Shri Injeti Srinivas, IAS
Chairman,
International Financial Services Centres Authority

The International Financial Services Centres Authority (IFSCA) by its Office Order dated 3rd August, 2020 constituted a committee to suggest how to develop international retail business in the International Financial Services Centre (IFSC) along with potential strategies for making the IFSC attractive for international financial services and to provide a roadmap for the future growth of international retail business in IFSC.

The Committee has so far held 13 video meetings and met with 36 participants in financial services in India and abroad.

You had requested the Committee to submit interim reports. The Committee is pleased to submit an Interim report that focuses on the key success factors required for a vibrant international financial services centre and makes recommendations for retail international banking activity to flourish there.

We expect to complete the final report on or before the three-month deadline ending 3rd November 2020.

The Committee believes that the IFSC can become an engine of economic growth for India. The members of the Committee have worked in this spirit in making these suggestions of the key enablers for development of retail business in the IFSC.

Shri Pradip Shah
(Chairman, Indasia Fund Advisors Pvt Ltd.)
Chairman of the Committee

Shri G. Srinivasan, Member
(Ex-CMD, New India Assurance Ltd.)
Member

Shri Siddhartha Sengupta
(Ex-DMD, State Bank of India)
Member

Shri Shyamal Mukherjee
(Chairman, PwC)
Member

Shri Prakash Subramanian
(Head - Strategy, Standard Chartered Bank)
Member

Shri Dipesh Shah
(Head- International Business, NSE IFSC)
Member

Shri Nitin Jaiswal
(Head - Govt Affairs & Strategic relations, Bloomberg, Singapore)
Member

IFSC International Retail Business Development

FinServe from India

(Interim Report – Phase I)

Table of Contents

Glossary

Sr.no	Abbreviations	Definition
1	Act	Income-tax Act, 1961
2	AD	Authorised Dealer
3	ADR	American Depositary Receipt
4	AIFs	Alternative Investment Funds
5	AML	Anti-Money Laundering
6	ARFP	Asia Region Funds Passport
7	ASEAN	Association of Southeast Asian Nations
8	AUM	Assets Under Management
9	BCG	Boston Consulting Group
10	BUA	Built up Area
11	CASA	Current Account and Savings Account
12	CBLO	Collateralised borrowing and lending obligation
13	CCIL	Clearing Corporation of India Ltd
14	CCP	central counterparty
15	CDD	Customer Due Diligence
16	COVID-19	Coronavirus Disease 2019
17	CRR	Cash Reserve Ratio
18	CTF	Counter-Terrorism Financing
19	DC	Development Commissioner
20	DIFC	Dubai International Financial Centre
21	ECBs	External Commercial Borrowings
22	EEFC	Exchange Earners Foreign Currency Accounts
23	ETFs	Exchange Traded Fund
24	EU	European Union
25	FCNR	Foreign Currency Non-Resident Accounts
26	FCNR(B)	Foreign Currency Non-resident (Bank)
27	FCY	Foreign Currency
28	FDI	Foreign Direct Investment
29	FEMA	Foreign Exchange Management Act, 1999
30	FPI	Foreign Portfolio Investor
31	FPO	Follow on Public Offer

32	FS	Financial services
33	FVCI	Foreign Venture Capital Investor
34	FX	Foreign Exchange
35	GDP	Gross Domestic Product
36	GDR	Global Depository Receipt
37	GIFT	Gujarat International Finance Tec-City
38	GoI	Government of India
39	G-secs	Government securities
40	GST	Goods and Services Tax
41	HNIs	High net worth individuals
42	HNW	High Net Worth
43	HO	Head Office
44	HSBC	Hongkong and Shanghai Banking Corporation Limited
45	IAIS	International Association of Insurance Supervisors
46	IBUs	IFSC Banking Units
47	IFS	International Financial Services
48	IFSC	International Financial Services Centre
49	IFSCA	The International Financial Services Authority
50	INR	Indian National Rupee
51	IOSCO	International Organization of Securities Commissions
52	IPO	Initial public offering
53	IRDA	Insurance Regulatory and Development Authority
54	IT	Information Technology
55	KYC	Know Your Customer
56	LBS	Locational banking statistics
57	LCR	Liquidity Coverage Ratio
58	LOLR	Lender of Last Resort
59	LRS	Liberalised Remittance Scheme
60	MAS	Monetary Authority of Singapore
61	MAT	Minimum Alternate Tax
62	MEA	Ministry of External Affairs
63	MFs	Mutual Funds
64	MNC	Multinational Corporation
65	MOU	Memorandum of Understanding

66	NASDAQ	National Association of Securities Dealers Automated Quotations
67	NDDC	Non-deliverable Derivative Contracts
68	NDFs	Non-deliverable forward contract
69	NIFTY	National Stock Exchange Fifty
70	NRE Account	Non-resident External Account
71	NRIs	Non-resident Indians
72	NRO Account	Non-resident Ordinary Account
73	NSFR	Net Stable Funding Ratio
74	OECD	Organisation for Economic Co-operation and Development
75	PCFC	Packing Credit Loan in Foreign Currency
76	PCM	Professional Clearing Member
77	PR	Partially Revised
78	PwC AWM	PwC Asset and Wealth Management
79	RBI	Reserve Bank of India
80	RFC	Resident Foreign Currency Accounts
81	RTC	Regional Treasury Centre
82	SBN	Sustainable Banking Network
83	SEBI	Securities Exchange Board of India
84	SEZ	Special Economic Zone
85	SEZ Act	The Special Economic Zone Act, 2005
86	SGX	Singapore Exchange Limited
87	SLR	Statutory Liquidity Ratio
88	SWFs	Sovereign Wealth Funds
89	TD	Term Deposits
90	UAE	United Arab Emirates
91	UK	United Kingdom
92	USA	United States of America
93	USFDA	US-Food and Drug Administration
94	WAIFC	World Alliance of International Financial Centers
95	WTO	World Trade Organization

Preface to the Interim Report of the Expert Committee – IFSC International Retail Business Development

By office order dated 3 August 2020, the International Financial Services Authority (IFSCA) appointed a Committee with Mr. Pradip Shah as the Chairman with the following terms of reference:

1. To suggest how to develop international retail business in International Financial Services Centre (IFSC) along with potential strategies for making IFSC attractive for international financial services;
2. To provide a roadmap for future growth of international retail business in IFSC;
3. The Committee may also examine and recommend any other issues that are important, although not specifically mentioned in the above terms of reference.

Other members of the Committee are Mr. G Srinivasan (ex CMD, New India Assurance Ltd.), Mr. Siddhartha Sengupta (ex DMD, State Bank of India), Mr. Shyamal Mukherjee (Chairman PwC India), Mr. Prakash Subramanian (Head-Strategy, Standard Chartered Bank, India), Mr. Dipesh Shah (Head IFSC Department, Gujarat International Finance Tec-City Co. Ltd.), and Mr. Nitin Jaiswal (Head - Government Affairs & Strategic Relations, Bloomberg LP, Asia Pacific). A brief profile of each member is provided in Annexure 1.

Given the immense potential and untapped opportunity, the committee feels that swift action in certain identified areas can energize the IFSC and this will have a huge multiplier effect for the country's growth.

The Committee expects that the IFSC will offer living, learning and leisure infrastructure comparable to that available at other IFSCs to attract and retain high-quality talent. The operating philosophy for the IFSC retail business is envisaged as follows:

- Compliance with international standards on transparency, global standards on anti-money-laundering and combating terrorist financing and international information-exchange agreements to build a reputation for probity;
- Effective regulation of fiduciary entities to provide confidence to investors about the safety of their money and fairness in treatment;

- Light regulatory touch with simple-to-understand regulations, simple processes, only digital interactions, responsive regulators, minimum and only occasional form-filling, and ease of doing business for both individuals and business entities;
- Efficient, cost-effective and comprehensive services;
- Confidentiality;
- Tax efficiency (but not tax evasion);
- Prompt and effective redressal systems;
- Stability of rules and regulations.

The Committee envisages that the Liberalised Remittance Scheme (LRS) naturally fits with the IFSC and with the appropriate regulatory approach, the IFSC can swiftly attract LRS business. Out of the total LRS remittance of US$ 18bn in 2019-20, LRS remittance for Deposits and Investments in equity/debt tantamount to almost US$ 623m and US$ 431m respectively[1]. This will energise economic activity from the IFSC and in approximately five years of operations, the IFSC will build a reputation amongst service providers and their clients and it will be recognised as a formidable competitor to the decades-old well-established centres, such as Singapore, Dubai, Hong Kong and London.

The IFSC should also position itself as a centre that has special experience in a functional area, such as green finance and investments. The IFSC will by then be moving swiftly towards a vibrant international financial services centre and a destination for retail investors' funds (and not merely serve as a conduit for such funds). This will be measured in terms of assets under management, number of clients served globally, number of jobs created by entities in the IFSC in providing international financial services, and the income generated for the entities.

To address these goals, the Committee has identified Banking, Insurance, Financial Intermediation and Asset Management as key retail-oriented activities with other services such as investment advisory, financial planning, company formation, trusts administration, funds administration and tax advisory as necessary allied services.

The Committee has also identified other activities that can be advantageously combined with the retail activities. The Committee has then proceeded to discuss what the IFSC can do to attract players in these key activities, focusing on the enabling environment, which

[1] RBI bulletin No. 35 - Outward Remittances under the LRS for Resident Individuals as on 14 May 2020

would attract such players and promote competition among them, leading them to offer customer-centric, comprehensive suite of financial products and services desired or needed by their clients. The Committee has interacted with entities providing different financial services in India and overseas and noted their suggestions for the IFSC to create a business environment conducive for operations. The Committee has also examined regulations in other IFSCs. The Committee has given pointers to the regulatory touch desirable without drafting actual regulations, which is the prerogative of the IFSCA. The Committee has also noted some pain points for businesses in the Indian laws, regulations and processes, which will inevitably apply to them.

As requested by Mr. Injeti Srinivas, the Committee is releasing this Interim Report (Phase I) covering Banking activity so that the IFSCA can deliberate upon it and act as soon as practicable. The Committee plans to submit other interim reports as requested by the Chairman, IFSCA. Given the tight time limit of three months for the Final Report, the Committee will focus on the key activities.

Mr. Injeti Srinivas and the IFSCA have the challenging task of building a vibrant, large, reputed and respectable international services centre in the face of stiff competition from other established world centres. The Committee believes that the IFSC can seize the opportunity and become an engine of economic growth for India. The members of the Committee have worked in this spirit, offering their knowledge, experience, network and time in the service of the country.

Executive Summary

1. The IFSC can become an important gateway for international investors and businesses to access and participate in the India growth story. This role is currently played by other regional financial centers in Asia, the Middle East, and Europe.

2. Because of its strategic location, Indian IFSC can further expand to become the offshore financial center for countries in South Asia and the Mekong delta region.

3. As a greenfield IFSC and regulatory body, there is also an opportunity for India to set a new a global benchmark by providing an environment which will foster innovation in financial products and services, development of financial technology solutions on the back of a progressive regulatory framework and a conducive work environment.

4. There is immense immediate potential to promote international retail business in IFSC, and if done efficiently, it will meet three key objectives a) boost job creation, b) generates additional revenue for India, c) attracts funds (especially from the Indian diaspora) for building India's infrastructure.

5. The terms of reference of the committee was to create a roadmap for the development of international retail business in IFSC. This is an interim report and mainly covers banking in IFSC. The other important business verticals, i.e., Insurance, Asset Management, and Capital Markets, will be covered in reports that the committee plans to release subsequently.

6. The terms of reference also permitted the committee to make other suggestions. In view of importance from an IFSC perspective, the committee has taken the liberty to make recommendations that may not strictly be related to retail businesses.

7. The IFSC can aim at:

    a. Becoming a gateway to India growth story for international investors and business
    b. Providing Indian diaspora and individuals from Asia and Africa with a comprehensive range of financial services from the IFSC
    c. Serving domestic residents availing liberalized remittance scheme

8. The IFSC with its approach of "**FinServe from IFSC**" would complement the 'Make in India' vision of the Government of India

Key Success Factors for the IFSC

9. The IFSC should aim to benchmark itself with the best in class jurisdictions and balance the regulatory touch with ease of doing business.

10. The IFSCA should act as a "Unified Regulator" in form and spirit – independent of onshore regulators.

11. The IFSCA should perform the dual role of a regulator and business development.

12. It should actively engage with other International regulators and position IFSC in India as a jurisdiction of repute.

13. It should focus on building the entire eco-system, which is required in the development of a strong IFSC.

14. The IFSCA should take up marketing initiatives with Indian consulates, embassies, and NRI associations in targeted markets as well as engage in knowledge disseminating programs for targeted audiences to promote IFSC.

15. The IFSCA should support and encourage the formation of industry associations as a platform for engagement and market feedback. This will create an environment of trust and partnership.

16. Overseas air connectivity should be improved from Sardar Vallabhbhai Patel International airport in Ahmedabad.

Banking Sector

17. The report sets out the following key thrust / focus areas for achieving the above objective:

    a. **Retail participation:**

- Permit retail participation and enable IBUs to provide banking products and solutions to retail/ individual clients.

- Permit clients to open interest-bearing retail accounts such as savings, current and term deposits in the 'currency of choice'.

- Wealth management capabilities should be enabled in the IBU by allowing investments in various markets across different geographies.

- Family office entities should be allowed to access the LRS route for remittance purposes.

b. Corporate business:

- Permit IBUs to offer FCY clearing services from IFSC. For this purpose, a central clearing mechanism should be set-up in IFSC.

- Permit IBUs to provide INR ECBs to Indian borrowers

- Permit IBUs to obtain FPI license and invest in INR G-secs, corporate bonds and other permissible INR denominated securities

- Permit IBUs to extend financing to Indian exporters for pre-shipment (in addition to post shipment) in FCY

- Permit IBUs to open current account (including Escrow account) for all entities who wish to do so

c. Liquidity Ratios: The head offices of Indian and foreign banks / international branches of the foreign banks already maintain LCR /NSFR in line with the prevailing local regulations. Additional requirement to maintenance LCR/NSFR at the IBU level results in increased cost of funds for the IBU and the borrowers. Accordingly, removal of the requirement to maintain liquidity ratios (LCR and NSFR) is recommended.

d. Foreign Banks not having presence in India: Currently only those foreign banks having presence in India can set-up an IBU. Foreign Banks not having presence in India (or having only a representative office in India) should be permitted to set -up an IBU in IFSC.

Chapter 1: Introduction to IFSC

1.1 Background:

Several countries have undertaken initiatives to develop an IFSC in the course of their economic development. IFSCs have historically contributed to the growth of overall economy of the countries in which they operate and also led to employment generation. Centres like New York, London, Frankfurt, Tokyo, Hong Kong and Singapore have emerged as the front-runners in the space of IFS.

India is one of the fastest growing economies in the world and a large-scale consumer of IFS. With developments in technology shrinking global boundaries, the stage is set for India to enter the arena of global Financial Centre. A dedicated IFSC will provide a platform to India to undertake IFS efficiently to expand its economic and strategic activities globally.

1.2 IFSC in India

Those financial services transactions that are currently carried on outside India by overseas financial institutions, Indian financial institutions/ entities and overseas branches/ subsidiaries of Indian financial institutions are sought to be brought to a centre in India by offering a one-stop solution in the form of an IFSC in India. Thus, in the context of India, IFSC can be defined as a jurisdiction that provides International financial services to non-residents and residents.

1.3 Setting up India's first IFSC in GIFT city:

The GOI is developing an IFSC in India under the Special Economic Zone (SEZ) route to help India unlock its potential in the IFS space. The setting up of an IFSC in GIFT city, Gujarat was approved in 2011, and operating guidelines issued in April 2015. In October that year, India's first IBU became operational.

The **Hon'ble Prime Minister** provided following vision for IFSC:

*"The concept of an International Financial Services Centre is simple but powerful. It aims to provide onshore talent with an offshore technological and regulatory framework. This is to enable Indian firms **to compete on an equal footing with offshore financial centres**. GIFT City IFSC will be able to provide facilities and **regulations comparable** to any other leading international finance centres in the world."*

The idea behind GIFT City is to create a state-of-the-art Finance and IT zone in India to provide IFS. It is spread over 886 acres with a development plan for 62 m sq.ft of Built up Area (BUA) for Commercial, Residential and Social facilities. A total of 11 m sq.ft of BUA covering commercial, residential and social facilities has already been allotted. GIFT City has created high quality infrastructure in the form of District Cooling System, Underground Utility Tunnel, Automated Waste Collection System and City Level Water Treatment Plant.

At present, around 10,000 people are working in GIFT City including around 1200 in the IFSC zone. It houses around 200 financial and IT companies.

The IFSC caters to Banking, Insurance and Capital Market companies. It is India's only approved IFSC which allows businesses to transact in a foreign currency and provides a gateway for all inbound and outbound investment to India.

1.4 Current business scenario in IFSC:

Banking

- A total of 12 Indian banks and 1 foreign bank have set up their IBUs.
- IBUs have crossed business transactions amounting to around US$ 28bn.
- IBUs have been providing external commercial borrowings, trade finance, buyers' credit, foreign currency term loan etc.

Insurance

- Four insurance firms including a reinsurance company have set up an IFSC Insurance Office.
- A total of 15 Insurance/ reinsurance firms have set up operations at IFSC.
- The sum insured has already crossed US$ 30bn.

Capital Market

- Two international exchanges and clearing corporations and nearly 40 Broking firms have set up operations at the GIFT IFSC.
- IFSC exchanges have connected with other global exchanges.
- The average daily trading volume has crossed US$ 4bn at IFSC Exchanges and Debt listing of around US$ 50bn.
- Key products include index futures and options, commodity derivatives, Indian stock futures, foreign stock futures etc.
- Alternate Investment Funds (AIFs) to invest in the Indian domestic market, IFSC exchanges and other overseas markets are being set up in the GIFT IFSC.

The export of services from IFSC has crossed US$ 646m in Financial Year (FY) 19-20 and represents approximately 10% of the financial services exports from the country.

1.5 Why IFSC?

India has a distinctive advantage in offering IFS for four reasons:

- The Indian workforce is adept at the requisite knowledge and skillset — Trading and risk taking, English, Mathematics, Computer Science, Law.

- People of Indian origin are often part of the top-level management of global financial firms. Thus, they may take note of developments in the Indian IFS sphere and avail them.

- No other established IFSC is available during the operational hours of the Indian Standard Time (IST). For some hours a day of the IST, India is the only player in the global finance arena.

- India has a vast hinterland economy, which small city-based financial centres such as Singapore or Dubai lack. In this respect, India is comparable to New York, London and Hong Kong, which have the United States, Europe, and China, respectively, as their hinterlands.[2]

[2] National Institute of Public Finance and Policy (NIPFP) – concept note to Ministry of Finance, Feb 6, 2015

Chapter 2: Why international retail business in IFSC, which retail businesses for them

2.1. *Why and which retail businesses?*

So far, IFSC has served mainly as a booking centre for wholesale loans, which limits the number of jobs that can be created from international financial services offered by entities operating from the IFSC. With the Government of India appointing a Unified Regulator, the IFSCA under the Chairmanship of Mr. Injeti Srinivas, IAS, the IFSCA has the opportunity to broaden the range of services the IFSC can provide to a variety of clients.

Many countries have successfully taken up the economic opportunity of providing offshore residents with financial services.

Ireland created an IFSC in 1987 "to create jobs"; the centre had created 32,700 jobs by 2015 and contributed to 7.8% of the Irish GDP. The Irish IFSC accounted for around 90 percent of overall portfolio flows in 2015.[3]

The financial sector in the UK employed 1.1m people in 2013 (3.8% of the total UK workforce), of which an estimated 338,000 worked on providing offshore services. In 2018, the financial services sector in the UK contributed £132bn to the UK economy, 6.9% of total economic output. Financial services accounted for 23% of all UK service exports and 9% of all service imports. [2] The PwC research report indicates that the financial sector contributed £75.0bn or 10.9% of total government receipts in 2017-18. [4] By 2019, the financial services sector accounted for 10% of the UK's GDP, the highest of all G7 economies. The second highest was Canada, at 6.7%, and the lowest was Germany, at 3.9%.

Financial markets in the US are the largest and most liquid in the world. In 2018, finance and insurance represented 7.4% (or $1.5tn) of US GDP. In 2017, the US exported $114.5bn in financial services and insurance and had a $40.8bn surplus in financial services and insurance trade (excluding re-insurance, the financial services and insurance sectors had

[3] IMF Country Report No. 16/256 dated July 2016
[4] City of London Corporation/PwC, UK financial services sector makes record tax contribution, December 2018

a surplus of $69.6bn). The financial services and insurance sectors employed more than 6.3m people at the end of 2018.[5]

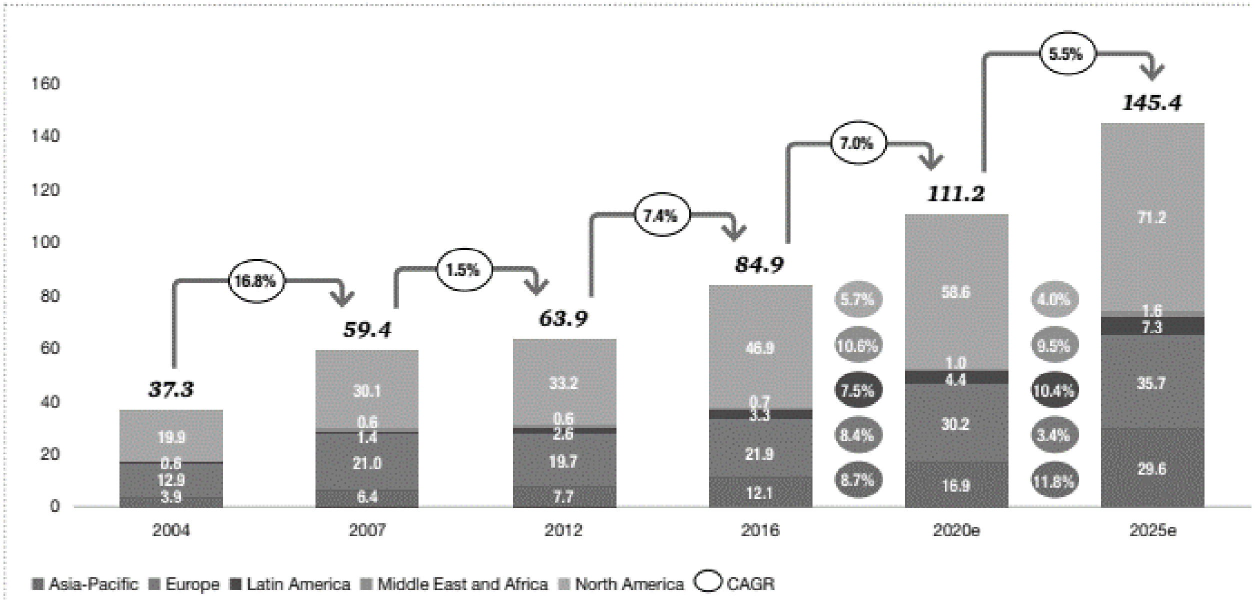
The OECD, in 2018, said there were more than 321,000 companies in Singapore. It is a major wealth management centre, 80% of which is sourced from outside Singapore.[6]

The Dubai International Financial Centre (DIFC), set up in 2004, has grown into an impressive cluster of banks, fund managers, and law and accounting firms, with over 2,500 registered companies—820 of them financial—and 25,000 professionals.[7]

PwC Asset and Wealth Management research report[8] (pre-COVID 19) states that if interest rates remain relatively low globally, and economic growth is sustained, AuM is projected to be growing from US$84.9tn in 2016 to US$111.2tn by 2020, and then again to US$145.4tn by 2025. Retail (mutual) funds (including ETFs) will almost double assets by 2025 and institutional mandates will expand similarly. Alternative asset classes – in particular, real assets, private equity and private debt – will more than double in size, as investors diversify to reduce volatility and achieve specific outcomes. Personal wealth is accumulating fast, mainly in developing countries, and individual retirement and pension funds are expanding. The industry is set to manage a greater share of this wealth. If current growth is sustained, the industry's penetration rate (managed assets, as a proportion of total assets) will expand from 39.6% in 2016 to 42.1% by 2025. Growing individual wealth investor wealth, and comfort with entrusting financial assets to professional managers, will counterbalance a move by the largest pension funds and sovereign wealth funds to manage more assets internally. Growth will be uneven; on a percentage basis, it will be slowest in developed markets and fastest in developing markets (see figure below[9]).

[5] Financial Services Spotlight – SelectUSA in collaboration with the International Trade Administration's Industry & Analysis Unit (I&A)
[6] Monetary Authority of Singapore, 5 January 2020
[7] https://www.economist.com/finance-and-economics/2020/08/22/can-dubai-enter-the-premier-league-of-financial-centres - The Economist, 22 August 2020
[8] PwC Report Asset & Wealth Management Revolution: Embracing Exponential Change
[9] PwC AWM Research Centre analysis. Past data based on Lipper, ICI, EFAMA, City UK and Hedge Fund research

Global AuM by region in USD trillion (Base scenario)



The Boston Consulting Group (BCG), in its report[10], estimates that global personal financial wealth was $201.9tn or about 2.5 times the global GDP. Of this amount, 60% or about $121.6tn was in investable assets—equities, bonds, funds, bank deposits—and 40% was in low-liquidity assets such as life insurance and unquoted equities. Savings and time deposits were estimated at 27% or $32tn, with traded equities at $26tn, investable funds at $23tn, current accounts or transferable deposits at $19tn, and the balance $22tn in bonds and other smaller asset classes. The amount of global offshore wealth, which can be taken as the size of the addressable market, was estimated by the BCG, in its other report[11], at $9.6tn towards the end of 2019. It is estimated to grow at a compound rate of 1.4–5% per year (depending on low-case or high-case post-COVID recovery scenarios) for the next five years, with Switzerland managing $2.4tn of offshore money, Britain and its Channel/ Caribbean islands, $0.8tn; Hong Kong, $1.9tn; US, $0.8tn; UAE, $0.5tn; and Luxembourg, $0.3tn.

In terms of revenues, McKinsey & Company[12] estimate that, as of the end of 2019, wealth management revenue pools for Asia alone—for both onshore and offshore assets—stood at an estimated $90bn (prior to the COVID-19 pandemic), with incremental revenues reduced by COVID-19, but still increasing by $25bn by 2025. BCG estimates that Asia's

[10] Global Wealth 2018
[11] Global Wealth 2020
[12] Asia wealth management post-Covid-19: Adapting and thriving in an uncertain world, June 2020

share of global wealth would go up from 25.3% at end-2019 to 40% by 2024. Clearly, the market opportunity is massive.

The IFSC has the opportunity to generate economic activity in India by providing financial services to non-resident individuals (whether of Indian origin or otherwise). It could offer them services through banks and insurance entities operating from IFSC deposits and insurance products; through intermediaries, mutual funds (MFs), Alternative Investment Funds (AIFs) and investment advisers investment products in India or elsewhere in the world; through banks, asset management companies and intermediaries, investment products outside India to Indian residents availing the LRS.

2.2. *Which segment to target?*

<u>Indian diaspora</u>

India was the leading country of origin of international migrants in 2019 with a 17.5m strong diaspora, according to United Nations' estimates published in October 2019. The Ministry of External Affairs (MEA) estimates the number of non-residents and people of Indian origin at around 31.23m[13]. India has been holding the top spot amongst remittance-receiving countries in the world. The large number of Indians outside India, many of them with active connections to India (such as the IT executives and many employees in the Middle East), offers an opportunity for India to serve them with banking, brokerage/ intermediation (including investment research), asset management and insurance products, and investment advisory, financial planning and other services. Many non-resident Indians are familiar with the names of Indian banks, insurance companies, asset managers and intermediaries, and the cultural and language familiarity in dealing with Indians and Indian organisations adds to their comfort. Many Indians lost all their deposits in banks in places like Iraq and Libya when they had to be suddenly evacuated because of political developments. Providing such investors with a comprehensive range of financial services from the IFSC is a manifest opportunity that will generate economic activity in India. The BCG states: "Proximity remains a key factor in determining where investors choose to seek offshore financial services. Historical and cultural ties also play a role."

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[13] The Ministry of External Affair's reply to the Lok Sabha, April 2018

Individuals from Asia and Africa

While the Indian diaspora is low-hanging fruit, there is also an opportunity to serve global citizens, including Persons of Indian Origin, with high-quality talent and comprehensive and cost-effective services. As incomes increase in other emerging countries, it is possible to envisage the IFSC becoming a preferred location for individuals from Asia and Africa for obtaining financial services because of the quality and cost of those services and the reliability and regulatory comfort at the IFSC.

Indian residents

The IFSC also has the opportunity to serve domestic residents that avail of the LRS, an activity that currently creates jobs and generates revenues for organisations outside India. *The Economist,* in its article dated 22 August 2020, states about Dubai that, "Indians flock to it because of Mumbai's clogged, clunky and capricious courts; some joke that Dubai and Singapore are India's real financial capitals."

Currently, the SEBI has permitted a person who is a resident in India, having a net worth of at least US$1m during the preceding financial year, to invest in AIFs or mutual funds operating in IFSC, to the extent allowed in the LRS scheme of the RBI and subject to the guidelines of the RBI. It is important that the RBI allows residents to use the IFSC as the destination for their LRS. This way, the income generated for financial service providers from such LRS accrues to entities operating from India and helps generate employment and economic activity in India than Dubai or Singapore. It is possible that the proximity of the IFSC and familiarity with institutions operating from the IFSC may lead to an increase in LRS outflows from residents, leading to larger foreign exchange remittances. However, that is an inevitable concomitant of economic growth and freedom of economic choice for resident individuals. In any case, the RBI even now allows feeder funds investing overseas to gather rupee-denominated assets from resident individuals outside LRS limits.

2.3. *What will attract them?*

It is evident that the IFSC will help generate foreign exchange revenues from the export of financial services. The IFSC can also be a source of demand for rupees outside India, which can counter LRS outflows, by allowing the business entities at the IFSC to offer investment products such as bank deposits and insurance products denominated in rupees. With a large NRI population overseas that still considers India its home base, there is an opportunity to offer rupee-denominated annuity products from the IFSC to NRIs planning to return to India or to benefit their relatives in India. One product-innovation could be a "portable" (discussed later in the chapter on insurance) insurance policy, where premiums are payable in foreign currency while the premium-payer is overseas and in rupees when the premium-payer returns to India.

Another opportunity is to attract retail investors in MF or AIF run out of IFSC. Mauritius levies a lower tax rate in some countries with which it has tax treaties for avoiding double taxation, resulting in many AIFs being registered there for investment in India or any of the 46 countries with which it has tax treaties. With Mauritius in the grey list of the Financial Action Task Force, there is an opportunity to attract such funds to operate from the IFSC. The premise offered by the IFSC is of full capital account convertibility, i.e., providing full exemption from FEMA norms for transactions from and to the IFSC. For all current transactional and regulatory aspects, an AIF operating from GIFT City is an offshore AIF. "The regulatory provisions applicable to AIFs in IFSCs do offer a viable alternative to offshore feeder funds, and can act as a feeder fund for an Indian AIF....Indian overseas fund managers looking to set up funds for investing outside India, may find it easier to raise capital from overseas investors and Indian investors simultaneously. Indian offshore fund managers can also use AIFs in GIFT City as feeder fund to invest funds offshore."[14]

Hong Kong-China relations are causing concern amongst its financial services clientele, and the cost to customers of financial services is increasing in financial centres such as Singapore, Switzerland and the UK. Switzerland came in for much criticism in the past over concerns of tax evasion; it thereafter signed agreements for automatic exchange of information with 40 countries, losing a perceived competitive advantage. As mentioned earlier, Mauritius is on the grey list of the Financial Action Task Force.

The large Indian diaspora, the availability of high-quality financial skills and technology in India at globally competitive cost, the travails of some of the existing financial centres, and the enormous addressable market provide an opportunity to the IFSC to serve as an engine of economic growth for India by serving the retail market. For the obvious market

[14] NovoJuris Legal in Mondaq, July 11, 2019

opportunity to be seized by businesses by establishing operations in the IFSC, they and their customers will need to be convinced about the ease of doing business in and from the IFSC.

2.4. *Why retail?*

The retail activities at the IFSC in India would serve three objectives:

1. Serve the Indian diaspora, and others, by offering them a place for accumulating savings in a safe well-regulated environment; a place with contemporary technology and expertise to invest their savings; and a stable, well-governed place to pass on their wealth to their next generation;

2. Create jobs in India; and

3. Generate additional revenues for India, and not require any major capital expenditure from the Government.

While the IFSC will equip itself to cater to all retail customers–retail (wealth up to $250,000); affluent ($250,000–$1m); lower High Net Worth (HNW) ($1m– $20m); Upper HNW ($20m–$100m); and Ultra-HNW (>$100m), in the initial years, the IFSC can be expected to have the greatest competitive advantage and greater appeal for individuals up to and including the lower HNW category. According to BCG report, the segment of affluent individuals in 2017 was estimated at 72m with assets of $17tn, with the numbers of individuals growing very strongly. In Asia alone, McKinsey & Company has estimated the total assets under management in Asia at the end of 2019 at $0.6tn for the retail segment and $1.3tn for the affluent segment.

The IFSC with its approach of **FinServe from India** would complement the **Make in India** vision of the Government of India, serve the non-resident India diaspora, create service-sector jobs in India, generate revenues for the Government, and be an engine of economic growth for the country.

Chapter 3: Key Success Factors for the IFSC

Under section 12 of the International Financial Services Centres Act, 2019, it is the duty of the IFSCA to develop and regulate the financial products, financial services and financial institutions in the IFSCs, by such measures as it deems fit.

To enable the GIFT city IFSC to take its place amongst the top International Financial Centres in the world, add to employment in India and contribute meaningfully to India's GDP, the IFSCA will have to combine robust regulations that build confidence amongst participants for safety and fairness. It would also require an efficient redressal system with a developmental role that makes it stress-free, simple and convenient for participants to comply with regulations, so that they can concentrate on their business. Prime Minister Narendra Modi has exhorted his administration to simplify onerous compliances[15], including increasing the validity period of compliances and renewals, and ensuring that compliance can be done online.

The IFSC should aim to **benchmark itself with the best in class** jurisdictions and aim to build its competitiveness in terms of key factors such as reputation, regulatory environment, taxation and ease of operations. The report on "The Global Financial Centres Index – year 2019" identifies that the quality of regulation in a centre and the overall Government effectiveness are significant factors in a financial centre's competitiveness. Clients acquainted with the operating practices and regulatory environment of the well-established international centres will expect similar or more convenient operating practices and regulatory comfort, as prevailing in those centres. Over the next five years, the IFSCA should aim to be amongst the top five IFSC in global rankings.

After the enactment of section 13 of the International Financial Services Centres Act, 2019, the IFSCA, which is a unified authority, will assume power of three important financial service regulators i.e. the RBI, SEBI and IRDA. The Central Government has already appointed members on the board of IFSC Authority from the DFS, DEA, RBI, SEBI and IRDA. Once the Authority assumes power, it should act as the **"Unified Authority in Form and Spirit"** - independent of onshore regulator. There must be a well thought-out inter-regulatory coordination between the various regulators and government departments,

[15] PM Keen to Reduce Compliance Burden," The Economic Times, dated 3 September 2020. Please see media article in Annexure 2.

which will avoid or quickly address any regulatory loopholes, regulatory arbitrage and regulatory impasse which might adversely affect the growth of business in the IFSC. Taxation and Corporate affairs are not within the ambit of the IFSC. It will be important for the IFSCA to ensure that appropriate coordination/ communication protocols are established with those ministries as well.

The IFSCA could draw from the experience of the Monetary Authority of Singapore (MAS)[16] whose role is to not only regulate and supervise the financial sector but to also promote and sustain economic growth. It supervises the banking and insurance industries, as well as the capital markets. To avoid any tensions between the supervisory and developmental roles, the MAS clearly separates the two functions. Officers involved in prudential or market conduct supervision are not charged with initiating and implementing developmental initiatives. There are separate and dedicated departments within MAS for financial supervision and financial centre development. Any potential tensions or trade-offs between supervision and development is resolved at the senior management level which has collective responsibility for the dual mandate of MAS. As mentioned above, the duty of the IFSCA is also to develop and regulate the financial products, financial services and financial institutions in the IFSC. It should examine the MAS operating model of **separation of regulation and development role** and adapt it to Indian circumstances.

International recognition of the IFSCA is of paramount importance. The IFSCA should seek membership of international organisations such as International Organization of Securities Commissions (IOSCO), World Alliance of International Financial Centers (WAIFC), International Association of Insurance Supervisors (IAIS) and Sustainable Banking Network (SBN). This will enable it to actively engage with other International regulators and position the IFSC in India as a **jurisdiction of repute**. Certain EU legislation provides for "third country" regimes which allow non-EU based firms to offer services into the EU if their home country regulatory regime is accepted as being 'equivalent' to EU standards. Similarly, the Asia Region Funds Passport (ARFP) is an initiative led by Asia-Pacific Economic Cooperation with the objective of attracting and keeping finance within the region to foster its economic growth and strengthen the investment management industry. A few Asian countries have signed a Memorandum of Understanding to participate in the ARFP. The IFSCA should aim to showcase that its regulatory regime is at

[16] Objectives and Principles of Financial Supervision in Singapore, MAS, April 2004 (revised in September 2015)

par with global standards and also seek to participate in these MOUs which will increase its international recognition and stature.

The IFSCA should balance the regulatory touch with ease of doing business to build confidence amongst the constituents of the IFSC as a great place to do business. Its motto should be ***'Minimum Government, Maximum Governance'***. It should do so, without compromising international standards on transparency, global standards on anti-money-laundering and international information-exchange agreements, while enabling confidentiality of participants' activities for all other purposes.

Concurrent development of conducive social and institutional **eco-system** should also be focused on. The financial service industry thrives on the availability of talent. The local institutions should be encouraged to act as feeders of talent. Courses relevant to jobs in IFSC units should be offered at these educational institutions, which will help build talent over the long term.

New age digital banks, fintech payers and niche products such as ETFs and green bonds should be promoted in the IFSC. The IFSCA should take up **marketing initiatives** with Indian consulates, embassies and NRI associations in targeted markets, and engage in knowledge disseminating programs for targeted audience to socialise IFSC. The IFSCA should support and encourage the formation of industry associations as a platform for engagement and market feedback. This will create an environment of trust and partnership.

The business conducted in the IFSC is mainly international, and **overseas connectivity** is an important factor. Business travelers prefer to fly in and out via direct flights rather than changing airports and transferring domestically to reach their destination. Changi airport in Singapore offers connectivity to over 400 cities all over the world in more than 100 countries. International connectivity from Sardar Vallabhbhai Patel International airport in Ahmedabad, which is the closest airport to the current IFSC in Gift City, is limited. The IFSC should work closely with the Central Government and State Government to promote free flow of international traffic.

This report lists some key success factors that are required for a vibrant IFSC to emerge in India. Elsewhere in this report, there are specific recommendations for individual lines of business that the IFSC can attract.

1. **Ease of doing business:** To attract businesses to start operating from the IFSC, to encourage competition amongst them so that end-users receive continually improving quality and cost of services, and to enable the scalability of their businesses, the regulatory approach should focus on ease of doing business for both the businesses and their clients. The tax holiday for business entities is not by itself a sufficient measure to pull businesses into the IFSC. This principle of ***"ease of doing business"*** dovetails well with the stated philosophy of Hon'ble Prime Minister Narendra Modi's Government. The elements of this include:

    - **Ease of KYC:** Opening of accounts with a bank for an NRI is currently extremely inconvenient with requirements to provide proof of identity and proof of address, requiring the customers' their physical presence, consular attestation, etc. For instance, it is easy to open an account in a New York bank sitting in India but much more difficult for an NRI to open an account with a bank in India. It is imperative that IFSC adopts a contemporary KYC verification norm through electronic means, with minimum documents which can also be self-certificated and have automatic renewal or infrequent renewal of KYC; investors would also welcome reminders for renewals and fair curing time in case deadlines are missed. A central KYC that an individual can use to open any account is desirable.

    - **Ease of registration:** The IFSCA should endeavour to register business entities with minimum form-filling: a simple, one-window process that does not require the business to engage a consultant, is all-digital requiring no personal interface.

    - **Time-bound approvals:** The approvals provided by IFSCA should be time-bound with a tight timeframe. The registrations should be valid for a long duration, say, five years, with provision for automatic renewal where applicable. The registration fees should be initially attractive to encourage clients to come in; renewal fees may be higher.

- **Ease of setting up operations in IFSC:** Banks, insurance companies, asset management companies, brokers and other entities operating in India will be attracted to set up operations in IFSC, either as subsidiaries or as branches. The IFSC should seek to provide a single-window clearance for setting up their subsidiaries, including the appropriate licenses; the IFSC should ideally work out arrangements with RBI and SEBI for single-point clearance for such entities wishing to set up branch operations in IFSC.

  The need for multiple registrations/ licenses should be avoided. For example, presently, all entities wishing to commence operations in the IFSC not only need approval from the RBI or SEBI or IRDA as the case may be (to be delegated to IFSCA) for setting up a unit in the IFSC but also need the approval of the Development Commissioner (DC) in the SEZ. While the committee granting SEZ approval meets regularly (at-least once a month) and grants approval promptly, the fact that there are multiple approving authorities for an IFSC unit creates an impression of red tape which can be avoided. Preferably, the DCs powers to approve an IFSC unit should be granted to the IFSCA.

2. **Transparency and stability of rules and regulations:** A rule-based regulatory system that does not depend on discretion, is transparent, which requires no or minimal physical paperwork or is frictionless is an important success factor. An online repository of updated rules and regulations, simple FAQs and circulars consolidating relevant changes should be available at all times. Before the implementation of any new changes to existing rules and regulations, which may have wide-spread impact, the IFSCA should hold stakeholder consultations and should provide appropriate time for implementation. Amendments should be prospective and existing structures, if any, should be grandfathered.

3. **Taxation:** The Hon'ble Prime Minister, when launching the platform for "Transparent Taxation - Honouring the Honest" has stated that the Government's resolve is to provide maximum governance with minimum government. The reforms are aimed at making the tax system ***"Seamless, Painless, Faceless"***. The taxpayer's charter emphasises the trust factor and on treating every taxpayer as honest unless there is a reason to believe otherwise. The IFSC will be a great place for the Government to demonstrate this intent and AIF taxation will be a great place to start with.

The current provisions relating to income earned by units/ investors in the IFSC is scattered all over the Income-tax Act, 1961 (the Act). A separate chapter within the Act consolidating all the relevant provisions at one place will help ease of reference.

The principle that 'withholding tax is the final tax' should be adopted and should be extended to AIFs. Where fund level taxation is adopted for, i.e. in the case of Category III AIFs, appropriate taxes should be collected at the fund level, thereby, exempting investors from having to obtain a Permanent Account Number and filing a tax return in India.

Non-residents who have to pay tax would also welcome a system that allows them ease of payment of tax. For instance, on capital gains earned by non- residents, since all transactions are electronic, there can be a system for tax deduction at source by a custodian or depositary on capital market transactions at the IFSC. This would, which also provide for granting refunds (when there is a capital loss in a financial year after the entity has paid tax on capital gains made earlier in that financial year), without non-residents having to file tax returns.

A separate bench of Authority for Advance Ruling focused on IFSC matters should be set up in the IFSC which should be promptly and efficiently deal with taxation issues that are relevant to IFSC units and investors in the IFSC.

4. **Attractive living, learning and leisure facilities to attract talent to IFSC:** The IFSC needs to offer attractive living, learning and leisure facilities to attract talent, especially since that talent may have income-tax advantages in places such as Singapore, Hong Kong and Dubai. The IFSC should build an ecosystem that echoes the concept of ***'A place for everything and everything in a place'***.

   Skilled talent will be one key element for the competitive success of the IFSC. Recognising the residential facilities, international schools and curriculum and recreational choices including restaurants, bars and clubs available to executives working in other international financial centres such as Dubai or Singapore, the IFSCA will need to work with the GIFT City authorities for the creation of such facilities.

5. **Redressal systems:** The IFSCA can have a system of ombudsmen, empowered by the IFSCA, who investigate complaints by customers against businesses. They attempt to quickly resolve the conflicts or concerns by mediation or by making recommendations, without the parties having to go to courts. This can be one element of a redressal system, which would be more appealing to users of the IFSC than having to depend on long-drawn and expensive judicial processes.

6. **IFSC as a base for LRS users:** As indicated in Chapter 2, it is imperative that IFSC have the freedom to allow resident Indians to open accounts in the IFSC using the LRS.

7. **Currency denominated for IFSC:** As explained earlier, and especially because India has a large migrant diaspora that may return, the choice of denomination of currency - whether INR or any foreign currency - should be left to the market players i.e. the businesses and their customers. The well-established centres such as Singapore or London do not impose any specific currency on the participants, although DIFC requires all transactions in foreign currency.

8. **IFSC as a base for AIFs, Mutual Funds investing in India or outside India:** As indicated in Chapter 2, there is an opportunity to compete with other centres such as Mauritius or Singapore or the Netherlands by making the IFSC, a base for feeder funds investing in India or investing outside India. For AIFs, NovoJuris Legal says: "Although investment under FDI, FVCI or FPI route is allowed for AIFs in IFSCs, it has not been specified whether such AIFs would require separate licenses to invest as FPIs or FVCIs. Ideally, as a recognised AIF, they must be granted FPI/FVCI status as well."

9. **A responsive IFSCA:** In its developmental role, the IFSCA will need to listen and be responsive to its constituents, and continuously obtain feedback from those touched by its regulations to understand their pain points and consider alleviating them without sacrificing the robustness of the regulatory regime for investors and businesses operating from the IFSC.

The IFSCA has an uphill task before it, but ***'The journey of thousand miles begins with the first step'[17].***

[17] A Chinese proverb attributed to Lao Tsu Chinese Philosopher

4.1. Introduction

Financial services sector is the engine in India's growth story and the banking sector is its fuel. The Indian banking sector has been at centre of the growth and economic aspirations of the country. Banking is highly regulated activity and RBI's pervasiveness is evident in every aspect of banking.

4.2. Role of IFSCA

Banking ecosystem in IFSC is at a nascent stage. It is imperative that the IFSCA and other regulatory bodies adopt an approach to not only to regulate but also nourish and develop.

The IFSCA should adopt a consultative and agile approach on regulations and prescribe easier and need based reporting requirements. It should aim to follow principle-based regulations rather than rule-based regulation.

Predictability, reasonability, consistency and stability is a **'must have'** for any regulatory framework if its aspiration is to be world class.

IFSCA should also position itself as a supporter of financial innovation. Digital banks and fintech companies, the new age entities, should be encouraged. These companies are agile, nimble and creative and have a lower cost structure compared to the conventional banks. However, the very nature of the digital business and frictionless banking brings along increased risk. A fresh thought process is needed to regulate them and IFSCA has an advantage since it does not carry baggage or overhang from the past. Regulatory sandbox approach could also be adopted for product innovation and customization in these areas.

IFSCA should also facilitate setting up of banking infrastructure which will help bring down the overall cost in the system. For instance, currently collateralised borrowing and lending obligation (CBLO) transactions are carried out onshore through the Clearing Corporation of India Ltd (CCIL). As the CCIL assumes the role of the central counterparty (CCP) and all borrowings are fully collateralised, the parties are protected from default risk. The Authority should facilitate a similar infrastructure in IFSC which will help reduce the capital provisioning requirements and attract global players to IFSC.

4.3. Banks with IFSC Banking Units

RBI allows banks to set up IBUs, that operate as an offshore branch and are treated as a person resident outside India under the FEMA. The concept of IBU has been well received by the banking industry participants and several Indian banks and foreign banks have either set up or are in the process of setting up an IBU.

Currently, there are three public sector banks, nine private sector banks, and one foreign bank with IBUs in IFSC.[18] In addition, the Hongkong and Shanghai Banking Corporation Ltd (HSBC) and Citibank NA are in the process of setting up an IFSC banking unit.[19] The IBU business transactions in the GIFT city as on 31st March 2020 stands at US$ 28 bn.[20]

List of Banks with IBU in GIFT City	
Public Sector Banks	
1	Bank of Baroda
2	State Bank of India
3	Indian Bank
Private Sector Banks	
1	Axis Bank
2	Federal Bank
3	HDFC Bank Ltd.
4	ICICI Bank
5	IDBI Bank Limited
6	Indus Ind Bank
7	Kotak Mahindra Bank Ltd
8	RBL Bank
9	Yes Bank

[18] https://rbidocs.rbi.org.in/rdocs/Content/pdfs/IFSCIBU01102019.pdf
[19] https://www.thehindu.com/business/hsbc-to-set-up-ifsc-unit-at-gift-city/article32071364.ece
[20] http://giftsez.com/

Foreign Banks	
1	Standard Chartered Bank

4.4. Regulatory framework

Eligibility criteria and Licensing

Indian banks (i.e. both public and private sector banks) authorised to deal in foreign exchange are eligible to set up IBUs. IBUs of Indian banks is treated at par with a foreign branch. Foreign banks already having presence in India is eligible to set up IBUs subject to the requirement of obtaining specific permission from the home country regulator for setting up of an IBU. The eligible banks are required to obtain prior permission of the RBI for opening an IBU under section 23(1)(a) of the Banking Regulation Act, 1949. In addition to the RBI approval, an approval from the DC of the SEZ is also needed prior to setting up the IBU.

Capital

The parent bank is required to provide a minimum capital of US$ 20m or equivalent in any foreign currency to the IBU. However, the minimum prescribed regulatory capital, including for the exposures of the IBU, is required to be maintained on an ongoing basis at the parent / head office level. Foreign banks have to provide a certificate to RBI to this effect from the HO on a half-yearly basis. Foreign Banks also need to provide a Letter of Comfort to RBI to state that they will maintain the Capital Adequacy levels and also ensure adequate liquidity is provided to their IBU at all times.

While IBUs are exempt from maintaining Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR) they still need to maintain Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) as and when made applicable to Indian banks.

Sources of Funds

The current sources for raising funds are very limited to persons not resident in India and overseas branches of Indian banks. This will include borrowing in foreign currency. IBUs however cannot raise funds in any manner from individuals, including high net worth individuals (HNIs)/ retail customers. Therefore, the usual low-cost source of funds is currently beyond IBU's reach. IBU can raise short-term liabilities from banks and accept fixed deposits from non-bank entities without any time thresholds.

What is important to note is that RBI does not provide any liquidity support, nor does it act as a Lender of Last Resort (LOLR) to the IBUs. As per IFSC regulations, IBUs have to look up for its parent for any such financial support.

Permissible activities in IBUs

A. Lending and Trade Finance

- From a deployment standpoint, funds can be deployed with both persons resident in India as well as persons not resident in India. However, they cannot undertake transactions with individuals, including HNIs/ retail customers.

- Monies can be deployed by way of lending to Residents under the ECB route. Monies can also be deployed by way of lending to non-residents (including wholly owned subsidiaries/ joint ventures of Indian companies registered abroad).

- Additionally, IBU are permitted to carry out factoring/ forfeiting and extend the facility of bank guarantees and short-term loans to IFSC stock broking/ commodity broking entities.

B. Derivatives and Capital Markets

- IBUs are allowed to deal in derivatives (including structured products permitted for banks operating in India). Further, recently, AD Category 1 banks having IBU have been permitted to transact in Non-deliverable Derivative Contracts (NDDC or NDFs) involving the Rupee (or otherwise) with persons not resident in India and other eligible AD Category 1 banks. Banks can undertake such transactions through their IBUs or through their branches in India or through their foreign branches.

- IBUs are also allowed to trade in listed currency derivatives on Rupee (with settlement in foreign currency) in IFSC stock exchanges, to act as an underwriter/ arranger of INR-denominated overseas bonds issued by Indian entities in overseas markets as well as act as trading member of an exchange in the IFSC for trading in interest rate and currency derivative segments.

- They can also become a Professional Clearing Member (PCM) of the exchange in the IFSC for clearing and settlements in any derivative segments subject to stipulated conditions.

C. Permitted Bank accounts

- IBUs are permitted to open foreign currency current accounts for units operating in IFSC, for non-resident institutional investors to facilitate their investment transactions and for their corporate borrowers (including escrow accounts). IBUs are also allowed to open Escrow accounts of Indian resident entities to temporarily hold subscriptions to the GDR/ ADR issues until the receipts are issued.

D. Other Activities / Compliance:

- IBUs are not permitted to deal in the Indian rupee except for having a special rupee account out of convertible fund for administrative and statutory expenses through an Authorised Dealer.

- They are prohibited to undertake any cash transactions or participate in the domestic call, notice, term, forex, money and other onshore markets and domestic payment systems.

As can be seen from above, there are many restrictions that prevent IBUs from becoming attractive propositions for banks – ranging from capital requirements to lack of recourse to low cost deposits.

In the subsequent section, the Committee suggests some specific action points for the asset and liability side to help attract more banks, transactions and funds to the IFSC.

4.5. Recommendations- Key regulatory asks by relevant authority

The current regulatory regime and the modifications, relaxations and incentives granted over the last few years has provided the initial impetus, predictability and growth to IBU landscape in the IFSC. Having crossed this milestone, it is important that the regulatory regime continues to evolve through timely reforms in order to broad base the product offerings by IBUs and ensure sustained future growth by attracting longer term Indian and the global customers to participate in the IFSC banking ecosystem. This can be achieved in number of ways such as expanding the participation (retail), permissible products and activities, relaxation in regulatory norms and offering specific tax incentives to customers.

In order to develop a deep and robust financial sector at IFSC, one of the key enablers is to broaden participation. It is also important to enable products and services which are currently permissible to be offered to Indian clients from other global financial centers. In order to deepen the markets at IFSC, it is essential that the regulations support the competitiveness of the entities based in IFSC vis-à-vis their global competitors.

A. Liability side suggestions:

A large stable deposit base is essential for long term stability of IBUs and provides them with a reasonably priced alternative for funding their assets.

The table below covers key suggestions that would help achieve above objectives:

4.5.1. Dealings in Retail participations
Description ➢ The development of a vibrant international financial service center requires a broad based and stable liability source for the institutions present therein. Current regulations applicable to IBUs at IFSC permit them to raise liabilities from overseas corporate and institutional clients. These sources of liabilities are inherently volatile and are also impacted / capped by India's sovereign rating.

The guidelines on maintenance of LCR prescribes different outflow percentages for various types of liabilities in the balance-sheets of banks. Retail deposits are considered more stable (5-10% outflow factor) as compared to corporate deposits (25-40% outflow factor). Operating accounts are considered as more stable compared to term deposits. The outflow percentage factor prescribed for liabilities from financial institutions is 100%. This means that everything else remaining same, the LCR requirements for institutional deposits is higher. This makes institutional liabilities relatively cost inefficient from LCR perspective. Building sustainable sources of high quality and low-cost liabilities at IFSC is important to enable continued availability of low-cost credit to Indian corporates to increase their competitiveness.

Some of the potential sources of high quality and stable liabilities could include both non-resident Indian and onshore resident Indians with overseas assets. This will also meet the needs of overseas residents of India by providing them a new investment avenue while still retaining the funds in foreign currency.

- Non-resident Indians (NRIs)/ Overseas Indians:

Globally, the total population of overseas Indians/ NRIs is over 32Mn. The affluent overseas Indians/ NRIs are mainly based in North America and Middle East. In addition, Europe and South East Asia also has a sizeable NRI base.

Globally, India tops the chart as highest receiver of inward remittances. The propensity of NRIs to place their deposits with Indian banking system is high. As of May 2020, total NRI deposits in India was USD 132Bn. Over 80% of these deposits are in INR[21]. In addition, it is estimated that a sizeable base of bank deposits of overseas Indians is also maintained with banks in various countries across the globe.

The regulations should aim to attract these deposits to India by enabling the NRI/overseas banking at IFSC.

[21] dbie.rbi.org.in

➢ FCY operating accounts of onshore Indian Individuals under Liberalised Remittance Scheme (LRS):

LRS was introduced by the RBI in 2004 for all Indian residents, including minors. It is allowed to remit money to foreign countries for specific purposes. These purposes include education, investment in shares or property, medical expenses/ care of relatives overseas, travel, gifts/ donations etc. The rules permit Individuals to open, maintain, and hold foreign currency accounts with overseas banks for carrying out transactions. The current remittance limit is set to $250,000 per person per financial year. The annual outflows under LRS for past years is as below[22]:

Year	Amount (USD Bn)
2014-15	1.33
2015-16	4.47
2016-17	8.17
2017-18	11.33
2018-19	13.79
2019-20*	18.76

Currently these accounts are maintained in overseas banks located in different parts of the world. It is proposed to permit maintenance of these accounts at IFSC – so that the float funds can stay within India. It will also provide better visibility of end use of these funds to the Government.

➢ FCY operating accounts of onshore Family Offices under Liberalised Remittance Scheme (LRS)

Many Family Offices are keen to explore overseas opportunities. This can be another segment that can be opened up under LRS.

Recommendation

[22] dbie.rbi.org.in

To enable liability raising from individuals – particularly NRIs, persons of Indian origin and resident Indians under LRS.

Some of the operating suggestions would include:

- **Variants / Type of bank accounts and deposits**

  - Savings, Current and / or Term Deposits (TD) accounts across multiple currencies
  - Online Banking facility to be offered to customers for monitoring balances and movement of funds
  - Allow ease in onboarding through Video KYC

- **Flexible Tenure & Pricing**

  - Aligned to the onshore banking practice, TD accounts in IFSC should have minimum 7 days tenor. There should be no tenure restriction for savings and current accounts

  - Interest should be offered on FCY savings and current account as well

  - There should be no maximum cap on interest rate offered on TD. Rates on CASA and TD should be decided basis market factors like demand and supply

  - This will support in sourcing larger size of deposits from customers with rates only marginally higher compared to rates in India

- **Allow overseas borrowing against FCY deposit in IFSC**

  - Allow customers to seek funding from within or outside of IFSC against the deposit held in an IBU

- **No restriction on Inward and Outward remittance**

- Allow customers to freely deposit/make payments from the funds held in IBU in any permissible currency without any repatriation limits, monetary thresholds, end use restrictions and with minimum reporting requirements. Choice of currency should be at the option of the retail customer.
- Strong AML / CTF / CDD checks to be applied

➢ In order to attract investment accounts of NRIs and to offer investment opportunities under LRS, wealth management capabilities would need to be enabled in the IBU for these account holders including:

- **Direct participation in secondary markets across multiple geographies/ exchanges**

  Investment in various asset classes like equity or debt products like government bond, private sector bonds, etc. in NASDAQ, SGX, etc. and in the equivalent exchange within IFSC.

- **Invest in alternate asset classes**

  Allow overseas investment in commodities like Gold, Oil, Metals, real estate, agriculture, etc. assets across multiple markets (and multiple exchanges) incl. India

- **Private Equity / Venture Capital Fund / Structure Funds / Foreign currency Mutual Funds**

  Permit invest in above Funds directly from NRI account at IFSC city in multiple currencies / geographies (as allowed by guidelines of country of investment)

- **Access capital markets across multiple geographies for investments**

  Allow investors to participate in IPO / FPO across several markets through account in IFSC depending on the guidelines of the country of investment

Subscribe to Overseas bonds (or other debt instruments) of Indian or overseas companies

- **Avail Foreign currency Insurance from Overseas / Indian underwriter**

  NRIs should be allowed to avail of FCY insurance for multiple purposes from IFSC city account

- 'Family-office' entity should be allowed to invest under the LRS route in IFSC

➢ **Allow structured derivative products**

RBI has permitted IBUs to offer structured derivative products only if these products are available in India. Else, specific permission is needed.

However, overseas branches of Indian banks can offer products available in certain host jurisdiction[23].

IBUs should to allowed to offer structured derivative products available in overseas markets, subject to pricing ability and risk management framework.

➢ **Allow Complex Financial products**

Going forward – once the basic products get established – the next step should include introduction of financial instruments such as FX forwards, swaps, futures and options derivatives or more complex structured instruments / variants for NR and resident individual customers. This will provide a means to individuals to hedge exposures from existing investments and trading activities in India and overseas and enhance the suite of IBU product offerings for retail customers.

[23] vide RBI/2013-14/588 DBOD.No.BP.BC111/ 21.04.157/2013-14 dated May 12, 2014

4.5.2. Liabilities from corporates

Description

- **Regional Treasury Center (RTC) / Hub for MNCs:** One of the key characteristics of global financial hubs such as Singapore, Hong Kong, London etc. is that they have also emerged as regional headquarters of several multinational corporations. They often have centralised/ regional control over treasuries. The control and financial management are usually managed from the regional treasuries' setup in these locations.

  In 2016, Cushman and Wakefield published a report that found Singapore as the city of choice for companies looking to establish a regional headquarters in the Asia Pacific, although it faced growing competition from Hong Kong and Shanghai. About 4,200 firms had regional headquarters in Singapore at the time, compared to 1,389 in Hong Kong and 470 in Shanghai[24].

  Similar to other IFSCs, the possibility of allowing large Indian corporates / MNCs to base their corporate treasury functions in IFSC by providing them fiscal incentives including tax exemption (partial / limited number of years) can be evaluated. This will also require allowing easier cash flow for corporate treasury functions between on-shore entities, off-shore entities and the corporate treasury in IFSC.

  This will add market depth in treasury products and create financial expertise and ecosystem in IFSC for non-India MNCs to set up RCT's in India.

  Presence of these global / regional corporate treasuries results in significant employment opportunities for the skilled workforce in the economy. In addition, it also helps boosting up availability of corporate liabilities at these centers.

This is a long-term measure and need in depth pre-implementation evaluation.

Recommendation

[24] https://www.edb.gov.sg

- Over a longer horizon, IFSC should also be developed as a regional hub for multi-national organizations with presence in South Asia, ASEAN countries and Mekong delta region.

4.5.3. Restrictions in Opening Current accounts

Description

- IBUs are allowed to open current accounts only for units operating in IFSCs and of non-resident institutional investors to facilitate their investment transactions. In December 2019, IBUs were also permitted to open foreign currency current accounts (including escrow accounts) of their corporate borrowers. This was subject to restriction under FEMA 1999 and subject to limiting the source of funds, to persons not resident in India and overseas branches of Indian banks.

- Indian corporates do not appear to be permitted to open FCY current accounts in IFSC. Similarly, other overseas clients (non-borrowers) are also not permitted to open current accounts with IBUs.

- IBUs are recognised at par with an overseas branch of an Indian Bank and are permitted to do all permitted Banking products with Non-Residents; accordingly, there is no rationale for not allowing IBUs to open current accounts for all entities who wish to do so.

- Current account will enable an IBU to have a longer duration float of funds .

Recommendation

- IBUs may be permitted to open current account (including Escrow account) for all entities who wish to do so.

4.5.4. Liabilities from institutions – FCY Clearing
<u>Description</u> ➢ Currently Indian banking system manages its FCY clearing requirements through the Nostro accounts maintained with banks present in global center of corresponding currency (e.g. with banks in New York for USD clearing). This process stakes about T+1 day for settlement. ➢ This results in maintenance of sizeable foreign currency float of Indian banks at these global centers. ➢ If this float can move to banks in IFSC – it can significantly help build up of liabilities at IFSC. In addition, it can also offer benefits of common time zone for Indian banks from settlement perspective. ➢ The balances will be within India. It will also aid in real time and faster settlements. Many countries have USD clearing in country and only the net settlement is done through NY to facilitate local settlement in their respective time zone. This will give India an opportunity to do local USD settlements.
<u>Recommendation</u> ➢ Enable regulations to permit FCY clearing services to be offered from IFSC. ➢ There should be a central clearing mechanism set-up in IBU to settle transactions in FCY to avoid the delay.

B. Asset side suggestions :

Some of the suggestions on the asset side which are equally important for an IBU are as under:

4.5.5. External Commercial Borrowings in INR
<u>Description</u> ➢ The Master Direction on External Commercial Borrowings, Trade Credits and Structured Obligations issued by RBI lays down framework for commercial

loans raised by eligible resident borrowers from recognized non-resident lenders.

- These include ECBs, trade credits (>3 years), financial lease as well as rupee denominated bonds issued overseas.

- Currently, eligible overseas lenders are permitted to provide ECBs in INR as per above circular. However, the IBUs present in IFSC do not have the permission to offer such INR denominated products which puts them at a disadvantage compared to other eligible overseas lenders.

- In an INR ECB transaction, the exchange rate risk is borne by the IBU lender and the borrower is not exposed to any exchange rate fluctuations. INR ECB is thus an effective tool of raising debt from foreign/ IFSC lenders without exposing the Indian borrowers to exchange rate fluctuations.

- Choice of currency should be at the option of the borrower.

Recommendation

- To permit IBUs based in IFSC to provide INR ECBs to Indian borrowers to provide a level playing field to IBUs vis – a- vis eligible lenders in other offshore jurisdictions.

4.5.6. Foreign Portfolio Investment (FPI)

Description

- In order to address the requirements of the evolving securities market, SEBI, in Sep 2019 issued "SEBI (Foreign Portfolio Investors) Regulations, 2019". Under these regulations, overseas bank can register themselves as Category I FPI.

- Section 20(1)(g) of the above regulations provides that the investment may be in "any debt securities or other instruments as permitted by the RBI for foreign portfolio investors to invest in from time to time".

  Currently there are about 9,820 FPIs registered in India with an outstanding investment portfolio (net as on 5 September 2020) of INR 58,565 crores. These investments have been made in a broad set of asset categories including Equity, Government securities and corporate debt, exchange traded Derivatives, securitized products, REITs etc.

- Currently most FPIs investing into India are located at Mauritius, Singapore and USA in terms of value of investment

- However, IBUs of foreign banks are currently not permitted to invest in the Indian markets as an FPI. Existing regulations prohibit INR transactions from IFSC (even though such transactions are permitted from other overseas centers under FEMA).

<u>Recommendation</u>

- IBUs should be permitted to obtain FPI license. The documentation for IBUs should be simple and easy.

- IBU should also be permitted to invest in INR G-secs, corporate bonds and other permissible INR denominated securities.

- This will help migration of such FPI investment activity from overseas financial centers to IFSC.

- Further, investments by IBUs made under the FPI route in Indian G-secs, should be counted for the purposes of calculating / maintaining the LCR by IBUs.

4.5.7. Financing to Exporters

Description

Exporters in India face stiff competition typically from Chinese & ASEAN exporters. Such countries extend various incentives to their exporters to enhance their competitiveness. One of the prevalent tools available for promoting exports is to create Special Export Zones that provide various incentives and infrastructure to enable exports from the countries.

Challenging Environment

Besides the current COVID situation that would have an impact on global trade, there are other challenges which the Indian exporters face, such as -

- ✓ India continues to face pressure from WTO and international community to bring down incentives for exports.
- ✓ Software and related service exports are expected to be impacted by new policies of US administration – which aim to increase employment for local people in US.
- ✓ Increased vigilance measures from USFDA have added to uncertainty overgrowth of Indian pharma exports – particularly to US.
- ✓ Volatility in exchange rate also adversely impacts the exporters. This can be mitigated by financing them in currency of trade i.e. USD.

Tools that can be used to enable exports:

From Banking perspective, the country's exports can be enabled by extending low cost foreign currency funding to exporters at a competitive rate. This becomes more pertinent in view of liquidity measures announced by various central banks globally.

Pre-shipment financing is required by exporters primarily to fund the inventory and work-in-progress. This is usually a larger component of working capital as compared to financing for post-shipment. Under current regulations, Indian exporters are permitted to avail post-shipment financing from offshore as well as onshore lenders. However, pre-shipment financing can be availed from onshore lenders only[25].

At present, the onshore lenders do provide FCY financing to exporters from the following sources:

- ✓ Exchange Earners Foreign Currency (EEFC) Accounts
- ✓ Resident Foreign Currency (RFC) Accounts
- ✓ Foreign Currency Non-Resident (FCNR) Accounts
- ✓ Borrowings from overseas banks specifically for the purpose of granting of Packing Credit Loan in Foreign Currency (PCFC)

The quantum of onshore FCY liquidity from the above sources is limited and hence expensive. As a result, the pricing of this financing is higher than FCY pricing available in overseas financial markets. This increases the financing cost for Indian exporters as compared to their overseas competitors; thus, adversely impacting the competitiveness of Indian exporters.

Enabling pre-shipment financing in FCY for Indian exporters from the IBU (combined with post-shipment) can significantly boost trade financing volumes at IFSC. Additional controls/ eligibility criteria may be specified for exporters to ensure appropriate end use and export performance.

Financing corporates often involves various complex transaction structures (including security structure) to safeguard interests of lenders. In this context, it is important to highlight that the regulations should not cause hinderance for banks being able to take part in various complex security structure. Example – accepting cash collateral at IFSC for facilities issued by the bank either from IFSC or from other offshore branches.

Recommendation

- ➢ Permit financing to Indian exporters for pre-shipment (in addition to post shipment) in FCY from IBUs at IFSC.

[25] Master Circular- Rupee / Foreign Currency Export Credit and Customer Service To Exporters; reference number RBI/2015-16/47 DBR No.DIR.BC.14/04.02.002/2015-16

B. Other Suggestions:

4.5.8. Maintenance of Liquidity Ratios (LCR/NSFR)
Description ➢ Current regulations require banks present in IFSC to maintain following liquidity ratios in line with the regulations applicable to onshore banks in India: • Liquidity Coverage Ratio (LCR) on a standalone basis • Net Stable Funding Ratio (NSFR) – currently under not applicable to banks in India; but likely to be made applicable soon. ➢ Currently the permitted sources of liabilities at IFSC city are limited and constrained by India's sovereign rating. Borrowings raised directly by IBUs at IFSC will be more expensive than the borrowing raised in financial centers of countries which carry a better international Sovereign credit rating. ➢ The deployment of funds under these liquidity ratios usually entails investment in government securities of developed markets (such as US Treasury bonds). This reduces the net funding available to finance the needs of Indian economy; and also increases the cost for Indian borrowers / economy since the negative carry of these investments increases the cost of balance funds available for lending. ➢ The head offices of Indian and foreign banks / international branches of the foreign banks already maintain LCR /NSFR in line with the prevailing local regulations which may in some cases exceed / be more than the stipulated requirements. ➢ Foreign banks have the option of giving loans to Indian corporate borrowers at IFSC or from their branches in other overseas financial centers. Thus, presently Indian corporate borrowers have an option of raising ECBs/ trade loans directly from these offshore branches of foreign banks. The cost of raising funds at overseas centers (with higher sovereign credit rating) is usually lower.

- Regulations and maintenance of LCR/NSFR at an IBU level in the IFSC on borrowings raised from head office/ network offices will result in maintaining LCR/ NSFR twice on the same capital thus resulting in an increased cost of funds for the IBU (as compared to cost of funds at other offshore funding centers).

- The additional maintenance of LCR/NSFR in the form of government securities (e.g. US Treasuries) results in increased cost of funds resulting in IBU becoming non-competitive compared to other offshore branches.

Recommendation

- To remove the liquidity ratio requirements (LCR and NSFR) for IBUs.

- Permit IBUs of foreign banks to invest in India onshore G-secs and corporate debt as an FPI. Such FPI investments in G-secs can be counted for calculating the LCR required to be maintained by the IBU.

- For customer liabilities – it is suggested to set up the LCR/NSFR framework at IFSC in a manner that need for investment in Govt securities is reduced.

4.5.9. Foreign Banks not having presence in India

Description

- Currently only those Foreign Banks having presence in India are allowed to set-up an IBU

- Foreign Banks looking to set-up an IBU would find it cumbersome and time consuming to first set-up an onshore branch/ subsidiary and then open an IBU in IFSC.

- Permitting such foreign banks to set up IBU will incentivise all big and mid-size foreign banks to set-up an IBU .

➢ RBI can prescribe enhanced due diligence for permitting setting up of IBU to such foreign banks ➢ Clarification on foreign banks having liaison office will be allowed to set up an IBU. Some of other International IFSCs also do not insist on local bank presence before setting up banking unit in IFSC
Recommendation ➢ To permit setting-up of an IBU by Foreign Banks not having presence in India. ➢ Provide clarification that foreign banks having liaison office are eligible for setting-up an IBU.

Acknowledgements

The Committee expresses its appreciation to the following individuals for the invaluable support and work on this project as well as the contribution in setting the agenda, identifying and interacting with the participants, conducting the briefings and producing this Report.

Organisation	**Name**	**Designation**
PwC India	Mr. Tushar Sachade	Partner, Deals, Tax and Regulatory
	Mr. Suresh Swamy	Partner, Financial Services, Tax and Regulatory
	Mr. Vandit Shah	Manager, Financial Services, Tax and Regulatory
GIFT SEZ Limited	Mr. Sandip Shah	Head – IFSC Department
	Mr. Pratik Shah	Lead- IFSC Business

The Committee also expresses its appreciation for the invaluable support on this report to the following stakeholders consulted through video conferences:

Organisation	**Name**	**Designation**
ICICI Bank Limited	Mr. Sandeep Bakshi	MD & CEO
	Mr. Sriram H. Iyer	Head – International Banking, Global Remittances and NRI Banking
	Mr. Rajesh Iyer	Head - Wealth & Private Banking and LAS
	Ms. Ranju Sigtia	Head of IFIG (International Financial Institution Group)
	Mr. Sanjay Jha	Branch Head - IFSC Banking Unit

Federal Bank	Ms. Shalini Warrier	Executive Director
	Mr. Bejoy Padamadan	Head - IFSC Banking Unit
State Bank of India	Mr. Vainkat Nageshwar	Deputy Managing Director
Standard Chartered Bank	Mr. Nitin Chengappa	Head – NRI Services

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Annexure 1: Brief profiles of Committee members

1. Mr. Pradip Shah

Pradip Shah runs IndAsia, a corporate finance and investment advisory company. He is a gold-medallist Chartered Accountant, Management Accountant and MBA from Harvard, who helped establish Housing Development Finance Corporation, the first retail housing finance company in India; CRISIL, the first and largest credit rating agency in India; the Indocean Fund, a pioneer private equity fund, in partnership with affiliates of Soros Fund Management and Chase Capital Partners; the AMP-IndAsia India Fund, in joint venture with AMP of Australia; and Grow-Trees.com, a social enterprise. He provided technical assistance and training to rating agencies in Malaysia and Israel. He was appointed by the government of Gujarat on the Economic Revival Committee post-Covid, was a member of the Justice Easwar Committee appointed by the government of India for simplifying the income tax act, has been appointed as Member, Banks Board Bureau, has served on several expert committees of state and central governments, was a director on the Regional Board of the Reserve Bank of India, and serves on advisory boards and as chairman or director of some companies in India and on the governing boards of some non-profit organizations and chambers of commerce.

2. Mr. Siddhartha Sengupta

A career banker with SBI spanning 36 years in key leadership roles in India and overseas, with hands on exposure in the areas of Corporate Credit, SME Credit, Retail Branch Banking, Trade Finance, International Banking business, managing key client relationships globally and banking regulatory compliance in multiple jurisdictions.

Leadership experience include five years of board level experience in India and abroad. Last assignment in SBI was as Deputy Managing Director in charge of International Banking Group of SBI from 1st December 2014 to 31st January 2019, responsible for SBI's international strategy and overseeing a balance sheet of USD 55 bn spread across 35 countries. Responsibilities included chairing the boards of five overseas subsidiaries of SBI in advanced regulatory jurisdictions including the USA, Canada and UK in addition to driving strategic business development and risk management in multiple jurisdictions overseas.

Superannuated from SBI on 31st January, 2019.

Leadership Style: Delivering value through collaborative management, core team building and mentoring.

Current engagements:

i) Independent Director on the Board of Federal Bank Ltd
ii) Independent Director on the Board of Standard Chartered Investments & Loans (India) Ltd, a NBFC and a wholly owned subsidiary of Standard Chartered PLC UK
iii) Independent Director on the Board of IIFL Trustee (trustee for IIFL Asset Management Company)

iv) Independent Director on the Board of Tarachand Logistic Solutions Ltd, engaged in logistics and leasing of heavy construction equipments

v) Independent Director on the Board of Centrum Financial Services Ltd, a NBFC engaged in financing supply chain and MSMEs

vi) Special invitee to the HR Committee of the Board of Central Bank of India

vii) Honorary Senior Advisor for International Banking to IFSCA Gandhinagar

Leadership Training:

- Strategic Leadership for Transformation conducted by Duke University
- Leading Business Into The Future at London Business School

Education:

- PGDM from XLRI Jamshedpur (specialization in Finance and Marketing)
- BSc Honours in Chemistry

3. Mr. Shyamal Mukherjee

Shyamal Mukherjee took over as the Chairman of PwC India on 1 January 2017. In this role, Shyamal leads a diverse team of industry experts who are focused on helping Governments and businesses in India solve their biggest problems and adapt to an ever changing world.

Shyamal joined the firm over three decades ago and became a partner in 1993. During his tenure at PwC India, he has held several leadership roles within the firm, including having led the firm's Tax & Regulatory practice before being elected Chairman.

Shyamal is committed to making PwC India the most innovative, technology-enabled professional services provider of our times – best demonstrated by the multiple transformational engagements that the PwC teams today lead in the Indian subcontinent - solving complex business and societal problems using technology as an enabler. It is under this leadership that PwC India today is successfully partnering with Governments and its agencies, businesses and communities to create a sustainable future for their stakeholders.

For Shyamal, PwC's greatest strength is its quality workforce and this is reflected in him being at the forefront of efforts that are nurturing the collaborative and inclusive work environment and making it future ready. He also passionately champions the cause of living the organisational values and is at the helm of initiatives that are building the future leaders of PwC who will model these very values for the millennial workforce. His vision to make PwC a workplace of choice for premium talent is the foundation of several industry leading people policies.

Shyamal strongly endorses the need for businesses to be responsible corporate citizens. He takes keen interest in social causes and the work done by the PwC Foundation towards supporting social entrepreneurship, empowering the girl child, educating underprivileged children and supporting disaster response and rehabilitation.

An avid reader, Shyamal has bachelor's degrees in Commerce and Law from the University of Delhi. He is also a fellow member of the Institute of Chartered Accountants of India.

4. Mr. Prakash Subramanian

Prakash Subramanian is currently Head – Strategy, Process & Governance, Head Subsidiaries and CVO for Standard Chartered Bank India. He has over 30 years of banking experience having joined ANZ Grindlays Bank in 1989 as a Management Trainee in the Capital Markets division. Prakash has a Masters Degree in Management and a Bachelors Degree in Mechanical Engineering.

In 1992 he moved to TAIB Bank, Bahrain to set up the India Investment desk for the Bank and was also responsible for their proprietary equity and debt business. He set up the first Middle East based FII in India and also a fund for the Bank out of Luxembourg to route Middle East investments into India through the FII route.

In 1996 he moved back to ANZ Grindlays Bank, India to run the Debt Capital Markets Sales business. Post the merger of SCB and ANZ Grindlays, he ran the Institutional Sales business for South Asia and from 2006 to 2011 was MD & Regional Head Capital Markets for South Asia. He has been responsible for leading some of the large Capital Market transactions in India.

From 2011 till recent 2017, he was Managing Director & Head Financial Markets and a Member of the Country Management Group at Standard Chartered Bank, Indonesia. He was also responsible for the ASEAN Financial Markets Governance.

Since 2017, Prakash has been based in India in the CEO office driving Strategy, Process & Governance. He is a Member of the SCB India Country Management Group. As Head of Subsidiaries he represents SCB on the Board of their subsidiaries in India as well as on the Board of CDSL Ventures and NGL Fine Chem.

5. Mr. Dipesh Shah

Mr. Dipesh Shah, Ex. - HEAD (IFSC) Gujarat International Financial Tec-City (GIFT). Mr. Shah has over 20 years of professional experience in International Business, Project Development, Corporate Affairs, Corporate Law & Policy matters.

His most prominent achievement includes setting up and operationalizing India's 1st Smart City and International Financial Services Centre (IFSC).

During his 12 year tenure, GIFT City made substantial progress in getting recognition as India's model Smart City, starting India's first Multi Services SEZ and only approved International Financial Services Centre. He brought in the regulatory and business changes in the GIFT IFSC to bring in Banks (now transacting more than US$ 28 Billion), International Exchanges, inaugurated by Hon'ble Prime Minister of India (now daily turnover > USD 4 bn) and Insurance & re-insurance companies for undertaking offshore transactions. He has developed various business structures for Financial Services & related businesses in Special Economic Zone.

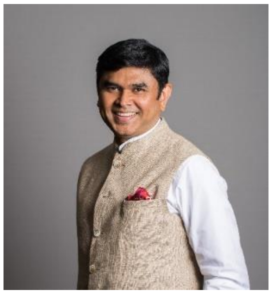
Dipesh has worked extensively with Ministry of Finance, Ministry of Commerce, Reserve Bank of India, Securities and Exchange Board of India, Insurance Regulatory & Development Authority of India to operationalize the IFSC. Some of the major policy level work done by him in IFSC includes changes in Company Law for entities opening company in GIFT IFSC, competitive tax regime comparable to other International Financial Centres. He facilitated setting up of Singapore International Arbitration Centre in GIFT IFSC for effective dispute resolution for the financial centre.

He has negotiated and tied up various International Co-operations for GIFT IFSC covering various jurisdiction namely Singapore, Dubai, Abu Dhabi, Mauritius, New York and London.

Mr. Shah is a Bachelor of Commerce and is Chartered Secretary from Institute of Company Secretaries of India (ICSI) & Institute of Chartered Secretaries & Administrators, UK and has Post Graduate Diploma in Business Management (PGDM – MBA) from Nirma University, India with specialization in International Business & Finance. He is currently pursuing his Doctoral Program (PHD) in International Financial Services Centre (IFSC).

Mr. Dipesh Shah has recently joined National Stock Exchange's International Exchange at GIFT City as a Head of International Business and Strategy.

6. Mr. Nitin Jaiswal



Nitin Jaiswal is Asia Pacific Head of Government and Regulatory affairs at Bloomberg LP. Based in Singapore, Mr. Jaiswal work with senior stakeholders from government, regulators, capital markets, corporates to affect positive change by enhancing market transparency and help advance capital market development in Asia, a region that is shaping global markets.

Mr. Jaiswal has held various senior leadership roles with Bloomberg in Asia since joining the company in 1997.

With its rich history and culture, Mr. Jaiswal feel passionate about Asian Philosophy and feel when blended with western thoughts can play an important role in building next generation of thought leadership in Asia.

7. Mr. G. Srinivasan

Shri G. Srinivasan, Director joined the National Insurance Academy, Pune with effect from 11th December 2018.

Shri G. Srinivasan has 39 years of experience in General Insurance Industry both in India and abroad. A well-known name in the Indian financial sector, he is the longest serving CMD of Public Sector Insurance Companies. His last appointment was that of Chairman-cum-Managing Director of the largest Indian Insurer, The New India Assurance Co. Ltd. Prior to joining The New India Assurance Company Ltd. in 2012, he was the Chairman-Cum-Managing Director of The United India Insurance Company Limited. Earlier he had served as MD of The New India Assurance Co. (Trinidad & Tobago) Ltd., Port of Spain.

In each of his assignments he has taken these organisations to new heights. He has been conferred with number of national and international awards for his extraordinary achievements.

He has held Chairmanship of:

- General Insurance Council
- General Insurance Public Sector Association (GIPSA)
- Governing Body of Insurance Council
- Governing Board of National Insurance Academy
- India International Pte. Ltd., Singapore
- New India Assurance Co. (T&T) Ltd., Trinidad & Tobago

He has been on the Board of several companies, to name a few:

- GIC Re, Mumbai
- GIC Housing Finance Limited, Mumbai

- Prestige Assurance Plc. Lagos, Nigeria
- Agriculture Insurance Co. of India Ltd., New Delhi

He was also the President of Insurance Institute of India, Mumbai.

He is a Commerce Graduate from Madras University, and an Associate of Institute of Cost and Management Accountants of India, and a Fellow of Insurance Institute of India.

Prime Minister Modi's new regime for businesses looks to lighten compliance burden

Synopsis
The Department for Promotion for Industry and Internal Trade (DPIIT) is working on the agenda with the NITI Aayog after the Prime Minister said the framework needs to be drawn up urgently.

NEW DELHI: **Prime Minister Narenda Modi** has identified anonymous or 'faceless' inspections, an extended validity period for **licences** or **automatic renewals**, and lower fees among others as key elements of a new regime for business that involves lightening the **compliance burden**.

The Department for Promotion for Industry and Internal Trade (DPIIT) is working on the agenda with the **NITI Aayog** after the Prime Minister said the framework needs to be drawn up urgently.

The DPIIT has written to states and various ministries and departments to identify processes and permissions, especially ones that require periodic compliances and renewals. The exercise will also cover departments and agencies that provide various services to citizens.

The PM has said permissions and licences should not require frequent renewals as this imposes a cost on businesses, especially small and medium enterprises, according to a person with knowledge of the matter.

"The idea is very clear... Compliance burden needs to come down," a senior government official said.

Sectors such as hotels, restaurants, leather and cement have broad compliance requirements and need frequent renewal of various permissions and licences. These add to the cost of doing business and erode competitiveness.

The exercise is aimed at identifying regulations that impose such onerous compliances and what can be done to simplify them.

The Prime Minister's directive is that even if renewals are needed, the validity period should be increased and the process move to online from offline, the official told ET. Work has begun to assess whether inspections can be done anonymously. The government recently rolled out faceless assessment for income tax and has also launched a pilot for customs.

"All departments that directly give services to citizens have been asked to identify the compliances required, remove the redundant ones and simplify the necessary requirements," said another official.