

Ministry of Finance

IFSC International Retail Business Development Committee submits final reports to IFSCA

November 11, 2020

Relevant to all Mahindra Businesses

Background

- An IFSCA-appointed committee has recommended a slew of measures for enhancing retail participation, and emphasized that there is an opportunity for FinServ from India and taking India global through the IFSC.
- In its final report, the seven-member committee suggested that the International Financial Services Centres Authority (IFSCA) should balance a robust regulatory framework with ease of doing business and aim to benchmark itself with the best-in-class jurisdictions, according to an official statement.

Recommendations of the Report

Banking

- Permit retail participation by Indians (residing in the country) including Liberalised Remittance Scheme investments and enable IFSC Banking Units to provide banking products and solutions to retail/ individual clients.
- Enable Wealth management capabilities in IFSC Banking Units by allowing investments in different markets.
- Permit IFSC Banking Units for offering foreign currency clearing services from the IFSC and setting up a central clearing mechanism in the IFSC for the same.
- Permit IFSC Banking Units for obtaining Foreign Portfolio Investor license and investing in rupee-denominated corporate bonds, Govt Securities (G-Secs), and other permissible rupee-denominated securities.
- Permit IFSC Banking Units to finance Indian exporters for pre-shipment in foreign currency in addition to post shipment.
- Permit IFSC Banking Units for opening current account (including Escrow account) for all entities willing to do so.

- To remove the requirement of maintaining liquidity ratios.


Insurance

- Permit Persons of Indian Origin (PIOs)/Non-resident Indians for buying Life Insurance policies from companies set up in the IFSC for themselves as well as their family members based in India and abroad and also allowing them to pay premium in the currency as per their choice (also including Indian currency).
- It allows insurance companies for offering health insurance products to PIOs/NRIs covering their family members based in India.
- It allows Insurers to set up subsidiaries in IFSC for promoting business.
- It reduces Net Owned Funds requirement to Rupees 5 billion in order to promote mid-sized foreign reinsurers for setting up base in the IFSC.
- It allows Indian investors to set up direct and reinsurance companies with lower capital requirements for promoting insurance abroad.
- It encourages foreign reinsurance brokers for setting up base in IFSC.

Asset Management and Capital Markets

- It permits resident individuals for investing in Mutual Funds or Alternative Investment Funds in IFSC through LRS route.
- It permits resident individuals for investing in companies listed on the IFSC exchanges through the LRS route.
- It develops a framework for allowing Indian or foreign issuers to raise debt or equity in IFSC.
- It allows wholly owned subsidiaries of banks to operate as Clearing /Trading Members without setting up a separate company.
- It implements simple and practical separate safe harbor regime for IFSC Fund Managers.
- It develops a payment system for USD and other foreign currency settlements in IFSC.
- It allows hybrid structures like a Variable Capital Company to manage funds in the IFSC.

For Further Reading

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1. <https://www.pib.gov.in/PressReleasePage.aspx?PRID=1672000>
 2. <https://ifsc.gov.in/CommitteeReport?MIId=aadg9ruDI%20M=>
 3. <https://www.gktoday.in/current-affairs/ifsc-submits-its-report-on-capital-market-to-ifsc/>
 4. <https://bfsi.economictimes.indiatimes.com/news/financial-services/ifsc-appointed-panel-suggests-measures-to-enhance-retail-participation-at-ifsc/79182932>