



International Financial Service Centre

Frequently asked questions by offshore
investors

23 February 2018



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Sr. no.	Question	Answer
1	Big Picture	
1.1	What is International Financial Service Centre (‘IFSC’)?	<p>IFSC is set-up to undertake financial services transactions that are currently carried on outside India by overseas financial institutions and overseas branches / subsidiaries of Indian financial institutions (IFSC unit is treated as a non-resident under RBI regulations)</p> <p>An IFSC caters to customers outside the jurisdiction of the domestic economy. Such centers deal with the flow of finance, financial products and services across borders</p>
1.2	What are the advantages for FPIs/ EFIs in trading through the stock exchange in the IFSC?	<p>The advantages in trading through the National Stock Exchange IFSC (‘NSE IFSC’) and India International Exchange (‘INX’); together referred to as the ‘IFSC stock exchange’, are as follows:</p> <ul style="list-style-type: none"> • No capital gain tax • No securities transaction tax (‘STT’) • No commodity transaction tax (‘CTT’) • No goods and service tax (‘GST’) • No stamp duty • No currency risk (as transactions and settlements are in USD) • Longer trading hours
2	Eligibility criteria	
2.1	Who is a foreign portfolio investor (‘FPI’)?	A person who satisfies the eligibility criteria of and is registered as an FPI under the Securities and Exchange Board of India (Foreign Portfolio Investor) Regulations, 2014.
2.2	Who is an eligible foreign investor (‘EFI’)?	A foreign entity that is not registered as an FPI with the Securities and Exchange Board of India (‘SEBI’).
2.3	Can an FPIs/ EFIs invest in securities transacted on a stock exchange in the IFSC?	Yes. FPIs and EFIs can invest in securities transacted on a stock exchange located in the IFSC.
2.4	Is prior approval required for an FPI to trade in the IFSC?	No. Prior approvals are not required by FPIs to trade in IFSC stock exchanges. Members of the IFSC stock exchange are required to upload the unique client code (‘UCC’) of FPIs before FPIs execute transactions.
2.5	Are non-resident Indians (NRIs) permitted to invest in securities transacted on a stock exchange in IFSC?	Clarity is awaited whether NRIs can invest as EFIs. They cannot as FPIs.
2.6	Can an entity with NRIs as beneficial owner invest on the IFSC stock exchange?	Entity with substantial NRI holding may not be permitted to invest on the IFSC stock exchange.

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2.7	Does FPIs/EFIs need physical presence in the IFSC Gift City?	No. FPIs/EFIs need not have physical presence in the IFSC Gift City.
3	Operational	
3.1	What products are available for FPIs/ EFIs to trade on the stock exchange in the IFSC?	FPIs can trade in the following securities on the IFSC stock exchange: <ul style="list-style-type: none"> • Equity index futures and options (refer Annexure 1) • Single stock future and options (refer Annexure 1) • Commodity future (refer Annexure 1) • Currency future and options (refer Annexure 1)
3.2	Can FPIs/ EFIs trade in commodity derivatives?	Yes. FPIs/EFIs are allowed to trade in commodity derivatives.
3.3	Is a currency derivative with an INR pair available?	No. Presently, there are no currency derivatives with an INR pair.
3.4	Are FPIs/ EFIs required to appoint local custodians in the IFSC?	The appointment of a local custodian in the IFSC is: <ul style="list-style-type: none"> • Not required for derivative transactions, but • Required for other securities such as rupee denominated bonds, American Depository Receipts (ADRs), Global Depository Receipts (GDRs) and Foreign Currency Convertible Bonds (FCCB).
3.5	Can an existing Indian local custodian of an FPI clear trade executed on the IFSC stock exchange?	Clearing members of the IFSC stock exchange will settle the derivative trades. Hence, a local custodian of the FPI is not required to clear the trade. FPIs are required to keep local custodians informed about their participation in the IFSC, as their role is to monitor compliance.
3.6	Do FPIs have to open a bank account in the IFSC?	FPIs are not required to open a bank account in the IFSC.
3.7	Do FPIs have to open a custody account in the IFSC?	Presently, only derivative products are traded in the IFSC stock exchange, and hence there is no requirement of opening a custody account. Upon listing of products such as bonds and depository receipts, a custody account may be required.
3.8	Does the IFSC provide the facility of direct market access ('DMA')/ co-location?	Yes. IFSC stock exchanges provide the DMA and co-location facilities.
3.9	How do FPIs remit margin money to trading members?	Margin money can be remitted through the FPI's offshore bank accounts via SWIFT.
3.10	Is there any capital account restriction in the IFSC for an FPI?	Capital account restrictions are not applicable at exchanges operating in the IFSC.

Sr. no.	Question	Answer
3.11	Can the margin money on the main stock exchange and IFSC stock exchange be netted-off?	No. The margin money on the main stock exchange & the IFSC stock exchange cannot be netted off as the main stock exchange and IFSC stock exchange are separate entities.
3.12	Can a fund manager be based in the IFSC?	Yes. A fund manager can be based in the IFSC.
3.13	Can one FPI transact on the main stock exchange as well as on the IFSC stock exchange?	Yes. FPIs can transact on the main stock exchange as well as on the IFSC stock exchange. However, FPIs are required to ensure clear segregation of funds and securities.
3.14	How many settlement cycles are there in the IFSC stock exchange?	<p>The settlement happens in two cycles as follows:</p> <p><u>NSE IFSC</u></p> <ul style="list-style-type: none"> Trading Session 1 – 8:00 to 17:00 hours – Settlement on the next working day by 9:00 hours Trading Session 2 – 17.30 to 23.30 hours – Settlement on the next working day by 19:00 hours <p><u>India INX</u></p> <ul style="list-style-type: none"> Trading Session 1 – 04:30 to 17.00 hours – Settlement on the next working day by 08.00 hours Trading Session 2 – 17:00:01 to 02:30:00 hours – Settlement on the same day by 16:30 hours
3.15	What is the current daily average turnover in the IFSC stock exchange?	<p>Currently, the daily average turnover is as follows:</p> <p>NSE IFSC – USD 76 million (as on 31st Jan 2018)</p> <p>India INX – USD 242.63 million (as on 2nd Feb 2018)</p>
3.16	Can an FPI use a main stock exchange broker, who has a subsidiary in the IFSC, to trade on the IFSC without separate registration?	No. Broking entities on the main stock exchange and IFSC stock exchange are separate entities. IFSC broking entity also needs to on-board FPIs separately. However, the on-boarding process is simple as mentioned above.
3.17	What is the position limit of IFSC stock exchanges?	Position limits of India INX and NSE IFSC are listed in Annexure 2.
4	Taxation	
4.1	Is it required to obtain a permanent account number ('PAN')?	Yes. PAN must be obtained before commencement of activities in IFSC stock exchange.
4.2	What is the characterization of income from an IFSC transaction – is it capital gains or business income?	<p>If securities are held as capital assets, gains arising from sale would be characterized as capital gains.</p> <p>If securities are held as trading assets, gains arising from sale would be characterized as business income.</p>

Sr. no.	Question	Answer
4.3	Will income earned by FPIs in the IFSC stock exchange be mandatorily classified as capital gains?	Yes. Gains are likely to be characterized as capital gains.
4.4	Will income earned by EFIs in the IFSC stock exchange be mandatorily characterised as capital gains?	No. Current law does not provide for mandatory characterisation.
4.5	Is a DTAA accessible to FPIs and EFIs transacting in the IFSC stock exchange?	Yes. The DTAA is accessible to FPIs and EFIs transacting in the IFSC stock exchange.
4.6	What are the tax rates on capital gains?	Capital gains on transfer of 1) derivatives 2) ADR/GDR/FCCB and 3) Dollar denominated bond listed on IFSC are exempt from tax.
4.7	Are brokers required to withhold tax before remittance?	Since income from above transactions are not taxable, brokers are unlikely to withhold tax.
4.8	Are FPIs transacting through the IFSC stock exchange required to file the annual return?	Yes. FPIs/ EFIs transacting on the IFSC stock exchange are required to file annual tax return.
4.9	Is the set-off of capital loss from a derivative on the IFSC available with capital gains from equity shares on the main stock exchange?	No. As capital gains from derivatives transacted on the IFSC stock exchange is exempt from tax, such capital loss cannot be set-off against capital gains from equity shares.
4.10	Can capital gains/ loss from transactions on the Singapore Stock Exchange ('SGX') be clubbed/ set-off with capital gains from the IFSC?	No. Capital gains/ loss from SGX cannot be clubbed/ set-off with/ against capital gains from transaction on the IFSC stock exchange.
4.11	Is minimum alternate tax ('MAT') leviable on FPIs/ EFIs that are corporate entities?	Generally, foreign corporates are not liable to MAT if they do not have a permanent establishment ('PE') in India or are not required to register with the registrar of companies in India.
5	Others	
5.1	Can an Indian resident buy and sell derivatives in the IFSC under the Liberalized Remittance Scheme ('LRS')?	No. Indian residents are not allowed to carry out derivative transactions under the LRS scheme.



Sr. no.	Question	Answer
5.2	Can P-notes be issued against securities on IFSC stock exchanges?	Clarity is awaited on whether p-notes can be issued against securities on IFSC stock exchange. Presently, for FPIs trading in the main stock exchange, SEBI has prohibited issuance of P-notes against derivatives, except for the purpose of hedging.
5.3	Which is the international arbitration entity at the IFSC for arbitration and related dispute resolution services?	The Singapore International Arbitration Centre is the arbitration entity at the IFSC.

Annexure 1 – Equity index futures and options

India INX		
Indian equity derivatives		
ACC Ltd	Coal India Ltd	ICICI Bank Ltd
Adani Ports	Colgate Palmolive Ind Ltd	Idea Cellular Ltd
Ambuja Cements Ltd	Container Corporation Of India	IDFC Bank Ltd
Apollo Hospitals Enterprise Ltd	Cummins India Ltd	Indiabulls Housing Fin Ltd
Ashok Leyland Ltd	Dabur India Ltd	Indian Oil Corp Ltd
Asian Paints Ltd	Divis Laboratories Ltd	Indusind Bank Ltd
Aurobindo Pharma Ltd	DLF Ltd	Infosys Ltd
Axis Bank Ltd	Dr Reddys Laboratories Ltd	Interglobe Aviation Limited
Bajaj Auto Ltd	Eicher Motors Ltd	ITC Ltd
Bajaj Finance Ltd	Exide Industries Ltd	JSW Steel Ltd
Bajaj Finserv Ltd	Gail India Ltd	Kotak Mahindra Bank Ltd
Bank of Baroda	Glenmark Pharmaceuticals Ltd	Larsen And Toubro
Bharat Electronics Ltd	Godrej Consumer Products Ltd	LIC Housing Finance Ltd
Bharat Forge Ltd	Grasim Industries Ltd	Lupin Ltd
Bharat Heavy Electricals Ltd	Havells India Ltd	M&M Financial
Bharat Petroleum Corp Ltd	HCL Technologies Ltd	Mahindra & Mahindra Ltd
Bharti Airtel Ltd	HDFC Bank Ltd	Marico Ltd
Bharti Infratel Ltd	Hero Motocorp Ltd	Maruti Suzuki India Ltd
Bosch Ltd	Hindalco Industries Ltd	Motherson Sumi Systems Ltd
Britannia Industries Ltd	Hindustan Petroleum Corporation	MRF Ltd
Cadila Healthcare Ltd	Hindustan Unilever Ltd	Nestle India Ltd
Canara Bank	Hindustan Zinc Ltd	NHPC Ltd
Cipla Ltd	Housing Dev Finance Co	NMDC Ltd

NTPC Ltd	Shree Cement Ltd	TCS Ltd
Oil and Natural Gas Corp	Shriram Transport Fin Col	Tech Mahindra Ltd
Oil India Ltd	Siemens Ltd	Titan Co Ltd
Oracle Fin Services Soft	State Bank of India	Torrent Pharmaceuticals Ltd
Petronet LNG Ltd	Steel Authority of India Ltd	Ultra Tech Cement Ltd
Pidilite Industries Ltd	Sun Pharmaceutical Ind	United Breweries Ltd
Piramal Enterprises Ltd	Sun TV Network Ltd	United Spirits Ltd
Power Finance Corp Ltd	Tata Chemicals Ltd	UPL Limited
Power Grid Corp of India Ltd	Tata Global Beverages Limited	Vedanta Limited
Punjab National Bank	Tata Motors Ltd DVR	Wipro Ltd
Reliance Industries Ltd	Tata Power Co Ltd	Yes Bank Ltd
Reliance Infrastructure Ltd	Tata Steel Ltd	Zee Entertainment Ltd
Rural Electrification Corp	Tata Motors Ltd	
Global equity futures	Commodity futures	Global currency derivatives
Alphabet INC (Google)	Brent crude oil	EUR-USD currency pair
Apple INC	Copper	GBP-USD currency pair
Facebook INC	Gold	JPY-USD currency pair
J.P Morgan Chase	Gold KG	
Microsoft Corporation	Silver	
Index derivatives		
Sensex		
Sensex 50		

NSE IFSC		
Indian equity derivatives		
ACC Limited	Ashok Leyland Limited	Axis Bank Limited
Adani Ports and Special Economic Zone Limited	Asian Paints Limited	Bajaj Auto Limited
Ambuja Cements Limited	Aurobindo Pharma Limited	Bajaj Finance Limited

Bajaj Finserv Limited	Godrej Consumer Products Limited	Karnataka Bank Limited
Bank of Baroda	Grasim Industries Limited	Kotak Mahindra Bank Limited
Bharat Electronics Limited	Havells India Limited	KPIT Technologies Limited
Bharat Heavy Electricals Limited	HCL Technologies Limited	Larsen & Toubro Limited
Bharat Petroleum Corporation Limited	HDFC Bank Limited	LIC Housing Finance Limited
Bharti Airtel Limited	Hero MotoCorp Limited	Lupin Limited
Bharti Infratel Limited	Hindalco Industries Limited	Mahindra & Mahindra Limited
Bosch Limited	Hindustan Petroleum Corporation Limited	Marico Limited
Britannia Industries Limited	Hindustan Unilever Limited	Maruti Suzuki India Limited
Cadila Healthcare Limited	Hindustan Zinc Limited	MindTree Limited
Canara Bank	Housing Development Finance Corporation Limited	Motherson Sumi Systems Limited
Cipla Limited	I T C Limited	MRF Limited
Coal India Limited	ICICI Bank Limited	NHPC Limited
Colgate Palmolive (India) Limited	ICICI Prudential Life Insurance Company Limited	NMDC Limited
Container Corporation Of India Limited	Idea Cellular Limited	NTPC Limited
Cummins India Limited	IDFC Bank Limited	Oil & Natural Gas Corporation Limited
Dabur India Limited	Indiabulls Housing Finance Limited	Oil India Limited
Divi's Laboratories Limited	Indian Oil Corporation Limited	Oracle Financial Services Software Limited
DLF Limited	IndusInd Bank Limited	Petronet LNG Limited
Dr. Reddy's Laboratories Limited	Infibeam Incorporation Limited	Pidilite Industries Limited
Eicher Motors Limited	Infosys Limited	Piramal Enterprises Limited
Federal Bank Limited	Interglobe Aviation Limited	Power Finance Corporation Limited
GAIL (India) Limited	JSW Steel Limited	Power Grid Corporation of India Limited
Glenmark Pharmaceuticals Limited	Justdial Limited	Punjab National Bank

RBL Bank Limited	Sun TV Network Limited	Ultra Tech Cement Limited
Reliance Industries Limited	Tata Consultancy Services Limited	United Breweries Limited
Rural Electrification Corporation Limited	Tata Elxsi Limited	United Spirits Limited
Shree Cement Limited	Tata Motors Limited	UPL Limited
Shriram Transport Finance Co. Limited	Tata Motors Limited DVR	Vedanta Limited
Siemens Limited	Tata Power Company Limited	Wipro Limited
South Indian Bank Limited	Tata Steel Limited	Yes Bank Limited
State Bank of India	Tech Mahindra Limited	Zee Entertainment Enterprises Limited
Steel Authority of India Limited	Titan Company Limited	
Sun Pharmaceutical Industries Limited	Torrent Pharmaceuticals Limited	
Global equity futures		
Alphabet Inc.	Exxon Mobil Corporation	Alibaba Group Holding Limited
Amazon.com, Inc.	General Electric Company	AT&T Inc.
China Mobile Limited	J P Morgan Chase & Co	Bank of America Corporation
Facebook, Inc.	Johnson & Johnson	Procter & Gamble Company
Microsoft Corporation	Wells Fargo & Company	
Global currency derivatives	Commodity derivatives	Index derivatives
AUD-USD currency pair	LBMA Gold Price (PM) - 995 fineness	Nifty 50 Index
CHF-USD currency pair	LBMA Silver Price (Grade 999, fineness 999)	Nifty Bank Index
Euro-USD currency pair		Nifty IT Index
GBP-USD currency pair		
JPY-USD currency pair		

Annexure 2 – Position limit

Particulars	NSE IFSC	India INX
Index future	Higher of USD 250 million or 15% of open interest ('OI')	Open position across all contracts shall not exceed 3,000,000 contracts
Index options	Higher of USD 250 million or 15% of OI	Open position across all contracts shall not exceed 3,000,000 contracts
Stock (Indian equity shares)	Higher of 1% of the free-float market cap or 5% of the OI	Higher of 1% of the free-float market cap or 5% of OI
Commodity	Gold – Higher of USD 450 million or 15% of OI Silver – Higher of USD 300 million or 15% of OI	Gold – Higher of 50,000 contracts or 10% of OI Silver – Higher of 33,000 contracts or 10% of OI Copper – Higher of 70,000 contracts or 10% of OI Brent crude oil – Higher of 40,000 contracts or 10% of OI
Currency	Higher of USD 1 billion or 15% of OI	Higher of USD 1 billion or 15% of OI

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Thank you

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