

## Tax Alert | Delivering clarity

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### IFSCA (GICs) Regulations, 2020

IFSCA notifies IFSCA (GICs) Regulations, 2020 to provide a framework for recognition and operation of GICs in IFSC

### The International Financial Services Centres Authority notifies the International Financial Services Centres Authority (Global In-House Centres) Regulations, 2020 – for GICs in IFSC

The International Financial Services Centres Authority (IFSCA) has notified the International Financial Services Centres Authority (Global In-House Centres) Regulations, 2020 (IFSC - GIC Regulations, 2020) to provide a framework for recognition and operation of Global In-House Centres (GICs) in the International Financial Services Centre (IFSC) and on matters connected therewith or incidental thereto.

#### Background:

- Based on the recommendation from International Financial Services Centres Authority (IFSCA), on 16 October 2020, the government had notified Global In-House Centres (GICs) as financial service to provide services relating to financial products and financial services. Kindly refer to our earlier tax alert of 27 October 2020 in this regard.
- The government vide press release dated 27 October 2020 intimated that the IFSCA board in its meeting on 27 October 2020 had approved the IFSCA - GIC Regulations, 2020. The government has now issued notification<sup>1</sup> dated 13 November 2020 to notify IFSC - GIC Regulations, 2020. In addition, vide Circular<sup>2</sup> dated 18 November 2020, the IFSCA has provided the format for making the application and the post registration reporting requirements for GICs operating at IFSC.
- In recent years, GICs in India have been contributing to the development of highly skilled talent pool in the country. These IFSC - GIC Regulations, 2020 are issued with the intention to put GIFT-IFSC in the leagues of leading FinTech cities, generating significant employment opportunities.

#### Key Highlights:

##### Following are key highlight of the IFSC - GIC Regulations, 2020:

- **Key definitions:**
  - **“Financial services group”** shall mean any entity which is regulated by a financial services regulator or any other competent body regulating financial services activities in its home

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<sup>1</sup> IFSCA/2020-21/GN/REG 003 and Press release dated 19 November 2020

<sup>2</sup> F. No. 29/IFSCA/GIC/2020-21

jurisdiction and includes its holding, subsidiary or associate companies, branch, or subsidiary of a holding company to which it is also a subsidiary.

Provided that in case of any doubt as to whether the group constitutes a “financial services group” or any entity within the group qualifies as such, an application may be made to the Authority for determination, whose decision shall be final.

- **“Global In-House Centre”** means a unit set up in the IFSC for providing support services, directly or indirectly, to entities within its financial services group, including but not limited to banks and non-banking financial companies, financial intermediaries, investment banks, insurance companies, re-insurance companies, actuaries, brokerage firms, funds, stock exchanges, clearing houses, depositories, and custodians, for carrying out a financial service in respect of a financial product;
- **Registration of GIC:**
  - **Eligibility criteria:** Applicant desiring to register as GIC to meet the following conditions:
    - GIC shall cater only to its financial service group wherein the entities served must be located in Financial Action Task Force (FATF) compliance jurisdictions: and
    - The support services should be for the purpose of carrying out a financial service in respect of a financial product;
  - **Application for registration:** Any eligible entity may submit its form and manner specified by IFSCA along with requisite documents and applicable fees.
  - **Grant of Registration:** In case IFSCA is satisfied based on the documentation submitted, they may grant registration to the GIC. Further, IFSCA shall not reject any application without giving due opportunity to be heard and the reason for rejection shall be communicated in writing.
- **Function of GIC:**
  - **Permissible services and activities:**
    - GIC shall provide services only to non-resident entities.
    - Further, relocation of employees from an existing entity in the domestic area in India shall be permissible with respect to supervisory personnel only, which may be allowed with prior approval of IFSCA up to 20% of the strength in such category.
  - **Currency and mode for conducting business:**
    - GIC shall deal in freely convertible foreign currency only. However, GIC may pay administrative expenses in INR subject to maintenance of account of INR account as may be specified by IFSCA.
    - GIC may conduct its business in any mode as may be specified by IFSCA including branch mode.

- **Operational requirement:**
  - **Reporting requirement:** GIC shall be required to furnish information relating to its operations to the IFSCA in such manner and form and at such intervals as may be specified by IFSCA. GIC shall submit all reports to IFSCA in USD unless otherwise specified.
  - **Maintenance of books of accounts, records and documents:** GIC shall maintain its books of accounts, records and documents, in such foreign currency as may be declared at the time of making an application under these regulations.
- **Miscellaneous:**
  - In order to implement the IFSC - GIC Regulations, 2020, IFSCA may specify norms, procedures, processes, manners or provide relaxations, by way of guidelines or circulars.
  - In case a GIC fails to fulfill any condition subject to which registration is granted, the IFSCA may withdraw the registration after giving opportunity of 30 days to the GIC for making submission. IFSCA may take any other action as it deems fit.

**Following are key highlight of the Circular issued in pursuance of the IFSC - GIC Regulations, 2020:**

- An application in the format prescribed is to be submitted to IFSCA. An approval under the SEZ Act, 2005 shall have to be obtained separately from the Development Commissioner SEZ following due procedure. The application requires broadly the following information/ documents:
  - Details of the Applicant (i.e. Name, address, industry, legal form, date of incorporation, etc.)
  - Details of the Parent of the applicant (i.e. Name, address, legal form, date of incorporation, etc.)
  - Business proposed to be undertaken by the Applicant – to provide a business plan including company profile, targeted activities, entities to which services are to be rendered, estimated revenue/ expenditure/ employees for next 5 years, organisation chart and brief description on how operations in IFSC unit will be staffed and supervised by the parent or any intermediate entity
  - Furnish documentary evidences in relation to the above (i.e. incorporation and constitutional documents, organisation chart and preceding 3 years consolidated financials)
- Post registration as a GIC, the registered entity shall be required to follow the reporting requirements as specified – namely:
  - Annual financial statements
  - List of the financial services group entities served during the year
  - Confirmation of compliance with the IFSC – GIC Regulations, 2020

**Conclusion:**

The IFSC – GIC Regulations, 2020 give clarity to enable multinational corporations to plan and set up a GIC in IFSC. Also, the limit on relocation of employees would avoid disruption and minimise local competition with existing GICs set up in other parts of India.



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