

International Financial Services Centre (IFSC)

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In news

Five years of the launch of International Financial Services Centre (IFSC) in Gujarat's GIFT City

What is the International Financial Services Centre?

- 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.
- For instance, in India IFSC is a jurisdiction that provides financial services to resident and non-resident Indians in foreign currencies.

Services provided by IFSC

Following are the services provided by

- 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

IFSC and Special Economic Zone

The Special Economic Zone Act 2005 allows setting up an IFSC in an SEZ or as an SEZ after approval from the central government.

What does an IFSC require?

IFSCs such as Dubai International Financial Centre and Shanghai International Financial Centre, which are located within SEZs, have **six key building blocks:**

1. Rational legal regulatory framework
2. Sustainable local economy
3. Stable political environment
4. Developed infrastructure
5. Strategic location
6. Good quality of life

IFSC in India

In India, IFSC has been set up in Gujarat's GIFT city(Gandhinagar)

In India, IFSC will offer state-of-the-art infrastructure, facilities and regulatory environment comparable to other leading international financial centres like London and Singapore.

The International Financial Services Centres Authority (IFSCA)

- It is a statutory unified regulatory body under the Department of Economic Affairs, Ministry of Finance
- IFSCA was established in the year 2019 with its head office in Gandhinagar.
- In December 2019, Parliament passed a bill to set up a unified authority for regulating all financial

activities at IFSCs in the country

- IFSCA has been established as a unified regulator with a holistic vision in order to promote ease of doing business in IFSC and provide world class regulatory environment.
- The main objective of the IFSCA is to develop a strong global connect and focus on the needs of the Indian economy as well as to serve as an international financial platform for the entire region and the global economy as a whole.