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Title : Sebi Readies GIFT to Attract Global Funds
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Allows funds to pool investments in GIFT to trade in securities issued by Indian cos
India's capital market regulator has taken the first step to transform the GIFT City in Gujarat into a financial centre that could tempt global funds to shift base from Mauritius and Singapore.

Sebi on Tuesday allowed international funds to pool investments in GIFT to trade in stocks listed on NSE, BSE and other Indian exchanges.

“In true sense this will bring back a lot of business and of course jobs from overseas locations such as Dubai and Singapore.This was one of the stated objectives of setting up of GIFT IFSC,“ said Ajay Pandey , CEO, GIFT City .

According to the Sebi communique, portfolio managers, alternative investment funds and MFs operating out of GIFT's International Financial Services Centre would be permitted to invest in “securities issued by companies incorporated in India, subject to such norms as stipulated or issued by RBI or the government.“ The norms clarified that such investments shall be made through the FPI route.

“It has the potential of increasing the depth of the Indian markets. It is hoped that RBI and government guidelines will also be in consonance with this objective,“ said Nishith Desai, founder of law firm Nishith Desai Associates. According to Bhavin Shah, partner at PwC, the move would also encourage fund managers managing Singapore or Mauritius-based public market funds to set up base and invest money from there in Indian securities.

While the cost of operations in Gujarat would be significantly lower than that of Singapore, international investors and funds would set up shop only after evaluating the tax regime. The charm of Mauritius as a gateway to Indian financial markets has waned following the revision in the tax treaty between the two countries. A year later, investors from Mauritius can no longer escape tax on short-term capital gain.

“The circular has expanded the ambit of securities in which portfolio managers, AIFs or MFs operating in IFSC can invest. Such investments have also been brought under the FPI route, which means that such entities will have to register under Sebi FPI Regulations and enabling amendments will have to be carried out in the exchange control laws as well as Sebi FPI Regulations to gi ve effect to the above,“ said Tejesh Chitlangi -partner, IC Legal.

Investors have also suggested that in order to make GIFT a fullfledged centre, traders should be allowed to access international exchanges like CME and cut arbitrage deals. Also, it's felt that domestic individual investors should be permitted to bet on exchanges in GIFT IFSC by using the liberalised remittance window. However, these are yet to be approved by Indian regulators.

“It's time that all regulators proactively formulate guidelines and give clarity for doing business in GIFT city,“ said Nitin Potdar -partner, J Sagar, who had worked on formulating legislative changes for GIFT.