

GAINING ENTRY INTO GIFT SEZ IFSC – STOCK BROKERS

This is our second write up in series of awareness articles on IFSC covering procedural aspects and developments at Gujarat International Finance Tec- City (GIFT)

1.0. Synopsis of our previous issue on IFSC

In our previous article, we introduced the concept of IFSC and its relevance on the world economy. The emergence of GIFT SEZ IFSC in India and the revolutionary impact it may have on the Indian financial services market was highlighted. We reiterated the importance of intermediaries, especially Stock Brokers in the financial market. We analyzed and discussed the opportunities for stock brokers and the tax and regulatory advantages they could enjoy being at GIFT SEZ IFSC given the crucial benefits provided to the entities setting up at GIFT SEZ IFSC by the Finance Bill 2016.

2.0. Coverage in the current issue

Picking up from where we left, in this issue, we shall endeavor to provide you with a detailed insight into the procedural aspects for setting up a unit at GIFT SEZ IFSC, highlighting the categories of clients for stock brokers and keeping you abreast with the latest developments at GIFT SEZ IFSC.

3.0. Procedure for setting up a unit at GIFT SEZ IFSC

For Setting up a unit by Securities and Exchange Board of India (SEBI) registered broker at GIFT SEZ IFSC, the entity needs to obtain the following approvals:

- Approval from the GIFT (GIFT SEZ Ltd.) Authorities
- No Objection Certificate (NOC) from SEBI
- Approval from the Development Commissioner, Special Economic Zone (DC, SEZ)

The below given steps shall provide you with an overview of the procedures involved in obtaining the approvals:

- Application to GIFT SEZ for unit set up
- Provisional Letter of Allotment will be issued to the broker
- Application to DC, SEZ
- Meeting with DC, SEZ
- Obtaining Letter of Allotment
- Procedure for obtaining office space.

4.0. Categories of Clients for Stock Brokers

An entity setting up unit at GIFT SEZ IFSC is expected to keep tab on its investor base/ clientele. A broker entity is permitted by SEBI in terms of the guidelines [SEBI (International Financial Services Centre) Guidelines, 2015 {hereinafter referred to as the guidelines}] operating within GIFT SEZ IFSC to provide financial services to the following categories of clients:

- a) a person not resident in India;
- b) a non-resident Indian;
- c) a financial institution resident in India who is eligible under Foreign Exchange Management Act (FEMA) to invest funds offshore, to the extent of outward investment permitted;
- d) a person resident in India who is eligible under FEMA, to invest funds offshore, to the extent allowed under the Liberalized Remittance Scheme (LRS) of Reserve Bank of India, subject to a minimum investment as specified by SEBI from time to time:

If a broker entity is desirous of rendering investment advisory or portfolio management services in GIFT SEZ IFSC, in addition to a) to c) above, it can serve:

d) a person resident in India having a net worth of at least US Dollar one million during the preceding financial year who is eligible under FEMA to invest funds offshore, to the extent allowed in the LRS of RBI.

Note: The categories referred to in clauses (b) to (d) may be provided services, subject to guidelines of Reserve Bank of India (RBI) issued in this behalf.

5.0. Recent Developments at GIFT SEZ IFSC

- GIFT City has crossed business of \$250 million in last six months and is expected to cross \$500 million in the coming months.
- It has given allotment to more than twenty Financial Institutions in GIFT SEZ- IFSC.
- Yes bank and Federal Bank collectively have crossed US \$100 million worth of business transactions in less than three months of setting up their banking units at GIFT SEZ IFSC.
- India's leading stock exchanges namely NSE Ltd., BSE Ltd., NCDEX, ICEX, & MCX have signed a Memorandum of Understanding (MOU) with GIFT SEZ Ltd. to develop their International Exchanges at GIFT SEZ IFSC.
- The Gujarat Government, in their State Budget of 2016, announced exemption from payment of Stamp duty to the share broking transactions of share brokers unit established at GIFT City which has instilled confidence in Stock Brokers and Investors.

6.0. FAQs –Part II

6.1. Is there any net-worth criterion for entity to establish their presence in GIFT IFSC SEZ?

The same is not prescribed by SEBI (IFSC) Guidelines 2015.

6.2. Why will an entity require SEBI permission?

An intermediary would be required to comply with Securities Contract Regulation Act, 1956 read with the Rules made there under. Accordingly, it has to be registered with SEBI. In addition, the

entity has to seek a NOC from SEBI for setting up and operating a unit for the permitted transactions in the IFSC

No forms have been prescribed for seeking the NOC and also no fees have been prescribed so far. However, the application has to be prepared and drafted in such a professional manner that the NOC is not rejected.

6.3. Can the terminals of local exchange be operation from GIFT?

One of the enabling and attractive features of the IFSC is permission to foreign entities to list their equity and permission to Indian corporate offices to list their GDR's. This feature can be enabled only if the exchanges and clearing corporations are set up in the IFSC. Accordingly, the IFSC RBI Regulations read with the IFSC SEBI Guidelines categorically provide that the exchanges and clearing corporations should be located in the IFSC for providing listing to the equity of foreign entities and GDR listing of Indian corporate offices.