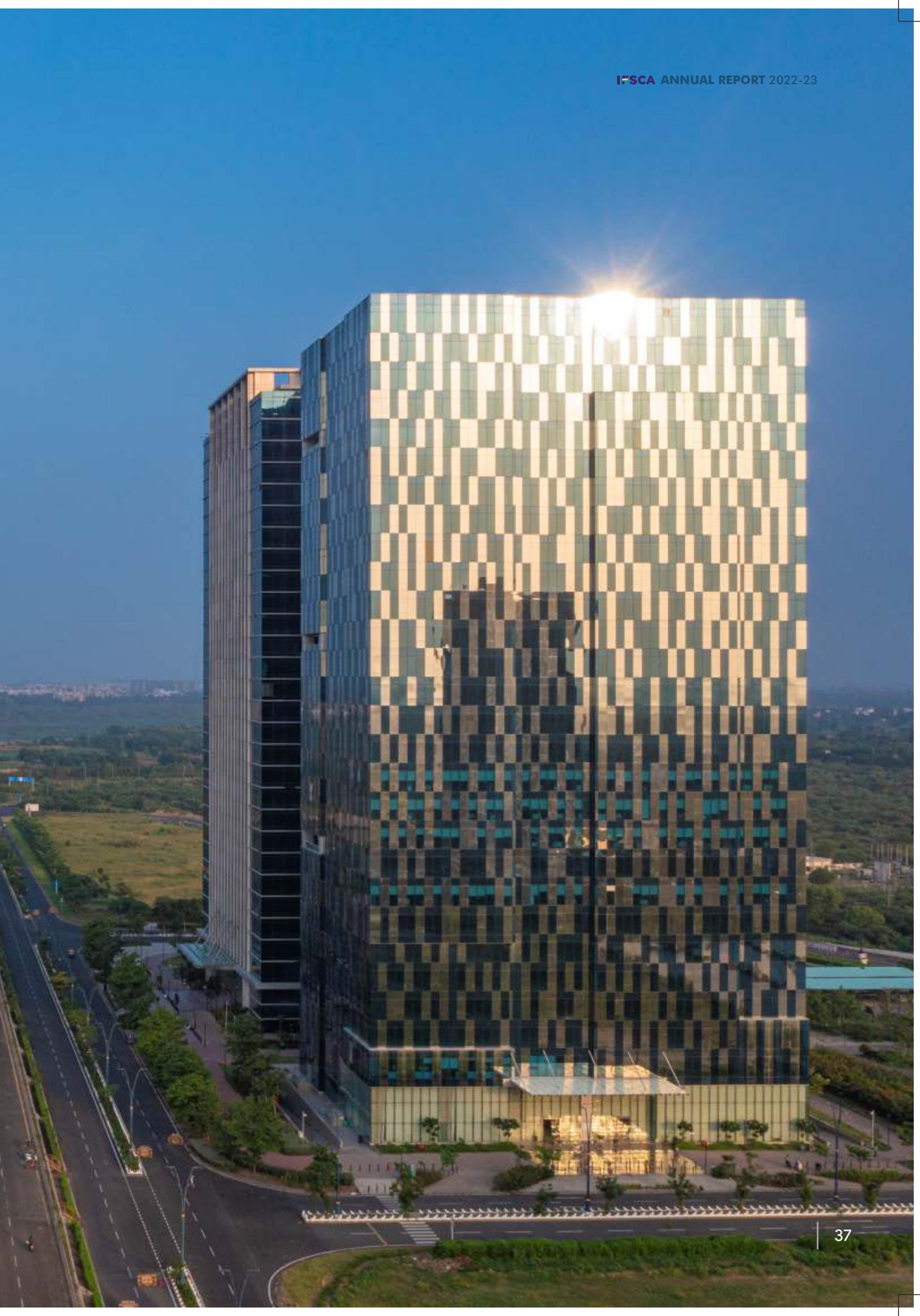
Research: Working papers, Research reports, Assessment & Prospects

Issuance of share capital of IFSC companies in freely convertible foreign currency

MCA constituted a Working Group to examine and make recommendations on necessary amendments in Companies Act 2013 (CA-13), rules made thereunder and Accounting Standards, for enabling IFSC companies to issue their share capital in freely convertible foreign currency (FCFC).

The key recommendations are as under:

- a) The capital structure of the IFSC companies may be enabled in FCFC, to begin with, in USD. This can be facilitated by amending CA-13.
- b) The IFSC companies should prepare and maintain their books of accounts and present financial statements in the same foreign currency. The same foreign currency should also be used as the currency of disclosures for various filings under CA-13.
- c) The submission of various forms by IFSC companies may be enabled in freely convertible foreign currency in online system (E-portal system of MCA).
- d) There are several references of INR in CA-13 and the Rules issued thereunder with respect to fees, penalties, and fine related provisions. The Working Group observed that there may not be any need to amend such provisions and accordingly, recommended that these provisions can continue in INR.
- e) The applicability of certain provisions of CA-13 depends on certain thresholds/limits which have been defined in the Act and Rules made thereunder and such thresholds are denominated in INR terms. The Group recommends that while thresholds/limits in CA-13 and Rules may continue to be in INR, there is a need to have a general provision requiring conversion of FCFC to INR for IFSC companies, for the purposes of reckoning these thresholds.
- f) Considering the difficulty to develop forms in multiple currencies; to begin with, most used currency internationally, i.e., the USD may be taken as base currency for reporting by IFSC companies.
- g) The existing IFSC companies may convert their share capital from INR to USD by shareholders' approval of the capital restructuring plan through special resolution, followed by intimation to IFSCA and then filing the same with Registrar of Companies, without going through the rigour of section 61 of CA-13. MCA may come out with necessary legal framework in this regard.
- h) The transition of these IFSC companies may be kept optional. However, no existing IFSC Company may be permitted to issue any further share capital (including rights, bonus, etc.) without converting their share capital into FCFC.





FUND MANAGEMENT

With a view to develop GIFT IFSC as a preferred jurisdiction for global fund management industry, the Authority notified the Fund Management Regulations in April 2022. The regulations, based on global best practices, facilitate innovation and promote ease of doing business in IFSC.

Earlier, pooling of global capital for investments into India was predominantly set up through funds in overseas financial jurisdictions. Now, with an enabling regulatory framework in place, supported by a competitive tax regime and the benefit of lower cost of operations, the GIFT IFSC has rapidly emerged as a preferred jurisdiction for pooling of global capital.

The IFSCA (Fund Management) Regulations, 2022

The regulations provide for unified registration to the Fund Management Entities (FMEs) and permit them to undertake a host of fund management activities. The regulations provide for registration of FMEs under three categories:

i) Registered FME (Retail)

Under this category, FMEs can cater to retail investors as well as non-retail investors by offering a wide array of fund management related products and services, such as retail schemes (including Exchange Traded Funds), non-retail schemes (Alternative Investment Funds), Venture Capital Schemes, Portfolio Management Services, etc.

ii) Registered FME (Non-Retail)

This category is meant for FMEs which intend to manage funds or provide Portfolio Management Services to accredited investors or to investors investing at least USD 150,000. Accordingly, the eligibility requirements for this category are less onerous as compared to Registered FME (Retail).

iii) Authorised FME

A special category with light-touch registration is accorded to such FMEs that intend to invest only in unlisted securities of start-ups through a Venture Capital Scheme, and cater exclusively to accredited investors or to investors investing at least USD 250,000.

The three registration categories for FMEs, based on the risk potential of the activities permitted, also determine the regulatory requirements applicable to them.

The detailed eligibility and regulatory requirements for FMEs, Retail Schemes, Non-Retail Schemes, Venture Capital Schemes, Portfolio Management Services, and Investment Trusts have been prescribed under the regulations.

Policy Developments during the year

1) Framework for Angel Funds in IFSC

Angel Funds bridge the gap between start-ups and angel investors, who are instrumental in providing mentorship, and resources to the start-ups. In recognition of the same, the Authority has issued a framework for Angel Funds vide circular dated July 1, 2022, under the IFSCA (Fund Management) Regulations, 2022.

Box 4.1: Regulatory Framework for Angel Funds in IFSC

With a view to further supplement the fund management ecosystem in IFSC and promote investments in start-ups, a separate framework for Angel Funds was instituted in July 2022 under IFSCA (Fund Management) Regulations, 2022.

The Angel Funds are positioned to bridge the gap between early-stage start-ups and angel investors and provide the investors a professionally managed route to create a diversified portfolio of start-up investments, where the investors continue to have discretion over their investment decisions.

An FME in IFSC will be able to launch an Angel Fund by filing a placement memorandum with the Authority under a Green Channel, i.e., the schemes can open for subscription by investors immediately upon filing of the placement memorandum with the IFSCA. These funds are required to accept investments from accredited investors or from investors who are willing to commit at least USD 40,000 over 5 years. The Angel Funds in IFSC are permitted to invest in start-ups as well as other regulated angel schemes in IFSC, India or foreign jurisdictions upon receiving consent from the desirous investors.

2) Norms for Disclosures by FMEs for Environmental, Social or Governance (ESG) Schemes

As fund management industry is expected to play a crucial role in the growth of ESG driven investments in IFSC, detailed norms for disclosures by the FMEs for various ESG-driven schemes launched by them, were specified on January 18, 2023. This measure is expected to

promote consistency, comparability and reliability in disclosures concerning ESG schemes and ensure that ESG schemes in IFSC are true to their label. Further, norms have also been prescribed for ongoing monitoring and performance evaluation of the ESG Schemes. The disclosure norms are principle-based and are largely aligned with international best practices. Moreover, in order to set regulatory expectations, the Authority has also provided detailed guidance notes and illustrations.

3) Compendium of Frequently Asked Questions published on the Authority's Website

As a measure to ease the process of setting up of investment funds in IFSC, a compendium of Frequently Asked Questions (FAQs) has been published on the Authority's website on December 9, 2022, for dissemination of information to the market participants, especially those who are at the initial stages of setting up their operations in IFSC. The compendium comprises of 141 FAQs, which have been structured under 11 sections and provide details regarding salient aspects of the IFSCA (Fund Management) Regulations, 2022 and various circulars issued thereunder.

4) Facilitating Sovereign Wealth Funds to set up FMEs in GIFT IFSC

Sovereign Wealth Funds by their very nature represent the interest of a State and benefit a country's economy and its citizens. In order to facilitate such funds to set up their FMEs in GIFT IFSC for management of their own assets, a clarification was issued to remove certain difficulties in contributing capital (initial and ongoing) faced by such funds, given their unique nature and mandate.

5) Facilitating setting up of Family Investment Funds in GIFT IFSC

Family offices have been rapidly emerging as a preferred vehicle for wealthy families to manage and preserve their wealth. World over, family offices have also become important pools of capital for investments in start-ups. Accordingly, a framework to facilitate self-managed investment fund of a family office was enshrined in the IFSCA (Fund Management) Regulations, 2022. In furtherance of its endeavour to position GIFT IFSC as the preferred jurisdiction for pooling of such wealth, certain clarifications concerning participation by family-controlled entities, sharing of economic interest with employees, setting up of additional pooling vehicles, declaration by family members, etc., were issued to remove difficulties faced by the family offices in setting up their operations in GIFT IFSC.

6) Norms for handling of client funds by FMEs providing Portfolio Management Services

The IFSCA (Fund Management) Regulations, 2022 provide for Portfolio Management Services in IFSC and permit Registered FMEs (Retail and Non-Retail) to offer these services to their clients. The FMEs providing Portfolio Management Services in IFSC are permitted to accept client funds in a dedicated bank account in a Banking Unit in IFSC. This flexibility offers operational convenience to the FME as it is required to manage only a single bank account for all investments and maintain the records thereof. However, this provision deterred certain type of potential clients from availing Portfolio Management Services of FMEs. Therefore, an amendment to this provision has been approved by the Authority in its meeting held in March 2023.

7) Framework for Distribution of Capital Market Products and Services

The Authority, in furtherance of its mandate to develop and regulate financial products, financial services and financial institutions in the IFSC, has issued a regulatory framework for distribution of capital market products and services under IFSCA (Capital Market Intermediaries) Regulations, 2021 vide circular dated December 21, 2022.

Box 4.2: Regulatory Framework for Distribution of Capital market Products and Services

Distributors play a crucial role of connecting the providers of capital market products and services with the buyers of these products and services. The importance of distribution function is even more pronounced in the investment funds industry as world over fund managers generally utilise the services of third-party distributors to market their products and services to a wider clientele.

Therefore, with a view to further expand the fund management ecosystem and facilitate a new set of activities within IFSC, a regulatory framework for distribution activities has been specified under IFSCA (Capital Market Intermediaries) Regulations, 2021.

Once registered with the Authority, these distributors are permitted to undertake global distribution from IFSC and offer their services to clients in various jurisdictions.

Further, in order to protect the interest of clients of the distributors, the framework also provides for a detailed code of conduct including an advertisement code and other obligations as applicable to a distributor. It also identifies the responsibilities of issuers and service providers in IFSC which avail the services of distributors to market their products and services.

Trends and Transactions

Fund Management

As on March 31, 2023, there are 65 FMEs registered with the Authority, wherein the largest number of registrations have been observed in the Registered FME (Non-Retail) category. These FMEs have collectively raised commitments in excess of USD 13 Bn across different types of schemes permitted under the IFSCA (Fund Management) Regulations, 2022.

Table 4.1: No. of FMEs registered as on March 31, 2023

Particulars	Numbers
<i>No. of Registered FME (Retail)</i>	4
<i>No. of Registered FME (Non-Retail)</i>	57
<i>No. of Authorised FME</i>	4
Total Number of FMEs	65

Table 4.2: No. of schemes approved as on March 31, 2023

Particulars	No. of Schemes Registered	Commitments Raised (In USD Mn)
Venture Capital Schemes	3	260.75
<i>of which, Angel Schemes</i>	2	60.75
Restricted Schemes	47	12,974.2
<i>Category I & II AIFs</i>	24	10,607
<i>Category III AIFs</i>	23	2367.2
Total Schemes in IFSC	50	13,234.95

Portfolio Management Services

The IFSCA (Fund Management) Regulations, 2022 provide that FMEs which are registered under the categories of Registered (Retail) and Registered (Non-Retail) may also provide Portfolio Management Services. There are 9 such FMEs which provide these services in IFSC and manage assets worth USD 413.39 Mn.

Advocacy and Outreach



Image 4.1: Shri Praveen Trivedi, Executive Director, IFSCA at Fireside Chat during IVCA Conclave 2023

IFSCA delegation participated in the IVCA Conclave 2023, and gave an overview on opportunities for Funds in GIFT IFSC, highlighting various measures under its Fund Management Regulations towards ease of doing business, facilitating innovations and promoting transparency.



INTERNATIONAL BULLION EXCHANGE

"India is a very big market in the field of gold and silver today. But, should that be the only identity of India? The identity of India should also be that of a market maker. IIBX is an important step in this direction. This will help our players in the gold industry, especially jewellers to expand, paving the way for new opportunities for them. They will be able to buy bullion directly, in a transparent manner, and will also be able to participate in international price discovery. In addition, IIBX will also provide opportunities to trade in gold directly through the exchange. As the gold trading market becomes organized, the demand for gold in India will also impact and determine the gold prices."

- Hon'ble Prime Minister, Shri Narendra Modi, at the launch of IIBX

Gold is one of the most essential metals in the precious metals industry. It is bought by a diverse set of consumers and investors across the globe. The major demand sectors for gold include jewellery, investment, central bank reserves and technology. Gold jewellery represents the largest source of annual demand for gold. Although this trend has declined over recent decades, it still accounts for around 50 per cent of total global gold demand.²² Over the years, gold has been recognised as a reliable, tangible, and long-term store of value, making it an attractive avenue for the Central Banks to hold it as a medium of reserves. Gold also has a wide spectrum of application in the technology industry, majorly in the electronics sector.

India is one of the world's largest gold bar and coin markets. The gold industry is an integral part of the Indian economy with its demand being driven by the country's rising prosperity. The country's culture places a high value on gold, which is regarded as a symbol of wealth, prestige and is an important part of numerous rituals.

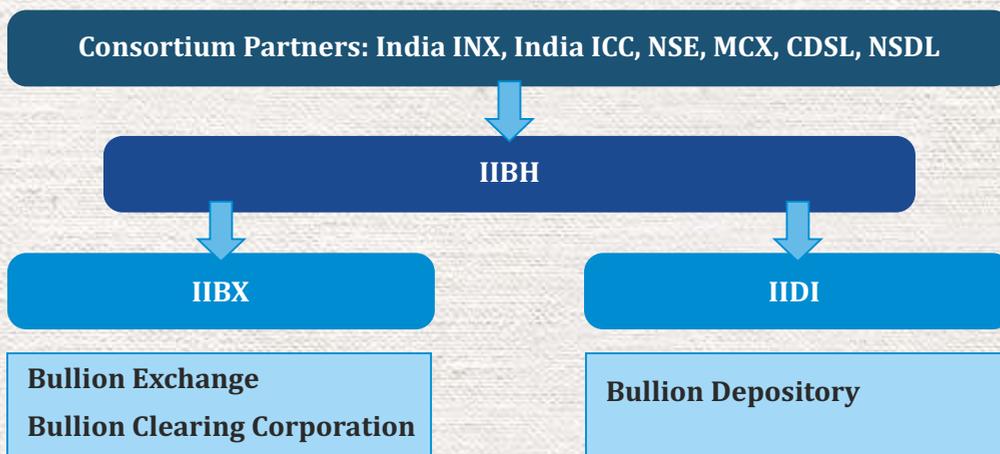
²² World Gold Council

Gold imports in India in FY 2022-23 were USD 35.01 Bn. As per the Gold Demand Trends report by the World Gold Council (WGC), for the year 2022, Indian gold demand remained robust compared with longer term pre-pandemic levels. Demand of gold in the jewellery sector for the year 2022 was 600 tonnes which was in line with the annual average over the 10-year period preceding COVID-19 pandemic, despite high and rising local gold prices. The investment in Bars and Coins in the year 2022 was 173 tonnes.²³

India International Bullion Exchange

NITI Aayog report titled ‘Transforming India’s Gold Market’ (February 2018) recommended, among other things, setting up a bullion exchange in GIFT IFSC that can be an additional option in the choice of venue for trade for global market participants and become the primary intermediary for all gold imports and exports of India. The exchange can create a vibrant marketplace that helps in price discovery, with potential for India to become the price setter in the global gold market.

The Hon’ble Union Finance Minister, in her budget speech in 2020, announced the setting up of an International Bullion Exchange at IFSC. The schematic of the current Bullion Ecosystem in IFSC is as below:



Role of IIBX

- Provides transparent electronic trading platform for Bullion trade in IFSC
- Democratic pricing mechanism
- Direct access to Qualified Jeweller to import gold
- Greater integration with other segments of financial markets
- Greater business opportunities

²³ World Gold Council-Gold Demand Trends Report

Provides access to international markets

Price influencer in the international market

Provides world class vaulting facility in IFSC

Launch of India International Bullion Exchange

India International Bullion Exchange (IIBX) has been formed with the intent of developing India as a vibrant gold trading hub, for the national and international market. The idea behind IIBX is to develop a transparent Exchange model to determine the price of various precious metals within the country, thus making India a price setter rather than a price taker. Towards this step, IIBX has been operationalised.

The trial run for IIBX commenced on April 18, 2022. IIBX was formally launched by the Hon'ble Prime Minister of India on July 29, 2022. Highlighting the importance of IIBX, he stated, "Today India is one of the largest economies of the world. Therefore, in the future when our economy will be much bigger than it is today, we have to prepare for it now as it is bound to grow. For this, we need institutions that can cater to our present and future roles in the global economy. India International Bullion Exchange - IIBX is a step in this direction."

During the Financial Year 2022-23, a total of 411 kgs of gold was imported through IIBX with a total value of USD 22,465,529.

Products on IIBX

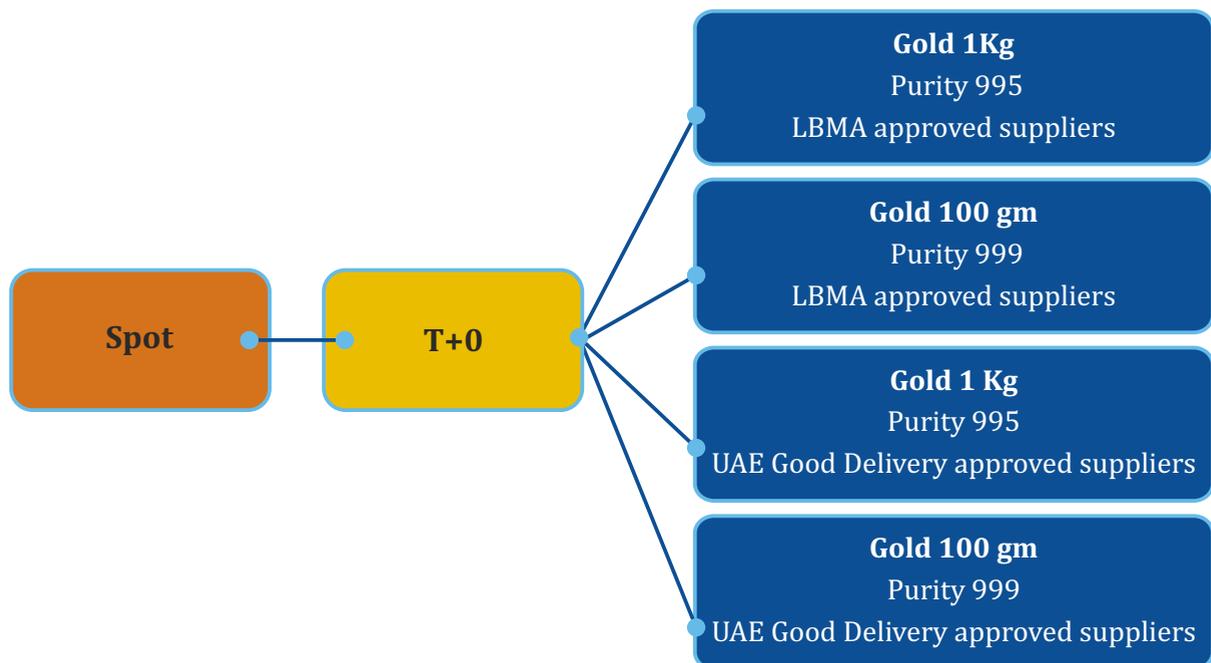


Fig 5.1: Products available for trading on IIBX

The abovementioned UAEGD Gold 995 purity and UAEGD Gold 999 purity products have also been extended to Tariff Rate Quota (TRQ) holders for the purpose of imports under India-UAE CEPA. Suitable and adequate safeguards have been put in place to ensure that the conditions, such as the requirement of Certificate of Origin from UAE's Ministry of Economy, specified under the India-UAE CEPA are complied with by the sellers and the buyers. Only TRQ holders can import as per the pre-approved quota allotted by the DGFT.

Structure

Exchange and Clearing Corporation

India International Bullion Exchange IFSC Limited (IIBX) is registered with the Authority as a Bullion Exchange & Clearing Corporation. The role of IIBX is to provide trading platform that offers trading in products related to bullion. As a Clearing Corporation, IIBX is responsible for clearing and settlement of all the trades.

Depository

IIDI (previously known as CDSL IFSC Ltd) has been designated as Bullion Depository. IIDI is responsible for the issuance of the Bullion Depository Receipt (BDR) in electronic form for trading on the Bullion Exchange. It is also responsible for ensuring that the vault manager has the systems, mechanism, and related IT infrastructure to provide encrypted transmission of information to the bullion depository and system-based reconciliation of data between the vault manager and bullion depository.

Vaulting Infrastructure

The vaulting infrastructure in IFSC aims to cater to the expected growth of the bullion trading capacity in the years to come. Accordingly, the Authority has granted registration to three Vault Managers, of which two registrations have been granted in financial year 2022-23. The total vaulting capacity of the vault managers is 420 MT of gold and 2200 MT of silver.

Bullion Market Intermediaries

The Trading Members (TMs) and Clearing Members (CMs) from the existing stock exchanges at IFSC are eligible to be grandfathered as members of the Bullion Exchange and Bullion Clearing Corporation (IIBX).

The number of entities registered as Bullion Market Intermediaries in the capacity of Bullion Trading member (Bullion TM), Bullion Trading and Clearing member (Bullion TMCM), Bullion Trading cum Self Clearing Member (Bullion TSCM) and Bullion Professional Clearing member (Bullion PCM) as on March 31, 2023, are given in the table below.

Table 5.1: Registered Bullion Market Intermediaries at GIFT IFSC

Bullion TM	Bullion TCM	Bullion TSCM	Bullion PCM
4	5	1	2

The names and details of these entities are updated on the website of the Authority from time to time.

Qualified Jewellers

The Directorate General of Foreign Trade vide Notification No. 49/2015-2020 dated January 5, 2022, has among other things, specified that import of gold under ITC(HS) Codes 71081200 and 71189000, shall be permitted by Qualified Jewellers (QJs), notified by IFSCA, through IIBX.

Accordingly, notification of QJs is being done as - Limited Purpose Trading Members (LPTM) and Clients, for the purpose of import of gold into India through IIBX. 84 QJs have been notified by the Authority as on March 31, 2023.

Circulars/Guidelines issued by the Authority

i) Clarification on investment in BDR on IIBX through the LRS route

The circular clarified that the resident individuals, as referred to in the RBI circular on LRS dated February 16, 2021, are not permitted to transact/invest in BDR on IIBX through the LRS route.

ii) Standard Operating Procedure for Qualified Jewellers importing gold through IIBX

The circular provided the detailed process to be followed for notification as a QJ along with the process of import of gold by a QJ through IIBX.

iii) 'Qualified Suppliers' for supply of bullion on IIBX

The circular enabled eligible overseas supplier entities to participate on IIBX as Qualified Suppliers, including through a remote access mode, for the limited purpose of 'selling', without having to set up an establishment, office, or a unit - as a branch or subsidiary at IFSC.

iv) Guidelines for Business Continuity Plan (BCP) and Disaster Recovery (DR) for MIIs

The circular provided a framework for the BCP and DRS for the MIIs in the IFSC. The circular outlined the guidelines for the following:

- Configuration of DRS/Near Site with Primary Data Centre
- Disaster Recovery Drills/Testing
- BCP – DR Policy Document

v) **Monthly Development Report for the Bullion Exchange in IFSC**

The circular provided the format for the Monthly Development Report of the Bullion Exchange in IFSC, which shall be submitted in the prescribed format, within 10 days from the close of each month, to the Authority.

vi) **Tariff Rate Quota (TRQ) holders under the India-UAE CEPA to be deemed as Qualified Jewellers for import of UAEGD Gold through IIBX**

The circular enabled all the holders of TRQ allotted by DGFT to be eligible to apply for being notified as 'Qualified Jewellers' by the Authority, for the purposes of import of gold under the India-UAE CEPA. Accordingly, all such holders of TRQ, not otherwise eligible or notified as QJs by the Authority, would be considered for notification as QJs under a separately created category 'Qualified Jeweller- TRQ' ('QJ-TRQ')

vii) **Bullion Trading Members and Clearing Members in IFSC**

The circular extended the initial six month period (from the date of operationalization of IIBX) for maintaining the Net Worth and Base Minimum Capital specified in the paragraph 3 and 4 of the IFSCA Circular F.No. 329/IFSCA/Bullion MIIs/2021 dated September 17, 2021, by an additional period of six months i.e., till July 28, 2023.

viii) **Net worth requirements for a Bullion Exchange and a Bullion Clearing Corporation**

The circular prescribed increase in the net worth requirement of the Bullion Exchange and Bullion Clearing Corporation in a gradual manner. This was done to ensure that the net worth of Bullion Exchange and Bullion Clearing Corporation is sufficient to accommodate the technological advancements in trading platforms and, the nature and expected growth of its business including the leveraged products it may offer, and to ensure that its net worth adequately captures the risk it faces.

ix) **Guidelines for execution of block deals on the Bullion Exchange**

The circular permitted the Bullion Exchange to provide a separate window to facilitate the execution of large trades, with a minimum quantity of 100 kgs of gold. The circular also provided the framework for block deals permitting only non-individual participants to execute block deals.

Notifications/Circulars issued by other agencies

- i) The Customs Notification No. 22/2022 dated April 30, 2022 and Notification No. 43/2022 dated July 20, 2022 and DGFT Public Notice No. 06/2015-2020 dated May 1, 2022 and Public Notice No. 23/2015-2020 dated August 29, 2022 enabled the QJs, notified by the Authority, to import gold (under Tariff head- 7108) directly through IIBX, under the India-UAE CEPA, in addition to the import by nominated agencies/nominated banks and other eligible entities.

- ii) Department of Commerce issued notification K-43014(19)/1/2018-SEZ dated July 6, 2022 to insert Rule 19A in the SEZ Rules, 2006 which extended the remit of IFSCA to the vaulting facilities in other SEZs by making them a deemed IFSC unit for storing bullion for creating BDRs for trading on IIBX.
- iii) Department of Commerce (DoC) vide OM J-16/3/2007-SEZ-Vol V dated November 1, 2022, designated GIFT SEZ as an additional site for the purpose of initiating the pilot testing for implementation of Indian Customs Electronic Data Interchange Gateway (ICEGATE). Subsequently, IFSCA actively collaborated with DG(Systems), DoC and SEZ DC for the successful testing of ICEGATE in GIFT SEZ.
- iv) RBI circular dated May 25, 2022, provided guidelines on import of gold by QJs notified by the Authority. RBI gave directions to the Authorised Dealer Category-1 banks to allow the Qualified Jewellers to remit advance payments for eleven days for import of Gold through IIBX in compliance to the extant Foreign Trade Policy and regulations issued under IFSCA Act.
- v) RBI Circular dated June 7, 2022, allowed the branches of Indian banks operating in GIFT IFSC to act as a Professional Clearing Member of IIBX after seeking a No Objection Certificate from the RBI.
- vi) RBI Circular dated December 12, 2022, permitted eligible entities to hedge their exposure to price risk of gold on recognised exchanges in the IFSC.

Visit of Hon'ble Union Minister of Commerce and Industry, Shri Piyush Goyal to GIFT IFSC

Union Minister of Commerce and Industry, Shri Piyush Goyal, reviewed the functioning of GIFT IFSC. He held interactions with IIBX to understand issues with respect to trading of Gold, operationalising the gold spot exchange and reducing the cost of gold metal loans for jewellery exporters through GIFT IFSC. He urged representatives of jewellery sector to discover competitive prices for gold through IIBX, and explained how India-UAE CEPA is a huge window of opportunity for them.



Image 5.1: Visit of Hon'ble Union Minister of Commerce and Industry to Vault facility at GIFT IFSC

Advocacy and Outreach

The various outreach programs were undertaken by IFSCA towards the growth and development of bullion ecosystem in IFSC. These include participation in global and national conferences such as:

- India Gold Conference, Chennai, in July 2022
- Global Precious Metals Conference, Lisbon, in October 2022
- Dubai Precious Metal Conference, Dubai, in November 2022

Further, outreach programmes were conducted at Kolkata, Hyderabad, Jaipur, Chennai, etc., for QJs, prospective QJs, TRQ holders, exporters and trading members. During these programmes, current developments about the precious metals ecosystem at GIFT IFSC and the advantages of importing gold through IIBX were highlighted.



Image 5.2: Shri Kamlesh Sharma, General Manager, IFSCA at the 14th International Gold Economic Forum

Policies and programmes for the following year

- Operationalisation of import of gold through IIBX for the TRQ holders as notified by the DGFT.
- Operationalising the IFSC vaulting centres at other locations within Special Economic Zones or Free Trade Warehousing Zones across India.
- Enabling Indian IBUs to operate as trading members on IIBX.
- Enabling gold leasing/gold metal loans through IIBX.
- Trading of Silver on IIBX.
- Introduction of derivatives of various metals and commodities on IIBX.



FINTECH HUB

“In the 21st century, finance and technology are intertwined with each other. And when it comes to technology, science and software, India also has an edge and experience. Today, 40 percent share in the whole world in real time digital payments belongs to India alone. Today we are the leaders in this. This power of India in the field of FinTech is attracting the whole world. Therefore, I expect all of you to aim for new innovations in FinTech. GIFT IFSC emerges as FinTech's global laboratory.”

- Hon'ble Prime Minister, Shri Narendra Modi

In the Union Budget 2021-22, the Hon'ble Union Minister of Finance of India, Smt. Nirmala Sitharaman announced that the government would support the development of a “World-Class FinTech Hub” at GIFT IFSC.

The Authority, in line with this vision, developed a strategy to create visibility and mindshare among FinTechs globally and develop progressive regulatory frameworks, incentives and other levers towards enabling a robust FinTech Ecosystem.

Framework for FinTech Entity

To augment the FinTech Ecosystem at GIFT IFSC, a circular providing for a unique ‘FinTech Entity (FE) Regulatory Framework’ for FinTechs and TechFins was issued on April 27, 2022. This regulatory framework is designed to promote and regulate fintech activities in IFSC. Considering the importance of financial technology solutions in promoting innovation in financial services market in IFSC, the framework provides for Authorization/Limited-use Authorization of FinTechs in IFSC.

Summary of the FinTech entity framework of IFSCA

- i) *Applicability:*** The FE Framework is applicable to all eligible domestic and foreign entities. It recognises both FinTechs and TechFins. FinTechs are categorised as entities providing a financial technology solution which results in new business models, applications, process or products in financial services regulated by the Authority whereas TechFins are entities that provide an advanced or emerging technology solution in allied areas/activities which aid and assist activities in relation to financial products, financial services and financial institutions.
- ii) *Authorisation:*** It enables eligible technology companies, having a deployable advanced/innovative technology solution which aids and assists activities in relation to financial products, financial services, financial institutions, to obtain Authorisation from IFSCA without entering Sandbox.

The Applicant (Domestic or Foreign from FATF compliant jurisdiction) must have:

- i. a deployable solution/working product; and
- ii. a revenue earning track record in at least one of the last three financial years.

- iii) *Limited Use Authorisation (Sandbox):*** IFSCA provides different categories of sandboxes to develop and test fintech ideas or solutions in IFSCs. IFSCA also provides Overseas Regulatory Referral mechanism/FinTech Bridge to the eligible applicants as per the provisions of MoU or collaboration between IFSCA and corresponding overseas financial sector regulator. An applicant who is yet to complete the development of the product or has completed a 'Proof of Concept' and would like to conduct live testing may be considered as eligible for Sandbox.

Categories of Sandboxes

- **IFSCA FinTech Regulatory Sandbox:** The entities, fulfilling the eligibility criteria according to the framework, which exhibit genuine innovation and need for live testing on real customers/investors, had carried out limited prior testing, and provide direct benefit to users with proper risk management strategy, adequate test readiness and deployment plan post testing, can apply to Regulatory Sandbox.
- **IFSCA FinTech Innovation Sandbox:** The entities fulfilling the eligibility criteria according to the framework may be permitted to access the IFSCA Innovation Sandbox where in FinTechs can test their solutions in isolation from the live market. The applicant shall be eligible to apply for IFSCA Fintech Regulatory Sandbox after the successful exit from the FinTech Innovation Sandbox.
- **Interoperable Regulatory Sandbox (IoRS):** Foreign FinTechs seeking entry to India shall be considered for IoRS provided that the entity must have a financial technology product/service whose business models/activities/features fall within the ambit of more than one domestic financial sector regulator.

iv) Permissible Activities

- a) An illustrative list of permissible FinTech areas/activities linked to financial services and allied areas/activities aiding and assisting activities in relation to financial product, financial services and financial institutions regulated by IFSCA is given in the figure below:

Banking Sector	Capital Markets and Fund Management	Insurance sector
Remittance and payments	Crowd funding	Insur Tech
Digital lending	Personal finance	Innovative technologies for insurance life cycle
Buy Now Pay Later	Wealth Tech	Digital innovation for global health insurance cover
Crowd Lending	Robo Advisory	Innovation in commercial insurance
Digital Bank (Neo Banking/ Challenger bank)	Sustainable Finance products	Digital platform for settlement of balances between insurance companies
Open banking	Alternate trading platforms	Open insurance
Bank		Embedded insurance
		Cyber insurance

Fig 6.1: Illustrative list of permissible FinTech areas/activities

b) An illustrative list of allied areas/activities aiding and assisting activities in relation to financial product, financial services, and financial institutions (TechFin) is given below:

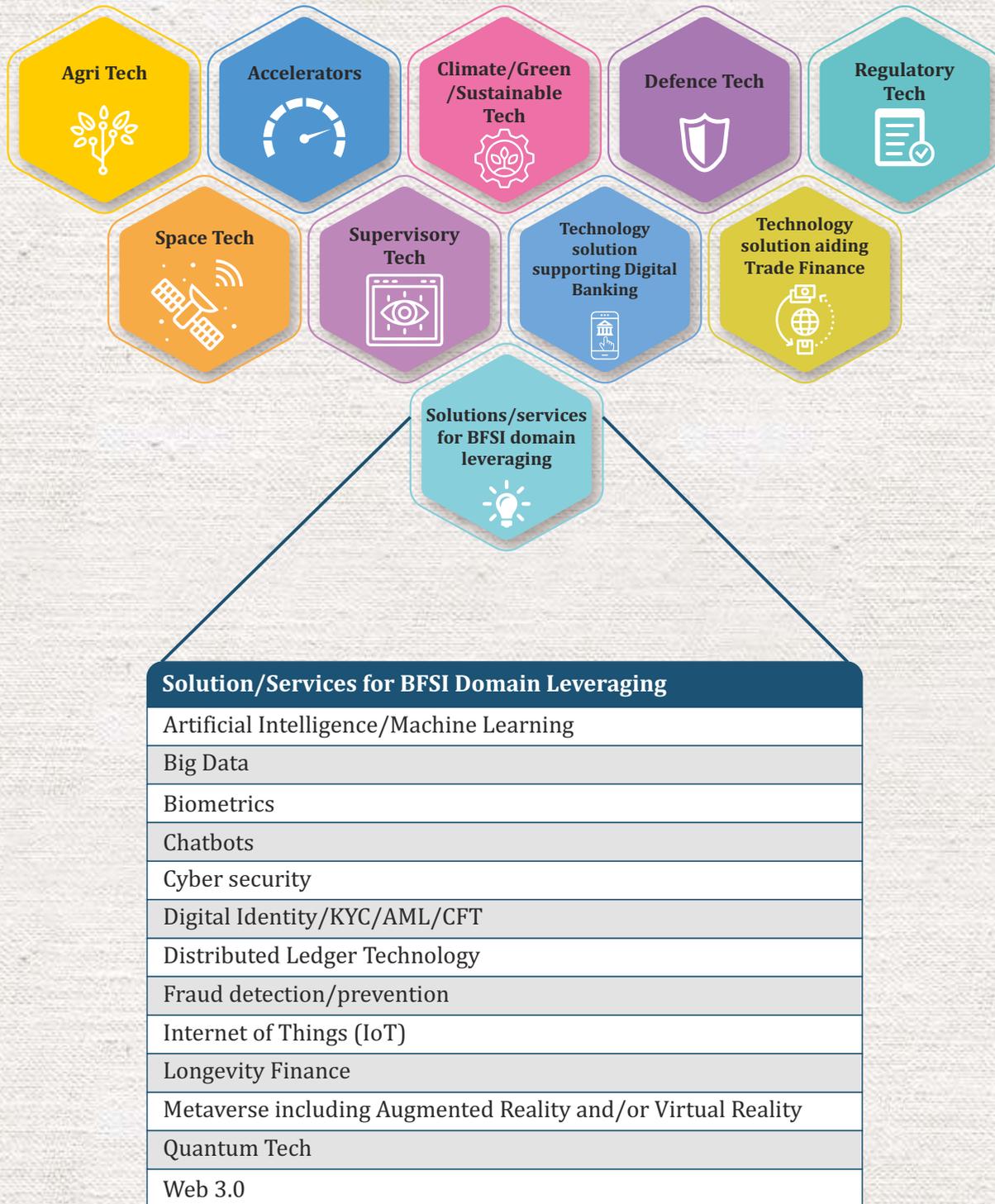


Fig 6.2: Illustrative list of allied areas/activities aiding and assisting activities in relation to TechFin

- v) The framework encourages the idea of “Fail Fast” and promotes emerging technology areas. It establishes a strong foundation to facilitate a world class FinTech Hub in GIFT IFSC.

The first five FinTech Entity Authorizations under the FE framework were granted on July 29, 2022.

The Authority received a total of 66 applications from across 12 jurisdictions (India, USA, Sweden, France, Mauritius, Singapore, Australia, UK, Taiwan, Switzerland, Netherlands, and Canada) under the FE framework, and 31 regulatory approvals were granted in FY 2022-23.

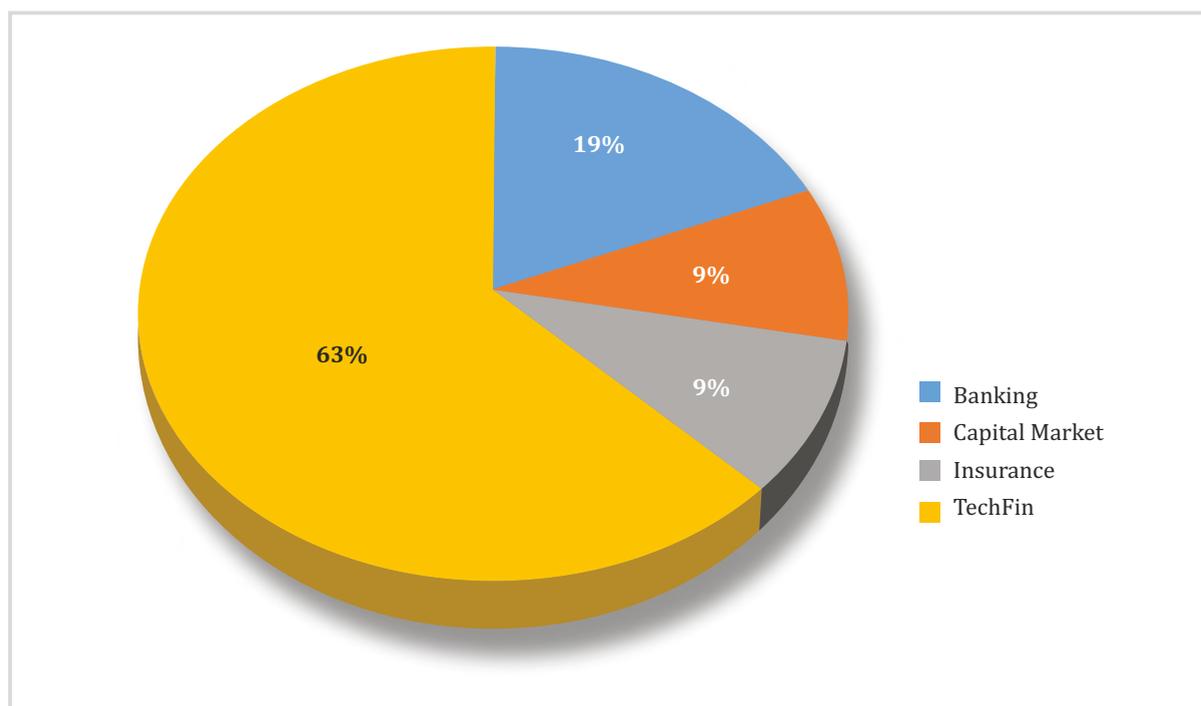


Fig 6.3: Vertical spread of FE applicants

IFSCA FinTech Incentive Scheme, 2022

To promote the establishment of a world class FinTech Hub in IFSC, comparable with those located in advanced international financial centres, IFSCA FinTech Incentive Scheme, 2022 was notified on February 4, 2022 making the Authority the first Indian financial sector regulator to formulate an incentive scheme and provide financial support to fintech activities/entities in the form of specific grant(s).

The guidelines for implementation of the scheme were issued on September 12, 2022. The following six types of Grants are provided under the scheme:

1. FinTech Start-up Grant
2. Proof of Concept Grant
3. Sandbox Grant
4. Green FinTech Grant
5. Listing Support Grant
6. Grant for Accelerators/Cohorts

On October 14, 2022, the Authority constituted an Evaluation Committee (EC) chaired by Prof. Joshy Jacob of IIM Ahmedabad for evaluating and recommending suitable applications for consideration under IFSCA FinTech Incentive Scheme, 2022. The Committee comprises of four international members from Belgium, Israel, Switzerland, and the UK with wide experience in developing and strengthening FinTech ecosystems across the globe.

Five applications have been recommended for grants amounting to a total of ₹1.1 Crores by the Evaluation Committee under the Scheme in FY 2022-23.

Interoperable Regulatory Sandbox

The Inter-Regulatory Technical Group (IRTG) on FinTech was constituted under the aegis of the Sub-Committee of the Financial Stability and Development Council (FSDC-SC) for inter-regulatory co-ordination among the financial sector regulators on FinTech related issues. The group, in addition to the members from financial sector regulators, has representation from the DEA, Ministry of Finance and the Ministry of Electronics and Information Technology.

The terms of reference of the IRTG on FinTech included discussion on issues relating to hybrid products/services falling under the regulatory ambit of different financial sector regulators viz. RBI, SEBI, IRDAI, IFSCA and PFRDA, for admission into the regulatory sandbox and framing of standard operating procedure (SOP) for IoRS for hybrid products/services.

In order to facilitate testing of innovative products/services falling within the regulatory ambit of more than one financial sector regulator, an SOP for IoRS was prepared by the IRTG on FinTech. Financial products/service providers whose business models/activities/features fall within the remit of more than one financial sector regulator, shall be considered for testing under IoRS. To obviate the need of innovators to engage with different regulators regarding their hybrid product, this common window was made available.

As per the SOP, the applications from Indian FinTechs having global ambition and foreign FinTechs seeking entry into India, shall be referred to the Authority, for taking forward the proposals, as the Authority will be the Principal Regulator for all such applications.



Advocacy and Outreach

MoU with Gujarat Venture Finance Limited

An MoU was exchanged between IFSCA and Gujarat Venture Finance Limited on April 7, 2022, to boost the FinTech ecosystem in GIFT IFSC.

MoU with Department of Space

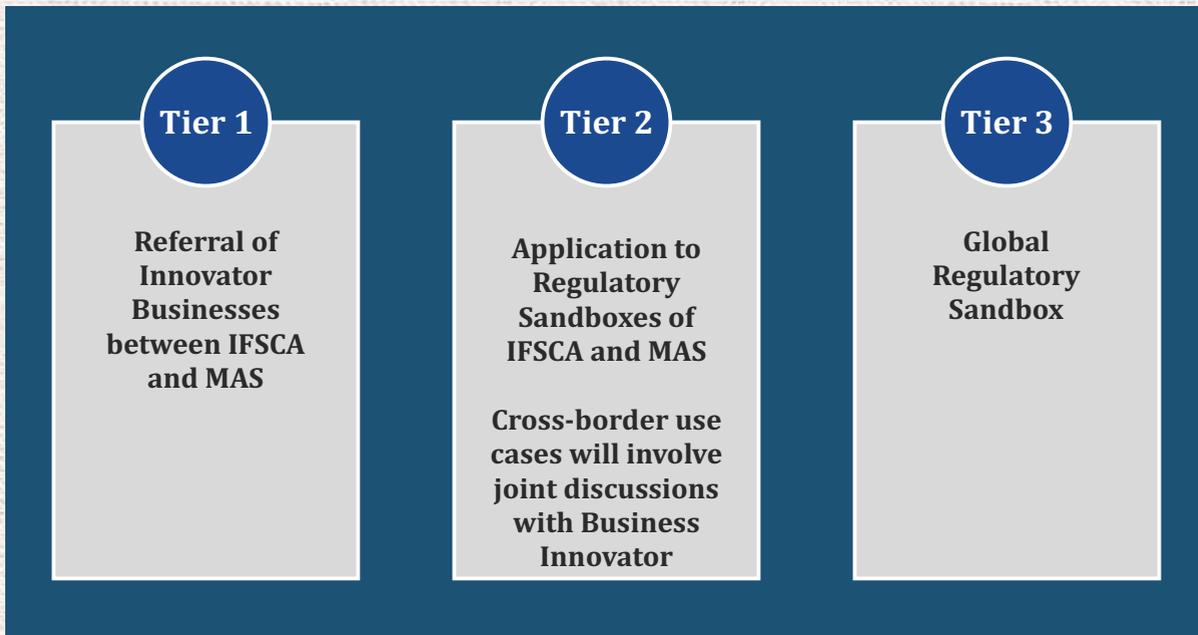
An MoU was exchanged between IFSCA and ISRO in the presence of the Hon'ble Prime Minister on July 29, 2022, to explore possibilities of convergence between FinTech and SpaceTech. As part of the MoU, Department of Space (DoS) may provide subject matter experts to help in the technical evaluation of FinTechs or TechFins and may provide handholding and guidance to SpaceTechs authorized as FinTech Entity by the Authority in areas related to space related datasets.

Under the MoU, IFSCA and DoS agreed to collaborate to facilitate development of the emerging space economy including lunar economy, space tourism, and other convergent areas with the financial sector.

FinTech Co-operation Agreement between IFSCA and MAS

A FinTech Cooperation Agreement between MAS and IFSCA was signed on September 18, 2022, in the presence of Mr Lawrence Wong (Hon'ble Deputy Prime Minister, Minister for Finance and Deputy Chairman of MAS).

The 'FinTech Co-operation Agreement' aims to promote cross-border collaboration in financial services through the IFSCA regulatory sandbox and the MAS regulatory sandbox to encourage experimentation of innovative financial products or services, including potential cross border testing with industry players from both India and Singapore.



This would be implemented via a “tiered” approach which includes a referral mechanism (Tier-1) followed by an application to the IFSCA regulatory sandbox and/or MAS regulatory sandbox (Tier-2), and subsequently, if permitted, cross-border testing within the regulatory sandboxes of IFSCA and MAS respectively.

The Authority and MAS will promote novel use cases that require global collaboration and suitable use cases may be considered for Global Regulatory Sandbox (Tier-3). Further, wherever appropriate, relevant participants from other jurisdictions may be invited for participating in the sandbox.

MoUs with FinTech Hubs

MoUs were signed with the following domestic FinTech hubs and bodies to augment the FinTech ecosystem at GIFT IFSC:

- i) T-Hub foundation - October 21, 2022
- ii) Karnataka Digital Economy Mission (KDEM) - December 17, 2022
- iii) IIMK LIVE - March 27, 2023

An MoU was also signed with the Israel FinTech Center based in Tel Aviv, Israel on February 15, 2023, to boost the FinTech ecosystem in India and Israel.

I-Sprint'22

In continuation to I-Sprint' 21, Global Hackathons (named I-Sprints'22) were conducted in partnership with various organizations to promote innovation. A total of three Sprints (Sprint 5, 6 and 7) were held in which 229 applications were received as on March 31, 2023.

i) Sprint05 - Innovation Day

Partners- UK Government's Foreign and Commonwealth Development Office (FCDO) and PricewaterhouseCoopers (PwC) Pvt. Ltd

Themes- Longevity Finance, Sustainable Finance, Cross Border Transactions

Number of Applications- 22

Finalists- 14

ii) Sprint06 - RegTech Cohort

Partners- Department of Science and Technology, RBI, SEBI, GIFT City, Deloitte, BSE, India INX, YES Bank, Bahwan CyberTek, Qapita, Sprinto and Zone StartUps.

Theme- Regulatory Tech (RegTech)

Number of Applications- 33

Shortlisted for virtual pitch- 22

Selected Applicants- 17

Finalists/Winners (Including Program Partners' Prize)- 4

iii) Sprint07 - InnovateIN48 Ideathon

Partners- FIS, Amazon Web Services, Hedera Hash-graph, Ideas to Innovate

Themes

i) Data Innovation

ii) AI in FinTech

iii) Digital Assets

Number of Applications- 174 from 10 Countries

Shortlisted- 9 (3 in each theme)

Participation in Global FinTech Fest (GFF) 2022

The GFF 2022 was held at Jio World Centre, Mumbai by FinTech Convergence Council, Payment Council of India (PCI) and National Payments Corporation of India (NPCI) from September 19 to 22, 2022, with the theme “Creating a Sustainable Financial World- Global/Inclusive/Green”. IFSCA participated in the event to showcase its FinTech initiatives.

International Engagements

Singapore FinTech Festival (SFF) 2022

The 7th edition of the Singapore FinTech Festival 2022 was held in Singapore from October 31 to November 5, 2022.

An IFSCA booth was set up to promote the visibility of its pioneering FinTech initiatives like FinTech Entity Framework, FinTech Incentive Scheme, FinTech Bridges, etc.

IFSCA delegation took part in the Innovation Lab Crawl as part of the Singapore FinTech Week wherein innovation labs across Singapore opened their doors and showcased their up-and-coming FinTech innovations and projects.

As part of the Singapore FinTech Week, the delegation also took part in the World Bank and BIS Innovation Hub Reception, and in the Capital Meets Policy Dialogue.

LongeviTech TLV 2023 Conference, Israel

IFSCA delegation took part in the LongeviTech TLV 2023 Conference on Longevity Finance held on from February 13 to 14, 2023, in Tel Aviv, Israel.

In addition to participating in regulatory roundtables and panel discussions, an IFSCA booth was set up at the Conference to promote the visibility of its pioneering FinTech initiatives like FE framework, FinTech Incentive Scheme, etc.

During the visit, an MoU was signed with the Israel FinTech Center, and meetings were held with the financial sector regulators, Bank of Israel, and the Israeli Securities Authority in Tel Aviv, to promote cooperation on FinTech.

Asian Digital Finance Forum & Awards 2023, Sri Lanka

IFSCA was conferred the recognition of “Outstanding New Asian Regulatory and Technological Innovation in Financial Services” at the “Asian Digital Finance Forum & Awards 2023” organised by Asian FinTech Academy (AFTA) at Hilton Colombo, Sri Lanka on March 19, 2023 under the leadership of FinTech Association of Sri Lanka (FASL).



Image 6.1: Shri Joseph Joshy, CTO, IFSCA receiving the “Outstanding New Asian Regulatory and Technological Innovation in Financial Services” award on behalf of IFSCA

The following parameters were taken into consideration by the Evaluation Committee for the awards:

- i) Innovative FinTech Entity Regulatory Framework
- ii) Built-in sandbox construct that helps FinTechs to pivot from innovation to regulatory sandboxes
- iii) I-Sprint Global Hackathons across banking, insurance and market areas
- iv) Leadership in identifying emerging areas like Distributed Ledger Tech, Sustainability, QuantumTech, SpaceTech, Longevity FinTech and Web 3.0
- v) Incentive schemes for FinTechs especially with dedicated grant/focus on “Green/Sustainability” areas.

In addition, the CTO delivered a talk at the event to acquaint the participants from Sri Lanka, Malaysia, Singapore and Hongkong with the FinTech Entity Regulatory Framework and the Incentive Scheme of IFSCA.

Policies and programmes for the following year

“The initiatives associated with GIFT City are also a part of our efforts towards 'ease of doing business' and 'ease of living'. We have to remember that a vibrant FinTech sector does not mean just an easier business climate, reforms and regulations, it is also a medium of providing a better life and new opportunities to the professionals working in different fields.”

- Hon'ble Prime Minister, Shri Narendra Modi

I-Sprints on emerging areas are being planned for FY 2023-24. It is also planned to maintain the ongoing focus on execution of the IFSCA FinTech Incentive Scheme 2022.

Besides the current engagements of the Authority 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 the FinTech ecosystem at GIFT IFSC.



INSURANCE

As John Allen Paulos rightly said, “Uncertainty is the only certainty there is, and knowing how to live with insecurity is the only security”. In a turbulent world, the value of life and property of individuals stands threatened at the hands of death and destruction. Businesses fear expansion in the absence of any security against financial losses due to uncertain events. Insurance helps overcome these fears by sharing over many the risks that accrue to a few.

The concept of insurance isn’t new. The first life insurance policy goes back to early 18th century. Apart from the risk management view, insurance industry also plays a crucial determining role in the economy. With huge financial resources at disposal, their investment decisions have bearing on financial stability in the markets.

GIFT IFSC, with its unique and strategic placement in the region, bears plethora of opportunities to add to the exponential growth of insurance sector. In the near future, it is envisaged to gain prominence as a global insurance and re-insurance hub. With the objective of making India Atma Nirbhar (self-reliant) in meeting its own insurance and re-insurance needs, IFSCA aims to make IFSC as a bridge where Indian and foreign insurers can have access to other jurisdictions through conducive regulatory policies and framework.

Regulatory Framework

- (a) To facilitate the growth of insurance & re-insurance sector and to provide best in class regulatory framework that is at par with global standards, the Authority had issued the following three regulations in IFSC in the FY 2021-22:
 - i) IFSCA (Registration of Insurance Business) Regulations, 2021
 - ii) IFSCA (Insurance Intermediary) Regulations, 2021
 - iii) IFSCA (Insurance Web Aggregator) Regulations, 2022

- (b) As a step forward to provide light touch regulatory framework and to strengthen the supervisory aspects, the following regulations were approved for notification by the Authority in the FY 2022-23
- i) IFSCA (Investment by IFSC Insurance Office) Regulations, 2022
 - ii) IFSCA (Manner of Payment and Receipt of Premium) Regulations, 2022
 - iii) IFSCA (Insurance Products and Pricing) Regulations, 2022
 - iv) IFSCA (Appointed Actuary) Regulations, 2022
 - v) IFSCA (Maintenance of Insurance Records and Submission of Requisite Information for Investigation and Inspection) Regulations, 2022
 - vi) IFSCA (Preparation & Presentation of Financial Statements of Investment by IFSC Insurance Offices) Regulations, 2022
 - vii) IFSCA (Assets, Liabilities, and Solvency Margin of Life Insurance business) Regulations, 2023
 - viii) IFSCA (Assets, Liabilities, and Solvency Margin of General, Health and Re-insurance business) Regulations, 2023
 - ix) IFSCA (Management Control, Administrative Control and Market Conduct of insurance business) Regulations, 2023
 - x) IFSCA (Re-insurance) Regulations, 2023
- (c) Important features of these regulatory frameworks are as under –
- i) IFSCA (Manner of Payment and Receipt of Premium) Regulations, 2022 were framed consequent to the carve-out provided by GoI vide S.O. 3035(E) dated July 4, 2022, on applicability of section 64VB of the Insurance Act, 1938 in the IFSC jurisdiction. As per the said section, no insurer shall assume any risk in India in respect of any insurance business until the premium payable is received by it in advance. This makes Indian insurance industry cash before cover i.e., upfront payment of premium before assumption of risk is a must. Now, consequent to the carve-out by GoI and as specified by these regulations, IFSC Insurance Offices (IIOs) may assume the insurance risk with or without receipt of premium in advance. The contract of insurance between IIO and the insured will be the base for assumption of insurance risk.
 - ii) IFSCA (Investment by IFSC Insurance Offices) Regulations, 2022 were also framed consequent to the carve-out provided by GoI vide S.O. 3035(E) dated July 4, 2022, on applicability of sections 27, 27A, 27B, 27C, 27D and 27E of the Insurance Act, 1938 in the IFSC. This enables IIOs to make investments in foreign jurisdictions, including India. The regulations also introduce the concept of Sovereign Credit Rating (SCR) based investment limits and do away with granular prescriptions on investments.

- iii) IFSCA (Insurance Products and Pricing) Regulations, 2022 provide for light - touch and principle - based approach for designing, pricing, and marketing of product without prior approval of the Authority. Product approvals in the domestic market fall either under Use & File (U&F) or File & Use (F&U). In the spirit of international competitiveness and ease of doing business, the Authority has done away with both these mechanisms and has provided a regime which entrusts the IIOs with the responsibility to manage their affairs on their own without need for any specific approval of the regulator. However, it may be pertinent to highlight here that adequate safeguards have also been put in place to empower the regulator to step in if the situation warrants.
- iv) Actuaries play a crucial role in the operation and profitability of any insurance business. The IFSCA (Appointed Actuary) Regulations, 2022 aim to lay down the regulatory framework for the persons who are authorised to perform the role and discharge the functions of 'Appointed Actuary' for the IFSC Insurance Offices. These regulations, *inter-alia*, provide for aspects related to appointments, powers, duties and obligations of Appointed Actuary. To ease operations for IIOs set up in an unincorporated form, Appointed Actuary of the parent entity is permitted to be eligible for appointment as the Appointed Actuary of such IIOs.
- v) IFSCA (Maintenance of Insurance Records and Submission of Requisite Information for Investigation and Inspection) Regulations, 2022 aim to specify minimum information that is required to be maintained by the IIO and IIIO, for the purposes of investigation and inspection, so as to enable the investigating officer to discharge his/her functions satisfactorily, under section 33 of the Insurance Act, 1938. These regulations, *inter-alia*, provide for maintenance of policy and claims records, maintenance of data, records, information etc. as per the provisions of the Insurance Act, 1938; maintenance of records of employees; and checks and other verifications.
- vi) To further strengthen the regulatory framework and promote ease of doing business so far as preparation & presentation of financial statements of IIOs is concerned, the Authority has notified IFSCA (Preparation & Presentation of Financial Statements of IIOs) Regulations, 2022 that focus on aspects of preparation & presentation of financial results in line with international best practices and principles. While IIOs that are set up in an unincorporated form, shall prepare their financial statements in accordance with the accounting standards applicable to its parent entity, accounting standards applicable to IIOs that are set up in an incorporated form are specified in these Regulations. However, in the spirit of uniform approach towards presentation of financial statements, common formats have been specified for all IIOs, whether set up in an incorporated form or otherwise.
- vii) Reinsurance (RI) helps in stabilising insurance business environment. Considering the importance of RI activities in a financial ecosystem, various jurisdictions have evolved as platforms for reinsurance solutions in the global market. For GIFT IFSC to become a global RI Hub, it needs a robust pool of RI participants, who can offer capacity to

offshore markets. The IFSCA (Re-insurance) Regulations, 2023 adopt and keep pace with international benchmarks with respect to both regulation and business practices. These regulations deal with re-insurance activities of the IIOs, and *inter-alia* provide for detailed framework for oversight and control of inward and outward arrangement of reinsurance by the IIOs.

- viii) Solvency of insurance companies is of prime importance from a supervisory perspective. Ensuring adequate solvency safeguards the interests of the policyholders which is the underlying theme of regulatory and supervisory effort. In this spirit, the Authority came out with the IFSCA (Assets, Liabilities, and Solvency Margin of Life Insurance business) Regulations, 2023 and IFSCA (Assets, Liabilities, and Solvency Margin of General Insurance and Re-insurance business) Regulations, 2023. These regulations, *inter-alia*, provide for the regulatory requirements towards maintenance of capital and solvency margins by IIOs for transacting insurance business in the IFSC. The IIOs that are set up in an unincorporated form, shall be allowed to maintain their capital requirements in accordance with the home country regulations. For IIOs in an incorporated form, capital requirements shall be maintained under these regulations. Separate schedules have also been added to cover the aspects of valuation of assets and format for statement of admissible assets, determination of amount of liabilities and statement of admissible liabilities, determination of solvency margin, etc.
- ix) IFSCA (Management Control, Administrative Control and Market Conduct of insurance business) Regulations, 2023 is a comprehensive set of regulations. These regulations *inter-alia* provide for change in shareholding pattern and management control, internal administrative controls, expenses of management, payment of commissions, places of business, outsourcing of activities, sharing of confidential information concerning domestic or foreign entity, distribution of surplus to policyholders, acquisition of surrender and paid-up values of life insurance policies, minimum limits for annuities and other benefits, advertisements, policyholders' protection, etc.

Trends and Transactions

Financial Services/ Products at GIFT IFSC:

Registration of entities as on March 31, 2023

- a) IFSC Insurance Offices (IIOs) - The Authority has issued registration to six (re)insurers to transact business in the IFSC. In addition to the four (re)insurers from India, that had already established their place of business in the IFSC, two new (re)insurers, both from foreign jurisdictions, namely Axa France IARD, France and HDFC International Life & Re Co. Ltd., Dubai, have opened their branch office in the IFSC.
- b) IFSC Insurance Intermediary Offices – The Authority has issued registration to 17 insurance brokers to transact business from the IFSC. All are branch offices of insurance brokers registered in India.
- c) One application of IIO and five applications of IIIIO are under process with the Authority.

Table 7.1: Number of IIOs and IIIIOs operating in the IFSC.

Particulars	FY 2020-21	FY 2021-22	FY 2022-23
IFSC Insurance Offices	4	4	6
IFSC Insurance Intermediary offices	14	15	17
Total	18	19	23

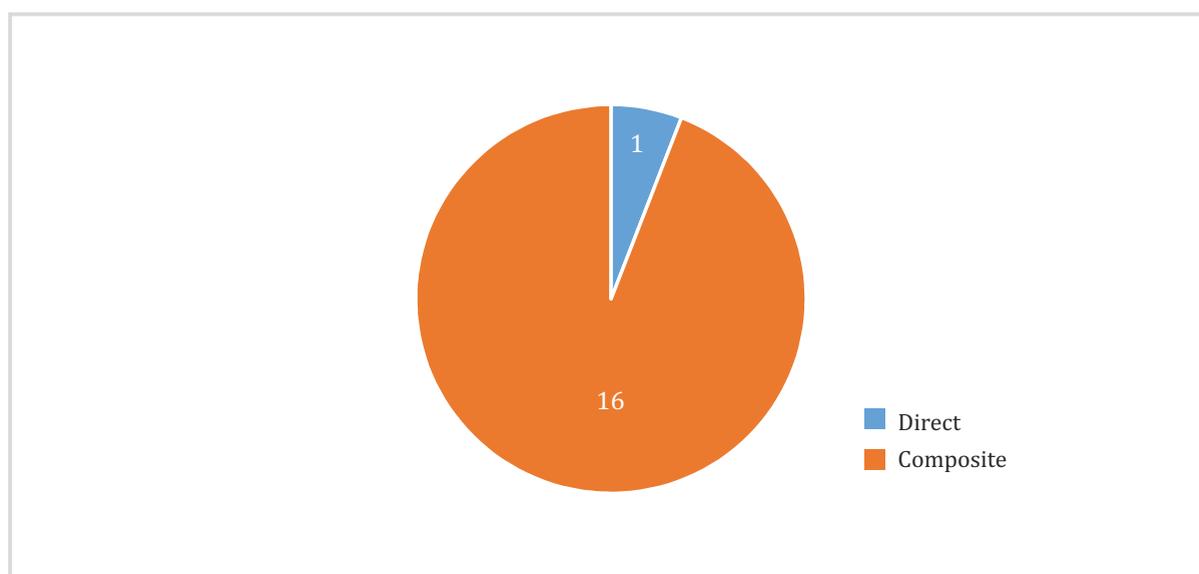
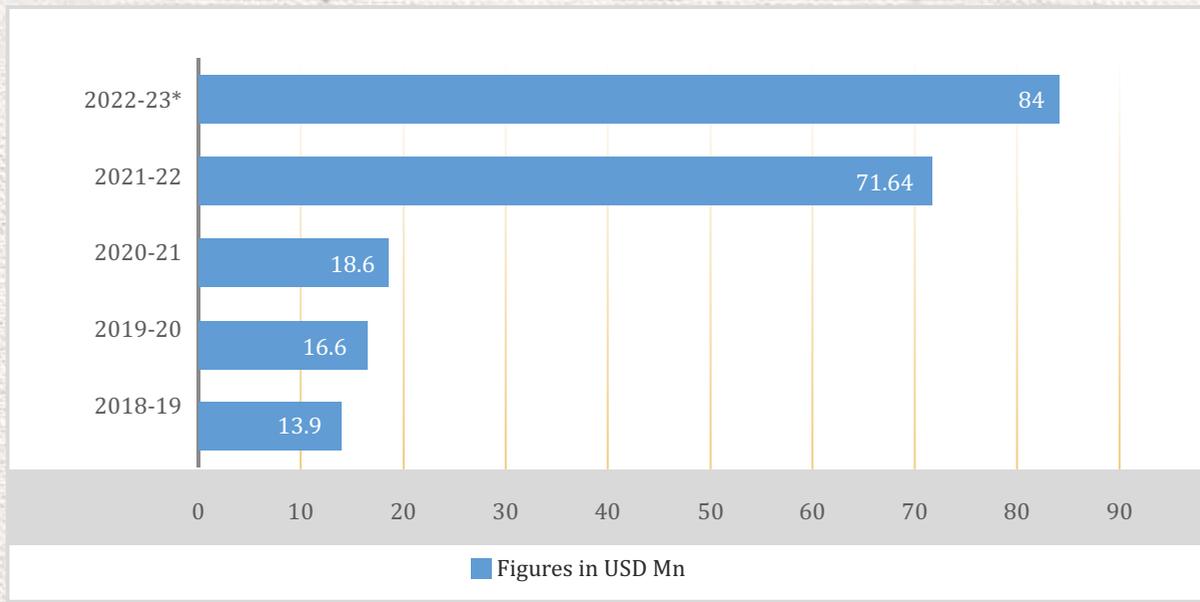


Fig 7.1: Classification of IIIIOs

Business Transactions at the IFSC:

(a) IFSC Insurance Office: -

In the FY 2022-23 the IIOs had booked premium of USD 84 Mn as compared to USD 72 Mn in FY 2021-22. The financial year- wise business underwritten by the IIOs for previous five years is as under: -

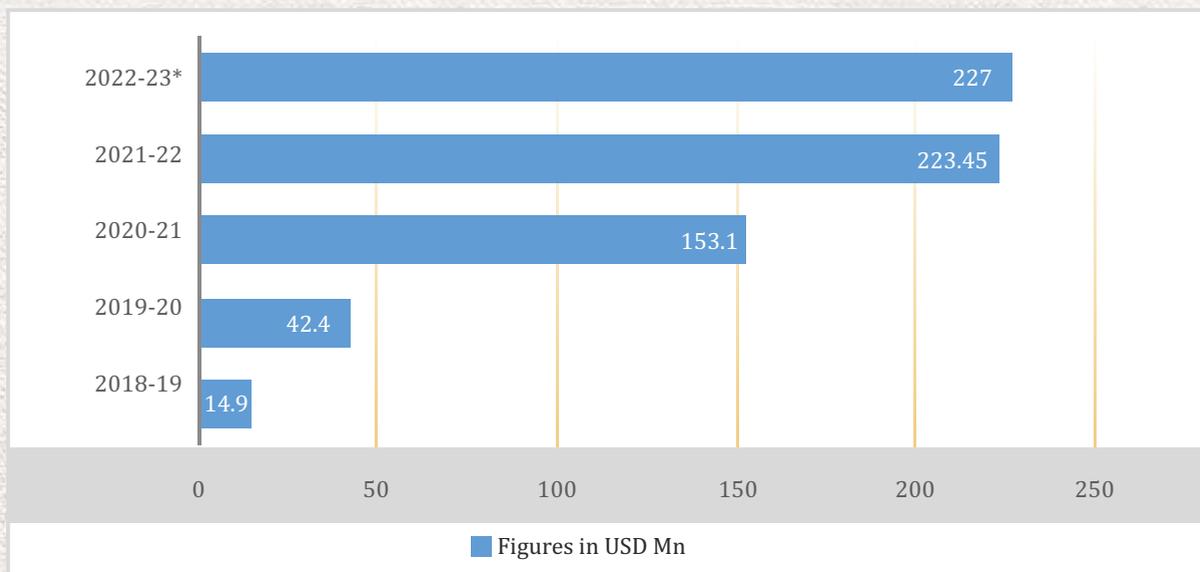


*Data for FY 2022-23 is Provisional

Fig. 7.2: Business underwritten by IIOs.

(b) IFSC Insurance Intermediary Office:

In the FY 2022-23 the IIIOs had transacted (re)insurance premium of USD 227 Mn, as compared to USD 223 Mn in FY 2021-22. The financial year wise transactions of IIIOs for the previous five years are as under: -



*Data for FY 2022-23 is Provisional

Fig 7.3: Business transacted by IIIOs.

Advocacy & Outreach

Participation at IAIS events

- 2022 Global Seminar at Croatia

With the resonant theme of insurance sector resilience, the IAIS Global Seminar was held with participation of over 350 participants from 70 countries, including IFSCA at Dubrovnik, Croatia, from June 16 to 17, 2022. Together, panelists and participants engaged and exchanged views on the steps needed to strengthen insurance sector resilience following the unprecedented challenges of Covid faced in the past two and a half years.

- 2022 IAIS Annual Conference at Chile

The IAIS' annual flagship event, the 2022 Annual Conference had over 400 participants from 60 jurisdictions, including IFSCA, at Santiago de Chile during November 10–11, 2022.

Panelists and participants engaged in rich conversations, exploring the changing landscape and the role of insurance sector in meeting emerging economic and social challenges. Diversity, equity and inclusion; changing consumer preferences; macroeconomic risks; climate risk and Insurance Capital Standard (ICS) were the key areas. A joint IAIS- IMF workshop on risk-based solvency and an Access to Insurance Initiative (A2ii) session on the conclusions from its innovation labs were also held.

Memorandum of Understanding (MoU) with National Insurance Academy (NIA)

IFSCA, with an objective of capacity building and providing skilled talent pool in the insurance sector in IFSC, has entered into an MoU with the National Insurance Academy.

IFSCA aims to develop a strong global connect and focus on the needs of the Indian economy as well as to serve as an international financial platform at regional/global level. Insurance is an emerging sector at IFSC, and the MoU with NIA would go a long way in capacity development in the field of insurance.

NIA is a premier institution devoted to equipping the insurance industry with the best of talents. NIA has been involved in devising and continuously upgrading the curriculum and imparting training to the insurance industry in India.

This MoU endeavours to build required skilled manpower for IFSC. With the focus to address the need of IFSC Insurance entities, IFSCA had also executed an MoU with Insurance Institute of India (III).

Policies and programmes for the following year

As pointed out in the Economic Survey 2022-23, India is poised to emerge as one of the fastest-growing insurance markets in the coming decade. The competitive and conducive regulatory environment at GIFT IFSC will go a long way in supporting the growth of the insurance market.

Partnerships, such as the Authority's association with the International Association of Insurance Supervisors (IAIS), enhance its access to supervisory information and help to establish better communication and cooperation amongst supervisors. Thus, expedited efforts are being made towards the successful conclusion of the Multilateral MoU between the Authority and the IAIS.

Various inter - regulatory issues are proposed to be taken up on priority basis to aid ease of doing business for entities wishing to set up presence in the IFSC. Since entities are allowed to be set up in an unincorporated form also in the IFSC, coordinating with the parent regulator of such units becomes crucial for their seamless operations.

GLOBAL IN-HOUSE CENTRES

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.

Financial Sector GICs in India initially started as offshore back-end processing centres for the parent companies offering technological solutions by leveraging low-cost talent pool. Over the years, GICs have started playing a strategic role at global level and have evolved as innovation centres offering advanced services in areas such as analytics, risk management, fraud prevention, etc.

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

There are multiple institutions that have established GICs in the GIFT-IFSC. These GICs are expected to have a combined employment strength of over 2500. Major MNCs from the financial sector, including renowned banks like Bank of America, auditing and assurance service providers, and securities and capital market firms, have established their GICs in GIFT IFSC.

Advocacy and Outreach

IFSCA has been actively engaging with the industry and collaborating with government agencies and GIFT City authorities. Continuous efforts have been made to provide the necessary infrastructure required by these large corporates. Notable advancements have been made in GIFT IFSC in terms of office space, commuting facilities, recreational amenities, etc.

Policies and programmes for the following year

In line with IFSCA's vision for the future, several initiatives have been identified to promote GICs within GIFT IFSC. Recognising the significance of GIFT IFSC as a hub for GIC and IT/ITeS, an expert committee will be established to spearhead its development.

Efforts will be made to raise awareness among potential investors about the availability of skilled talent pool for GICs in and around GIFT City. Collaboration with the State Education Department of Gujarat and GIFT City Company Limited will be prioritised to ensure the provision of comprehensive and up-to-date data pertaining to the skilled workforce.

In close collaboration with the Government of Gujarat, awareness and branding events will be organized to promote GIFT-IFSC as a premier destination for GICs in the country. To expand outreach and engage with potential investors, physical roadshows will be conducted across various prominent cities in India that have already established themselves as leaders in the GIC space.

These concerted efforts aim to position GIFT IFSC as a preferred choice for GICs, leveraging its robust ecosystem and strategic advantages.



SUSTAINABLE FINANCE

Global Scenario

Globally, sustainable finance is emerging as one of the most important areas for governments, policy makers, standard setting bodies and other stakeholders. As per a report by Climate Bonds Initiative (CBI), a total of USD 858.5 Bn Green, Social, Sustainable, and other labelled (GSS+) bonds were issued in 2022, bringing the cumulative total to USD 3.7 trillion. The report also indicates that while GSS+ volumes dropped YoY for the first time in a decade, its five per cent contribution to global bond market issuance was maintained.²⁴



Source: Global State of Market Report by Climate Bond Initiative 2022 (data as on December 31, 2022)

Fig 9.1: Volumes of Green, Social, Sustainable and Other Labelled (GSS+) bonds in 2022

²⁴ Global State of Market Report 2022 by Climate Bond Initiative

Sustainable Finance at IFSC

"... today India is leading the world in the field of sustainable development. We have set a target of net zero carbon emissions for ourselves. At the national level, we are pursuing the GatiShakti Master Plan and setting new records for renewable energy and e-mobility. Internationally, India is leading the International Solar Alliance. This is one area in which our dedication will open up immense possibilities. I want GIFT IFSC to be a gateway to global debt and equity capital for sustainable and climate projects."

**- Hon'ble Prime Minister, Shri Narendra Modi
at the launch of NSE IFSC International Sustainability platform**

The Hon'ble Prime Minister of India at COP26 announced 'Panchamrits' which will be an unprecedented contribution of India to climate action. Further, the GoI updated its Nationally Determined Contribution (NDC) and launched several initiatives including National Hydrogen Mission and Mission LiFE.

The Hon'ble Union Finance Minister, in her budget speech in 2022-23 mentioned that *"services for global capital for sustainable & climate finance in the country will be facilitated in the GIFT City"*. Keeping this mandate in mind, the Authority is strategically focused on the development of sustainable finance at IFSC across capital markets, banking, insurance and fintech with the aim to develop the necessary eco-system and act as a gateway for global sustainable capital flows into India.

Policy and Regulations

The Authority, during F.Y. 2022-23, has taken various regulatory and policy initiatives to mobilise finance towards green and sustainable projects, including the following:

- a) Sustainable lending by IBUs
- b) Sustainability Disclosures by Fund Management Entities
- c) Framework for ESG Schemes

Sustainable Lending by IBUs/FCs

The Authority issued a 'Guidance Framework for Sustainable and Sustainability linked lending by Financial Institutions' on April 26, 2022, to promote sustainable lending by IBUs and FCs. The core components of the framework are highlighted below:

- a) The framework mandates IBUs and FCs/FUs, who engage in lending as a permitted activity, to develop a comprehensive board-approved policy on green/social/sustainable/sustainability-linked lending by March 31, 2023. This

framework will in turn allow lenders to label long- term and short- term financing accordingly.

- b) Further, such entities shall have at least 5 per cent of their gross loans and advances directed towards green/social/sustainable/sustainability-linked sectors/facilities, starting from April 1, 2023.
- c) The guidance framework proposes these entities to incorporate assessment process, reporting mechanisms, and monitoring process within the framework, for alignment with international standards.
- d) The framework mandates these entities to report the details of lending under green/social/sustainable/sustainability-linked categories on a half-yearly basis.

Sustainability Disclosures by Fund Management Entities

To encourage Fund Management Entities (FMEs) to incorporate sustainability-related risks and opportunities in investment decision making, the Authority has included a chapter on ESG in IFSCA (Fund Management) Regulations, 2022. The regulations mandate large FMEs (AUM above USD 3 Bn) to have additional requirements (mentioned below) related to ESG factors.

Table 9.1: Additional requirements related to ESG factors.

Particulars	Remarks
Governance	Establish policy on governance around material sustainability-related risks and opportunities.
Risk management	Disclose how the fund manager identifies, assesses, and manages material sustainability-related risks.
Investment Strategy	Establish and disclose the process of factoring sustainability-related risks and opportunities into fund manager’s investment strategies.

ESG Schemes

To promote consistency, comparability and reliability in disclosures concerning ESG schemes, the Authority has issued the framework for ESG schemes which *inter-alia* covers requirements relating to initial and periodic disclosures, ongoing monitoring, and performance evaluation.

Box 9.1: Salient features of “Framework for Disclosures by Fund Management Entities for Environmental, Social or Governance (ESG) Schemes”

Applicability

The circular is applicable to such retail schemes, exchange traded funds (ETFs), restricted schemes and venture capital schemes, which have terms, such as ‘Environment’, ‘Social’, ‘ESG’, ‘Green’, ‘Sustainability’ or any combination thereof or similar terms, incorporated in their names, or represent or market themselves as ESG focused schemes.

Initial disclosures

For every ESG scheme launched by an FME, the FME shall ensure the following:

Name of the Scheme: The name of an ESG scheme should be reflective of its ESG focus and consistent with its ESG-related investment objectives and investment strategy.

Investment Objective: FME should transparently disclose the nature and extent of the scheme’s ESG-related investment objectives, including details of the primary components of sustainability addressed by the scheme.

Investment Strategy: Detailed explanation of type of investment strategy, including ESG-related investment strategy, that FME intends to pursue which amongst others may be towards Integration, Impact Investing, Engagement, Transition for hard-to-abate and other emission-intensive sectors, etc.

Risks and Risk Management Practices: FME managing an ESG scheme should disclose all the specific risks that arise on account of the scheme’s pursuit of ESG-related investment objectives, related investment strategies and processes in addition to all the other material risks faced by the scheme.

Periodic Disclosures for ESG Schemes: For every ESG scheme, the FME shall disclose on a half-yearly basis for a retail scheme and on annual basis for other types of schemes, the compliance with the stated ESG-related investment objectives of the scheme, ESG-related performance, actual proportion of the investable corpus/assets under management invested as per the stated ESG-related investment objectives, Key findings/Major observations of Internal audits or third-party validation, if any, etc.

Monitoring and Compliance: The FME should undertake, on a half-yearly basis for a retail scheme and on annual basis for other types of schemes, assessment of their compliance with the stated ESG-related investment objectives of the schemes, measurement of the ESG-related performance of the scheme by evaluating any pre-determined KPIs, expected outcomes and other relevant factors and submit a declaration.

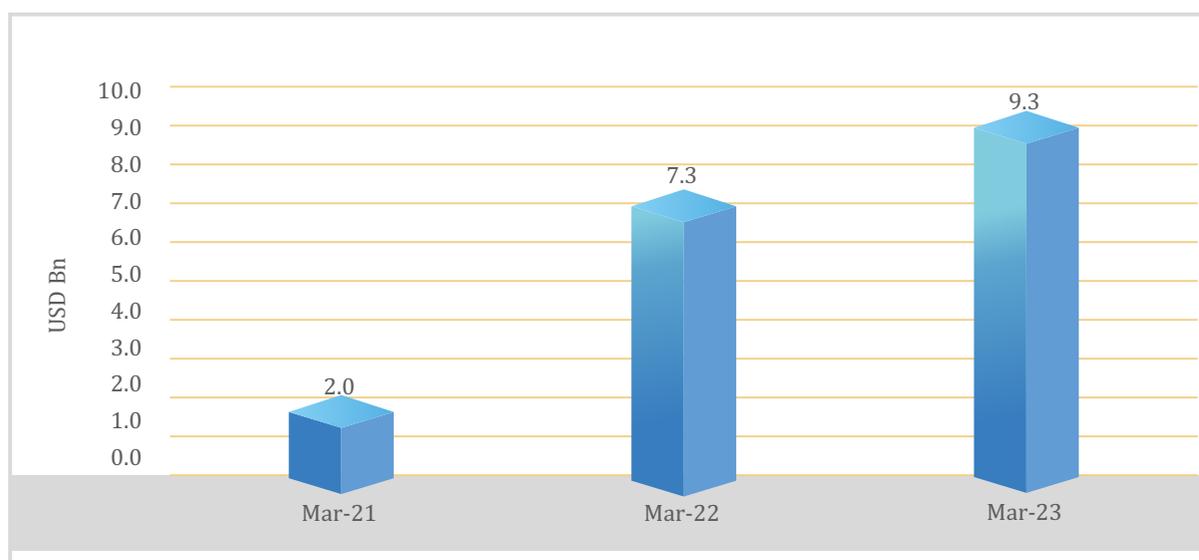
The framework prescribed by the Authority is principle-based, and largely aligned with international best practices. Considering the transition needs of India and other emerging markets, the framework issued by the Authority enables strategies such as:

- a) **Transition Funds** for investing in hard-to-abate and other emission-intensive sectors with the objective of reducing GHG emissions.
- b) **Engagement Funds** for investing in companies wherein the fund manager effectively engages with companies to improve their ESG scoring/profile.

ESG Labelled Debt Securities

As on March 31, 2023, the cumulative listing of all the ESG labelled debt securities on the recognised stock exchanges in the IFSC is USD 9.28 Bn, out of which debt securities totalling to USD 2 Bn have been listed in FY 2022-23.

The figure below depicts cumulative ESG labelled debt listings on the IFSC exchanges for the last 3 years.



Source: India INX and NSE IFSC

Fig 9.2: Cumulative Listing of ESG-labelled debt securities on IFSC Exchanges (USD Bn)

Expert Committee on Sustainable Finance



Image 9.1: Committee of Experts on Sustainable Finance submits Report to Chairperson, IFSCA

The Authority constituted a ‘Committee of Experts on Sustainable Finance’ (“Expert Committee”), in September 2021, to recommend approach towards development of Sustainable Finance Hub at IFSC and provide a road map for the same. The Committee, chaired by Shri C.K. Mishra, Former Secretary to Government of India, Ministry of Environment, Forest & Climate Change, has submitted its final report on October 3, 2022. The key recommendations of the Expert Committee include:

- a) Transition Financing:** The Authority to issue specific guidelines/framework for transition bonds, enabling carbon intensive industries/sectors to raise global capital for gradual transition towards net-zero.
- b) Partnership with stakeholders:** The Authority to lead initiatives and actions towards creation of a global climate alliance by partnering with policy thinktanks, standard setting bodies, industry associations and academic institutions among others.
- c) Voluntary Carbon Markets:** The Authority can bolster IFSC’s sustainability credentials by championing the voluntary carbon market and creating it in IFSC.
- d) Capacity Building**
 - i) The Authority to engage with ESG and climate risk experts like Council on Energy, Environment and Water (CEEW), Climate Bonds Initiative, UNDP Financial Centres for Sustainability (FC4S) and auctus ESG among others for creating skill enhancement programs to bridge the knowledge gap and enhance professional capacity within the IFSC.

- ii) The Authority to engage with relevant international organisations to train regulators, policymakers, and key managerial personnel of systemically important financial institutions.
- iii) The Authority to create an institutional-level framework for capacity building specific to the type of financial institution. This framework can incorporate mandatory certifications/trainings on key areas related to sustainability.

e) Promote Innovation, New Products and Services

- i) The Authority to facilitate the structuring and issuance of innovative green products through regulatory framework and guidelines to attract private foreign capital.
- ii) The Authority to promote regulatory sandbox for Green FinTech in order to boost investments in green technology through IFSC.
- iii) The Authority to facilitate blended finance mechanism at IFSC by attracting concessional financing from multilateral development banks (MDBs) and development finance institutions (DFIs), thereby reducing the financial risks of private and commercial investors.
- iv) The Authority to create an enabling regulatory framework for MDBs to offer products like Risk Sharing Facilities and Partial Credit Guarantees.
- v) The Authority could encourage setting up of impact funds within IFSC and can create guidelines for investors looking to see a social return on their capital.
- vi) The Authority could facilitate development of a dedicated lending platform for green/sustainable projects in the MSME sector. The platform will provide opportunity to MSMEs to avail green/sustainable financing through IFSC.
- vii) The Authority to facilitate formation and development of green aggregation vehicles (REITs, InvITs, ETF) and facilitate their listing on stock exchanges within IFSC to encourage capital flows.

f) Sustainability Reporting

- i) The Authority to mandate reporting on non-financial parameters, with a special focus on climate risk by IBUs and FIs in a phased manner. These disclosures may be voluntary initially, paving the way for mandatory disclosures.
- ii) The Authority to strive towards standardisation of climate disclosures by entities.

g) G20 Engagement

The Authority to engage with GoI on the subject of India's presidency of G20 in the areas of sustainable finance and climate actions.

G20 Sustainable Finance Working Group - Knowledge Partner

IFSCA is the domestic knowledge partner of Department of Economic Affairs, Ministry of Finance (DEA, MoF), GoI for Sustainable Finance Working Group (SFWG) as part of India's G20 Presidency. As a knowledge partner, IFSCA is responsible for providing inputs for presidency papers, concept notes for the side events, research, and inputs for the key deliverables amongst other things. IFSCA contributed to the G20 input paper - *"Building capacities to accelerate sustainable finance and manage climate and sustainability risks"*.

Advocacy and Outreach

FC4S

The Financial Centres for Sustainability (FC4S) Network is a growing collective of the world's financial centres which is supported by UNDP Secretariat. It consists of 39 members and the entities representing financial centres include regulators, public-private agencies, and market associations. The objective of FC4S is to accelerate the expansion of sustainable finance by enabling financial centres to evaluate the state of sustainable finance and to provide the tools and insights to engage local institutions, inform and influence policy, and ultimately accelerate market transformation.

IFSCA is a member of the FC4S Network and participated in the Annual General Meeting (AGM) held on October 20, 2022, in Casablanca, Morocco. During the AGM, the progress and focus areas of member financial centres and initiatives of FC4S were discussed with the objective to design the roadmap and action plan for FC4S.

MoU between IFSCA and the Council on Energy, Environment and Water (CEEW)

IFSCA and the CEEW have signed an MoU for mutual assistance and cooperation in the area of sustainable finance. IFSCA and CEEW are collaborating through this wide-ranging MoU, which includes research and joint convenings. The MoU, focusing on broad areas of sustainable finance, is a step towards achieving climate goals and mobilising global capital, through IFSCA, for enabling sustainable development.

Policies and programmes for the following year

The Authority has planned several initiatives for the next FY with respect to sustainable finance, including the following:

- i) Transition Finance:* Tackling climate change by limiting the global temperature rise to 1.5 degree Celsius is fundamental not just for achieving Paris agreement but also SDGs. This requires fundamental change in the way business is being done across all sectors of the economy. This will be particularly true for the industries which fall under hard-to-abate sectors. However, mobilisation of funds towards climate action has been restricted to certain sectors of the economy. There is a need to finance hard-to-abate and emission-intensive sectors such as steel, cement, aviation, oil and gas, shipping, and chemicals for an orderly transition towards a low-carbon future. This is very significant for developing countries, including India.

The Authority is working on developing a regulatory framework for mobilising foreign capital through various transition finance instruments, particularly addressing the needs of Indian entities in these sectors.

- ii) Voluntary Carbon Markets:* The voluntary carbon market is rapidly growing globally. The Taskforce on Scaling Voluntary Carbon Markets, with knowledge support from McKinsey, estimates that the market for carbon credits could be worth upward of USD 50 Bn in 2030. Considering that India is one of the largest exporters of voluntary carbon credits, the Authority is considering enabling international voluntary carbon markets at IFSC.
- iii) Centre of Excellence for capacity building:* The Authority is working with relevant partners to setup Centre of Excellence for capacity building on sustainable finance. The goal is to create institutional level framework for capacity building and engage with experts from international institutions, academia, and other stakeholders for building a skilled ecosystem at systemic, institutional, and individual levels to support sustainable finance both regionally and globally.
- iv) Innovative Products:* The Authority aims to create enabling regulatory ecosystem, to put in place de-risking mechanisms and blended finance with the help from various MDBs.





ANCILLARY SERVICES

International Financial Centres are jurisdictions with high concentration of both financial services firms such as Banks, Capital Market entities, Insurance firms, Fund Managers, Fintech firms as well as professional services firms providing services in fields of Audit and Accountancy, Taxation, Legal, Consulting and Advisory services etc. Professional services firms are quintessential for the development of an international financial centre as they aid and assist the delivery of financial services by financial institutions. Globally, the growth of financial firms and financial markets are predicated on the growth and concentration of high-quality professional services firms.

Considering the inherent importance of professional services firms in developing a robust financial services market in GIFT IFSC, the Authority in February 2021 issued the framework for enabling Ancillary Services at IFSC.

Framework for enabling Ancillary services at IFSC

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 so as to provide permissible ancillary services pertaining to activities in relation to financial products, financial services and financial institutions in the IFSC:

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

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.

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

- i) Entities set up in IFSC
- ii) Entities from foreign jurisdictions for various permissible ancillary services in IFSCs in India or 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

Ancillary services are playing a significant role in creating employment opportunities for professionals in GIFT IFSC. More importantly, India's inherent advantage in the availability of skilled talent pool across such professional services is being leveraged to create a robust professional services ecosystem in GIFT IFSC.

Trends and Transactions

Under the Ancillary Framework, IFSCA has granted authorisation to 46 entities as on March 31, 2023, out of which 18 entities²⁵ were granted Authorisation during Financial Year 2022-23.

Table 10.1: Activity-wise break up of ancillary services entities as on March 31, 2023

S. No.	Core Activity	No. of Authorised Entities
1	Legal, Compliance and Secretarial	7
2	Auditing, Accounting, Bookkeeping and Taxation Services	5
3	Professional & Management Consulting Services	16
4	Administration, Asset Management Support Services and Trusteeship Services	18
	Total	46

The ancillary services ecosystem is rapidly growing with leading professional services firms setting up operations in GIFT IFSC to provide services to IFSC entities as well as overseas clients.

²⁵ Including in-principle approval

Advocacy and Outreach

As part of industry engagement, IFSCA collaborated with statutory organisations such as Institute of Chartered Accountants of India and Institute of Company Secretaries of India and organised interactions with their members with a view to acquaint them with IFSCA regulations and frameworks.

Additionally, Ancillary services firms organised several webinars, roundtables, and conferences globally and within India to create awareness about opportunities, in areas of Banking, Funds, Insurance, Aircraft Leasing, etc.

Policies and programmes for the following year

- i) To enhance the business activities in GIFT IFSC, the Hon'ble Finance Minister in the Union Budget 2023-24 announced that amendment will be carried out under the IFSCA Act for incorporating statutory provision on ancillary services. Accordingly, IFSCA is carrying out necessary research and will propose required amendments in IFSCA Act to implement the above announcement.
- ii) The Voice-broking and Ship-broking services are proposed to be included in the list of permissible ancillary services under the Ancillary services framework.



AIRCRAFT LEASING

To enable the aircraft operating lease business 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, post which the industry has shown great interest in the business opportunities emanating from IFSC.

Subsequently on May 18, 2022, a revised framework was issued by the Authority based on the regular feedback and interactions with various stakeholders, the Authority further widened the scope of the activities that could be undertaken under aircraft lease. The said Framework enabled leasing of 'Aircraft Ground Support Equipment' in the IFSC. It also specified regulatory requirements for undertaking financial lease and/or hybrid of operating and financial lease of aircrafts and Aircraft Ground Support Equipment. Further, it broadened the scope of providing asset management support services so as to extend it to assets leased by the entity or by its wholly owned subsidiary without the need for separate authorisation.

Box 11.1: Salient features of the 'Framework for Aircraft Lease'

Eligibility: To become a Lessor for undertaking permissible activities in IFSCs, the applicant must meet the eligibility criteria outlined in the Finance Company Regulations. This includes setting up operations in IFSC in the form of a Company, LLP, Trust, or any other form specified by the IFSCA.

Permissible Activity: Operating/Finance lease for an aircraft or an aircraft ground support equipment including the sale and lease back, purchase, novation, transfer, assignment and any such other similar transactions in relation to aircraft lease; Asset management support services for assets owned or leased out by the Lessor or by its wholly owned subsidiary in IFSC and any other related activity with the prior approval of IFSCA.

Capital Requirement: Aircraft lessors in IFSC are required to maintain minimum own funds at all times. The minimum owned fund requirement for entities undertaking operating lease and for those undertaking financial lease or hybrid of operating and financial lease are USD 0.2 million and USD 3 million respectively.

Prudential regulations: FCs intending to undertake finance lease in IFSCs must comply with prudential norms such as capital ratio, exposure ceiling, and liquidity coverage ratio. However, entities intending to undertake operating lease are exempt from these norms, provided they have a Board approved prudential policy and meet the fit and proper requirement set out by the Authority. All entities, regardless of the type of lease, must comply with KYC, AML, and corporate governance requirements as set out in the FC Regulations.

Advocacy and Outreach

Roadshow organised in Dublin

IFSCA delegation held roundtable discussions and one to one meetings with lessors, financiers, consultants and counsels during their visit to Dublin from October 12 to 14, 2022.

Airline Economic Event, Delhi

Airline Economics organised its first aircraft leasing focused event from February 28 to March 1, 2023 in Delhi, India. Event was attended by global leasing firms, IFSC leasing companies, airlines and other stakeholders in aviation leasing ecosystem. During the event, General Manager, IFSCA, delivered the keynote address on “Opportunities for Aircraft leasing at GIFT IFSC”.

Trends and Transactions

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.

As on March 31, 2023, there are 15 lessors registered with the Authority. Further, four lessors have been granted in-principle approval and one application is under process. As on March 31, 2023, the lessors based at GIFT IFSC have leased 26 aviation assets including aircraft, engines, etc.



FOREIGN UNIVERSITIES AND INSTITUTIONS

"I suggest that we tie-up our financial ecosystem with non-finance colleges and the youth should be educated. After all, it is the youth who will become the earners and investors in the times to come. To inculcate the confidence of the people in these courses, they should be run on not-for-profit mode. GIFT City can also work on preparing a good roadmap and ground rules for this by looking at the performance of private players. This year's budget announcement regarding foreign universities in GIFT City will also benefit it."

- Hon'ble Prime Minister, Shri Narendra Modi

In a landmark policy reform that will pave the way for Foreign Universities & Institutions to establish their presence in GIFT IFSC, the Hon'ble Union Minister of Finance in the Union Budget 2022-23 announced, *"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 the IFSCA to facilitate availability of high-end human resources for financial services and technology"*.

The overall objective of this policy announcement is to develop GIFT IFSC as an international educational centre catering to both Indian and foreign students in specified disciplines, encourage research in areas of Banking, Insurance, Capital Market, Funds Management, FinTech, Longevity Finance, Sustainable Finance, Quantum Computing, etc. and nurture high-end human resources in finance, technology, and related fields.

In furtherance of the Union Budget announcement, Central Government in exercise of the powers conferred by sub-clause (xiv) of clause (e) of sub-section (1) of section 3 of the IFSCA Act, 2019 notified "courses offered in Financial Management, FinTech, Science, Technology, Engineering and

Mathematics by Foreign Universities or Foreign Institutions in International Financial Services Centres, as 'Financial Service' vide Gazette Notification dated May 23, 2022.

The Authority notified IFSCA (Setting Up and Operation of International Branch Campuses and Offshore Education Centres) Regulations, 2022 which were published in the Gazette of India on October 11, 2022. The enabling regulations provide a comprehensive and unified regulatory framework for a Foreign University and Foreign Education Institution to establish International Branch Campus (IBC) and Offshore Education Centre (OEC) in IFSC respectively.

Box 12.1: Salient Features of IFSCA (Setting Up and Operation of International Branch Campuses and Offshore Education Centres) Regulations, 2022

i) Definitions

International Branch Campus (IBC) shall mean a campus set up as a branch by a Foreign University, and Offshore Education Centre (OEC) shall mean a centre set up as a branch by a Foreign Educational Institution (other than a Foreign University); In GIFT IFSC on stand-alone basis, or in such other form as may be permitted by the Authority for the purpose of delivering courses including research programmes in the permissible subject areas, that are duly accredited under the relevant framework in their respective home jurisdiction, and is registered with the Authority.

ii) Permissible Subject Areas

Foreign University/Education Institution can offer courses including research programmes in the disciplines of Financial Management, FinTech, Science, Technology, Engineering and Mathematics in GIFT IFSC.

iii) Eligibility

- a) In case the Applicant is a Foreign University, it should have secured a position within top 500 in global overall ranking and/or subject ranking in the latest QS World Universities ranking.
- b) In the case of Foreign Educational Institution, the Applicant should be a reputed Institution in its home jurisdiction.
- c) The Applicant shall satisfy the Authority about its financial capability to establish and ensure the continuity of the proposed activities in GIFT IFSC.
- d) The Applicant shall undertake to put in place suitable infrastructure and facilities to conduct the courses including research programmes in the permissible subject areas.

iv) Registration

- a) An Applicant satisfying the eligibility conditions specified in these regulations, shall apply to the Authority, in the specified format, for the grant of registration to

conduct the courses including research programmes or/and executive education programmes in the permissible subject areas.

- b) An application received shall be referred to the Committee of Experts constituted by the GIFT Company Limited for appraisal and recommendations.
- c) Based on the recommendations of the Committee of Experts, the Authority may upon its satisfaction, at first instance, grant in-principle approval to the Applicant giving it 180 days' time to set up all required infrastructure, engage necessary manpower, etc.
- d) The Authority on being satisfied that the applicant fulfils all the conditions for the grant of registration, may issue a Certificate of Registration.

v) Course Recognition

- a) Any course or programme conducted by a registered entity in the GIFT IFSC shall be identical in all respects with the course or programme conducted by the Parent Entity in its home jurisdiction and identical degree, diploma or certificate shall be conferred upon the students of the IBC or OEC directly by the Parent Entity in the same manner as it confers to its students for the same course or programme in its home jurisdiction.
- b) The degree, diploma or certificate issued with respect to courses or programmes conducted in the GIFT IFSC shall enjoy the same recognition and status as if they were conducted by the Parent Entity in its home jurisdiction.

vi) Safeguarding the interest of Students

No IBC or OEC shall wholly or partially discontinue, suspend, or close any of its approved courses or programmes in the permissible subject areas for any reason without the prior written approval of the Authority. In the eventuality of disruption or discontinuation of a course or programme for any reason, it shall be the responsibility of the Parent Entity to provide an alternative to the affected students, including reallocation to the course or programme conducted by it.

Application Form for setting up of IBC or OEC in the IFSC

To enable Foreign Universities and Foreign Education Institutions to apply under the extant regulations, IFSCA vide circular dated February 23, 2023, issued the Application Form for setting up of IBC or OEC in the IFSC. The Application Form has been divided into two parts, Part A seeks information regarding the Foreign University/Institution in its home campus and Part-B relates to the applicant's proposal for establishing IBC/OEC in IFSC.

Grant of 1st In-principle Approval

During FY 2022-23, IFSCA received the first application from Deakin University, a leading University from Australia, which has secured 266th rank in QS World University Ranking 2023, intending to set up its International Branch Campus at GIFT IFSC.

IFSCA granted in-principle approval to the Deakin University in March 2023 to operate and establish its IBC in GIFT IFSC. To begin with, the University will offer two courses from their GIFT IFSC branch i.e., Master of Cyber Security (Professional) and Master of Business Analytics.

Advocacy and Outreach

During FY 2022-23, IFSCA collaborated with Indian Missions abroad as well as Foreign Missions in India to showcase opportunities in GIFT IFSC to leading & reputed foreign universities and institutions. Roundtable interactions were held with leading Universities from United States, United Kingdom, and Australia. Several universities from the US, UK and Australia indicated keen interest to explore this unique opportunity of setting up an IBC in GIFT IFSC and enrol students from India and abroad.

INFORMATION TECHNOLOGY

Technology has become an indispensable part of regulation, supervision, and governance in the financial regulatory ecosystem. IFSCA recognises that the technology is the key in increasing transparency and efficiency in operations and in improving the ease of doing business in IFSC and thus has taken a number of initiatives in the FY 2022-23.

IFSCA's Supervisory Technology (SupTech) System

IFSCA is in the process of appointing a suitable SupTech Solution Provider to implement the system to facilitate the supervisory functioning of the Authority. The envisioned system aims to establish a comprehensive framework for administration, compliance, supervision, and enforcement amongst its regulated entities. The primary focus is to incorporate advanced technology and adhere to global best practices in order to achieve the Authority's objectives effectively.

IFSCA Website

The IFSCA website acts as an important interface with the public as well as the regulated entities and other ancillaries to disseminate information through its regulations, circulars, notifications, etc.

IFSCA (Maintenance of Website) Regulations, 2022

IFSCA (Maintenance of Website) Regulations, notified in November 2022, provide an enabling framework for IFSCA to develop a best-in-class website, comparable to those of other international financial sector regulators, while conforming to the standards and guidelines of Government of India and other relevant agencies.

Revamp of IFSCA Website

The revamp of IFSCA's website is needed in order to create an outstanding digital experience for visitors from across the spectrum. The revamped website shall cater to the needs of regulated entities (REs), prospective businesses and foreign financial regulators, ultimately improving their ease of doing business in IFSC. Towards this end, a request for proposal for "Re-Design, Development and Maintenance of IFSCA Website" was floated in January 2023.

Incorporation of Single Window IT-enabled system for Application Processing

The Hon'ble Union Minister of Finance, in the Union Budget 2023-24, announced the implementation of a single window IT-enabled system for processing of registration applications of entities desirous of setting up operations in GIFT IFSC. The same is being incorporated in IFSCA's website for improving the ease of doing business in IFSC.

IT Infrastructure

IFSCA provides workstations equipped with computers, printers, telephones, and high-speed Local Area Network (LAN) connectivity to its employees. IFSCA has operationalised an internal mail server for ease of document sharing within the organisation, while ensuring data security. IFSCA Headquarters has high-speed Wi-Fi connectivity, and the meeting rooms are equipped with world-class video conferencing devices for seamless communication.

Human Resource Management System (HRMS)

The HRMS application of IFSCA is aimed at easing the general administration through digitising employees' attendance management, leave management, and pay slip generation. This system will be used for processing the claims of all the employees in a paperless manner. Further, the objective is to scale the system to include all other general administrative functions within its ambit.

eOffice-IFSCA application

The eOffice-IFSCA application, from the National Informatics Centre (NIC), is IFSCA's electronic file management system. The objective of eOffice-IFSCA is to achieve simplified, responsive, effective, and transparent working of all departments.

The eOffice application helps to enable a less-paper office by scanning, registering, and routing the inward correspondences along with creation of file, noting, referencing, correspondence attachment, draft for approvals and finally movement and tracking of files as well as receipts.

Cybersecurity

IFSCA has put in place certain necessary cyber security infrastructure in line with the Framework for Improving Critical Infrastructure Cybersecurity developed by National Institute of Standards & Technology (NIST).²⁶

As proposed under the NIST framework, the cyber security policy proposed to be implemented by IFSCA includes the following processes to identify, assess, and manage cyber security risk associated with its processes, information, networks, and systems:

- i) Identify:** Critical IT assets are inventoried and protected. Physical access to assets is managed and restricted using CCTV cameras.
- ii) Protect assets by deploying suitable controls, tools, and measures such as:**
 - Contracts with suppliers and third-party vendors are used to implement appropriate measures for cybersecurity.
 - Suppliers and third-party vendors are routinely assessed using audits. (IFSCA website was audited by a CERT-In empaneled 3rd party auditor in Q3 of FY21-22 and accorded a positive rating for its cybersecurity posture).
 - Implemented Identity Management, Authentication and Access Control.
 - IFSCA uses NIC's email service, which extends all NIC's safeguards to IFSCA's official email communication.
- iii) Detect:** Incidents, anomalies and attacks are being detected using appropriate monitoring tools/processes such as endpoint security agent has been made operational and firewall has been deployed.
- iv) Respond:** By taking immediate steps after identification of the incident, anomaly, or attack, activities are performed to prevent expansion of an event, mitigate its effects, and resolve the incident by patching the newly identified vulnerabilities.
- v) Recover:** from incident through incident management, disaster recovery and business continuity framework.

IFSCA acknowledges the need for continuous improvement, incorporating advanced technologies and best practices to always maintain a robust cybersecurity posture and shall endeavor for the same.

²⁶ A non-regulatory government agency under the U.S. Department of Commerce.



DEVELOPMENTAL ACTIVITIES

"GIFT City is making a strong mark as a hub of commerce and technology. GIFT City celebrates both wealth and wisdom. I am glad to see that through GIFT City, India is striding ahead strongly in the services sector globally."

- Hon'ble Prime Minister, Shri Narendra Modi

Visit of the Hon'ble Prime Minister to GIFT IFSC

The Hon'ble Prime Minister visited GIFT IFSC on July 29, 2022, to inaugurate the India International Bullion Exchange and NSE IFSC-SGX Connect and lay the foundation stone for IFSCA headquarters building along with the launch of other initiatives.



Image 14.1: Digital gallery presentation by Chairperson, IFSCA to the Hon'ble Prime Minister of India



Image 14.2: Hon'ble Prime Minister addressing the gathering at GIFT IFSCA



Image 14.3: Hon'ble Prime Minister launching various initiatives at GIFT IFSC on July 29, 2022

L – R: Shri Kanubhai Desai (Minister of Finance, Gujarat), Shri Pankaj Chaudhary (Union Minister of State for Finance), Shri Bhupendra Patel (Chief Minister, Gujarat), Shri Narendra Modi (Hon'ble Prime Minister of India), Smt. Nirmala Sitharaman (Minister of Finance, India), Dr. Bhagwat Karad (Union Minister of State for Finance).

During the event, Hon'ble Prime Minister highlighted the importance of GIFT IFSC as a wonderful combination of global capital for local welfare and local productivity for global welfare. He exuded confidence that all the institutions associated with GIFT City will work to further strengthen this bond as there are many institutions in IFSC which have global footprints, and have local connections.

Emphasising the role of IFSC as a gateway of global capital flows, Hon'ble Prime Minister stated, *'with global markets, we are rapidly integrating with global supply chains and GIFT City is an important gateway to connect India with global opportunities. When you integrate with GIFT City, you will integrate with the whole world.'*

Highlighting the way ahead for achieving the vision of India's maiden IFSC, Hon'ble Prime Minister emphasised that India needs many financial innovations from aircraft leasing, ship financing, carbon trading, digital currency, and IP rights to investment management. He guided IFSCA to work in this direction and make regulation and operation cost-competitive in comparison to other financial jurisdictions. He further motivated IFSCA to turn into a leader in terms of regulations, set high standards for rule of law, and develop GIFT IFSC as the preferred arbitration centre for the world.

Announcements and Key Milestones

The following announcements, including five MoU Exchanges and eight key milestones, pertaining to the development of financial market in GIFT IFSC were made:

- i) Four MoUs were exchanged between IFSCA and the following overseas financial regulators:
 - a) Monetary Authority of Singapore (MAS), Singapore
 - b) Commission de Surveillance du Secteur Financier (CSSF), Grand Duchy of Luxembourg
 - c) Finansinspektionen (FI), Sweden
 - d) Qatar Financial Centre Authority (QFCA), Qatar

In addition, a Cooperation MoU was signed between IFSCA and Department of Space, GoI.

- ii) Setting up of Indian Regional Office (IRO) by New Development Bank (NDB) in GIFT IFSC.
- iii) Inauguration of IFSC Banking Units of the following three Foreign Banks:
 - a) Deutsche Bank
 - b) JP Morgan Chase NA Bank
 - c) MUFG Bank Ltd.
- iv) Capacity expansion of Global In-house Centre set up by Bank of America in GIFT IFSC
- v) Operationalisation of the following four International Trade Finance Services (ITFS) Platforms:
 - a) RXIL Global IFSC Pvt. Ltd.
 - b) Minions Ventures IFSC Pvt. Ltd.
 - c) Vayana IFSC Pvt. Ltd
 - d) Mynd Solutions IFSC Pvt. Ltd.
- vi) Grant of Authorisation Certificates to five FinTech firms under IFSCA FinTech Entity Framework 2022.
- vii) Submission of a joint letter of intent by Association of National Exchanges Members of India (ANMI) and Commodity Participants Association of India (CPAI) on behalf of 100+ Broker-Dealers for setting up operations in GIFT IFSC.
- viii) 75th Bond listing on India INX with a cumulative value of approx. USD 50 Bn to commemorate 75th year of India's independence and Azadi ka Amrit Mahotsav.
- ix) Launch of International Sustainability Platform by NSE IFSC: A first of its kind initiative in India with end-to-end sustainable products which will enable global capital flows into India to meet SDGs and Climate change goals.



Image 14.4: Hon'ble Prime Minister launching the NSE IFSC-SGX Connect

L - R: Shri Bhupendra Patel (Chief Minister, Gujarat), Shri Ashish Kumar Chauhan (MD & CEO, NSE), Shri Narendra Modi (Hon'ble Prime Minister of India), Mr Loh Boon Chye (CEO SGX), Smt. Nirmala Sitharaman (Minister of Finance, India)

The Hon'ble Prime Minister highlighted the importance of these developments and said, 'we have crossed several important milestones today. These will further help in connecting the potential of 130 crore countrymen to the modern global economy'.

Hon'ble Prime minister underlined his vision for GIFT City in the following words:

"The aspirations of the common man of the country are linked to the vision of GIFT City. The vision of India's future is associated with the GIFT City; the dreams of India's golden past are also associated with it. Gift City is turning into a place from where new ideas are emerging, wealth creation is happening, and the best minds of the world are coming here to learn and grow. That is, in a way, GIFT City is also becoming a medium of achieving the old economic glory of India."

- Hon'ble Prime Minister, Shri Narendra Modi

Visit of Hon'ble Deputy Prime Minister of Singapore to GIFT IFSC

A high-level delegation led by Hon'ble Deputy Prime Minister and Minister for Finance, Singapore, Mr. Lawrence Wong visited GIFT IFSC on September 18, 2022, to discuss ongoing collaboration between India and Singapore for development of GIFT IFSC and witness the exchange of first of its kind FinTech Cooperation Agreement between Monetary Authority of Singapore and IFSCA.



Image 14.5: Visit of Singapore delegation to GIFT IFSC



Image 14.6: Chairperson, IFSCA presenting memento to Deputy Prime Minister, Singapore

L to R - Mr Lawrence Wong (Hon'ble Deputy Prime Minister, Singapore), Mr Kanubhai Desai (Minister of Finance of Gujarat) and Mr Injeti Srinivas (Chairperson, IFSCA)

During the interaction, IFSCA highlighted its ongoing regulatory and developmental initiatives and collaborations with Singapore in the areas of capital markets, inter-regulatory cooperation and fintech.

11th U.S.-India Financial Regulatory Dialogue (FRD) held in GIFT IFSC

The 11th U.S.-India Financial Regulatory Dialogue (FRD) was hosted by IFSCA on March 7, 2023, on behalf of GoI. From the US side, the dialogue was led by Counsellor to the Secretary and Director, International Financial Markets, Department of Treasury. Senior officials from GoI, IFSCA, RBI, SEBI, IRDAI and PFRDA also participated in the dialogue. During the dialogue, a dedicated session was held on GIFT IFSC wherein both sides discussed potential areas of collaboration.



Image 14.7: 11th India - US Financial Regulatory Dialogue

Global Outreach Initiatives of IFSCA

Visit to United Kingdom

Under the aegis of UK-India strategic collaboration which was established at the 10th India-UK Economic and Financial Dialogue (EFD) held in October 2020 to accelerate the development of GIFT IFSC, a delegation led by the Chairperson, IFSCA visited London, in July 2022. During the visit, the delegation held several engagements with UK officials, financial regulators as well as their financial services industry. Several roundtable interactions were also organised to acquaint the UK financial services industry with the opportunities at GIFT IFSC.

Visit to USA

During the visit, IFSCA delegation, led by Chairperson, IFSCA, held dialogue with US Treasury officials, financial regulators, World Bank Group institutions, stock exchanges, industry associations and US financial services industry. Dedicated roundtables were also organised for banks, funds industry, aircraft leasing firms, etc.



Image 14.8: IFSCA delegates at Nasdaq Market Site, New York



Image 14.9: IFSCA delegates at the New York Stock Exchange

Visit to Malaysia

IFSCA delegation led by the Chairperson visited Kuala Lumpur, Malaysia in March 2023, to participate in the 5th ASEAN-India Business Summit, which was organised by ASEAN India Business Council (AIBC) in collaboration with the High Commission of India in Malaysia. During the visit, the IFSCA delegation also held meetings with Malaysian financial regulators i.e. Securities Commission Malaysia and Labuan Financial Services Authority to explore potential areas of bilateral collaboration. Dedicated roundtable interactions with Malaysian financial services industry and universities were also held to acquaint them with opportunities at GIFT IFSC.



Image 14.10: Chairperson, IFSCA delivering the keynote address at the 5th ASEAN India Business Summit in Kuala Lumpur, Malaysia

Visit to Singapore

Executive Director, IFSCA visited Singapore in November 2022 to participate in their flagship higher education event “Going Global Conference 2022”. During the conference, he highlighted the emerging opportunity for foreign universities to set up International Branch Campus at GIFT IFSC.

Visit to Australia

Executive Director, IFSCA visited Australia in February 2023 to participate in the Universities Australia Conference 2023 and highlight the opportunities arising in GIFT IFSC for Australian Universities. During the visit, roundtable interactions were held with Australian financial services industry and study tours were made to some of the leading Australian Universities.



Image 14.11: Shri Dipesh Shah, Executive Director, IFSCA at Universities Australia Conference, 2023 in Canberra

Hon'ble Union Minister of Commerce and Industry, Shri Piyush Goyal's visit to IFSCA



Image 14.12: Review of GIFT IFSC by Hon'ble Union Minister of Commerce and Industry

Hon'ble Union Minister of Commerce and Industry, Shri Piyush Goyal, reviewed the functioning of GIFT IFSC during his visit on October 8, 2022. He interacted with various heads of units in GIFT city comprising bankers, fund managers, derivative exchange management, aviation industry representatives among others and heard their issues with allied offices of Commerce and Industry, DGFT and SEZ among others.

He discussed benefits of setting up units in GIFT City and received suggestions including those on exports promotion and 'Make in India' in manufacturing. Further, he issued directions to explore whether the Start up ecosystem can benefit from the facilities available at GIFT city.

"IFSC will be a key driver of economic growth with enhanced Ease of Doing Business for global investors who will gain from the India growth story", the Minister tweeted on the meeting.

Key outreach and engagement activities

During FY 2022-23, following major outreach and engagement activities were carried out in collaboration with the Indian missions, foreign missions, industry associations, investment promotion agencies and other stakeholders.

Table 14.1: Key outreach and engagement activities of IFSCA during FY 2022-23

Month	Activity	Brief Description
April 2022	Webinar on the theme “The Butterfly Effect series: Investment opportunities in South Asia”	IFSCA participated in the webinar organised by CPA Australia in collaboration with Invest India to discuss GIFT IFSC business opportunities.
	Webinar on IFSCA (Fund Management) Regulations, 2022	IFSCA participated in a webinar organised by PwC to create awareness about IFSCA (Fund Management) Regulations, 2022.
	Webinar on IFSCA (Fund Management) Regulations, 2022	IFSCA participated in a webinar organised by Deloitte to create awareness about IFSCA (Fund Management) Regulations, 2022.
May 2022	CPAI Event on Opportunities in IFSC - Making India a Price Discovery Centre	IFSCA participated in 8 th International Convention of CPAI (Commodity Participants Association of India) to apprise the participants about the opportunities in GIFT IFSC.
June 2022	Webinar on Marine Insurance in India	Virtual webinar organised by Informa Markets on Marine Insurance in India and opportunities present in GIFT-IFSC followed by a Q&A session.
	Webinar on International Trading opportunities at GIFT IFSC	Webinar was organised by Association of National Exchanges Members of India (ANMI) to elaborate on the growing international trading opportunities in GIFT-IFSC.

Month	Activity	Brief Description
August 2022	Webinar with leading Universities from United States of America	A webinar was organised jointly with the Indian Mission in Washington D.C. to discuss opportunities for US Universities to set up IFSC International Branch Campus (IBC) in GIFT IFSC
	Webinar on 'Important steps for setting up IFSC Broking firm in GIFT IFSC'	ANMI and CPAI jointly organised a webinar to highlight the business opportunities in India's maiden IFSC in GIFT City with special focus on Capital Market opportunities.
	Webinar on theme 'Ship Leasing Framework in IFSC'	IFSCA participated in a webinar organised by PwC on 'Ship Leasing Framework' to create awareness about ship leasing opportunities in GIFT IFSC
September 2022	Roundtable on Redomiciling of Funds in GIFT IFSC	A roundtable was organised in collaboration with Multiples Asset Management IFSC Pvt. Ltd. on 'Redomiciling of funds in GIFT IFSC'. During the roundtable, discussions were held on the measures undertaken by IFSCA for attracting India centric funds to redomicile in GIFT IFSC from overseas jurisdiction.
	Roundtable on Funds Industry in GIFT IFSC	IFSCA participated in the roundtable interaction organised by the Apex Group Ltd. on the theme –“Leveraging the Indian Alternative Growth Story and the role of Global Institutional capital”.
	Conference organised by Bloomberg LP on business opportunities in GIFT IFSC	IFSCA participated in a conference organised by Bloomberg LP with participation from leading financial services industry. During the event, IFSCA disseminated information on various business opportunities in GIFT IFSC across Banking, Capital Markets, Insurance, FinTech, etc.

Month	Activity	Brief Description
September 2022	CII Summit on 'Building blocks for a US\$100B AUM Aatmanirbhar PE&VC industry'	IFSCA participated in summit organised by Confederation of Indian Industry (CII) to discuss and deliberate on the growing importance of Private Equity & Venture Capital Industry. During the event, role and significance of GIFT IFSC as a preferred jurisdiction for PE and VC funds was also discussed.
	19 th International Tax Conference organised by ASSOCHAM	IFSCA participated in the 19 th International Tax Conference organised by ASSOCHAM in New Delhi. During the conference, a dedicated session was held on GIFT IFSC business opportunities.
	ISHKA Global event on Aviation Sector opportunities in GIFT IFSC	IFSCA attended the Ishka Global Conference in New Delhi, which was organised on the theme 'Aviation India - New Horizons, New Opportunities'. During the conference, Aircraft leasing opportunities in GIFT IFSC were presented to global lessors, who participated in the event in large numbers.
October 2022	Conference on "GIFT IFSC: The International Financial Gateway of India."	IFSCA participated in a conference organised by Edelweiss Wealth Management with participation from the financial services industry. During the event, IFSCA presented GIFT IFSC business opportunities across various verticals including Banking, Capital Markets, Insurance, FinTech, etc.
	Roundtable on "Ship Leasing Opportunities" in IFSC	Roundtable was organised by IFSCA with support of the Ministry of Ports, Shipping and Waterways and the Directorate General of Shipping. Policy and other legal enablements for developing ship leasing ecosystem in GIFT IFSC were discussed.

Month	Activity	Brief Description
October 2022	Conference on business opportunities in GIFT IFSC	IFSCA participated in a conference organised by ICICI Bank with participation from the financial services industry. During the event, IFSCA presented the overall opportunities for the financial services industry including fund management industry.
	IFSCA delegation's visit to Netherlands for SIBOS Conference 2022	An IFSCA delegation participated in the Sibos Conference 2022 held in Amsterdam, Netherlands. During the conference, IFSCA organised a dedicated session on the theme "Opportunities at GIFT IFSC" and held bilateral interactions with various international financial institutions and FinTechs.
	IFSCA Aircraft Leasing Roadshow at Dublin, Ireland	IFSCA held roadshows in Dublin, Ireland to disseminate information regarding Aircraft leasing opportunities in GIFT IFSC.
	Webinar on 'Opportunities at the International Financial Services Centre, GIFT City, India'	IFSCA participated in a webinar organised by Hongkong Chapter of ICAI to discuss and highlight the opportunities for financial institutions at GIFT IFSC.
	Webinar on Ship Leasing Opportunities in IFSC	A webinar was organised with leading firms on the ship leasing opportunities in GIFT-IFSC.
November 2022	Conference on "International Financial Services Centre at GIFT City: financial Gateway to India – opportunities for Global institutions"	A Conference was organised in collaboration with Indian Consulate in New York and Bloomberg LP to showcase GIFT IFSC opportunities to the US Financial Services Industry including Banks, Capital Market participants, Law Firms, Fund Managers, etc.
	Roundtable interaction on "Opportunities for Global Funds at International Financial Services Centre, GIFT City"	A dedicated Roundtable on Funds was organised to create awareness about Funds Industry opportunities in GIFT IFSC.

Month	Activity	Brief Description
November 2022	Roundtable interaction on “Banking and Global In-House Centre opportunities at India’s International Financial Services Centre, GIFT City”	A dedicated Roundtable was organised to create awareness about Banking and GIC opportunities in GIFT IFSC.
	Roundtable interaction with US Universities on GIFT IFSC Opportunities	A roundtable interaction was organised to discuss opportunities for US Universities in GIFT IFSC.
	Meeting with members of The Indus Entrepreneurs (TiE- D.C.) on FinTech Opportunities in GIFT IFSC	A roundtable interaction was organised to brief TiE members on the FinTech Hub being developed in GIFT IFSC and educate them on the FinTech Entity Framework 2022.
	Roundtable on “Aircraft Leasing Opportunities” in GIFT IFSC	Roundtable interaction was organised jointly by GIFT City and IFSCA on the aircraft leasing opportunities in GIFT IFSC.
	Roundtable conference on “Business opportunities in GIFT IFSC”	Roundtable conference was organised by German Consulate General in Mumbai to showcase business opportunities in GIFT IFSC for German financial services entities.
	Webinar on “Concessions provided to foreign universities to operate in GIFT IFSC”	Webinar organised by SW India in association with SW Australia, with participation of 20+ Australian universities to disseminate information on setting up of International Branch Campus in GIFT IFSC.
December 2022	Meeting with officials from Australian Trade and Investment Commission (Austrade)	IFSCA held discussions with Austrade officials to highlight opportunities for Australian Universities to open International Branch Campuses in GIFT IFSC

Month	Activity	Brief Description
January 2023	ICAI - One Day Conference on Opportunities in GIFT IFSC	Conference was organised by Ahmedabad Branch of WIRC of ICAI in partnership with IFSCA to educate and sensitise CA fraternity regarding GIFT IFSC business regulations and opportunities.
	ICICI Event on GIFT IFSC opportunities	IFSCA officials participated in a two-day event organised by ICICI Bank in Bengaluru to showcase GIFT IFSC business opportunities for funds industry as well as discuss the impact of new ODI regulations with the financial services industry.
February 2023	Meeting with Multi-lateral Investment Guarantee Agency (MIGA) -World Bank Group	Senior officials of MIGA held a meeting with IFSCA officials and heads of IBU's to discuss the potential of MIGA products and solutions being offered from GIFT IFSC including Credit Enhancement Guarantee.
	KPMG-CNBC Budget discussion for the Financial Services sector	A session was organised by KPMG and CNBC to discuss the GIFT IFSC related Union Budget announcements and the future benefits and business opportunities.
	Post Union Budget Webinar by Ernst & Young LLP	IFSCA participated in a webinar organised by Ernst & Young on the Union Budget 2023 announcements related to GIFT IFSC and the business opportunities emerging from the announcements.
	Post Budget Webinar by PE-VC CFO Association	IFSCA participated in a webinar organised by PE-VC CFO Association on the Union Budget 2023 announcements made for GIFT IFSC and business opportunities emerging from the announcements.
	International Trade Financing Services Platform (ITFS) Workshop held in Mumbai	IFSCA in collaboration with Export Promotion Councils and ITFS platforms, conducted a workshop to sensitise and educate the MSME community regarding benefits of availing trading financing services from ITFS platforms in GIFT IFSC.

Month	Activity	Brief Description
March 2023	Roundtable for Ship Leasing Opportunities in GIFT IFSC held in Dubai	IFSCA participated virtually in a roundtable interaction organised by PwC to showcase Ship leasing opportunities in GIFT IFSC to global ship lessors and other market participants.
	Global Professional Conference organised by TeraPanth Professional Forum.	IFSCA participated in the Global Professional Conference organised in Ahmedabad by TeraPanth Professional Forum. The conference was aimed at showcasing the business opportunities in GIFT IFSC for professionals across the globe.
	Conference organised by JP Morgan Chase	IFSCA participated in a conference organised by JP Morgan Chase to showcase Funds Industry opportunities in GIFT IFSC. During the conference, benefits for relocation of funds to GIFT IFSC were also discussed.
	Seminar on, "The Company Secretary: A Global Profession" by ICSI Ahmedabad Chapter	IFSCA participated in a seminar organised by the Institute of Company Secretaries of India (ICSI). The seminar was attended by more than 100 professionals and the opportunities for the secretarial and compliance services in GIFT IFSC were highlighted.
	Roundtable organised for Framework for enabling Ancillary services in 2023	A roundtable was organised by the IFSCA with leading professional and consultancy firms to discuss the potential for GIFT IFSC to become a Global Accountancy Hub.

SECTION-D



QUASI-LEGISLATIVE FUNCTIONS OF THE AUTHORITY

IFSCA has been established as a unified regulator to develop and regulate the financial services market in the IFSCs in India. The Authority can perform all such executive, quasi-legislative and quasi-judicial functions in IFSCs, as are being performed by the domestic financial sector regulators in India. Section 12 of the IFSCA Act, 2019 empowers IFSCA to develop and regulate financial products, financial services, and financial institutions in an IFSC. It can also recommend to the Central Government certain 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 exercisable by the aforesaid four domestic regulators with respect to certain Acts specified under the First Schedule of the Act in so far as they relate to financial products, financial services, and financial institutions in the IFSCs.

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

List of Regulations

Table D.1: List of Regulations

Sr. No	Regulations	Date of Issue	Objectives
1	IFSCA (Fund Management) Regulations, 2022. IFSCA/2021-22/GN/REG024	19/04/2022	The Fund Management Regulations 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.
2	IFSCA (Banking) (Amendment) Regulations, 2022. IFSCA/2022-23/GN/REG025	29/06/2022	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	IFSCA (Finance Company) (Amendment) Regulations, 2022. IFSCA/2022-23/GN/REG026	01/07/2022	The Authority has issued these regulations to make certain amendments to insert certain provisions by expanding the “Permitted and Non-Core Activities” in the IFSCA (Finance Company) Regulations, 2021.
4	IFSCA (Setting up and Operation of International Branch Campuses and Offshore Education Centres) Regulations, 2022 IFSCA/2022-23/GN/REG027	11/10/2022	The Authority has issued these regulations to make GIFT IFSC an international educational centre, catering to both Indian and foreign students in the specified disciplines. Additionally, it aims to encourage research in Banking, Insurance, Capital Market, Funds Management, FinTech, Longevity Finance, Sustainable Finance, Quantum Computing, etc., to provide high-end human resources in finance, technology, and related fields.
5	IFSCA (Maintenance of Website) Regulations, 2022. IFSCA/2022-23/GN/REG021	25/11/2022	These regulations aim to provide an enabling framework for the Authority to develop a best-in-class website, comparable to those of other international financial sector regulators, while conforming to the standards and guidelines of the Government of India and other relevant agencies.

Sr. No	Regulations	Date of Issue	Objectives
6	IFSCA (Insurance Products and Pricing) Regulations, 2022. IFSCA/2022-23/GN/REG029	12/01/2023	The regulations <i>inter-alia</i> provide framework for: <ul style="list-style-type: none"> designing and pricing of insurance products put in place systems and controls to provide adequate capacity to identify and mitigate product related risks
7	IFSCA (Investment by International Financial Service Centre Insurance Office) Regulations, 2022. IFSCA/2022-23/GN/REG030	12/01/2023	The regulations aim to put in place the regulatory framework and processes related to investment of assets by an IFSC Insurance Office.
8	IFSCA (Maintenance of Insurance Records and Submission of Requisite Information for Investigation and Inspection) Regulations, 2022. IFSCA/2022-23/GN/REG031	12/01/2023	The objective of these regulations is to specify minimum information that is required to be maintained by an IIO and IIIO, for the purposes of investigation and inspection, under section 33 of the Insurance Act, 1938.
9	IFSCA (Appointed Actuary) Regulations, 2022. IFSCA/2022-23/GN/REG028	12/01/2023	These regulations aim to lay down the regulatory framework for the persons who are engaged by the IIOs to perform the roles and discharge the functions of 'Appointed Actuary'.
10	IFSCA (Manner of Payment and Receipt of Premium) Regulations, 2022. IFSCA/2022-23/GN/REG032	12/01/2023	The objective of these regulations is to put in place the manner of payment of premium for insurance policy, assumption of risk, receipt or refund of premium and other terms and conditions, in accordance with Section 64 VB of the Insurance Act, 1938, for carrying on the insurance business in IFSC.

Sr. No	Regulations	Date of Issue	Objectives
11	IFSCA (Preparation and Presentation of Financial Statements of International Financial Service Centre Insurance Offices) Regulations, 2022. IFSCA/2022-23/GN/REG033	12/01/2023	These regulations aim to put in place the process of preparation and presentation of financial statements of the IIOs.

List of Notifications

Table D.2: List of Notifications

Sr. No	Notifications	Date of Publication	Purpose of Notification
1	IFSCA/2022-23/GN/023	12/04/2022	To notify "Aircraft Ground Support Equipment" as a financial product in IFSC u/s 3(1) (d) of IFSCA Act, 2019.
2	329/IFSCA/Bullion MIIs/2021-22	06/12/2022	The notification extended renewal of recognition to India International Bullion Exchange and Bullion Clearing Corporation for one year.
3	IFSCA/2022-23/GN/023	27/04/2022	The corrigendum was issued to make certain modifications in the notification related to notifying "Aircraft Ground Support Equipment" as a financial product in IFSC.

List of Major Circulars/Guidelines

Table D.3: List of Major Circulars/Guidelines

Sr. No	Circulars/Guidelines	Date of Issue	Objectives
1	Guidance framework on Sustainable and Sustainability linked lending by financial institutions	26/04/2022	The circular directs the IBUs and FCs/FUs operating in the IFSC, undertaking lending activities from IFSC, to develop a comprehensive board approved policy on green/social/sustainable/sustainability-linked lending.
2	Framework for FinTech Entity in IFSCs	27/04/2022	The framework provides for manner of authorisation of fintech entities in IFSC.
3	Framework for Aircraft Lease	18/05/2022	The framework specifies the entities to get registered under Finance Company Regulations as a 'Finance Company' or a 'Finance Unit' for undertaking aircraft lease transactions.
4	Amendments and additions to IFSCA Banking Handbook	06/06/2022	Through these circulars, certain amendments /additions have been carried out in the Handbook. A new module 'Raising queries pertaining to Banking' has been added.
5	The IFSCA Banking Handbook General Directions-V 3.0 (GEN)	06/06/2022	<p>The IFSCA Banking Handbook contains the directions of the Authority to the Banking Units operating as branch of a Banking Company (also referred to as 'parent bank' in the IFSCA Banking Regulations).</p> <p>The GEN directions deal with licensing of IBUs, defining 'controlled' and 'designated' functions and the requirements from 'approved/ authorised individuals' who can carry out such functions. The GEN directions also lay out the broad principles for banking business and provide information about the Authority's supervisory powers, functions, and approach.</p>
6	The IFSCA Banking Handbook Conduct of Business Directions- V 3.0	06/06/2022	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.

Sr. No	Circulars/Guidelines	Date of Issue	Objectives
7	The IFSCA Banking Handbook Prudential Directions-V 3.0 (PRU)	06/06/2022	The PRU directions are aimed at establishing certain minimum non-quantitative prudential requirements that shall be applicable to the IBUs set up as branches in IFSC, in addition to those applicable on them as a branch of the Banking Company under the respective Home Regulations. The PRU modules cover the qualitative aspects of prudential requirements in respect of governance, governing board responsibilities, policies, systems, and controls to be made applicable to IBUs.
8	Committees at Market Infrastructure Institutions (MIIs) in IFSC	28/06/2022	The committees were constituted as per Chapter VI of IFSCA (Bullion Exchange) Regulations, 2020 and Chapter III of IFSCA (Market Infrastructure Institutions) Regulations, 2021 with respect to constitution of various statutory committees in order to ensure effective oversight of the functioning of MIIs.
9	Angel Funds under IFSCA (Fund Management) Regulations, 2022	01/07/2022	In recognition of the crucial role played by angel investors, a framework for Angel Funds, specifically attuned to the requirements of early-stage investing is specified under this circular.
10	IFSCA Banking Handbook Conduct of Business Directions-V 4.0	13/07/2022	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. It also includes directions to ensure that the IBUs contribute to fostering and maintaining the integrity of financial markets in the IFSC.
11	Framework for Ship Leasing	16/08/2022	The framework was issued in order to facilitate the Ship Leasing business in IFSC and registration of entities under Finance Company Regulations.

Sr. No	Circulars/Guidelines	Date of Issue	Objectives
12	IFSCA (Anti Money Laundering, Counter-Terrorist Financing and Know Your Customer) Guidelines, 2022 IFSCA/2022-23/GN/GL001	28/10/2022	IFSCA issued the guidelines applicable for all the regulated entities in IFSC. The guidelines cover major aspects such as risk-based assessment, customer due diligence, reporting of suspicious transactions, etc. The guidelines will supersede all the other AML-CFT guidelines/circulars of the domestic financial regulators for regulated entities in IFSC.
13	Framework for distribution of Capital Market Products and Services under IFSCA (Capital Market Intermediaries) Regulations, 2021	21/11/2022	The framework was issued in recognition of the crucial role played by the distributors in distribution of capital market products and services.
14	Guidelines for Business Continuity Plan (BCP) and Disaster Recovery (DR) for Market Infrastructure institutions (MIIs)	16/11/2022	Considering the advancement in technology and improved automation of various processes, a framework for BCP and DR for the MIIs in IFSC was prescribed.
15	Circular prescribing net worth for bullion exchange and bullion clearing corporation	01/01/2023	The circular prescribes net worth for bullion exchange and bullion clearing corporation.
16	Guidelines for execution of block deals on the Bullion Exchange	03/03/2023	The circular was issued to enable a mechanism for execution of large trades in gold in a single transaction.
17	Amendment to the Circular titled 'Framework for Ship Leasing'	22/03/2023	The circular was issued for modifying the framework for ship leasing by <i>inter-alia</i> enabling voyage charter and other commercial transactions for employment of ships, as permissible activities under operating lease.

Box D.1: IFSCA (Anti Money Laundering, Counter-Terrorist Financing and Know Your Customer) Guidelines, 2022

- IFSCA (Anti Money Laundering, Counter-Terrorist Financing and Know Your Customer) Guidelines, 2022 have been issued by IFSCA in exercise of powers conferred by Section 12 of the IFSCA Act, 2019 read with sub-rule 14 of rule 9 of Prevention of Money Laundering (Maintenance of Record) Rules, 2005. The guidelines came into effect from October 31, 2022.
- The Guidelines have been framed in accordance with Financial Action Task Force (FATF) Recommendations, Prevention of Money Laundering Act, 2002 (PMLA), PML Rules and the best practices prevailing in the global AML-CFT regulatory regime.
- As IFSCA is a unified financial sector regulator, it is imperative that the Guidelines are uniformly applicable to various financial services and financial institutions in the areas of capital market, banking, insurance, and pension, among others. Therefore, a 'principle-based approach' is adopted under the Guidelines.
- To promote ease of doing business and smooth onboarding of customers for regulated entities (REs), amendments in respect of Official Valid Document (OVD), Designated Director, etc., have been carried out in PML Rules, 2005. Further, exemption from the Central KYC Registry requirement for foreign nationals has also been provided.
- The Guidelines are applicable to all the entities licensed, recognised or registered or authorised by the Authority, collectively called Regulated Entities. The provisions of these Guidelines are also applicable to a financial group of the RE, to such extent as specified in Chapter-XII of the Guidelines.
- The primary thrust of the Guidelines is to enable an RE to adopt Risk-Based Approach (RBA) to identify and assess the Money Laundering (ML) and Terrorist Financing (TF) risks to which the RE is exposed, depending upon its nature of business and exposure to or involvement with certain types of clients, countries or geographic areas, products, services, transactions, or delivery channels, etc. The Guidelines have dedicated chapters for RBA, Business Risk Assessment and Customer Risk Assessment.
- Based on the risk assessment, the customers will be categorised into three risk categories as low, medium, and high-risk. Based on the categorisation, the relevant Customer Due Diligence (CDD) measures i.e., either simplified or enhanced CDD measures are applicable.
- The Guidelines are comprehensive in nature and emphasise special focus on RBA, CDD, identifying and verifying the beneficial owners, reporting suspicious transactions among other things. For easier understanding and to avoid ambiguity in interpretation for REs, 'Guidance Notes' are provided under different chapters.

Advocacy and Outreach

MoU between IFSCA and National Law University, Delhi

The International Financial Services Centres Authority and National Law University, Delhi have signed a Memorandum of Understanding (MoU) for cooperation and collaboration in conducting evidence-based policy research into the relevant areas of IFSCs and legal framework including the regulations governing the business activities therein.

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 International Arbitration Centre in GIFT City for timely settlement of disputes under international jurisprudence.

As one of the main objectives of the Authority is to bring offshore business to IFSC and thereby make it a globally competitive financial centre, having a contemporary and robust dispute resolution centre will attract international financial sector players towards IFSC. In pursuance of the same, the Authority has undertaken research and identified areas which would require certain dispensations for conducting arbitration in IFSC.

Delegation of Powers under SEZ Act and SEZ Rules to IFSCA

To enhance business activities in GIFT IFSC, Hon'ble Finance Minister, in the Union Budget 2023-24, announced that measures will be taken for 'delegating powers under the SEZ Act to IFSCA to avoid dual regulation'. Towards this end, the Authority has identified and sought certain carve outs under the Special Economic Zones Act, 2005. This would enhance the ease of doing business for the IFSC Units.

Research on carrying out comprehensive amendments under IFSCA Act

Research will be carried out to create an overarching framework for IFSCs in India through amendment in the IFSCA Act, 2019. The areas of amendment *inter-alia* include Arbitration, Ancillary Services, Variable Capital Companies, enforcement powers on newly notified financial products and financial services not covered under section 13 of the Act.

SECTION-E



PERFORMANCE ASSESSMENT

Section 17(3) of the IFSCA Act, 2019 provides the mechanism to review the performance of IFSCA. IFSCA is required to constitute a Performance Review Committee, consisting of at least two members of the Authority to review the functioning of the Authority, specifically on whether-

- a. it has adhered to the provisions of the applicable laws while exercising powers or performing functions under the Act;
- b. the regulations made by the Authority to give effect to the provisions of the Act promote transparency and best practices of governance; and
- c. the Authority is managing risks to its functioning in a reasonable manner.

Section 28(2)(d) of the IFSCA Act, 2019 provides IFSCA the powers to make regulations in respect of Performance Review Committee. Accordingly, IFSCA (Performance Review Committee) Regulations, 2022 (“PRC Regulations”), were notified on March 23, 2022 providing the framework for constitution, scope, information sharing and reporting relating to functioning of Performance Review Committee (“PRC”).

Subsequently, IFSCA has constituted the following three Performance Review Committees:

1. Committee on Compliance

The scope of the committee on Compliance is to review whether IFSCA has complied with the provisions of the applicable laws while exercising powers or performing functions under the IFSCA Act, 2019.

Accordingly, with the abovementioned terms of reference, a Performance Review Committee was constituted by IFSCA with the following members:

- i) Shri Saurav Sinha (Member of IFSCA Board)
- ii) Shri Sujit Prasad (Member of IFSCA Board)
- iii) Shri Bahram N. Vakil (Independent member)
- iv) Shri J. Ranganayakulu (Independent member)

In the meeting held on November 30, 2022, the members of the Committee unanimously nominated Shri Bahram N. Vakil as the Chairperson of this Committee.

2. Committee on Transparency and Best Practices of Governance

The scope of the Committee on Transparency and Best Practices of Governance in terms of Regulation 5(2) of the PRC Regulations, requires the Committee to assess whether the regulations made by the Authority:

- a) reduce compliance burden of stakeholders and promote transparency and best practices of governance;
- b) are fair and non-discriminatory to the stakeholders and easily accessible;
- c) are clear, understandable and provide regulated entities with the predictability and necessary guidance to comply with regulations.

Accordingly, with the abovementioned terms of reference, a Performance Review Committee was constituted by IFSCA with the following members:

- i) Shri Ananta Gopal Das (Member of IFSCA Board)
- ii) Shri Suchindra Misra (Member of IFSCA Board)
- iii) Dr. M. S. Sahoo (Independent member)
- iv) Shri M. V. Nair (Independent member)

In the meeting held on December 7, 2022, the members of the Committee unanimously nominated Dr. M. S. Sahoo as the Chairperson of the Committee.

3. Committee on Risk Management

The scope of the Committee on Risk Management in terms of Regulation 6 of the PRC Regulations, requires the Committee to assess whether the Authority is managing risk to its functioning in a reasonable manner, and it shall be performed by:

- a) reviewing the adequacy and effectiveness of the risk monitoring measures for its activities;
- b) reviewing whether the risk identification measures are appropriate and assure the safety and soundness of the operations of the Authority while ensuring that any possible harm is mitigated and risks are categorised; and
- c) reviewing the monitoring and evaluation process and maintenance of record of any breach.

Accordingly, with the above mentioned terms of reference, a Performance Review Committee was constituted by IFSCA with the following members:

- i) Dr. (Ms.) Mamta Suri (Member of IFSCA Authority)
- ii) Ms. Surbhi Jain (Member of IFSCA Authority)
- iii) Shri Sriram Balasubramanyam (Independent member)
- iv) Shri G. Srinivasan (Independent member)

In the meeting held on November 29, 2022, the members of the Committee unanimously nominated Dr. (Ms.) Mamta Suri as the Chairperson of the Committee.



SECTION-F

SOURCE OF FUNDS AND MAJOR AREAS OF EXPENDITURE (FY 2022-23)

Table F.1: Sources of Funds for FY 2022-23

Sources of Fund – Receipts	Amount (INR Lakhs)
Annual Fees	1002.87
Application Fees	150.52
Broker Turnover Fees: Capital Markets	986.06
Turnover based fee from Insurance Offices	36.00
Listing Fees	1.65
Registration Fees	1009.47
Other Fees	7.85
Government Grants	7,368.00
Interest income on regulatory fee earned by IFSCA	120.56
Other Miscellaneous Income	143.29
Total	10,826.27

Table F.2: Major Areas of Expenditure for FY 2022-23

Major Areas of Expenditure – Payments	Amount (INR Lakhs)
Establishment Expenses	3,011.24
Administrative Expenses	1,567.31
Purchase of Fixed Assets (including payment made for Headquarter Land/Building)	4,026.52
Security Deposit for leased office premises of IFSCA	15.60
Total	8,620.67

SECTION-G

ORGANISATIONAL MATTERS

Authority Structure

Table G.1: Authority Structure

Department	Divisions
Banking Supervision	Banking Supervision
	Finance Company Regulation and Supervision
Banking Regulation and Development	Payment and Settlement
	Banking Regulation
Capital Markets	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
Metals and Commodities	Strategic Research and Co-ordination for Market Development & Regulation
	Regulatory Policy, Risk Management, and Supervision
	Product Regulation
	Vault Managers and Co-ordination

Department	Divisions
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
	Fintech
Legal Policy and Legal Affairs	Legal Policy
	Legal Affairs
Regulatory Policy and Regulatory Affairs	Regulatory Cooperation
	Risk Based Supervision
	SupTech
	FATF Cell

Authority Meetings

Table G.2: IFSC Authority Meetings held in FY 2022-23

Sr. No.	Divisions	Date
1	Eleventh Authority meeting	June 27, 2022
2	Twelfth Authority meeting	September 30, 2022
3	Thirteenth Authority meeting	December 23, 2022
4	Fourteenth Authority meeting	March 24, 2023

Human Resources

Table G.3: Sanctioned and Actual strength of employees

Position	Sanctioned strength as on 31.03.2023	Actual strength as on 31.03.2023
Executive Director	6	3
Chief General Manager	9	0
General Manager	12	6
Deputy General Manager	15	14
Assistant General Manager	20	6
Manager	26	6
Assistant Manager	30	29
Executive Assistant/Senior Executive Assistant/Executive Superintendent	20	0
Multi-Tasking Staff Grade A/Grade B/Grade C*	10	3
Total	148	67

*Requirements are being met partially through contractual appointments on outsourcing basis

Being a unified financial sector regulatory Authority, IFSCA requires the expertise and skill set of Young Professionals/Consultants/Sr. Consultants in the fields of Capital Market, Banking, Insurance, Bullion, Funds Management, FinTech, etc. In accordance with the guidelines for engagement of consultants on a contractual basis, the Authority has engaged the consultants as mentioned in the table below:

Table G.4: Consultants at IFSCA as on March 31, 2023

Sr. No.	Position	Number	Remarks
1	Sr. Consultants	4	Full time basis
2	Consultants Grade1/Grade2	7	Full time basis
3	Young Professionals	4	Full time basis
4	Adviser	1	Part-time basis

IFSCA provides an opportunity for internship to students who wish to pursue a professional career in the financial services market. A student who is pursuing a five-year or three-year degree course in law or post-graduate course in Economics, Commerce, Finance, Management and has completed the penultimate year or stage of such degree course or post-graduation course; or a student pursuing M. Phil/Ph.D. course in Economics, Commerce, Finance, Management or Law, is eligible to join as an intern with IFSCA. During FY 2022-23, four students interned at IFSCA.

IFSCA organised 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 organised are as follows:

Training Programmes and Webinars

Table G.5: Training Programmes and Webinars

Sr. No.	Name of Programme
1	Induction Programme at National Institute of Bank Management, Pune
2	Induction Programme at National Institute of Securities Market, Mumbai
3	Induction Programme at National Insurance Academy, Pune
4	Induction Programme at Arun Jaitley National Institute of Financial Management, Faridabad
5	Capacity Building Program on Sustainable Finance Disclosure Requirements for Corporate Issuers by IOSCO and ISSB
6	Refreshers Programme for supervisors of IFSCs, College of Supervisors, RBI, Mumbai

Sr. No.	Name of Programme
7	Fintech, Reg Tech & Sup Tech Technological Foundations and Building Blocks, College of Supervisors, RBI, Mumbai
8	Online Training programme on financial derivatives, NIBM, Pune
9	Supervisory Evaluation of ALM and Liquidity Risk, College of Supervisors, RBI, Mumbai
10	Operational Risk Management and Resilience, Euromoney
11	Supervisory evaluation of operational risk, College of Supervisors, RBI, Mumbai
12	Identify and managing financial risk of climate change, College of Supervisors, RBI, Mumbai
13	Macroprudential Policy formulation-implementing financial stability mandate, College of Supervisors, RBI, Mumbai
14	Internal Credit risk Modelling for ECL provisioning and capital estimation by NIBM, Pune
15	Use and Application of Basic Statistics & Econometrics in Supervisory Analysis, College of Supervisors, RBI, Mumbai
16	Study of Economics Regulators and Supervisors, College of Supervisors, RBI, Mumbai
17	Early Warning Mechanism for managers of Financial Risk and Macro-Financial Risk, College of Supervisors, RBI, Mumbai

Right to Information

Table G.6: Status of RTI applications during FY 2022-23

Total number of RTI requests received	Total number of RTI requests replied
18	18

IFSCA Headquarters Building Project

As GIFT IFSC is being developed as an international jurisdiction with truly world class & modern infrastructure, the proposed IFSCA Headquarters building (herein after referred to as IFSCA Tower) has been designed and conceptualised as an iconic structure which is reflective of the growing prominence and stature of GIFT IFSC as a leading International Financial Centre. The IFSCA Tower has been designed to become a highly efficient and sustainable structure in line with the Smart City concept. It has been designed to have a highly energy efficient and functional façade and 360-degree view with services at central core. It will have two levels of basement and G+26 floors. Proposed to be completed in the year 2024, IFSCA Tower will symbolise the dreams and aspirations of a new and Aatma Nirbhar Bharat.

The foundation stone of the IFSCA Headquarters Building was laid by the Hon'ble Prime Minister of India on July 29, 2022. The Hon'ble Prime Minister on the occasion remarked, *"I believe this building is going to be grand in its architecture and it will also create unlimited opportunities to make India an economic superpower."*

IFSCA Celebrates International Yoga Day 2022

The International Day of Yoga (IDY) is being celebrated across the world annually on June 21 since 2015, following its inception in the United Nations General Assembly in 2014. Yoga is an ancient physical, mental, and spiritual practice that originated in India. The word 'yoga' derives from Sanskrit and means to join or to unite, symbolising the union of body and consciousness. The theme of IDY 2022 was "Yoga for Humanity."

IFSCA celebrated the IDY 2022 with the adoption of Common Yoga Protocol which is a 45-minute sequence of Yoga exercises designed by Yoga exponents in the country with the objective of maximising the well-being of the people.



Image G.1: Celebration of IDY 2022 at IFSCA

'Har Ghar Tiranga' Campaign at IFSCA

'Har Ghar Tiranga' is a campaign under the aegis of Azadi Ka Amrit Mahotsav to encourage people to bring the Tiranga home and to hoist it to mark the 75th year of India's independence. Our relationship with the flag has always been more formal and institutional than personal. Bringing

the flag home collectively as a nation in the 75th year of independence thus becomes symbolic of not only an act of personal connection to the Tiranga but also an embodiment of our commitment to nation-building. The idea behind the initiative is to invoke the feeling of patriotism in the hearts of the people and to promote awareness about the Indian National Flag.

IFSCA implemented the Har Ghar Tiranga Campaign as a part of Azadi ka Amrit Mahotsav to mark the 75th Independence Day. Two kilometers walkathon with participants from regulated entities namely NSE IFSC, IBUs, IIBX and officers of IFSCA was also conducted as part of this initiative.



Image G.2: Walkathon organised by IFSCA as part of 'Har Ghar Tiranga' campaign



Image G.3: 'Har Ghar Tiranga' campaign at IFSCA

PoSH Act

Internal Complaints Committee

An Internal Complaints Committee (ICC) was constituted on July 27, 2021, by the Competent Authority in compliance with Section 4 of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 (PoSH Act). The members of ICC include an External Member, along with Internal Members and the senior-most lady officer as the Presiding Officer.

Activities during Financial Year 2022-23

During the Financial Year 2022-23, the ICC has not received any complaint. The ICC had four meetings, one in each quarter, during the year. Awareness programmes were also conducted for sensitising IFSCA employees regarding the POSH Act and the mechanisms available for resolution of any complaints. A session was also conducted by the External Member on the PoSH Act for the new employees.





International Financial Services Centres Authority
Annual Report 2022-23

Annual Report Team

Nitin Jain, Deputy General Manager
Amit Prajapati, Deputy General Manager
Vaibhav Sattavan, Assistant Manager
Kanika Singh, Assistant Manager



International Financial Services Centres Authority

**2nd & 3rd Floor, PRAGYA Tower, Block 15, Zone 1,
Road 1C, GIFT SEZ, GIFT City, Gandhinagar, Gujarat - 382 355**

Website: <https://www.ifsc.gov.in/>