



Global/regional treasury centres in GIFT IFSC

May 2024

Foreword

India's economy has grown to USD 3.73 trillion.¹ 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.



Gayathri Parthasarthy

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

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 Arun Jaitley announced the establishment of GIFT City as India's inaugural 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.² 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



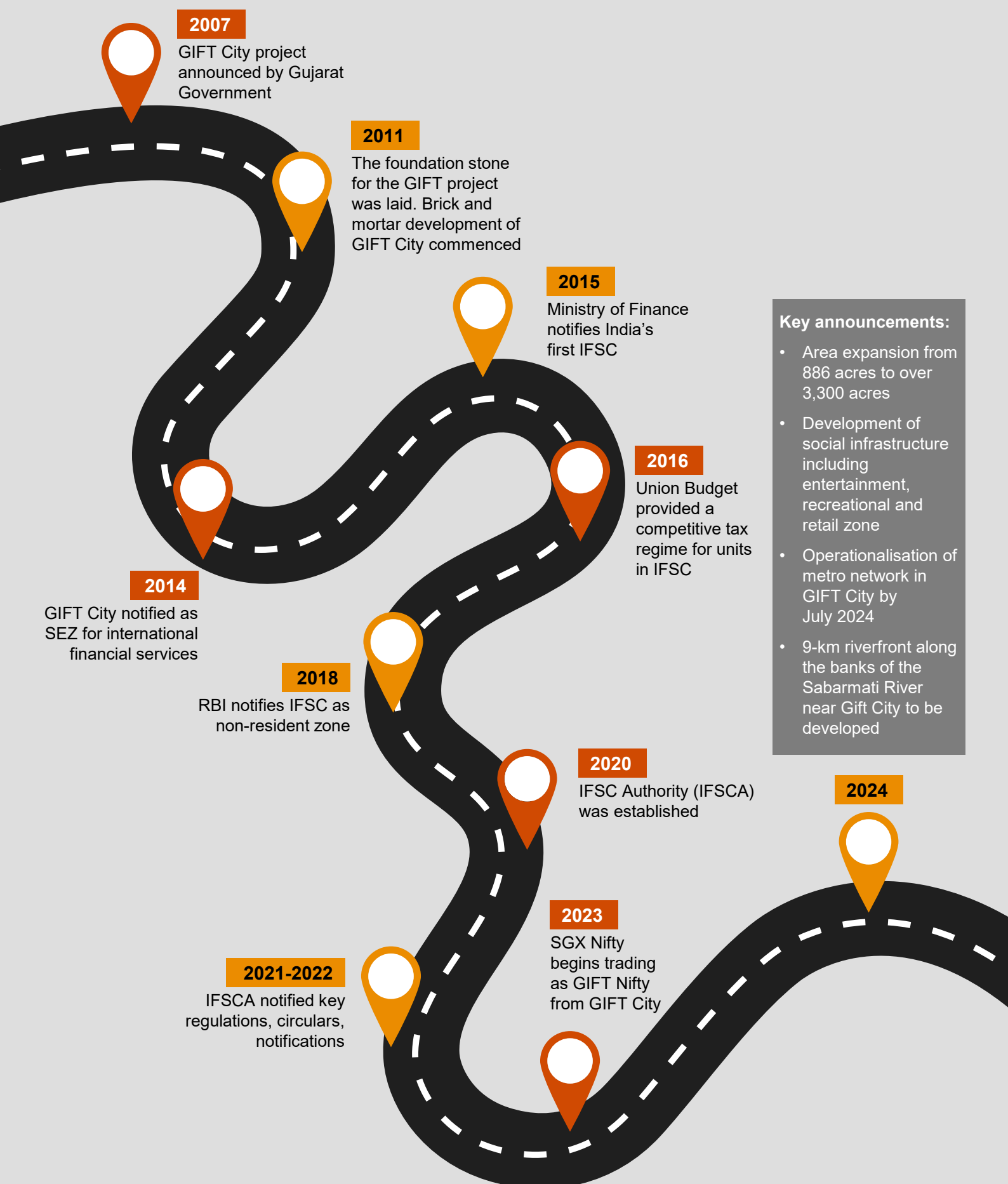
1 Along National Highway 48 (Delhi-Mumbai Industrial Corridor)

2 25 mins from Ahmedabad International Airport

3 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>

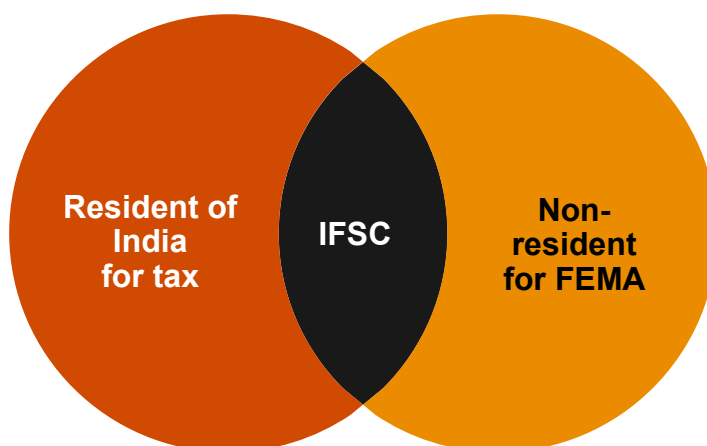
GIFT City journey so far...



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 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.³

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



GIFT IFSC: In numbers

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 IFSC till
December 2023

7

**ship leasing entities
registered** as on
December 2023

29

**IFSC insurance offices and
intermediary offices** as on
31 December 2023

47

**FinTech entities
registered** as on
31 December 2023

Source: IFSCA Bulletin Oct-Dec 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

Banking

Aircraft leasing

Capital markets

Ship leasing

**Asset and wealth
management**

FinTech

Insurance

Bullion

Emerging business segments



**Global in-house
centres**



**Payment service
providers**



**Foreign
universities**



**Global and
regional treasury
centres**

Proposed business segments in GIFT IFSC

Remote broker dealers in IFSC

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

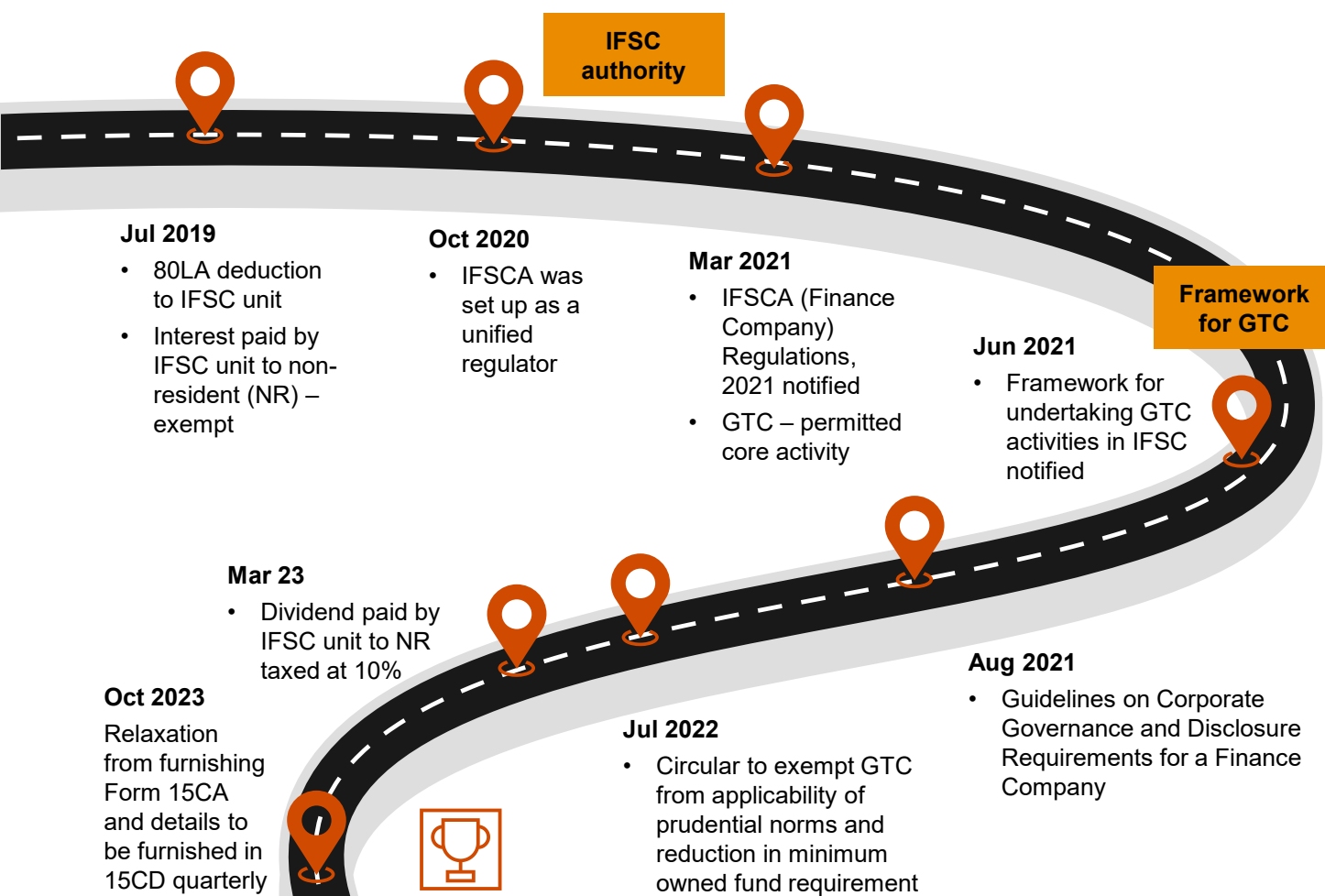
Global Treasury Centre (GTC)

A treasury centre acts as an in-house bank in any multinational corporation. The two main objectives of a treasury centres are centralised management of funds and use of global funds in the group. The key functions include intra-group financing, cash and liquidity management and financial advisory.

Managing the treasury effectively and efficiently is an important function, especially in large organisations. The IFSC now offers a favourable regulatory and tax framework to conduct treasury operations efficiently both for Indian as well as global operations.

To facilitate its set-up of global treasury centres in the IFSC, the IFSCA has notified a Framework for undertaking Global/Regional Corporate Treasury Centre Activities by Finance Company/Finance Unit.⁴

The framework enables units registered as a 'Finance Company' or 'Finance Unit' under the IFSCA (Finance Company) Regulations (FC Regulations) to perform the functions of a Global/Regional Corporate Treasury Centre, i.e. to undertake treasury activities and treasury services for group entities from the IFSC.



4. Circular No. F. No. 331/IFSCA/GRCTC/2021-22 dated 25 June 2021



Eligibility and registration

The FC Regulations were notified by the IFSCA vide notification dated 25 March 2021. Under the FC Regulations, setting up a GTC has been classified under permitted core activities. An entity desirous of undertaking GTC activities is required to obtain certificate of registration under the FC Regulations.

Subsequently, the IFSCA notified the Framework for undertaking Global/Regional Corporate Treasury Centres Activities by Finance Company/Finance Unit in IFSC (Framework) on 25 June 2021.⁵

Regulatory framework

The Global/Regional Corporate Treasury Centre shall perform treasury activities and/or provide treasury services exclusively to its group entities which are domiciled in a jurisdiction not identified in the public statement of the Financial Action Task Force as 'high-risk jurisdictions subject to a call for action', unless they are domiciled in any country specified by the Government of India by an order or by way of an agreement or treaty.

Further, group entities has been defined to mean any entity registered under any law with any statutory body in its home jurisdiction and shall include its holding, subsidiary or associate companies, branch, joint venture investment or subsidiary of a holding company to which it is also a subsidiary.

A GTC can be set up as a company or joint venture or branch of a company in the IFSC. A branch model (referred to as finance unit) is also permitted.

5. F. No. 331/IFSCA/GRCTC/2021-22

Permissible treasury services and activities



Permissible treasury activities⁶

- Invest group entities' funds.
- Take borrowings backed by the inventory held by its group entities
- Activities related to factoring and forfeiting.
- Undertake transactions of foreign exchange, forwards or futures, commodity derivatives.
- Provide advances and structured credit facilities against future sales/exports by its group entities.
- Undertake re-invoicing centre related commercial activities.
- Undertake structured finance transactions.
- Undertake foreign exchange transactions.
- Transact or invest in stocks and shares of any entity listed on recognised stock exchanges.
- Extend credit facilities to any or all group entities by raising short-term or long-term debt.
- Raise equity and any other form of capital.



Permissible treasury services

- Cash pooling
- Cash forecasting
- Central processing of payments
- Managing relationships with financial institutions
- Investment of funds of group entities
- Corporate finance advisory/transaction services
- Intra-group financing
- Managing operations of treasury management system
- Managing financial risks
- Business planning and co-ordination
- Group entities' compliance in relation to treasury management
- In-house centre for providing virtual accounts to group

6. Framework for undertaking Global/Regional Corporate Treasury Centres Activities by Finance Company/Finance Unit in IFSC



Capital requirement

A Finance Company/Finance Unit carrying out permissible core activities is required to maintain a minimum owned fund of USD 3 million. However, a GTC is required to maintain a minimum owned fund of USD 0.2 million.

Prudential norms

Prudential norms such as capital ratio, liquidity coverage ratio and exposure ceiling are applicable to all Finance Companies/Finance Units carrying out permissible core activities. However, an exemption from prudential regulatory requirements is provided to the GTC setup in the IFSC subject to the following:

- to have a Board approved prudential policy; and
- fulfilment of fit and proper criteria as specified by the IFSCA.⁷

Exchange control requirements

An Indian entity setting up a GTC in the IFSC can fund a subsidiary in the IFSC under the overseas direct investment (ODI) route. The daily sweeping of monies/funds by Indian group entities with the GTC in the IFSC shall be subject to exchange control regulations. Availing loans under external commercial borrowing (ECB) norms may be permissible.

7. Circular No. F. No 172/IFSCA/Finance Company Regulations/2021-22/9 dated 9 August 2021



Currency for conduct of business

- All transactions undertaken by the unit in the IFSC shall be in a freely convertible foreign currency only. However, the unit in the IFSC may defray their administrative expenses in Indian rupees by maintaining separate a Special Non-Resident Rupee Account.
- Transactions in non-freely convertible currency shall be settled in freely convertible currency.
- Transactions in rupee derivative are allowed only where the foreign currency leg is in freely convertible foreign currency.

Maintenance of books of accounts

The books of accounts and their financial information shall be maintained in any freely convertible currency. Parallel accounts in Indian rupee shall be maintained for other compliance purposes.

Submission of report or information

A GTC in the IFSC shall furnish audited annual financial statements, confirmation of compliance with applicable regulations, circulars, guidelines and directions, and an annual performance report within 90 days from the finalisation of annual financial statements.

The financial information submitted to the IFSCA shall be expressed in USD.



Tax framework – GTC



Direct taxes

- Tax holiday for any 10 consecutive years out of the first 15 years
- Minimum alternate tax (MAT) or alternate minimum tax (AMT) @9%* of the book profits
- MAT not applicable to companies in the IFSC opting for the new tax regime
- Thin capitalisation between India entity and GTC not to have an impact during tax holiday period
- Tax on payments of dividends from units in IFSC:
 - in the hands of a non-resident – 10%*
 - in the hands of a resident – applicable tax rates
- Interest income exempt in the hands of a non-resident lender where such interest payments are made by unit in the IFSC
- Consolidation in India books from Base Erosion and Profit Shifting (BEPS) 2.0 - Pillar Two perspective
- Deemed dividend on receipt of loan by a shareholding entity – to be evaluated



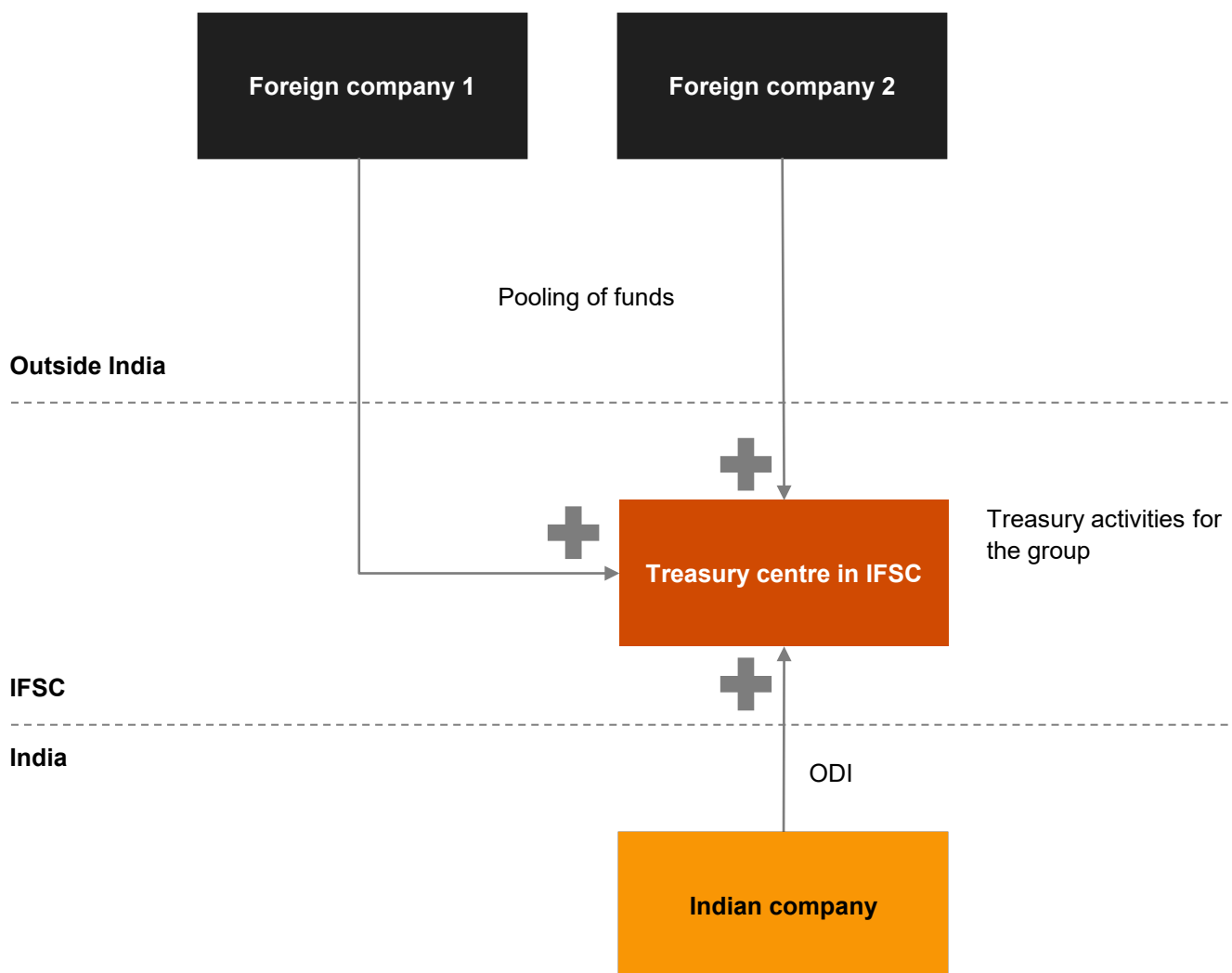
Indirect taxes/other levy[#]

- GST at zero-rated on procurement of services and goods for authorised operations
- No GST on export of treasury services
- GST leviable on forward charge basis on services to India entity

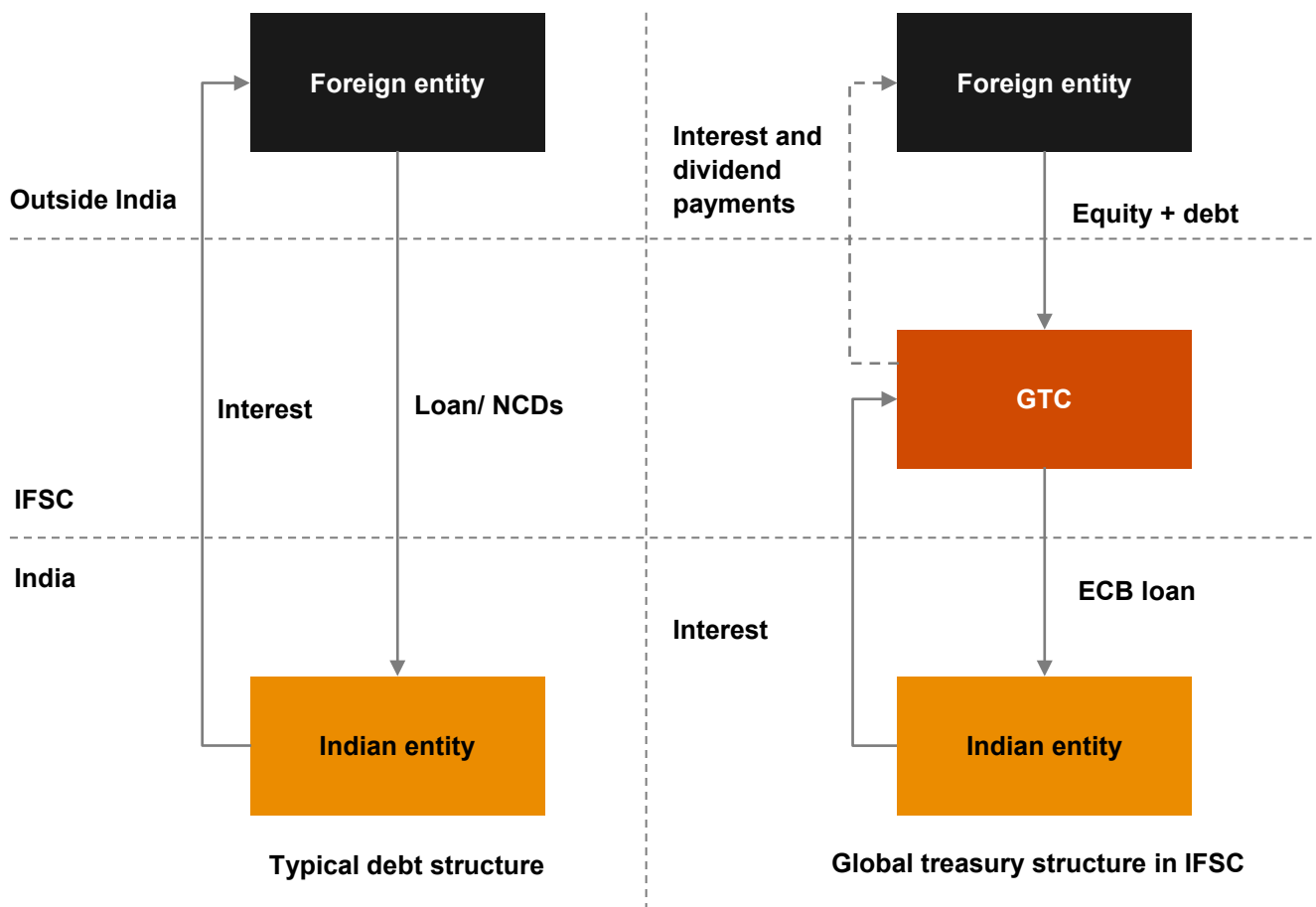
*Plus applicable surcharge and cess

[#]Subject to prescribed documentation/conditions

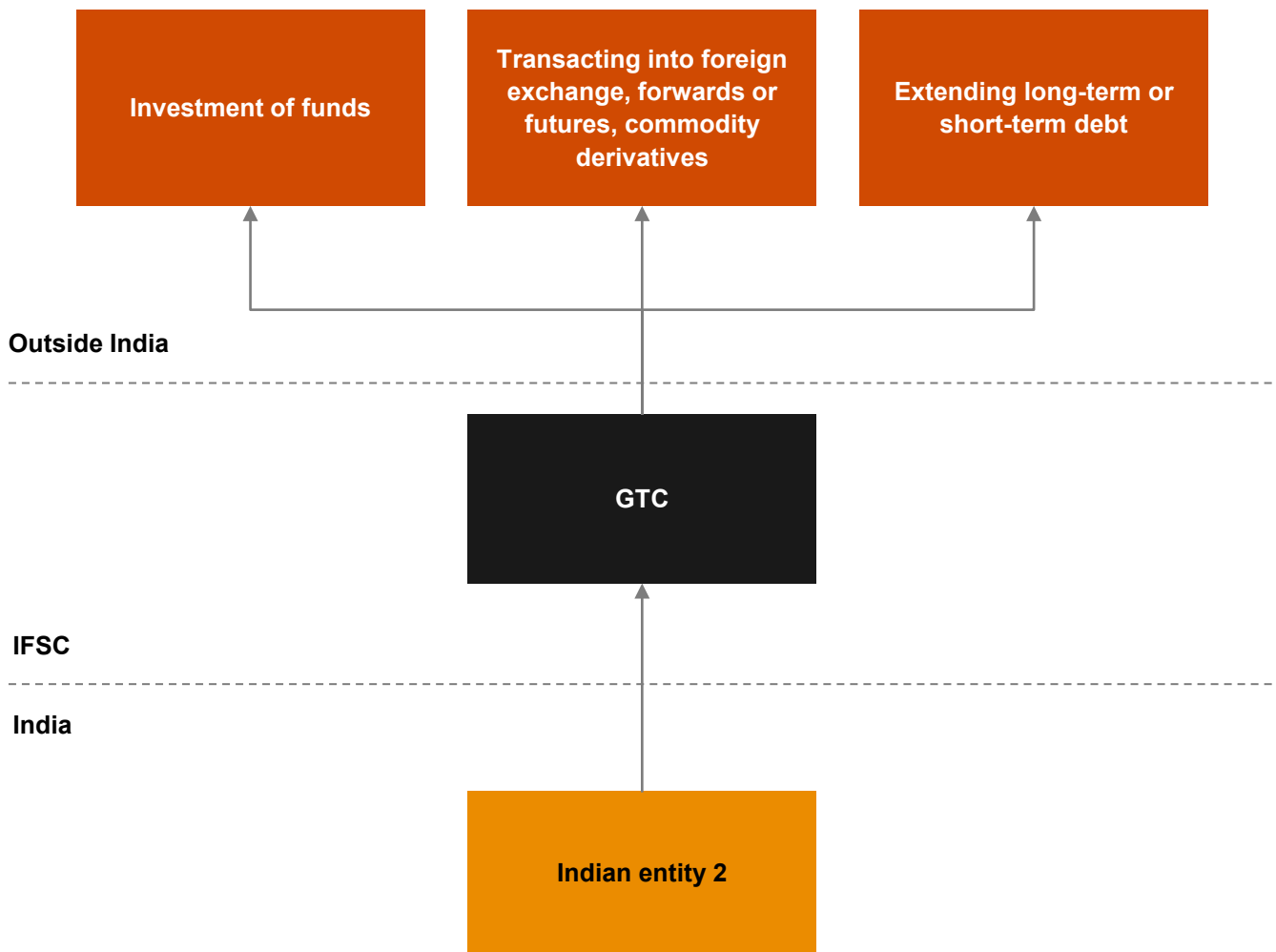
Use case #1: Pooling of funds



Use case #2: GTC extending long-term loans to Indian group entities



Use case #3: Outbound treasury activities from India



Contact us at

in_gift_support@pwc.com

About PwC

At PwC, our purpose is to build trust in society and solve important problems. We're a network of firms in 151 countries with over 360,000 people who are committed to delivering quality in assurance, advisory and tax services. Find out more and tell us what matters to you by visiting us at www.pwc.com.

PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity. Please see www.pwc.com/structure for further details.

© 2024 PwC. All rights reserved.

Scan for insights



Data Classification: DC0 (Public)

In this document, PwC refers to PricewaterhouseCoopers Private Limited (a limited liability company in India having Corporate Identity Number or CIN : U74140WB1983PTC036093), which is a member firm of PricewaterhouseCoopers International Limited (PwCIL), each member firm of which is a separate legal entity.

This document does not constitute professional advice. The information in this document has been obtained or derived from sources believed by PricewaterhouseCoopers Private Limited (PwCPL) to be reliable but PwCPL does not represent that this information is accurate or complete. Any opinions or estimates contained in this document represent the judgment of PwCPL at this time and are subject to change without notice. Readers of this publication are advised to seek their own professional advice before taking any course of action or decision, for which they are entirely responsible, based on the contents of this publication. PwCPL neither accepts or assumes any responsibility or liability to any reader of this publication in respect of the information contained within it or for any decisions readers may take or decide not to or fail to take.

© 2024 PricewaterhouseCoopers Private Limited. All rights reserved.

PR/March 2024 - M&C 35742