

## International Financial Services Centres Authority (IFSCA)

The International Financial Services Centres Authority (IFSCA) was established by the Government of India to develop and regulate international financial services centres in the country. Gift City is India's first IFSC being developed. In this article, you can read more about the IFSCA, its mandate, responsibilities and functions. This is an important topic for the [UPSC exam](#) covering both polity and economy sections.

### What is the International Financial Services Centres Authority (IFSCA)?

The IFSCA was established in April 2020 under the International Financial Services Centres Authority Act, 2019. It is a statutory authority established by the Indian Government.

- It is an authority to develop and regulate financial services, financial products and financial institutions in the International Financial Services Centre (IFSC) in India.
  - Currently, there is only one IFSC being developed in India, [Gift City](#), in Gandhinagar, Gujarat.
- Before the IFSCA was established, the financial services and institutions were regulated by the domestic financial regulators such as [SEBI](#), RBI, IRDAI, PFRDA, etc.
- The main goal of the IFSCA is to promote ease of doing business in IFSC and provide a world class regulatory environment.
- The IFSCA will not only regulate the nature of business which will be transacted in the IFSC but will also be regulating the functioning of the entities involved with transacting business in IFSC.
- IFSCA is headquartered in Gandhinagar. Its current chairman is Injeti Srinivas.

#### IFSCA Members

The IFSCA consists of nine members appointed by GOI. The members are:

1. Chairperson
2. 1 member from RBI
3. 1 member from SEBI
4. 1 member from PFRDA
5. 1 member from [IRDAI](#)
6. 2 members from the Finance Ministry
7. 2 members appointed on recommendation of a Selection Committee

The term of each member is three years subject to reappointment.

### What is an International Financial Services Centre?

An International Financial Services Centre (IFSC) is a financial centre that caters to customers outside the jurisdiction of the domestic economy. It is also known as an offshore financial centre since it deals with flow of finance, financial products and services across borders.

An IFSC is, thus, a jurisdiction that provides world class financial services to non-residents and residents, to the extent permissible under the current regulations, in a currency other than the domestic currency of the location where the IFSC is located.

- Examples of existing international or global financial centres can be London, Singapore and New York.
- Shanghai and Dubai are budding IFSCs.

#### **Why IFSCs? (Advantages of IFSCs)**

- They seek to attract overseas investors by bringing financial services that are currently being carried outside India by overseas financial institutions.
- In this age of globalization, IFSCs serve many purposes including fundraising, global tax management and corporate treasury management.
- An IFSC facilitates the rerouting of financial services and transactions that are currently carried out in offshore financial centres by Indian corporate entities and overseas branches/subsidiaries of financial institutions (such as banks, insurance companies, etc.) to India.
- The business and regulatory environment offered by an IFSC in India would be comparable to that of London, New York, etc. attracting investors.
- It can also provide enhanced access to global financial markets for Indian corporates.
- There are also many tax benefits for entities set up in the IFSC.
- IFSCs help in the creation of fintech hubs. With a large number of Indians outside India working in fintechs, India can be positioned as a fintech hub.

#### **Services an IFSC can provide:**

1. Fundraising services for corporations, individuals and governments.
2. Wealth management.
3. Asset management and global portfolio diversification undertaken by pension/mutual funds and insurance firms.
4. Global tax management and cross-border tax liability optimisation, providing a business opportunity for financial intermediaries, law firms and accountants.
5. Risk management operations (insurance and reinsurance).
6. Global and regional corporate treasury management operations.
7. Mergers and acquisitions between trans-national corporations.

#### **What does an IFSC require?**

IFSCs have six major building blocks as seen in the Shanghai International Financial Centre and the Dubai International Financial Centre, both of which are located within [Special Economic Zones \(SEZs\)](#).

Rational legal regulatory framework	Sustainable local economy
Stable political environment	Developed infrastructure

Strategic location

Good quality of life

## Legal Provision for IFSC in India

The Special Economic Zone Act, 2005 provides for the establishment of an IFSC in India. It would be prudent to set up an IFSC within an SEZ since there are several restrictions on the financial sector in India. An SEZ can serve as a testing ground for financial sector reforms before they are rolled out in the entire nation. As per the SEZ Act, the government approved GIFT City as a Multi Services Special Economic Zone ("GIFT SEZ") in Gandhinagar.

### ***Additional Information about IFSCs***

There are three models of IFSCs currently seen.

Model 1: Full-service finance centres like Tokyo and New York with their own large domestic economies along with a good regulatory and legal backup.

Model 2: Offshore financial centres such as Mauritius which do not have a robust domestic economy but have international access and acceptance.

Model 3: A hybrid model like Singapore which can boast of both domestic and international business.

India has opted to go for the third hybrid model.