

FinTech Entity (FE) Framework and FinTech Incentive Scheme



GIFT CITY – Overview

A Global Financial & IT Hub

with a Domestic Tariff Area & a Multi Services SEZ

A Vertical City

1st of its kind in the country in scale, scope & quality

GIFT SEZ- Notified as India's 1st International Financial Services Centre (IFSC)

Employment opportunities for 1 Million workforce

A Greenfield Smart City with State-of-the-Art Infrastructure



International Financial Services Centres Authority (IFSCA)



GIFT IFSC - Opportunities



International Financial Services
Centres Authority (IFSCA)

The latest *Global Financial Centers Index, London*, (September 2021) puts IFSC in GIFT City at the *top* amongst 15 centers globally, which are likely to become more significant over the next two to three years

- Access to large and growing hinterland economy
- Connecting ~30 Mn strong Indian diaspora globally to India through IFSC
- Inbound and outbound gateway for International financial services
- Access to Global Investors to participate in India growth story
- Opportunity to Global investors to set up business in the areas of Banking, Capital Market, Insurance and Asset Management
- IFSC emerging as a preferred global FinTech Hub



BUSINESS ACTIVITIES AT IFSC



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BANKS

- Indian banks
- Foreign banks



CAPITAL MARKET

- Stock/Commodity Exchanges
- Clearing Corporation
- Depository
- Broker Dealer



ASSET MANAGEMENT

- Alternate Investment Fund
- Investment Advisers
- Wealth Management
- Portfolio Manager
- Custodial Services



INSURANCE

- Indian Insurer
- Indian Reinsurer
- Indian Broker
- Foreign Insurer
- Foreign Reinsurer



Other Financial Institutions

- Finance Company
- Global Corporate Treasury Centre
- International Trade Finance Services Platform



Emerging Activities

- Global FinTech Hub
- Global inhouse centres
- International Bullion Exchange
- Aircraft Leasing & Financing
- Ancillary Services/Professional Service Providers

IFSC- Competitive Tax Regime



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100%

Corporate Tax Exemption
(for 10 out of 15 years)

0%

Minimum Alternate Tax
(MAT)**

0%

Capital Gains Tax*

0%

Securities Transaction Tax (STT)/
Commodities Transaction Tax (CTT)

0%

Stamp Duty*

0%

Goods & Services Tax
(GST)

*On specified securities transferred on recognized stock exchanges in IFSC

**Concessional Rate of MAT applicable for the IFSC units at 9%, however MAT provision not applicable for companies opting for concessional tax rate under Sec. 115 BAA of the Income Tax Act, 1961



International Financial Services
Centres Authority (IFSCA)

INTERNATIONAL FINANCIAL SERVICES CENTRES AUTHORITY (IFSCA)

INTERNATIONAL FINANCIAL SERVICES CENTRES AUTHORITY



International Financial Services Centres Authority (IFSCA)

1

IFSCA has been established as a unified financial regulator by the Government of India under the IFSCA Act, 2019

2

The Authority is mandated to develop and regulate Financial Institutions, Financial Services and Financial Products in the International Financial Services Centre (IFSC) in India

3

To develop and regulate IFSC's in India, IFSCA has been vested with powers of four sectoral regulators namely- RBI*, SEBI*, IRDAI* & PFRDA*

IFSC Regulations Benchmarked with International Best Practices

**IFSCA (Banking)
Regulations 2020**

**IFSCA (Bullion
Exchange) Regulations
2020**

**IFSCA (Global In-
House) Regulations
2020**

**Regulatory Sandbox
Framework for FinTech
2020**

**IFSCA (Issuance and
Listing of Securities)
Regulations, 2021**

**IFSCA (Finance
Company) Regulations,
2021**

**IFSCA (Market
Infrastructure
Institutions)
Regulations 2021**

**Framework For Aircraft
Leasing and Finance
2021**

**Framework for Ancillary
Services 2021**

**Framework for Global
Corporate Treasury
Centres in IFSC 2021**

**Framework for setting
up International Trade
Financing Services
Platform (ITFS) 2021**

**IFSCA Banking
Handbook 2021**

**IFSCA (Capital Market
Intermediaries)
Regulations, 2021**

**IFSCA (Registration of
Insurance Business)
Regulations, 2021**

**IFSCA(Insurance
Intermediary)
Regulations, 2021**

FinTech Entity (FE) Framework

- **Unique Regulatory Framework for FinTechs and TechFins**
- **Issuance of Authorization (Direct Entry) for mature Firms**
- **Issuance of Limited Use Authorization for Sandbox Entry**

F E Framework – Authorization (Direct Entry)

Eligibility for Applicant



- **Indian** applicant:
 - An entity registered with DPIIT as start-up related to FinTech; or
 - A company or LLP incorporated in India; or
 - Branch of Company/ LLP in IFSC; or
 - An entity working directly or indirectly in the ecosystem regulated by RBI / SEBI/ IRDAI/ PFRDA
- **Foreign** applicant - entity from FATF compliant jurisdiction

Mandatory Requirements for Applicant



- use technology in the core product or service, business model, distribution model or methodology; or
- have presence of deployable solution/working product; and
- **have Revenue earning track record in at least 1 of the last 3 financial years**

On Authorization, the applicant **needs to setup** as a new Company/ LLP or as a subsidiary or branch of its parent

F E Framework – Limited Use Authorization (Sandbox)

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There is **NO requirement** to

a) set up office at GIFT* b) have a deployable solution/working product and c) revenue earning track record of at least 1 year

* Need to setup office if bank account is required to be opened in IFSC

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FinTech Sandboxes – Limited Use Authorization

IFSCA FinTech Regulatory Sandbox

This Sandbox allows applicants to test their FinTech Ideas or solutions in a live environment with real customers / investors with a Limited Use Authorization.

IFSCA FinTech Innovation Sandbox

This Sandbox allows applicants to **develop and test** their FinTech Ideas or **solutions** in an isolation from the live market with a **Limited Use Authorization**

Inter-operable Regulatory Sandbox (IoRS) with IFSCA as Principal Regulator

Foreign FinTechs seeking entry to India shall be considered for IoRS with IFSCA as Principal Regulator.

IoRS = FinTech Sandboxes of RBI, SEBI, IRDAI, PFRDA and IFSCA

Overseas Referral Regulatory Mechanism / FinTech Bridges of IFSCA

An applicant seeking to access the overseas regulatory referral mechanism shall be governed as per the provisions of the MoU or collaboration or special arrangement **between the IFSCA and corresponding overseas financial sector regulator** (s).

FinTech Entity Framework – Illustrative list of area/ activities

Annexure -I

Illustrative list of Areas/Activities under FinTech and TechFin

A. An illustrative list of permissible **FinTech** areas/activities linked to financial services regulated by IFSCA is given below

I. Banking Sector	II. Capital Markets and Funds Management	III. Insurance sector
(a) Remittance and payments (b) Digital lending (c) Buy Now Pay Later (d) Crowd Lending (e) Digital Bank (Neo Banking/Challenger bank) (f) Open banking	(a) Crowd funding (b) Personal finance (c) Wealth Tech (d) Robo Advisory (e) Sustainable Finance products (f) Alternate trading platforms	(a) InsurTech (b) Innovative technologies for insurance life cycle (underwriting, claims management of life/health products etc.) (c) Digital innovation for global health insurance cover (d) Innovation in commercial insurance (e) Digital platform for settlement of balances between insurance companies (f) Open insurance. (g) Embedded insurance (h) Cyber insurance

B. An illustrative list of **allied** areas/activities aiding and assisting activities in relation to financial product, financial services and financial institutions (**TechFin**) is given below:

- (a) Agri Tech
- (b) Accelerators
- (c) Climate/Green/Sustainable Tech
- (d) Defence Tech
- (e) Regulatory Tech
- (f) Space Tech
- (g) Supervisory Tech
- (h) Technology solution supporting Digital banking (example Core Banking etc.)
- (i) Technology solution aiding Trade Finance
- (j) Solutions/services for BFSI domain leveraging:
 - (i) Artificial Intelligence/Machine Learning/
 - (ii) Big Data
 - (iii) Biometrics
 - (iv) Chatbots
 - (v) Cyber security
 - (vi) Digital Identity/KYC/AML/CFT
 - (vii) Distributed Ledger Technology
 - (viii) Fraud detection/prevention
 - (ix) Internet of Things (IoT)
 - (x) Longevity Finance
 - (xi) Metaverse including Augmented Reality and /or Virtual Reality
 - (xii) Quantum Tech
 - (xiii) Web 3.0

IFSCA FinTech Incentive Scheme 2022

S#	Grant Category	Grant Description	Grant Amount (Max.) (in INR Million)
1	FinTech Start-up Grant	FinTech which is an early-stage start-up at an idea stage	1.5
2	Proof of Concept Grant	For the purpose of conducting a PoC in GIFT IFSC or globally	5.0
3	Sandbox Grant	FinTech selected for IFSCA Sandbox (Limited-Use Authorization)	3.0
4	Green FinTech Grant	FinTech focussed on Sustainable/Green Finance	7.5
5	Accelerator Grant	To support accelerators / cohorts at GIFT IFSC	1.0 per Cohort
6	Listing Support at IFSC	To support IFSC registered Domestic FinTech aspiring to go global	1.5



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Thank You

