



# FinTech in GIFT IFSC



# Foreword



## **Gayathri Parthasarathy**

India Financial Services Sector  
Leader and Global Financial Services  
Technology Leader  
PwC India

India's economy has grown to USD 3.73 trillion.<sup>1</sup> The first trillion was achieved 60 years after independence, and a consistent growth rate has been maintained thereafter. In today's interconnected and dynamic global economy, the role of the financial services sector has become increasingly vital.

As a pioneering initiative in India's financial landscape, the Government of India launched the Gujarat International Finance Tec-City (GIFT City) project in 2007, with an endeavour to develop a smart city that would host an International Financial Services Centre (IFSC) to provide a comprehensive platform for various financial activities, such as banking, insurance, capital markets, asset and wealth management, FinTech, and access to global markets and currencies.

Representing the nation's vision to become a global hub for international finance and commerce, GIFT IFSC offers world-class infrastructure and a regulatory framework to attract leading financial institutions, businesses and investors from around the globe.

This report aims to provide readers with a comprehensive understanding of the unique attributes and business opportunities inherent in this dynamic environment. We invite readers to envision the potential that GIFT City holds, as well as the opportunities it presents for the future.

I extend my sincere gratitude to all the contributors, whose expertise and insights have enriched this publication.

I also commend the editorial team for their dedication and diligence in bringing this project to fruition.

May this publication foster continued collaboration, innovation, growth and prosperity of GIFT City and GIFT IFSC.

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1. <https://www.zeebiz.com/economy-infra/news-india-to-become-3rd-largest-economy-with-gdp-of-usd-5-trillion-in-3-years-finmin-273873#:~:text=Today%2C%20it%20is%20the%205th,2024%20review%20of%20the%20economy>.

# GIFT City – an introduction

GIFT City, the Government of India's flagship project, aims to boost India's stature on the world map of international finance by fostering a favourable regulatory environment, promoting talent and facilitating capital flow in the Indian economy.

Recognising India's financial prowess, Finance Minister Mr. Arun Jaitley announced the establishment of GIFT City as India's inaugural International Financial Services Centre (IFSC) during the Union Budget for 2015-16.

GIFT City, often labelled the 'smart city of the future', is located in Gujarat, nestled between Ahmedabad and Gandhinagar. This tri-city ecosystem fosters an environment supporting business, industry, international finance, and foreign investment, symbolising both a nostalgic era and a promising future.

Conceived as a vertical city, GIFT City boasts modern infrastructure such as a fully automated district cooling system (DCS), automated waste collection system (AWCS) and underground utility tunnels.

This top-tier infrastructure has played a vital role in establishing GIFT City as a global leader among smart cities.<sup>2</sup> The urban centre is complemented by contemporary social amenities, such as an international school, healthcare facilities, a five-star hotel, an international exhibition complex, the GIFT City Business Club with both indoor and outdoor sports facilities, diverse dining options, and well-planned residential projects. Collectively, these offerings make GIFT City a truly 'walk-to-work' city.

Government of India  
operationalised GIFT City as  
an IFSC in 2015

A greenfield smart city  
developed on 886 acres  
of land

Divided into two zones that  
include a Domestic Tariff Area  
(DTA) and Special Economic  
Zone (SEZ)

The financial gateway of  
India for inbound and  
outbound investment



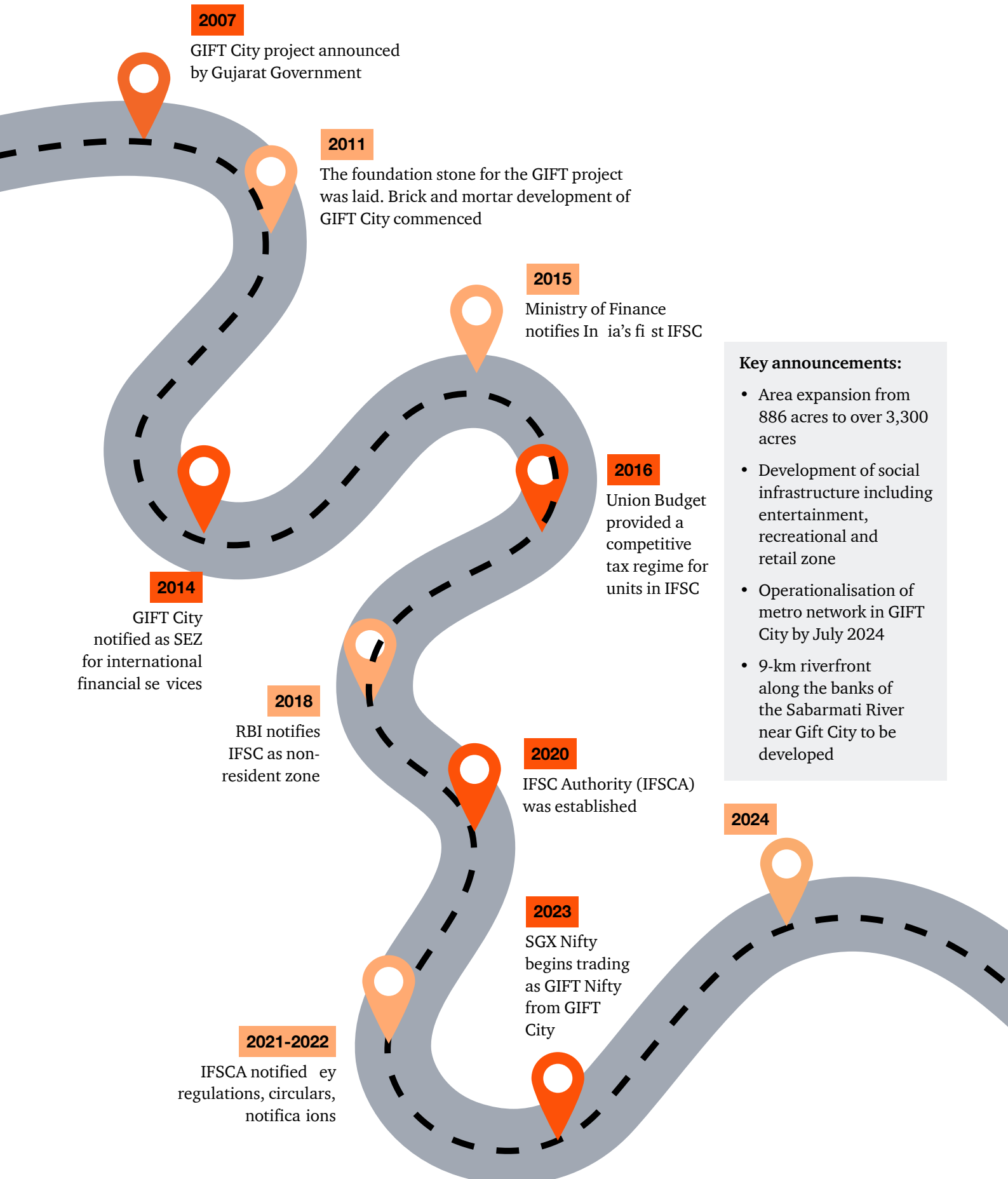
**01** Along National Highway 48  
(Delhi-Mumbai Industrial  
Corridor)

**02** 25 mins from Ahmedabad  
International Airport

**03** 15 mins from nearest  
railway station and  
upcoming high-speed rail

2. <https://www.thehindubusinessline.com/news/national/gifts-ifsc-amongst-the-fastest-growing-globally/article24935538.ece>

# GIFT City journey so far...

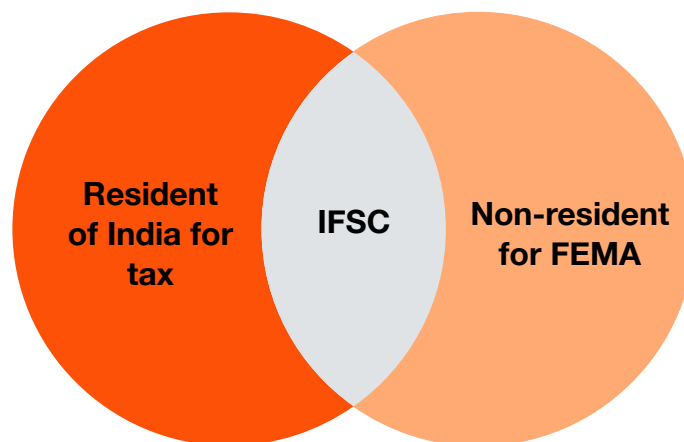




# IFSC

The Government of India launched India's first IFSC in 2015 to accomplish the vision of becoming a significant economic power by fostering the robust growth of international financial services within the nation.

The IFSC is envisioned as a world-class zone dedicated to offering financial services to non-residents and certain residents in a foreign currency (other than the Indian rupee [INR]).



## Governing regulator - IFSCA

Established in 2020, the IFSCA plays a role as a statutory body, providing a forward-looking regulatory environment for financial market participants and facilitating ease of doing business. It functions as a unified regulator, combining the powers of the Reserve Bank of India (RBI), Securities and Exchange Board of India (SEBI), Insurance Regulatory and Development Authority of India (IRDAI), and Pension Fund Regulatory and Development Authority (PFRDA) related to financial services, products and institutions within the IFSC.

In addition to securing approvals from the IFSCA for establishing a unit in IFSC, it is also necessary to obtain approvals from the Development Commissioner, SEZ. With effect from 28 February 2024, certain powers and functions of the Development Commissioner, SEZ are now vested with IFSCA.<sup>3</sup>

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3. Ministry of Finance (Department of Economic Affairs) Notification S.O. 940(E) dated 28th February 2024



# GIFT IFSC: In numbers<sup>4</sup>

580+

registered entities as on 31  
December 2023

23

banks registered as on 31  
December 2023

USD 51.98 billion

total banking asset size as  
on 31 December 2023

USD 148 billion

outstanding derivative  
transactions booked by  
banks till December 2023

2

stock exchanges as on  
31 December 2023

USD 66.73 billion

turnover on IFSC  
international stock  
exchanges in December 2023

USD 52.97 billion

cumulative debt listing  
on IFSC exchanges as  
on 31 December 2023

USD 10.43 billion

green/ESG/sustainable  
debt listing as on  
31 December 2023

72

broker dealers  
registered as on  
31 December 2023

95

alternative investment  
funds registered as on  
31 December 2023

USD 7.08 billion

total commitments raised  
as on 31 December 2023

128

aviation assets leased from the  
IFSC till December 2023

7

ship leasing entities  
registered as on  
December 2023

29

IFSC insurance offices and  
intermediary office as on  
31 December 2023

47

FinTech entities registered  
as on 31 December 2023



## Key benefits: GIFT IFSC



Strategic  
location



Single window  
clearance



Unified  
regulator



World-class  
infrastructure



Availability of  
talent pool



Progressive  
regulations



Competitive  
tax regime



State subsidies



International  
arbitration centre

## Existing business opportunities

01 Banking

02 Aircraft leasing

03 Ship leasing

04 Insurance

05 Capital markets

06 Asset and wealth management

07 Bullion

08 FinTech

## Emerging business segments



Global in-house centres



Payment service providers



Foreign universities



Global and regional treasury centres

## Proposed business segments in GIFT IFSC

01 Remote broker dealers in IFSC

02 Book-keeping, accounting, taxation and financial crime compliance services from the IFSC







# Background

## FinTech industry in India

- i. India has emerged as one of the powerhouses for FinTech economies globally, with innovations such as digital lending, mobile banking, secure payment gateways, mobile wallets and other concepts that are already shaping a new and digitised India.
- ii. Positioned as the third largest FinTech economy,<sup>5</sup> India is among the fastest-growing FinTech economies in the world.
- iii. While the estimated global market opportunity for FinTechs is approximately USD 2.1 trillion by 2030, India alone will house a total addressable market size of USD 1.3 trillion by 2025.<sup>6</sup>

## Trends in the Indian FinTech ecosystem<sup>7</sup>

**3rd**

largest FinTech  
economy globally

**17**

FinTech unicorns  
as of 2023

**USD 237 billion**

India's wealth tech market  
opportunity by 2030

**87%**

India's FinTech adoption rate compared to  
the global average rate of 64%

**3,000**

FinTech startups registered by the Department for  
Promotion of Industry and Internal Trade (DPIIT) in India

5. <https://www.investindia.gov.in/sector/bfsi-fintech-financial-services>

6. <https://www.investindia.gov.in/sector/bfsi-fintech-financial-services>

7. <https://www.rbi.org.in/Scripts/TrendsPSIUserView.aspx?Id=25>  
<https://indbiz.gov.in/india-ranks-third-with-maximum-fintech-unicorns-in-2023/>  
<https://www.investindia.gov.in/sector/bfsi-fintech-financial-services>

# FinTechs and IFSCs

The IFSCA has been established in India to develop and regulate the financial ecosystem and promote innovation in the financial services market in IFSCs. In line with its objective, the IFSCA has issued the FinTech Entity (FE) Regulatory Framework (FE Framework) vide circular no. F.No. 521/IFSCA/FinTech/FE Framework/2022-23 dated 27 April 2022 for FinTechs and TechFins to promote and regulate FinTech activities in IFSC.

The FE Framework applies to all eligible domestic and foreign entities recognised as FinTechs and TechFins. FinTechs are categorised as entities providing financial technology solutions that result in new business models, applications, processes or products in financial services regulated by the IFSCA, whereas TechFins are entities providing advanced or emerging technology solutions in allied areas or activities that aid and assist activities related to financial products, financial services and financial institutions.<sup>8</sup>



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

**Narendra Modi**, Prime Minister of India<sup>9</sup>

# Understanding the FE Framework<sup>10</sup>

## Overview

The FE Framework is broadly divided into the following two parts:

- authorisation
- limited use authorisation (sandbox).

## Eligibility

### For Indian applicants –

- an entity registered with the DPIIT as a startup related to FinTech; or
- a company or limited liability partnership (LLP) incorporated in India; or
- branch of an Indian company or LLP in the IFSC; or
- an entity working directly or indirectly in an ecosystem regulated by a domestic financial sector regulator (RBI or SEBI or IRDAI or PFRDA)

### For foreign applicants –

- an entity from a Financial Action Task Force (‘FATF’) compliant jurisdiction

## Authorisation

Any eligible technology company

- that uses technology in its core product or service, business model, distribution model, or methodology; or
- has a deployable solution or working product; and
- has a revenue-earning track record for at least one of the last three financial years.

<sup>8</sup> Framework for FinTech Entity in the International Financial Services Centres (IFSCs)- F.No. 521/IFSCA/FinTech/FE Framework/2022-23

<sup>9</sup> <https://pib.gov.in/PressReleaseframePage.aspx?PRID=1846330>

<sup>10</sup> Framework for FinTech Entity in the International Financial Services Centres (IFSCs)- F.No. 521/IFSCA/FinTech/FE Framework/2022-23



### Limited use authorisation (sandbox)

Limited use authorisation (sandbox) is a testing environment under which entities operating in the banking, financial services and insurance (BFSI) segment experiment with innovative FinTech or TechFin solutions for a limited period, either in the live market (regulatory sandbox) or in isolation from the live market (innovation sandbox) while fulfilling the requisite conditions.

The FE Framework permits an eligible entity to undertake the development and testing of any of the following FinTech ideas or solutions in the IFSC:

- **IFSCA FinTech regulatory sandbox:** Under this sandbox, applicants test their FinTech ideas or solutions in a live environment with real customers or investors with limited use authorisation.
- **IFSCA FinTech innovation sandbox:** Under this sandbox, applicants develop and test their FinTech ideas or solutions in isolation from the live market with limited authorisation.
- **Inter-operable regulatory sandbox (IoRS):** Foreign FinTechs seeking entry into India will be considered for the IoRS with the IFSCA as the principal regulator.
- **Overseas regulatory referral mechanism or FinTech bridge offered by the IFSCA:** An applicant wishing to utilise the overseas regulatory referral mechanism may apply under this sandbox, which operates as bridge governed by a memorandum of understanding (MoU), collaboration or special arrangement between the IFSCA and the overseas financial sector or regulator(s).



# Permissible activities under this framework

Eligible entities can undertake any one of the following activities:

- Provide FinTech solutions that result in new business models, applications, processes or products in financial services.
- Provide TechFin services or solutions in the form of advanced or emerging technology solutions in allied areas or activities that aid and assist activities related to financial products, financial services and financial institutions.

## Illustrative list of permissible areas or activities under FinTech:

Banking sector	Capital market and fund management	Insurance sector
Remittance and payments	Crowdfunding	Insur tech
Digital lending	Personal finance	Innovative technologies for insurance lifecycle
Buy now pay later	Wealth tech	Digital innovation for global health insurance cover
Crowd lending	Robo advisory	Innovation in commercial Insurance
Digital bank (neobanking/challenger bank)	Sustainable finance products	Digital platform for settlement of balances between insurance companies
Open banking	Alternative trading Platforms	Open insurance
Bank	-	Embedded insurance and cyber insurance

Illustrative list of allied areas or activities that aid and assist endeavours related to financial products, financial services and financial institutions (TechFin)

(a) Agri tech	(b) Accelerators	(c) Climate/green/ sustainable tech	(d) Defence tech	(e) Regulatory tech
(f) Space tech	(g) Supervisory tech	(i) Technology solutions aiding trade financ	(h) Technology solutions supporting digital banking	
<div><div><div>(j) Solutions or services for the BFSI domain leveraging:</div><div><div>i. Artificial in elligence/machine learning</div><div>ii. Big data</div><div>iii. Biometrics</div><div>iv. Chatbots</div><div>v. Cybersecurity</div><div>vi. Digital identity/know your client (KYC)/ anti-money laundering (AML)/combating the financing of errorism (CFT)</div></div></div><div><div>vii. Distributed ledger technology</div><div>viii. Fraud detection/prevention</div><div>ix. Internet of things</div><div>x. Longevity financ</div><div>xi. Metaverse including augmented reality and virtual reality</div><div>xii. Quantum tech</div><div>xiii. Web 3.0</div></div></div>				



# Currency for conduct of business

All the entities shall undertake transactions in freely convertible foreign currency only. However, such entities may discharge their administrative expenses in INR by maintaining a Special Non-Resident Rupee (SNRR) account.

# Maintenance of books of accounts

All the entities shall maintain their records, documents and books of accounts in freely convertible foreign currency (other than INR), as declared at the time of making the application under the FE framework.

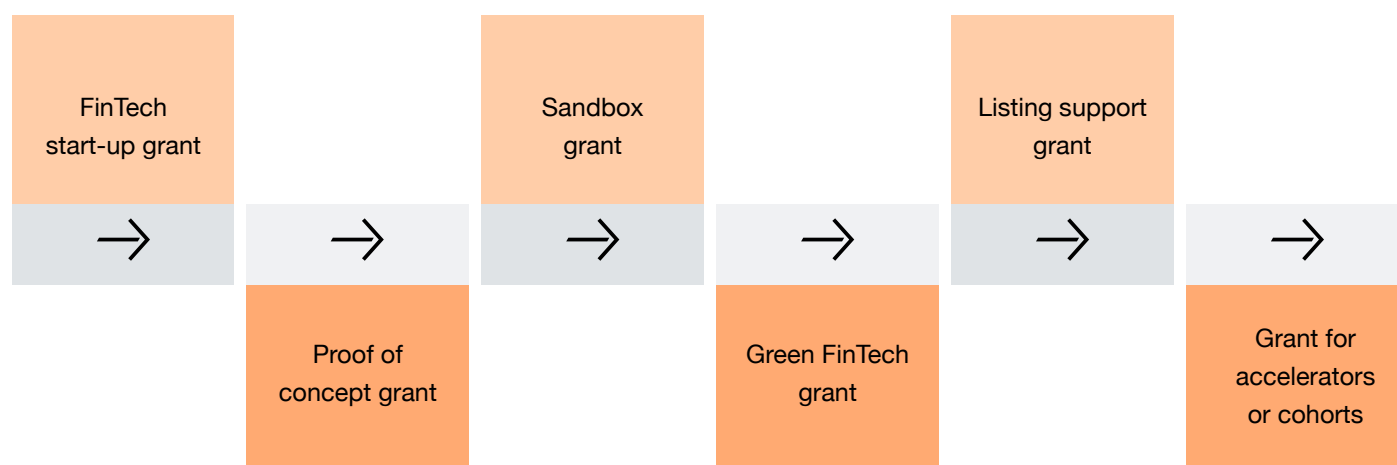
# Submissions of report/information

- All the entities shall furnish a duly certified copy of their audited annual financial statements within 30 days of finalisation along with details of regulatory action (undertaken on the entity), if any, within 15 days from the date of receipt of notice for initiation of such regulatory action.
- All the entities shall submit the financial information to the IFSCA in USD, unless otherwise specified by the IFSCA.

# Incentives for FinTechs

## IFSCA FinTech Incentive Scheme

To develop a world-class FinTech hub, the IFSCA FinTech Incentive Scheme, 2022, was notified on 4 February 2022. The scheme provides financial support in the form of a specific grant(s) to various Fintech and TechFin entities. The following six types of grants are included under this scheme:



An Evaluation Committee has been constituted for assessing applications and recommending applications that are eligible under the IFSCA FinTech Incentive Scheme, 2022.



# Tax framework

## Direct taxes

- 100% tax exemption for 10 consecutive years out of 15 years
- Minimum alternate tax (MAT) does not apply to companies in the IFSC opting for the new tax regime, otherwise 9%\* (15%\* in case of a foreign entity branch)
- In the case of a subsidiary, section 80M of the Income-tax Act, 1961, is available on dividends paid to an Indian holding company
- Dividend taxable:
  - foreign entity – 10%\*
  - Indian entity – 22% or 30%\*
- Withholding tax on dividend @10%\*
- Transfer pricing provisions may be applicable

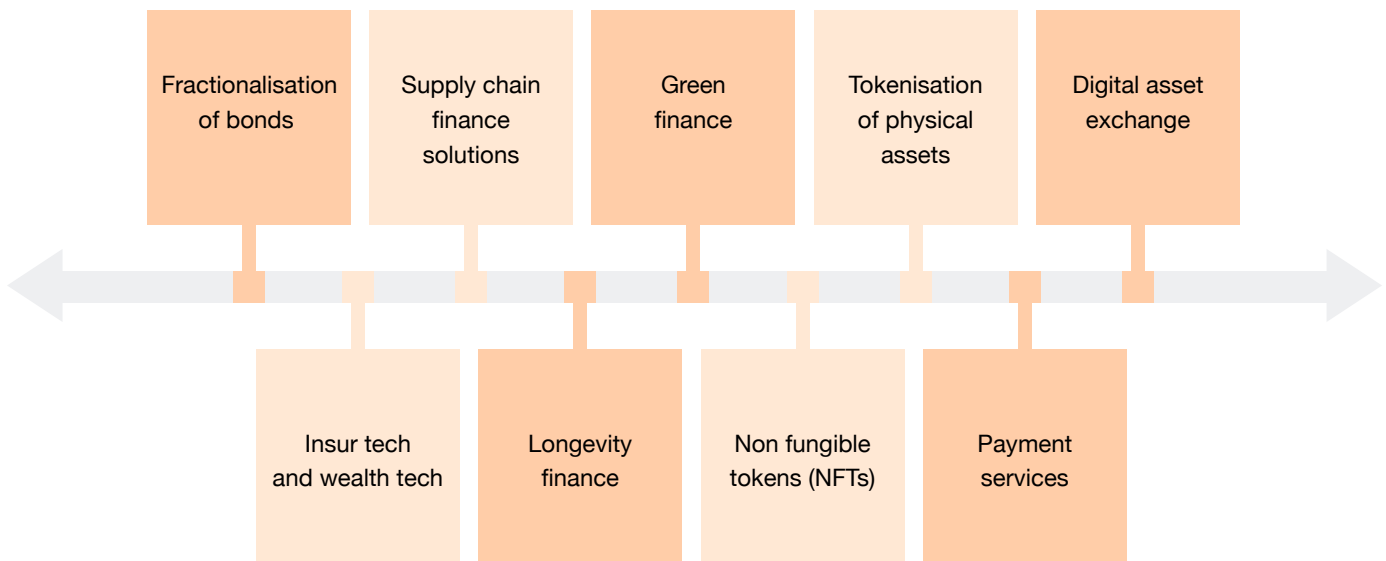
## Angel tax

- Imposed on companies in which the public is not substantially interested
- Tax at the applicable rate on the amount of consideration received (resident or non-resident) over the fair market value of shares
- An exemption is granted to venture capital receiving consideration from funds established in the IFSC (from the purview of the specified fund)
- An exemption is available to startups registered with the DPIIT from the angel tax provisions, if the aggregate of paid-up share capital and share premium of the startup after the issue or proposed issue of shares does not exceed INR 250 million

## Indirect taxes

- No goods and services tax on services:
  - Received by a unit in the IFSC
  - Provided by IFSC units or SEZ units to offshore clients

# Use cases and opportunities in the IFSC



## Payment services from the IFSC

- The IFSCA has issued IFSCA (Payment Services) Regulations, 2024, on 1 February 2024. These regulations lay down the process of regulating payment services and payment service providers in IFSCs, including the application process for obtaining a Certificate of Authorisation from the IFSCA.
- The permitted payment services are:
  - account issuance service (including e-money account issuance service)
  - e-money issuance service
  - escrow service
  - cross-border money transfer service
  - merchant acquisition service.

## Why FinTech in the IFSC?

- Unified regulator – the IFSCA (regulator for various financial services sectors)
- Liberal policies – deemed foreign jurisdiction from the exchange control perspective
- Ease in offering multiple permitted payment services under single authorisation
- India, as a leader in the digital payment revolution, enhances opportunities for the payment ecosystem through the IFSC
- Tax benefits
- State incentives – Gujarat Information Technology/Information Technology enabled Services (IT/ITeS) Policy
- Low manpower and other administrative costs
- Skilled talent pool
- State-of-the-art infrastructure in GIFT IFSC



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