

Approval for HSBC IFSC Banking Unit

July 14, 2020

The Hongkong and Shanghai Banking Corporation (HSBC) has got in-principle approval from the **GIFT SEZ Authority** to set up an IFSC Banking Unit (IBU) at GIFT City, subject to other regulatory approvals.

IFSC Banking Units

The proposed commencement of the banking unit by HSBC marks a significant development in India's IFSC business and proves GIFT's mettle as a **globally competitive international financial centre**. Gandhinagar-based GIFT City is **India's first operational smart city and International Financial Services Centre (IFSC)**.

The banking business at GIFT IFSC has seen a quantum jump in the last few years and 13 banks have set up their IBUs at GIFT IFSC. GIFT IBUs have played a pivotal role in the development of IFSC in India by **providing dollar financing to Indian corporates**. The cumulative business in the banking vertical has crossed USD 28 billion. Apart from banking, insurance and international exchanges in GIFT IFSC have also seen an upward trajectory in their business.

GIFT City and IFSC

Gujarat International Finance Tec-City Co. Ltd is being developed as the country's first international financial services centre (IFSC). An IFSC **caters to customers outside the jurisdiction of the domestic economy**. Such centres deal with flows of finance, financial products and services across borders. **London, New York and Singapore** can be counted as global financial centres. Many emerging IFSCs around the world, such as Shanghai and Dubai, are aspiring to play a

global role in the years to come.

IFSCs can provide following services:

- Fund-raising services for individuals, corporations and governments
- Asset management and global portfolio diversification undertaken by pension funds, insurance companies and mutual funds
- Wealth management
- Global tax management and cross-border tax liability optimization, which provides a business opportunity for financial intermediaries, accountants and law firms
- Global and regional corporate treasury management operations that involve fund-raising, liquidity investment and management and asset-liability matching
- Risk management operations such as insurance and reinsurance
- Merger and acquisition activities among trans-national corporations

Commercial banks are allowed to open offshore banking units (OBUs) within SEZs, which are **deemed as overseas branches**. Such OBUs can trade in foreign currencies in overseas markets and also with Indian banks, raise funds in foreign currency as deposits and borrowings from non-resident sources and provide loans and liability products for clients.