
GIFT IFSC: INDIA'S UNIFIED REGULATORY ARCHITECTURE - LEGAL FRAMEWORK, SECTORAL DEVELOPMENTS, AND PATHWAYS TO WORLD-CLASS STATUS

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ABSTRACT

India's growing role in international finance has increasingly taken institutional shape through the development of the IFSC at GIFT City (Gujarat International Finance Tec-City). This paper examines the legal and regulatory framework governing India's IFSC, tracing its evolution from the partial financial liberalisation initiated in 1991, through the recommendations of the Tarapore Committees, the Percy Mistry Committee's observations on India's offshore financial dependence, and the subsequent establishment of a unified regulator under the International Financial Services Centres Authority Act, 2019. The paper argues that GIFT IFSC represents a structured policy response aimed at creating a domestic platform for international financial services that were historically accessed by Indian entities through foreign jurisdictions such as Singapore, London, and Dubai.

The paper undertakes a sector-wise analysis of regulatory developments introduced by the IFSCA across banking, capital markets, finance companies, payment services, insurance and reinsurance, and metals and commodities. It finds that the IFSC ecosystem has shown measurable progress in several sectors, while also facing operational, regulatory, and market-based challenges commonly associated with the development of a new international financial centre.

The paper concludes that the long-term effectiveness of GIFT IFSC will depend not only on its statutory and regulatory design, but also on the quality of implementation. Key factors include coordination between domestic and IFSC regulatory frameworks, development of specialised human capital, establishment of efficient dispute resolution mechanisms, infrastructure readiness, and policy continuity. If these conditions are addressed, GIFT IFSC may play an important role in India's broader objective of strengthening its position in international financial services and supporting the national development vision of Viksit Bharat by 2047.

I. Introduction

India is currently one of the world's fastest-growing major economies.¹ India's macroeconomic trajectory remains heading into FY 2026–27. The economy expanded at a real GDP growth rate of 7.4% in FY 2025-26, with GVA rising at 7.3% during the same period. Looking ahead, India's growth is forecast to range between 6.8% and 7.2% in FY 2026–27, sustaining its standing as the world's fastest-growing major economy for the fourth year running.² This macroeconomic strength has been accompanied by significant development in India's financial markets, reflected in rising participation across banking, capital markets, asset management, fintech, and cross-border financial services.

To truly appreciate how India's international financial services sector came to be, one must trace its roots back to the transformative liberalisation policies that redefined India's economic landscape in the early 1990s. Following the balance of payments crisis, India undertook major economic reforms aimed at opening the economy to global markets by dismantling industrial licensing, reducing administrative controls, easing restrictions on foreign technology and foreign investment, and liberalizing trade. However, one significant area that remained relatively controlled was the foreign exchange and capital account regime, as the economy was not fully prepared to expose itself to the volatility of global financial markets. As a result, India adopted a gradual approach towards financial globalization, which eventually led to the idea of establishing a separate international financial services centre within the country.

In this context, the establishment of the International Financial Services Centre (IFSC) and the creation of the International Financial Services Centres Authority (IFSCA) under the IFSCA Act, 2019, represent landmark legal and institutional reforms. Within IFSC jurisdictions, IFSCA serves as the single consolidated authority overseeing the regulation and orderly development of financial institutions, products, and services, with GIFT City standing as the first such jurisdiction to become operationally active in India.

The concept of GIFT IFSC was originally envisioned as a gateway connecting India with global capital markets. The stated vision behind GIFT IFSC is to position India as a meaningful

¹ Press Information Bureau, *India Becoming an Economic Powerhouse*, Gov't of India, Ministry of Information & Broadcasting (June 16, 2025), <https://static.pib.gov.in/WriteReadData/specificdocs/documents/2025/jun/doc2025616570701.pdf>.

² Press Information Bureau, *Economic Survey 2025-26*, Gov't of India, Ministry of Finance (Jan. 29, 2026), <https://www.pib.gov.in/PressReleasePage.aspx?PRID=2220800®=3&lang=2>.

participant in global financial markets, both by attracting international capital into the country and by enabling Indian economic interests to engage outward. In its early years, the IFSC is envisioned primarily as a conduit for cross-border capital movement, while its longer-term ambition, once adequate scale and market maturity are achieved, is to emerge as a credible rival to established global financial centres in capturing a larger slice of worldwide financial services activity.

While Indian companies once depended on offshore hubs like Singapore for international finance, GIFT IFSC now provides a domestic alternative. It enables firms to raise foreign capital directly in India, through debt, equity, and hybrid instruments, while also managing associated currency, interest rate, and operational risks. The participation of global banks (e.g., HSBC, Standard Chartered, Deutsche Bank)³ within the IFSC has been crucial in offering competitive terms and deepening the onshore market.

The growth of IFSC banking activities is reflected in the increasing balance sheet size of IFSC banking units, rising trade finance and derivatives transactions, and the introduction of new financial products such as credit enhancement structures, revenue swaps, acquisition financing, and international trade financing platforms. The emergence of trade servicing platforms within IFSC carries particular significance for smaller enterprises, as these platforms open up access to trade finance denominated in international currencies at rates that were previously unavailable to MSMEs through domestic channels. The pace at which the IFSC ecosystem has expanded is reflected in its regulatory footprint, by the close of the third quarter of FY 2025–26, the cumulative number of licences, registrations, and authorisations granted across IFSC sectors, inclusive of in-principle and provisional approvals, had reached approximately 1,100.⁴

This paper examines the legal framework, institutional design, regulatory evolution, and emerging opportunities within India's IFSC ecosystem, with particular emphasis on how regulatory reforms under IFSCA are positioned to enhance India's global financial competitiveness.

II. What is IFSC/ IFCs?

At its core, an International Financial Centre (IFC) is a purpose-built financial jurisdiction

³ GIFT City, *Wikipedia*, https://en.wikipedia.org/wiki/GIFT_City

⁴ Int'l Financial Services Centres Auth., IFSCA Bulletin Q3 FY 2025-26 (Oct.-Dec. 2025), at 5 (Feb. 24, 2026), <https://ifsca.gov.in/ReportPublication/index/wF6kttc1JR8=>

whose primary function is to facilitate transactions that cross national borders. What distinguishes it from an ordinary domestic financial centre is not merely geography but orientation, while domestic centres serve the local economy in the national currency, IFCs operate predominantly in major global currencies and are directed outward, toward international markets. In practical terms, they function as offshore financial platforms, processing transactions that remain deliberately insulated from the host country's domestic monetary and regulatory system.

The International Monetary Fund (IMF) offers a useful framework for understanding how these centres differ from one another, classifying them broadly into three types: International Financial Centres, Regional Financial Centres, and Offshore Financial Centres.⁵ IFCs of the first order, such as New York and London, are full-service hubs backed by large domestic economies, deep and liquid markets, sophisticated payment infrastructure, and interlinked legal systems. A step below in scale but not in significance are Regional Financial Centres, Singapore, Shanghai, and Hong Kong being the most prominent examples, which serve regional rather than global markets but still offer a comprehensive suite of financial services. Offshore Financial Centres, such as the Cayman Islands, Dubai, and Abu Dhabi, occupy a more specialised niche, offering tax-efficient structures and targeted financial services rather than the full-service model of larger centres. It is also true and possible that a centre like Dubai comfortably straddles the regional and offshore categories simultaneously.⁶

A characteristic that cuts across all IFCs is the existence of a legal and fiscal environment that is deliberately differentiated from the onshore system. These centres typically offer some degree of regulatory flexibility, exemptions from domestic exchange controls, capital movement restrictions, and certain tax obligations, precisely to make them attractive to global capital that might otherwise flow to competing jurisdictions. This separation from the domestic financial system is not incidental; it is by design, allowing the IFC to function as an internationally oriented space without disrupting the host country's onshore economy.

In terms of the activities they host, IFCs serve as gathering points for an exceptionally wide range of cross-border financial business: foreign exchange trading, international lending,

⁵ Int'l Monetary Fund, *Offshore Financial Centers, IMF Background Paper* (June 23, 2000), <https://www.imf.org/external/np/mae/oshore/2000/eng/back.htm> (accessed March. 20, 2026).

⁶ Injeti Srinivas, *Role of IFSC in India's Globalization*, J. Indian Inst. Banking & Fin., Apr.-June 2023, at 8, https://iibf.org.in/documents/BankQuest/Apr-Jun2023/1.Role%20of%20IFSC%20in%20Indias%20globalization%20-%20Injeti%20Srinivas_14082023.pdf.

capital market transactions, asset and fund management, trade finance, and structured financial operations. They attract banks, insurers, investment funds, and multinational corporations that value the combination of regulatory clarity, financial depth, and global connectivity that well-functioning IFCs provide. Internationally recognised examples such as the Dubai International Financial Centre, Singapore, and Hong Kong have demonstrated how purpose-built regulatory frameworks, paired with tax incentives and internationally aligned legal systems, can successfully draw global financial activity into a jurisdiction.

Within India's legal architecture, the concept of an IFSC is grounded in Section 18 of the Special Economic Zones Act, 2005⁷, and is further governed by the IFSCA Act, 2019⁸. The animating purpose behind establishing an IFSC in India was straightforward but significant to reclaim financial activity that Indian entities had historically been conducting in foreign jurisdictions such as Singapore and London, and bring it back within India's own regulatory and economic perimeter.

Taken together, an IFC is best understood not as a mere geographic zone or a tax-friendly enclave, but as a legally distinct financial ecosystem, one that connects a country to global capital flows while maintaining a carefully calibrated boundary with the domestic economy. An IFSC is effectively a financial jurisdiction that operates within a country but thinks and functions like the world, sometimes characterised as a "*country within a country*" for the purposes of financial regulation and international transactions.⁹

III. Why India Needed an IFSC?

India's need for an IFSC cannot be understood in isolation, it must be read against the arc of the country's economic evolution since 1991.¹⁰ The balance of payments crisis of that year forced a fundamental rethinking of India's economic architecture, giving rise to a sweeping liberalisation that dismantled industrial licensing, opened the economy to foreign investment, and integrated India into global trade flows. Yet this liberalisation had a deliberate and consequential gap. India's foreign exchange regime remained tightly controlled. Policymakers,

⁷ Special Economic Zones Act, No. 28 of 2005, § 18 (India)

⁸ International Financial Services Centres Authority Act, No. 50 of 2019 (India).

⁹ Injeti Srinivas, Former Chairman, Int'l Financial Services Centres Auth., *IFSCA is India's Unified Regulator Helping to Develop and Promote India as a Global Financial Hub*, YouTube (Apr. 15, 2023), <https://www.youtube.com/watch?v=nD0itOC5d7k> (accessed Mar. 19, 2026)

¹⁰ The Importance of LPG Reforms of 1991 and Its Underlying Controversy, iPleaders (Mar. 28, 2026), <https://blog.iplayers.in/importance-lpg-reforms-1991-controversy/> (accessed March 28, 2026).

shaped by the experience of the crisis itself, were unwilling to expose the broader economy to the volatility of unchecked global capital flows, and so, while the real economy opened up, the financial account remained largely closed.

Two formal attempts were made to address this gap through the route of full capital account convertibility. The Tarapore Committee, reporting first in 1997¹¹ and reconvened in 2006, produced detailed roadmaps for gradually liberalising India's capital controls. Both exercises were credible and both were ultimately shelved, overtaken by events. The 1997 East Asian financial crisis, which devastated economies that had liberalised their capital accounts without adequate safeguards, arrived with devastating timing just as the first Tarapore report was being considered. A decade later, the 2008 Global Financial Crisis reinforced the same instinct. Full convertibility, it became clear, was a destination India would approach only with the greatest caution, if at all.¹²

The consequence of this caution was a growing and costly gap. Indian entities needing to raise foreign currency capital, trade derivatives, access global insurance and reinsurance, or engage in cross-border fund management had no credible domestic avenue to do so and so they went abroad. Singapore, London, and Dubai became the default destinations for India-related international financial business, enriching those centres with transactions that India had every structural reason to be conducting on its own soil. By 2005, the revenue generated by India-related cross-border financial activity conducted in foreign jurisdictions was already estimated at USD 13 billion projected would grow to nearly USD 120 billion by 2025 if left unaddressed.¹³

Since full capital account convertibility remained too risky a proposition for the economy as a whole, policymakers devised an elegant alternative, the enclave approach. Rather than attempting economy-wide liberalisation, India would designate a precisely defined zone within which capital could move freely, transactions could be denominated in major global currencies, and financial institutions could operate under a framework aligned with international rather

¹¹ Report of the Committee on Capital Account Convertibility (S.S. Tarapore Comm. 1997), Reserve Bank of India, https://www.rbi.org.in/scripts/BS_PressReleaseDisplay.aspx?prid=18533 (accessed Apr. 26, 2026).

¹² Report of the Committee on Fuller Capital Account Convertibility (S.S. Tarapore Comm. 2006), Reserve Bank of India, <https://www.rbi.org.in/scripts/PublicationReportDetails.aspx?UrlPage=&ID=468> (accessed Apr. 26, 2026).

¹³ Report of the High Powered Expert Committee on Making Mumbai an International Financial Center (Percy Mistry Comm. 2007), Min. of Fin., Dep't of Econ. Affairs, dea.gov.in/files/other_reports_documents/execsummary.pdf

than domestic norms. The rest of the economy would remain insulated. This thinking found its legislative expression in Section 18 of the Special Economic Zones Act, 2005¹⁴, and its physical realisation in the designation of GIFT City as India's first IFSC, formally notified in 2015 following the Union Budget of 2015 - 16, after an initial approval in 2011 had left the concept largely dormant for several years.

The IFSC's currency framework gave it its genuinely offshore character. By excluding the Indian Rupee entirely and permitting transactions only in foreign currencies, the IFSC was designed to operate within India's geographic boundaries while remaining outside its monetary perimeter, ensuring that financial activity within GIFT City would not interact with domestic liquidity or compromise the Reserve Bank of India's management of onshore monetary conditions.

However, the early IFSC faced a structural handicap that threatened to undermine its competitiveness before it had properly found its footing. Regulatory oversight was fragmented across four domestic bodies: the RBI for banking, SEBI for capital markets, IRDAI for insurance, and PFRDA for pensions. For a jurisdiction aspiring to rival Singapore and Dubai, this fragmentation imposed unnecessary complexity on institutions operating across multiple product lines. The establishment of the IFSCA, a unified regulator drawing authority from fourteen central statutes¹⁵, resolved this dysfunction at a stroke, giving GIFT IFSC the single-window regulatory environment that credible international financial centres require.

The talent dimension is equally significant. Over decades, India produced financial and technology professionals of world-class calibre, yet the most globally oriented among them consistently found better opportunities abroad. Singapore, Dubai, London, and New York were the beneficiaries of this quiet exodus. The IFSC creates within India a financial environment sophisticated enough to retain this talent and give it a domestic stage on which to operate at the highest levels of international finance.

Finally, and perhaps most importantly, GIFT IFSC benefits from a structural advantage that no pure offshore centre can replicate, the depth and scale of the Indian economy behind it. Singapore and Dubai built world-class financial centres on regulatory appeal and geographic positioning alone. GIFT IFSC is backed by one of the world's most significant and still-

¹⁴ Special Economic Zones Act, 2005, § 18, No. 28 of 2005, (India).

¹⁵ International Financial Services Centres Authority Act, No. 50 of 2019, sched. I (India).

expanding economies. Just as Hong Kong derived much of its financial centre status from its role as the gateway to mainland China¹⁶, inter alia GIFT IFSC is positioned as the interface between global capital and India's enormous economic opportunity.

In positioning India to transition from a consumer to an exporter of international financial services, the IFSC framework represents the country's most ambitious exercise in financial statecraft, a deliberate attempt to claim India's place in the global financial order, and to do so entirely on India's own terms, in service of the larger vision of a Viksit Bharat by 2047.

IV. Legal Framework Governing IFSC in India

The IFSC framework is founded upon a coherent legislative and regulatory architecture designed to create a competitive offshore financial jurisdiction within India. It rests on three interrelated pillars: statutory authorization, unified sectoral regulation, and targeted fiscal and corporate law incentives.

The statutory origin of the IFSC regime lies in the SEZ Act, 2005¹⁷. Section 18 empowered the Central Government to establish an IFSC within a Special Economic Zone, thereby creating the legal basis for GIFT City. This marked the commencement of a ring-fenced jurisdiction intended to facilitate international financial activity under globally aligned standards.

The decisive institutional reform followed through the International Financial Services Centres Authority Act, 2019, which established the IFSCA as the unified regulator for all financial services conducted within the IFSC. The 2019 Act consolidated the dispersed functions under a single authority, thereby reducing procedural duplication, enhancing regulatory certainty, and improving ease of doing business.

IFSCA is constituted as a statutory body corporate headquartered at GIFT City. Its governance model balances institutional continuity with operational independence through representation from domestic regulators, the Ministry of Finance, and independent members. This structure was consciously designed to ensure technical competence while preserving autonomy in decision-making.

¹⁶ Mahika Ravi Shankar, *Sibos 2024: Hong Kong Strengthens Financial Hub Status as China Markets Rally*, Trade Finance Global (Oct. 21, 2024), <https://www.tradefinanceglobal.com/posts/hong-kong-strengthens-financial-hub-status-as-china-markets-rally/>

¹⁷ Supra note 14.

The three foundational definitions anchors the entire regulatory structure. A "**financial institution**" under Section 3(c) means any unit established in the IFSC that provides financial services relating to financial products. A "**financial product**" under Section 3(d) is defined broadly to include securities, insurance contracts, deposits, credit arrangements, foreign currency contracts, and any instrument the Central Government may notify. A "**financial service**" under Section 3(e) covers an extensive range of activities including trading, deposit-taking, underwriting, asset management, insurance, payment services, and advisory functions.

A central feature of the Act is Section 13(1), which confers overriding regulatory authority upon IFSCA through a non-obstante clause. This provision grants exclusive jurisdiction under multiple central statutes, including the Reserve Bank of India Act, 1934¹⁸, Banking Regulation Act, 1949¹⁹, Securities and Exchange Board of India Act, 1992²⁰, Foreign Exchange Management Act, 1999²¹, and related enactments. In practical terms, an entity operating within the IFSC interfaces with one regulator rather than multiple domestic agencies.

The foreign exchange treatment of the IFSC is particularly significant. Under the applicable FEMA framework, the IFSC is treated as a jurisdiction outside India for exchange control purposes. Entities established therein are afforded foreign currency flexibility, capital account convertibility within the zone, and access to international financial markets. Section 20 of the 2019 Act further mandates that transactions within the IFSC be undertaken in foreign currency, reinforcing its offshore character.²²

From a taxation perspective, IFSC units remain subject to Indian law unless specifically exempted. However, Section 80LA of the Income-tax Act, 1961 grants eligible units a 100% deduction on specified business income for ten consecutive assessment years, thereby materially enhancing competitiveness vis-à-vis established global financial centres.²³

Corporate entities within the IFSC continue to be governed by the Companies Act, 2013²⁴, subject to exemptions and relaxations for both, private IFSC entities²⁵ and public IFSC

¹⁸ Reserve Bank of India Act, 1934, No. 2 of 1934 (India).

¹⁹ Banking Regulation Act, 1949, No. 10 of 1949 (India).

²⁰ Securities and Exchange Board of India Act, 1992, No. 15 of 1992 (India).

²¹ Foreign Exchange Management Act, 1999, No. 42 of 1999 (India).

²² International Financial Services Centres Authority Act, 2019, No. 50 of 2019, § 20 (India).

²³ Income-tax Act, 1961, No. 43 of 1961, § 80LA (India).

²⁴ Companies Act, 2013, No. 18 of 2013 (India).

²⁵ Ministry of Corporate Affairs, Notification G.S.R. 08(E) (Specified IFSC Public Companies) (Jan. 4, 2017) (India).

entities²⁶. This calibrated approach preserves core principles of governance and transparency while reducing unnecessary compliance burdens for IFSC-based entities.

Since its establishment, IFSCA has progressively developed a comprehensive regulatory ecosystem through sector-specific regulations covering banking, fund management, finance companies, capital markets, insurance, bullion exchange operations, and ancillary service providers. The introduction of the SWIT single-window approval mechanism has further streamlined registrations and approvals.

When compared with global counterparts such as Dubai International Financial Centre and Abu Dhabi Global Market, India's model differs in that it continues to operate within the broader Indian legal system and tax framework, albeit with substantial incentives.

V. Sector-Wise Regulatory Developments in IFSC

5.1 Banking

The regulatory foundation for IFSC banking rests on the IFSCA Act, 2019 and the IFSCA (Banking) Regulations, 2020²⁷, as subsequently amended, read alongside relevant provisions of the Banking Regulation Act, 1949²⁸.

A bank seeking to operate within the IFSC has two structural options. The first is an IFSC Banking Unit, a branch of an existing bank, domestic or foreign, operating within the IFSC under a dedicated licence. The second is an IFSC Banking Company, a fully incorporated subsidiary established within the IFSC itself. The distinction matters practically: an IBU carries a lower capital threshold of USD 20 million in assigned capital, while an IBC, being a standalone entity, requires USD 50 million. Both structures require a licence from IFSCA, a no-objection certificate from the bank's home regulator, and formal undertakings regarding liquidity support, requirements designed to ensure that IFSC banking operations are backed by institutions of substance rather than shell presences.²⁹

The range of activities permissible within this framework is deliberately broad. IFSC banking

²⁶ Ministry of Corporate Affairs, Notification G.S.R. 09(E) (Specified IFSC Private Companies) (Jan. 4, 2017) (India).

²⁷ Int'l Financial Services Centres Auth. (Banking) Regulations, 2020 (India)

²⁸ Banking Regulation Act, 1949, No. 10 of 1949 (India).

²⁹ Int'l Financial Services Centres Auth. (Banking) Regulations, 2020, regs. 4-7 (India)

units can engage in foreign currency lending, trade finance, treasury operations, derivatives, structured finance, and equipment leasing, all conducted exclusively in freely convertible foreign currencies.³⁰

On the prudential side, the framework does not compromise. IFSC banks are required to comply with internationally recognised standards, the Liquidity Coverage Ratio, the Net Stable Funding Ratio, leverage ratios, large exposure limits, and anti-money laundering and counter-terrorist financing norms. IBUs are additionally expected to follow directions issued by their home regulators, unless IFSCA specifically overrides those directions for IFSC purposes.

The numbers tell a compelling story about how quickly this ecosystem has matured. By September 2025, GIFT IFSC was home to 35 IBUs, a mix of Indian and international banks, with aggregate banking assets crossing USD 100 billion.³¹ Trade finance has emerged as a particularly dynamic segment: during the nine months from April to December 2025, IBUs disbursed USD 37.78 billion in trade finance transactions, with outstanding trade finance balances standing at USD 14.79 billion as of December 2025, up from USD 13.98 billion just six months earlier in June 2025.³² These figures reflect not just growth in activity but a structural shift, GIFT IFSC is increasingly becoming the preferred platform through which Indian corporates access cross-border trade financing, rather than routing such transactions through foreign centres.

IFSCA has continued to refine the banking framework through a series of targeted regulatory updates in late 2025. In December 2025, it amended Module 16 of the IFSCA Banking Handbook, the module governing credit-related activities, to bring lending rules into closer alignment with international banking standards.³³ In the same month, IFSCA issued directions implementing the Banking Laws (Amendment) Act, 2025, which among other things introduced more flexible deposit nomination provisions, permitting multiple nominees rather than restricting account holders to a single nomination.³⁴ Rounding out the year, a circular

³⁰ Id. reg. 9.

³¹ Int'l Financial Services Centres Auth., *IFSCA Bulletin Q2 FY 2025-26* (Jul.-Sep. 2025), https://ifsc.gov.in/CommonDirect/GetFileView?id=47a297ad49aaae8fa365313a9167e7c6&fileName=IFSCA_Bulletin_Q2_2025_26_20251117_0102.pdf&TitleName=Report%20and%20Publication (accessed Mar. 28, 2026).

³² Supra note 4.

³³ Int'l Financial Services Centres Auth., Circular Amending Module 16 (Providing Credit) of the IFSCA Banking Handbook (COB Directions v6.0) (Dec. 8, 2025)

³⁴ Int'l Financial Services Centres Auth., Directions on Implementation of the Banking Laws (Amendment) Act, 2025 (Dec. 12, 2025)

issued in December 2025 updated the framework for internet banking services and digital banking operations for IBU clients.³⁵ Taken together, these updates reflect a consistent regulatory philosophy, making it easier to do banking business within GIFT IFSC while keeping prudential discipline firmly intact.

5.2 Capital Markets

This segment operates under IFSCA, functioning entirely independently from SEBI's onshore regime, a deliberate separation that gives IFSC capital markets their internationally oriented character. The regulatory architecture rests on three interlocking frameworks: the IFSCA (Capital Market Intermediaries) Regulations, 2025³⁶, which govern intermediaries operating within the ecosystem; the IFSCA (Market Infrastructure Institutions) Regulations, 2021³⁷ as revised in 2025, which regulate the exchanges, clearing corporations, and depositories that form the market's backbone; and the IFSCA (Listing) Regulations, 2024³⁸, which establish the rules for securities listings within the IFSC.

The physical and operational infrastructure of GIFT IFSC's capital markets is provided by a set of purpose-built Market Infrastructure Institutions (MII). India International Exchange and NSE International Exchange serve as the primary trading platforms. NSE ICC and India ICC function as central counterparties, guaranteeing settlement and managing counterparty risk. India International Depository IFSC Limited holds securities in dematerialised form, and the India International Bullion Exchange provides a dedicated platform for bullion trading, predominantly in US dollars. These institutions collectively enable trading across asset classes, equity, debt, currency derivatives, and bullion, while providing the price discovery and settlement guarantee functions that any credible capital market requires. The framework also recognises Remote Trading Participants, a category of intermediary that allows foreign brokers to access IFSC markets without establishing a physical presence in India, meaningfully expanding the pool of potential participants.

The listing framework covers the full spectrum of capital raising instruments from initial public

³⁵ Int'l Financial Services Centres Auth., Circular on Internet Banking Services to Clients of IFSC Banking Units (Dec. 29, 2025)

³⁶ Int'l Financial Services Centres Auth. (Capital Market Intermediaries) Regulations, 2025 (India)

³⁷ Int'l Financial Services Centres Auth. (Market Infrastructure Institutions) Regulations, 2021 (as amended 2025) (India)

³⁸ Int'l Financial Services Centres Auth., IFSCA (Listing) Regulations, 2024 (Aug. 30, 2024)

offerings, follow-on issues, rights issues, qualified institutional placements, depository receipts, debt securities to secondary listings. Issuers from India, other IFSC entities, or foreign jurisdictions are all eligible, subject to compliance with their home country laws, a requirement that securities be issued in dematerialised and freely transferable form, denomination in permitted foreign currencies, and a clean regulatory track record. The framework places significant emphasis on disclosure quality, equitable treatment of investors, and fiduciary responsibility, design choices that reflect IFSCA's intent to align GIFT IFSC's listing standards with those of leading international exchanges rather than simply offering regulatory arbitrage.

The debt market has emerged as one of the strongest pillars of GIFT IFSC's capital market ecosystem. By December 2025, cumulative debt listings had risen to USD 68.03 billion, reflecting steady and robust growth. A notable share of this amount, USD 16.18 billion, or nearly one-fourth of total listings, came from ESG (also known as sustainable bonds or green bonds) bonds, highlighting GIFT IFSC's growing relevance in sustainable finance. This expansion has been supported by a competitive tax regime, including a concessional 9% withholding tax for Indian issuers and zero withholding tax for IFSC-based entities, making the platform attractive when compared with traditional offshore centres. The momentum remained strong in FY 2024 - 25, which recorded USD 8.6 billion in fresh debt listings, followed by an additional USD 2.92 billion in the opening months of FY 2025 - 26.³⁹

IFSCA has continued to expand the debt market's reach through targeted regulatory innovation. In July 2025, it introduced a Framework for Transition Bonds, enabling companies in carbon-intensive sectors to raise capital for their decarbonisation journeys, a product category with significant global demand. In October 2025, IFSCA enabled secondary listings without the requirement of trading admission, a flexibility that attracted Sri Lanka's DFCC Bank as the first foreign issuer to utilise this route.⁴⁰

Against the backdrop of debt market success, the equity segment presents a more sobering picture, one that demands candid assessment rather than optimistic glossing. In March 2026, XED Executive Development withdrew its USD 12 million IPO from GIFT IFSC, becoming the first issuer to abandon a listed offering on the platform.⁴¹ The withdrawal was attributed to

³⁹ Pradeep Ramakrishnan, Arjun Prasad, Pawan K. Chowdhary & Rishikesh Wandhekar, *Listing of Debt Securities in IFSC: Trends, Drivers & Market Growth*, Chartered Sec'y, Mar. 2026, at 86.

⁴⁰ *Id.*

⁴¹ Shaurya Agarwal, *GIFT City Loses 1st-Ever IPO as XED Withdraws*, Fin. Express (Mar. 30, 2026), <https://www.financialexpress.com/market/ipo-news-gift-city-loses-1st-ever-ipo-as-xed-withdraws-4189555/>

a combination of weak investor response, KYC processing bottlenecks, and the adverse market sentiment generated by geopolitical tensions in West Asia. But the XED episode was less a cause than a symptom, it exposed a set of structural weaknesses that tax incentives alone cannot resolve.

One of the biggest challenges facing GIFT IFSC is limited market liquidity. With only around 90 to 100 broker-dealers operating in the IFSC, compared to nearly 4,900 brokers in the domestic Indian market, trading participation remains relatively thin. As a result, price discovery can be weak and investors may find it harder to exit positions smoothly, factors that often discourage institutional investors. The situation is further complicated by dual regulatory compliance, as issuers with an onshore Indian presence may need to meet both SEBI and IFSCA requirements, increasing compliance costs and complexity. In addition, the listing regulations were introduced only in August 2024, giving market participants limited time to fully adapt to the framework. The absence of a dedicated international arbitration centre also creates uncertainty for foreign investors who generally prefer neutral and efficient dispute resolution systems. Broader market conditions added to these challenges, with the Sensex declining by nearly 7% during FY 2025–26, which weakened overall investor sentiment.⁴²

5.3 Finance Companies

Not all financial intermediation requires a banking licence, and India's policymakers recognised this when designing the IFSC ecosystem. The IFSCA (Finance Company) Regulations, 2021⁴³ were introduced to create a structured space for non-banking financial intermediation within GIFT IFSC, allowing entities to function as cross-border credit and financing vehicles without the full regulatory apparatus that applies to banks. The framework is built around two structural forms: a Finance Company, which is a separately incorporated entity established within the IFSC, and a Finance Unit, which operates as a branch of an existing entity. Both fall within the definition of "financial institution".⁴⁴ One boundary is drawn clearly, neither FCs nor FUs may accept public deposits or register as IFSC Banking

(accessed Apr. 26, 2026).

⁴² Anjana Therese Antony, *Illiquidity, Ecosystem Maturity Key Challenges for GIFT City IPOs*, Fin. Express (Mar. 27, 2026), <https://www.financialexpress.com/market/illiquidity-ecosystem-maturity-key-challenges-for-gift-city-ipos-4186486/> (accessed Apr. 17, 2026).

⁴³ Int'l Financial Services Centres Auth. (Finance Company) Regulations, 2021 (India)

⁴⁴ International Financial Services Centres Authority Act, 2019, No. 50 of 2019, § 3(1)(c), (India).

Units, keeping them functionally distinct from the banking sector.

The Regulations draw a practical distinction between core and non-core activities. Core activities are the primary financing functions that define what a finance company is fundamentally in the business of doing, lending in its various forms including loans, guarantees, credit enhancement, securitisation, and financial leasing; factoring and forfaiting; investing in securities; entering derivative transactions for hedging purposes; and conducting corporate treasury operations. Non-core activities are ancillary in nature, merchant banking, investment advisory, portfolio management, trusteeship, distribution of financial products, operating leases including aircraft and ship leasing, and acting as trading or clearing members on IFSC exchanges. Entities may pursue core activities alone, non-core activities alone, or a combination of both, but where both are undertaken, non-core activities must be conducted through separately identifiable internal departments to prevent conflicts of interest.⁴⁵

The eligibility requirements are designed to ensure that only credible, well-capitalised entities enter the IFSC finance company space. Where a parent entity is regulated in its home jurisdiction, it must obtain prior approval or a no-objection certificate from its home regulator before establishing an FC or FU. Both the promoter and the entity itself must be domiciled in a FATF-compliant jurisdiction, a baseline anti-money laundering safeguard that applies across the IFSC ecosystem.

The most commercially significant application of the Finance Company framework has been in specialised asset leasing, specifically, ship leasing and aircraft leasing. Both sectors have historically been dominated by offshore centres such as Singapore, Ireland, and the Cayman Islands, and India's IFSC framework is a deliberate attempt to capture a share of this business.

5.3.1 Ship Leasing

Ship leasing is formally recognised as a financial product⁴⁶ and entities engaging in it must register as Finance Companies or Finance Units. The framework permits a full range of leasing structures, operating leases, finance leases, and hybrid leases, covering ships, vessels, engines, and related components, as well as voyage charters, contracts of affreightment, shipping pools,

⁴⁵ Int'l Financial Services Centres Auth., Circular on Ship Leasing Framework (Aug. 16, 2022)

⁴⁶ International Financial Services Centres Authority Act, 2019, No. 50 of 2019, § 3(1)(d) (India).

sale-and-leaseback arrangements, and asset management services.

The three lease types serve different commercial needs. An operating lease is short to medium-term in duration, with the lessor retaining ownership of the vessel and the vessel being returned at the end of the lease period, a structure suited to operators seeking fleet flexibility without long-term capital commitments. The minimum capital requirement for this structure is USD 200,000. A finance lease is long-term, with ownership risks and economic benefits effectively transferring to the lessee, functioning, in substance, as structured ship financing rather than a true lease. The minimum capital requirement here rises to USD 3 million, reflecting the greater financial exposure involved. A hybrid lease blends elements of both structures, offering flexible risk-reward allocation, with capital requirements aligned to the finance lease threshold. Charter arrangements commonly used alongside these structures include the bareboat charter, under which the lessee assumes full operational responsibility for the vessel, and time or voyage charters, under which the lessor provides crew and operational services.

5.3.2 Aircraft Leasing

The aircraft leasing framework operates on a parallel structure. Entities must register as Finance Companies or Finance Units and may engage in operating leases, finance leases, and hybrid leases of aircraft, engines, and related components, as well as sale-and-leaseback transactions, asset management, and ancillary aviation finance services. The capital thresholds mirror those applicable to ship leasing, USD 200,000 for operating leases and USD 3 million for finance leases, and the framework enables tax-efficient, foreign-currency leasing structures designed to compete with Ireland and Singapore as the dominant global hubs for aviation finance.⁴⁷

5.4 Payment Service Providers

Cross-border digital payments are the circulatory system of any international financial centre and GIFT IFSC is no exception. To regulate this critical infrastructure, IFSCA introduced the IFSCA (Payment Services) Regulations, 2024,⁴⁸ establishing a comprehensive framework for Payment Service Providers (PSP) operating within or from the IFSC. Any entity wishing to offer payment services within the IFSC must obtain a Certificate of Authorisation (CoA) from

⁴⁷ Int'l Financial Services Centres Auth., Framework for Aircraft Leasing in IFSC (India)

⁴⁸ Int'l Financial Services Centres Auth. (Payment Services) Regulations, 2024 (India)

IFSCA. To be eligible, the applicant must be a company incorporated and registered within the IFSC and must satisfy prescribed requirements relating to capital adequacy, corporate governance, and risk management. IFSC Banking Units, IFSC Banking Companies, and authorised credit card issuers are exempted from this requirement, as their existing regulatory frameworks already address payment activities.⁴⁹

Authorised PSPs may provide one or more of the following services: account issuance including e-money accounts, e-money issuance, escrow services, cross-border money transfers, and merchant acquisition. The Regulations introduce a meaningful regulatory distinction between ordinary PSPs and those operating at significant scale. A PSP qualifies as a "Significant Payment Service Provider" if its monthly average transaction value exceeds USD 2 million for a single service or USD 4 million across multiple services, or if its average daily e-money outstanding exceeds USD 3 million.⁵⁰

5.5 Insurance and Reinsurance

To operationalise these services, IFSCA introduced key regulations, the *IFSCA (Registration of Insurance Business) Regulations, 2021*⁵¹, which govern the establishment and functioning of insurance and reinsurance units, and the *IFSCA (Insurance Intermediary) Regulations, 2021*⁵², which regulate brokers, agents, and other intermediaries. Additional amendments have also been proposed for entities operating under the Lloyd's of London IFSC model, reflecting efforts to align the regime with global market practices.

Reinsurance remains the dominant business segment within the IFSC. The policy objective is clear: to capture a substantial share of the premium outflows that Indian insurers traditionally pay to foreign reinsurers lacking a domestic presence. Direct insurance business has also begun to develop, though on a smaller scale. This segment primarily caters to the Indian diaspora, multinational entities, and foreign clients requiring foreign-currency denominated coverage. Another important niche segment is trade credit insurance, which supports international commerce by protecting businesses against payment defaults and political risks in cross-border

⁴⁹ Id.

⁵⁰ Id.

⁵¹ International Financial Services Centres Authority, *IFSCA (Registration of Insurance Business) Regulations, 2021*

⁵² International Financial Services Centres Authority, *IFSCA (Insurance Intermediary) Regulations, 2021*.

transactions.

The IFSC insurance framework offers several strategic advantages. First, it enables Indian insurers to diversify domestic risks by accessing wider global reinsurance pools, thereby improving overall market resilience. Second, the presence of international reinsurers encourages transfer of expertise in specialised underwriting, catastrophe risk modelling, and innovative product design. Third, the tax relaxation making GIFT IFSC a cost-efficient alternative to centres such as Singapore and Dubai.

5.6 Metals and Commodities

The metals and commodities ecosystem led primarily by the India International Bullion Exchange (IIBX), has been created to strengthen India's role in global precious metals markets. India has been one of the world's largest consumers of gold⁵³, yet pricing and benchmark discovery were largely controlled by overseas centres. The IFSC bullion framework seeks to change this by enabling India to move from a passive market participant to an active contributor in global price formation. Based in GIFT City, this ecosystem supports transparent trading, efficient imports, and the wider financialization of gold and silver.⁵⁴

IFSCA introduced a simplified and internationally aligned regime for bullion-related activities in the IFSC. Important regulatory measures include recognition of Bullion Spot Delivery Contracts and Bullion Depository Receipts (BDRs) as financial products, along with integrated guidelines for importing gold and silver through the exchange platform.

The operational backbone of the bullion market consists of specialised market infrastructure institutions. The IIBX, launched in July 2022, became India's first international bullion spot exchange and provides a transparent platform for trading and price discovery.⁵⁵ Supporting this structure are registered vault managers responsible for secure custody of physical bullion backing the electronic receipts traded on the exchange.

The IIBX ecosystem supports multiple products and services, with transactions largely settled

⁵³ Sachin Gupta, India Surpasses China as World's Largest Gold Consumer in 2024, Angel One (Feb. 6, 2025), <https://www.angelone.in/news/economy/india-surpasses-china-as-worlds-largest-gold-consumer-in-2024>.

⁵⁴ Dipesh Shah & Dr. Pawan K. Chuga, Key Determinants Behind an International Financial Services Centre: An Exploratory Study of India's Maiden IFSC at Gandhinagar, Gujarat, PDEU J. Energy & Mgmt., Issue IX, at 17 (May 2023).

⁵⁵ Ministry of Finance, Pilot Launch of International Bullion Exchange - The Gateway for Bullion Imports, Press Information Bureau (Aug. 18, 2021), <https://www.pib.gov.in/PressReleasePage.aspx?PRID=1746963>.

in foreign currency, particularly U.S. dollars. In addition, Bullion Depository Receipts (BDRs) allow investors to hold and trade gold in dematerialised form, offering greater convenience and liquidity than physical ownership. A substantial volume of activity also takes place in the over-the-counter (OTC) segment.

Looking ahead, the IFSC bullion framework is expected to expand further through new financial products such as gold metal loans, gold exchange-traded funds (ETFs), gold savings accumulation accounts, and advanced hedging instruments. These initiatives are intended to deepen the market and broaden India's bullion financial services ecosystem.⁵⁶

The strategic objectives of this framework extend beyond trading volumes. First, the exchange promotes transparent price discovery and supply-chain integrity through digital tracking systems and standardised delivery mechanisms. Second, it supports the financialisation of gold by bringing privately held idle gold into the formal economy. India is estimated to hold nearly 25,000 tonnes of above-ground gold, much of which remains outside productive financial use.⁵⁷ Third, the exchange enables Indian jewellers to import bullion directly, reducing reliance on traditional intermediaries and lowering procurement costs. Finally, proposed Good Delivery Guidelines aim to allow gold refined by Indian refineries meeting international responsible sourcing norms to be traded on IIBX, thereby improving India's integration with global bullion standards.

Taken together, the metals and commodities structure under IFSCA represents an important shift in India's financial strategy. Rather than remaining only a large consumer market, India is gradually building the institutions, regulation, and infrastructure necessary to become a credible participant in international bullion pricing, trading, and financial innovation.

VI. Conclusion and Overview

The establishment of the IFSC at GIFT City represents one of India's most significant financial sector reforms. It was conceived as a strategic platform to connect India more effectively with

⁵⁶ Role of IFSC in India's Globalization - Injeti Srinivas (2023) Injeti Srinivas, *Role of IFSC in India's Globalization*, 38th Sir Purshotamdas Thakurdas Memorial Lecture (Aug. 14, 2023), [iibf.org.in/documents/BankQuest/Apr-Jun2023/1.Role of IFSC in Indias globalization - Injeti Srinivas_14082023.pdf](https://iibf.org.in/documents/BankQuest/Apr-Jun2023/1.Role%20of%20IFSC%20in%20Indias%20globalization%20-%20Injeti%20Srinivas_14082023.pdf)

⁵⁷ Firstpost, How India's 25,000 Tonnes of Household Gold Acts as an Economic Buffer, Firstpost (Apr. 4, 2025), <https://www.firstpost.com/india/how-indias-25000-tonnes-of-household-gold-acts-as-an-economic-buffer-13966403.html>.

global capital markets and to build a competitive international financial ecosystem within the country. Since its operationalisation, the IFSC has delivered notable progress across multiple sectors, while also facing structural and regulatory challenges that must be addressed for long-term success.

One of the most important achievements has been the creation of the IFSCA in 2020. By consolidating the powers of other Indian domestic regulators. This unified model has improved regulatory clarity, reduced overlaps, and enhanced ease of doing business for global investors and institutions.

The IFSC ecosystem has also expanded rapidly. As of December 2025, registrations within the jurisdiction crossed 1,100 entities, reflecting increasing market confidence and growing international participation. This includes 35 operational banking units and more than 200 fund management entities, demonstrating strong institutional depth across banking, asset management, insurance, and market infrastructure.⁵⁸

Sector-wise performance has been particularly encouraging. In banking, the combined balance sheet size of IFSC Banking Units reached approximately USD 106.33 billion, indicating the growing importance of the centre in cross-border financing and treasury operations. In capital markets, cumulative debt listings crossed USD 68 billion, with nearly one-fourth of these issuances classified as ESG-labelled instruments, highlighting GIFT IFSC's emergence as a platform for sustainable finance.⁵⁹

The IFSC has also succeeded in attracting niche and high-value sectors that were previously serviced through offshore centres. Aircraft leasing has grown substantially, with around 370 assets registered, while ship leasing activity has reached 34 vessels. These sectors were traditionally concentrated in jurisdictions such as Dublin, and their relocation to India marks an important strategic shift.⁶⁰

Another major development is the launch of the IIBX, which aims to strengthen India's influence in global bullion markets. Given that India is one of the world's largest gold consumers, the exchange has the potential to reduce dependence on foreign pricing benchmarks

⁵⁸ Supra note 4.

⁵⁹ Id.

⁶⁰ Id.

and improve domestic sourcing efficiency. Similarly, the introduction of the Foreign Currency Settlement System (FCSS) enables settlement of foreign currency transactions within India, a facility available in only a limited number of international financial centres.

Despite these achievements, several challenges remain. A primary concern is regulatory harmonisation between the IFSC framework and India's broader domestic regulatory system. Since IFSC entities often interact with onshore markets, consistency between IFSCA rules and those of domestic regulators is necessary to avoid uncertainty, duplication, or conflicting standards.⁶¹

Dispute resolution remains another important area requiring focused attention. Global investors typically prefer specialised commercial dispute resolution systems that are efficient, neutral, and internationally recognised. In this regard, the absence of a fully developed international dispute resolution framework within GIFT IFSC has often been viewed as a comparative limitation when measured against established centres such as Dubai and Singapore. Recognising this need, the Union Budget 2022–23 announced the establishment of an International Arbitration Centre at GIFT City.⁶² Although the centre is yet to become operational.

Infrastructure and talent development also remain ongoing priorities. To compete with long-established global financial hubs, GIFT IFSC must continue strengthening its physical infrastructure, digital systems, housing ecosystem, and professional services environment. At the same time, attracting and retaining global talent is essential for sustaining growth in sophisticated sectors such as derivatives, fintech, insurance, and fund management.

There are also broader market concerns. Some observers have raised questions about the potential migration of onshore business to the IFSC and the possible spillover effects of offshore rupee derivatives trading on domestic currency markets. These issues require careful monitoring and calibrated policy responses.⁶³

⁶¹ CS Deepa Fernandes, Viksit Bharat @2047: Role of IFSCA in Driving India's Economic Growth, 24 Chartered Sec'y 111 (2024).

⁶² Press Info. Bureau, Gov't of India, *Economic Survey 2021-22 Projects GDP Growth of 8.0-8.5% in 2022-23* (Jan. 31, 2022), <https://www.pib.gov.in/PressReleaseDetailm.aspx?PRID=1794165> (accessed March 28, 2026).

⁶³ Shah, Dipesh and Chugan, Pawan Kumar, Benefits of Developing Rupee Derivatives in IFSC Opportunities, Benefits & Challenges (An Exploratory Study for IFSC, India) (Jan 2020). in "Globalization and Sustainable Development: Dynamics of Trade, Industry and Society", Ed. Nilam Panchal, pp.16-29, ISBN: 978-93-89652-97-0, Himalaya Publishing House, Mumbai, India (for B. K. School of Management, Gujarat University, Ahmedabad,

To address these challenges, several strategic initiatives are underway. The proposed establishment of an international commercial arbitration centre at GIFT City is expected to significantly improve investor confidence by providing a world-class dispute resolution mechanism. In the area of human capital, the government has permitted foreign universities to establish branch campuses in GIFT City, which can help create a specialised talent pipeline in finance, law, technology, and management.

The IFSC is also well positioned to become a major hub for sustainable finance. India's long-term climate commitments will require substantial capital mobilisation, and a robust ESG and green finance framework at GIFT IFSC can help attract international investors to this transition. In parallel, reforms are being introduced to encourage Indian-origin startups incorporated abroad to relocate or redomicile back to India through the IFSC by simplifying merger procedures and improving tax efficiency.

In conclusion, GIFT IFSC has emerged as an important pillar of India's economic strategy and a gateway between global capital and domestic opportunity. Through a carefully designed enclave model, India has created a jurisdiction that combines offshore-style flexibility with the institutional advantages of being located within India. Its early progress in banking, leasing, bullion trading, and capital markets has been substantial. However, its long-term success will depend on regulatory coherence, robust dispute resolution systems, world-class talent, and continued innovation. If these elements are achieved, the IFSC can play a decisive role in transforming India from a major consumer of international financial services into a leading global provider, in line with the broader vision of Viksit Bharat by 2047.