

IFSCA BULLETIN

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INTERNATIONAL FINANCIAL
SERVICES CENTRES AUTHORITY

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Highlights of the Quarter

India International Bullion Exchange (IIBX)

- GIFT SEZ became the first SEZ in the country to implement the ICEGATE. The migration from SEZ Online system to ICEGATE was completed in May 2023.
- Commencement of Tariff Rate Quota (TRQ) imports under India-UAE Comprehensive Economic Partnership Agreement (CEPA) through IIBX.
- Execution of 30 minutes Settlement Cycle for Bullion Depository Receipts (BDRs) on IIBX approved by IFSCA.
- Direct payout of BDRs to end-clients on IIBX approved by IFSCA.
- Constitution of Precious Metal Advisory Committee (PMAC) by IFSCA to obtain inputs on strategic and operational aspects for precious metals ecosystem in IFSC.
- The total number of Qualified Jewelers exceeded the mark of 100 in June 2023.

Sustainable Finance

IFSCA contributed towards India's G20 Presidency by being a domestic knowledge partner of G20 Sustainable Finance Working Group (SFWG), in alignment to IFSCA's ambition of developing GIFT IFSC as a global hub for sustainable finance. Some of the significant contributions are highlighted below:

- IFSCA is one of the lead authors for India's Presidency Input [paper](#) on ***"Building capacities to accelerate sustainable finance and manage***

climate and sustainability risk" published as part of work related to G20 SFWG.

- IFSCA participated in panel discussions related to social impact investments and capacity building during the G20 Domestic outreach event at Chennai.
- IFSCA provided its inputs for scaling up adoption of social impact investment for one of the priority areas of G20 SFWG.
- IFSCA shared case studies at IFSC as instruments for financing Sustainable Development Goals (SDGs) for consideration to be part of compendium of best practices for financing SDGs.

Fintech

- IFSCA participated in Inclusive FinTech Forum (IFF) 2023 held at Kigali, Rwanda (June 20-22, 2023) and took part in the Roundtable at IFF 2023 on invitation from Monetary Authority of Singapore (MAS) and Elevandi.
- IFSCA and on IHub-Data, IIIT Hyderabad have signed an MoU on April 28, 2023, for cooperation in niche deep-tech domains. This MoU aims to put in place a framework for cooperation and understanding between IFSCA and IHub-Data, IIIT- Hyderabad to collaborate in supporting and facilitating FinTech and TechFin entities.
- IFSCA Partners with GFIN for Greenwashing TechSprint Launched on June 05, 2023. TechSprint aims to develop a tool or solution that can effectively help regulators and the market tackle the risks of greenwashing in financial services.

- IFSCA associated with the PICUP Fintech Awards 2023 that was Launched on May 04, 2023. The PICUP award winners who are aligned with IFSCA's focus areas (as per Annexure 1 of the IFSCA FinTech

Entity Framework) and jurisdiction were granted direct entry into IFSCA Regulatory/ Innovation Sandbox, and the winners had access to various incentives and grants from IFSCA (subject to IFSCA's terms and conditions).

Regulatory Updates

Banking/ Finance companies

Guidance framework for sustainable and sustainability linked lending by financial institutions

This circular provided guidance on the methodology to be adopted for the purpose of computing the ESG targets by the IFSC Banking Units (IBUs) and FCs/ FUs undertaking lending activity, in IFSC.

Insurance

IFSCA (Re-insurance) Regulations, 2023

The regulations provide a framework on oversight and regulation of inward and outward arrangement of re-insurance business by the IFSC Insurance Offices (IIOs).

IFSCA (Assets, Liabilities, Solvency Margin and Abstract of Actuarial Report for Life Insurance Business) Regulations, 2023

The regulations aim to specify the requirements related to capital, solvency, and submission of abstract of actuarial report by an IIOs, who are permitted to transact Life Insurance Business.

IFSCA (Assets, Liabilities, and Solvency Margin of General, Health and Re-insurance business) Regulations, 2023

The regulations aim to specify the requirements related to capital, solvency, and

submission of abstract of actuarial report by an IIOs, who are permitted to transact General, Health and Re-insurance business.

IFSCA (Management Control, Administrative Control and Market Conduct of insurance business) Regulations, 2023

The regulations aim to put in place the regulatory framework related to Management Control, Administrative Control and Market Conduct of insurance business carried out by an IIO or IFSC Insurance Intermediary Office (IIO).

[A brief on insurance ecosystem in the IFSC](#)



[The regulatory framework applicable for insurance business from the IFSC](#)



Aircraft Leasing

Utilisation of office space or manpower or both by entities undertaking aircraft leasing activity in the IFSC

Issued circular enabling an aircraft leasing entity registered in IFSC to share its office space and/ or its manpower with its group entity(ies) in IFSC, set up for undertaking the permissible activities under the 'Framework for Aircraft Lease'.

Amendment to the IFSCA circular titled 'Framework for Aircraft Lease'- Enabling lease of Aviation training simulation devices

Enabled leasing of 'Aviation training simulation devices' as a permissible activity in IFSC under the 'Framework for Aircraft Lease'. The amendment also broadened the scope of Asset Management Support Services (AMSS) wherein an aircraft lessor is now permitted to undertake AMSS for its group entities as well without the need for a separate registration under the Ancillary services framework. This was introduced as a measure of ease of doing business for the aircraft leasing entities in IFSC.

International Trade Financing Platform (ITFS)

Two of the four registered ITFS platform entities with IFSCA i.e., Kredx Ventures IFSC Pvt. Ltd. and Vayana IFSC Pvt. Ltd. were granted permission to commence their commercial operations in IFSC. Vayana IFSC commenced its commercial operations on June 14, 2023, making it the first ITFS platform entity to operationalise from the IFSC.

Ancillary Services

Addendum to the Circular titled "Framework for enabling Ancillary services at International Financial Services Centres"

- The Ship broking a well-recognised global professional service in shipping business and Ship Brokers are specialist intermediaries between two principals in a contract related to Ship. IFSCA vide circular dated April 6, 2023, has enabled Ship broking services to facilitate Ship lessors/ lessees and to undertake permissible activities as per the framework of Ship leasing.
- For completing the market for intermediaries to provide support services to IBUs and other financial institutions in IFSC and Considering the voice broker as an entity that brings together buyers and sellers of a financial assets for the purpose of executing a transaction in such financial Assets, the IFSCA vide circular dated April 6, 2023, has enabled "Voice Broking services to entities in IFSCs or from outside India in relation to their business of banking".

Supervision

Implementation of Risk-Based Supervision (RBS) at IFSCA

The International Financial Services Centres Authority (IFSCA) is responsible for the regulation and development of the financial ecosystem in the IFSC, which includes banking, capital markets, insurance, and pension funds. As part of its mandate to ensure the safety and soundness of the IFSC financial ecosystem, IFSCA has decided to implement a Risk-Based Supervision (RBS) framework.

Objectives of RBS:

Proactive Risk Identification: To identify and assess risks in the financial ecosystem proactively rather than reactively.

Optimal Resource Allocation: To allocate supervisory resources optimally by focusing on institutions and areas that pose the highest risk.

Holistic Supervision: To adopt a holistic approach to supervision that considers not only financial risks but also non-financial risks.

Promoting Compliance: To encourage financial institutions to develop robust internal risk management systems and promote compliance with regulations and guidelines.

Key Components of RBS:

Risk Assessment: A comprehensive assessment of the inherent risks faced by financial institutions, including credit risk, market risk, operational risk, liquidity risk, and other relevant risks.

Supervisory Review: A review of the risk management systems and controls implemented by financial institutions to mitigate the identified risks.

Supervisory Response: A supervisory response that is proportionate to the level of risk posed by the financial institution. This could include on-site inspections, off-site monitoring, and other supervisory actions.

Reporting and Communication: Regular reporting and communication with financial institutions to ensure that they are aware of the supervisory assessment and expectations.

Implementation Plan and present status:

The implementation of the RBS framework at IFSCA will involve the following key steps:

Development of the RBS Framework: Development of a detailed RBS framework, including the risk assessment methodology, supervisory review process, and supervisory response guidelines. IFSCA has already developed the RBS framework.

Training and Capacity Building: Training of IFSCA staff and other stakeholders on the RBS framework and its implementation. IFSCA has prepared Guidance Notes on all the aspects of RBS and is in the process of imparting training to supervision staff for capacity building.

Pilot Implementation: On a select group of financial institutions. Pilot test run in all verticals has been started with twenty five percent of entities in all verticals.

Full Implementation: IFSCA expects RBS will be implemented across all regulated entities and verticals from April 1, 2024, Across all regulated financial institutions.

Review and Refinement: Regular review and refinement of the RBS framework to ensure its continued effectiveness.

The implementation of the RBS framework will play a critical role in enhancing the safety and soundness of the financial. It will enable IFSCA to proactively identify and assess risks, allocate supervisory resources optimally, and adopt a holistic approach to supervision. Ultimately, the RBS framework will contribute to the development of a robust and resilient financial ecosystem in the IFSC.

Consultation Papers

[Consultation paper on proposed IFSCA \(Banking\)\(Amendment\) Regulations, 2023](#)

This consultation paper sought comments/ views/ suggestions from the public on the proposed amendments to the IFSCA (Banking) Regulations, 2020. The proposed amendments to the banking regulations, inter alia, propose to permit the Banking Unit in IFSC to be set up as a subsidiary company of the parent bank. The IFSCA (Banking) Regulations, 2020 (as amended) currently permits a parent bank to set up only one Banking Unit in an IFSC and only as a branch. Banking business in IFSC has witnessed steady growth since these regulations were first notified on November 20, 2020. While the branch model is a useful starting point for commencement of banking operations, especially in new jurisdiction like GIFT-IFSC, future growth of the sector requires consideration of other models including operating as subsidiary company of the parent bank.

[Consultation paper on proposed IFSCA \(Payment Services\) Regulations, 2023](#)

Section 3(1)(d)(xi) of the IFSCA Act, 2019 (“the act”) lists “providing payment services” as a financial service under the act. Several projects currently in the IFSCA Fintech sandbox and some being considered for inclusion in the sandbox are payment services as they support the process of payments. For such systems to go live after successfully exiting the sandbox, due legal recognition of their role as a supporting service for enabling payments needs to be ensured. A consultation paper on the draft IFSCA (Payment Services) Regulations, 2023 was issued on June 13, 2023, seeking comments/ views/ suggestions from the public. The draft regulations addressed issues like definition of payment services, authorization of a payment service provider, capital requirements of a payment service provider etc. At the request of market participants, the period for providing comments was extended from July 5, 2023, to July 26, 2023.

Current Statistics

Banking

Table 1: Number of IBUs

Particulars	As on March 31,2023	As on June 30,2023
No. of IBUs	20	22

Table 2: Liabilities of IBUs

Month ended	Apr'23	May'23	Jun'23
Particulars	USD Mn		
Demand deposits	521.63	620.99	586.19
Time deposits	2481.12	2549	2454.83
Interbank/Interbranch borrowings	23471.34	23983.55	26546.68
Bilateral Borrowings	4779.59	4742.72	4921.5
Multilateral Borrowings	53.83	53.83	53.94
Medium Term Notes	1421.69	1421.7	1571.59
Others	3833.74	4060.79	4577.98
Total	36562.94	37432.58	40712.72

Table 3: Assets of IBUs

Month ended	Apr'23	May'23	Jun'23
Particulars	USD Mn		
Investments	1936.78	2029.89	1993.34
Sovereign securities	1089.22	1126.59	1060.91
Other investments	847.56	903.3	932.43
Trade Finance	8350.24	7477.47	10621.01
Commercial Loans	15001.64	14525.22	16245
Interbank/Interbranch placements	8913.58	10129.04	9856.22
Retail loans	81.61	81.71	80.63
Others	2279.09	3189.25	1916.52
Total	36562.94	37432.58	40712.72

Table 4: Derivative Outstanding of IBUs (USD Mn) (Notional)

Month ended	Apr'23	May'23	Jun'23
Non-Deliverable Derivative Contracts (FCY-INR) (including NDF, Fx-Swaps and options)	13793.41	18224.99	19886.61
FCY-FCY Derivatives (to be settled in FCY	4681.60	4531.61	5053.69
INR Interest rate swap (IRS) (including overnight indexed swaps (OIS))	25167.47	25700.85	25452.15
FCY Interest rate swap (IRS) (including overnight indexed swaps (OIS))	72129.35	83543.57	88867.22
Total	115771.83	132001.01	139259.67

Table 5: Country wise exposure of IBUs

Apr'23		May'23		Jun'23	
Name of the country	%age of total country exposure	Name of the country	%age of total country exposure	Name of the country	%age of total country exposure
India	68.81%	India	62.80%	India	71.79%
USA	7.15%	USA	7.30%	USA	6.14%
UK	5.58%	UK	6.71%	UK	5.70%
Singapore	3.75%	UAE	4.97%	UAE	3.35%
Mauritius	3.67%	Singapore	3.20%	Mauritius	2.97%
UAE	3.35%	Mauritius	2.73%	Singapore	2.68%
Netherlands	1.97%	Netherlands	1.98%	Bahrain	1.15%
Hong Kong	0.93%	Bahrain	1.94%	Hong Kong	1.14%
Bahrain	0.74%	Canada	1.80%	Netherlands	1.02%
Bangladesh	0.59%	Australia	0.71%	Bangladesh	0.82%
Other countries	3.46%	Other Countries	5.86%	Other countries	3.24%

Table 6: Industry wise credit exposure of IBUs

Amount Outstanding		Apr'23	May'23	Jun'23
Sector	Industries	USD Mn		
Manufacturing	Automobile	616.37	602.79	636.43
	Auto Components	64.34	77.05	118.10
	Electronic Systems	56.52	89.47	179.38
	Food Processing	204.50	248.17	267.16
	Metals	2076.69	2119.54	2139.59
	Paper and Packaging	42.57	44.28	40.33
	Glass	19.68	19.64	19.62
	Fuel	1.20	1.20	3.20
	Fertilizers	8.48	10.50	1.69
	Capital Goods	93.60	136.42	131.59
	Petrochemicals	1769.76	1756.50	2268.97
Services	Healthcare	79.55	78.73	77.76
	Education	185.40	180.12	173.02
	Retail and E-commerce	159.81	146.90	148.30
	Tourism and Hospitality	197.94	197.59	188.77
	Banking and Finance	8071.46	8060.24	9526.75
	IT and Software Industry	318.30	317.22	325.15
Infrastructure	Construction	94.85	113.35	85.42
	Mining	27.95	46.66	20.49
	Oil and Gas	1280.44	1402.72	1406.95
	Ports and Shipping	427.28	415.05	432.42
	Railways	0.00	0.00	0.00
	Renewable Energy	123.47	121.71	141.07
	Roads and Highways	37.46	36.59	392.69
	Power Sector	991.04	917.07	1031.98
Agriculture and Forestry		319.96	329.01	553.20
Aviation		155.99	158.63	175.28
Pharmaceuticals		872.22	784.10	682.93
Chemicals		826.02	872.24	914.02
Jewelry		436.74	375.51	418.28
Other Sectors		5550.03	5516.55	5827.65
Total		25109.62	25175.55	28328.19

Capital Market

Table 7: IFSC Stock Exchanges Turnover (Traded Value in USD Mn)

Month	Apr-23		May-23		Jun-23		Total	
Particulars	No. of contracts	Traded Value	No. of contracts	Traded Value	No. of contracts	Traded Value	No. of contracts	Traded Value
Commodity Futures	11,459	739	11,822	756	10,457	655	33,738	2,150
Currency Futures	15,671	263	19,091	315	17,877	292	52,639	870
Index Futures	7,51,153	22,531	8,25,062	25,081	11,18,467	37,425	26,94,682	85,036
Index Options	38,06,697	310	54,85,653	406	48,69,754	303	1,41,62,104	1,019
Total	45,84,980	23,842	63,41,628	26,558	60,16,555	38,675	1,69,43,163	89,075

Table 8: Aggregate Open Interest (OI) of all derivatives contracts on IFSC Stock Exchanges

Month Ended	Open Interest (no. of contracts)	Value (USD Mn)
Apr-23	1,662	38.04
May-23	5,881	203.35
Jun-23	2,37,858	9,157.30

Table 9: India INX Global Access

Particulars	April-June 2023 (Accounts Opened)	As on June 30, 2023
Total no. of accounts	207	3352

Table 10a: Trading in Global Exchanges through India INX Global Access (Apr-Jun 2023:USD Mn)

Entity Type	Particulars	April-June 2023	Till Jun 30, 2023
LRS (Residents)	Equity, ETFs, Funds, Bonds, and other products	2.19	7.4
	IFSC Entities		
	Equity, ETFs, Funds, and other products	42.97	441.32
	Derivatives Products	892.34	27439.28
Non-residents outside IFSC	Equity, ETFs, Funds, and other products	0.26	6.4
	Derivatives Products	5.36	163.44
Total		943.11	28057.85

Table 10b: Trading in Global Exchanges through India INX Global Access (Apr-Jun 2023:USD Mn)

Exchanges	Total Trading Value	Trading in Derivatives	Trading in Non-Derivatives
Chicago Mercantile Exchange	349	349	0
Singapore Exchange	250	250	0
Chicago Board of Trade	173	173	0
New York Mercantile Exchange	115	115	0
ARCA	37	0	37
NASDAQ	5	0	5
NYSE	2	0	2
Other Exchanges	12	11	1
Total	943	898	45

Table 11: Capital Market Intermediaries as on June 30, 2023

Type of Entity	No. of entities
Broker-Dealer	69
Clearing Member	19
Custodian	5
Depository Participants	9
Investment Banker	2
Investment Advisers	6
Debenture Trustee	3
Distributors of Capital Market Products & Services	4

Table 12a: Listing of debt securities at IFSC Exchanges during Q1 of FY 2023-24

Particulars	As on March 31, 2023 (USD Bn)	As on June 30, 2023 (USD Bn)
Cumulative debt listings	50.6	52.7
Cumulative ESG labelled bond listings	9.28	10.18

Table 12b: Listing of debt securities at IFSC Exchanges during Q1 of FY 2023-24

Name of Issuer	Label	Amount (USD Mn)
REC limited	Green	750
Bank of Baroda		300
International financial corporation	Green	150
State bank of India		750
HDFC bank		150
Total		2100

Insurance

Table 13: Written/ Transacted premium by IFSC Insurance Offices and Intermediary Offices

Particulars	During FY 2022-23		During the Quarter (April-June 2023)	
	No. of Offices	Written/Transacted Premium	No. of Offices	Written/Transacted Premium
		(USD Mn)		(USD Mn)
IIOs	6	84	6	39
IIIOs	17	227	21	54

Fund Management

Table 14: Number of Fund Management Entities (FMEs) and Funds

Particulars	As on 31st March 2023	As on 30th June 2023
FMEs	65	63*
Funds	50	60

*3 Funds and 2 FME registrations have been canceled in the period April 2023 to June 2023

Table 15: Investments by Fund Management Schemes at GIFT IFSC as on March 31, 2023

Particulars	No. of Schemes Registered	In USD Mn					Complaints/ Legal Disputes outstanding
		Total Commitments raised	Total funds raised	Investments into India	Investments made in Foreign Jurisdiction	Total Investments made	
				(A)	(B)	(A+B)	
Venture Capital Schemes (including Angel Schemes)	3	23.24	3.96	1.6	0.4	2	0
Category I and II AIFs	24	4551.95	1,083.77	919.13	134.31	1,053.44	0
Category III AIFs	23	153.58	77.5	73.44	0	73.44	0
Total	50	4728.77	1,165.23	994.17	134.71	1,128.88	0

Finance Companies/ Finance Units

Table 16: Finance Companies/ Finance Units as on June 30, 2023

Type of Finance Company	Aircraft Lease	Ship Lease	FC (Core)	Total
Registration till March' 23	15	02	1	18
Applications received	1	2	1	4
Provisional Registration Granted	NIL	1	1	2

Table 17: Asset Leased by Finance Companies/ Finance Units

Sr. No.	Type of aviation asset	Number of Aviation Asset leased		
		As on 31st March 2023	As on 30th June 2023	During the Quarter (April-June 2023)
1	Aircraft	12	14	2
2	Engines	1	54	53
3	Ground Support Equipments	13	13	0
	Total	26	81	55

Metals and Commodities

Table 18: Participants and Intermediaries on India International Bullion Exchange (IIBX)

Participants	As on March 31, 2023	As on June 30, 2023
Qualified Jewelers	84	101
- Clients	45	58
- Limited Purpose Trading Members	39	43
Qualified Suppliers	15	16
- Clients	14	15
- Limited Purpose Trading Members	1	1
Intermediaries	As on March 31, 2023	As on June 30, 2023
Bullion Trading Members	4	4
Bullion Trading Cum Self Clearing Members	1	1
Bullion Trading Cum Clearing Members	5	5
Bullion Professional Clearing Members	2	2

Table 19: Product-wise summary of trades on IIBX during the Q1 (Apr-Jun) 2023

Product	Traded Volume (In kgs)	Traded Value (in USD)
UAEGDGOLD995	10.00	644,487
UAEGDTRQ GOLD 995	50.00	3,181,885
GOLD KG 995	0.00	0
UAEGDGOLD999	102.80	6,488,434
UAEGDTRQ GOLD 999	7.00	428,577
GOLD GRAMS 999	0.00	0
Total	169.80	1,07,43,384

FinTech

Table 20: Grants under FinTech Incentive Scheme

Particulars	As On June 30, 2023
Number of Applications Received (under FE Regulatory Framework)	76
Number of FinTech Entities Registered	39
Number of Grant Applications Received under Incentive Scheme	10
Number of FinTech Entities approved under Incentive Scheme	5
Grants approved under Incentive Scheme (In INR)	1.1 crore

Ancillary Services

Table 21: Activity-wise break up of ancillary services entities as on June 30, 2023, including in-principal approval

S. No.	Core Activity	No. of Authorized Entities
1	Legal, Compliance and Secretarial	8
2	Professional & Management Consulting Services	18
3	Auditing, Accounting, Bookkeeping and Taxation Services	7
4	Administration, Asset Management Support Services and Trusteeship Services	18
	Total	51



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