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‘ONCE FIRMS START LISTING AT IFSC, VOLUMES WILL GROW EXPONENTIALLY’

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The road is now clear for foreign firms to list on IFSC exchanges. With regard to IFSC firms, the draft notification is in Parliament, says Injeti Srinivas, chairman, IFSC Authority

MUMBAI : Since its first full budget in 2015, the Narendra Modi government has doled out sops for the Gujarat International Finance Tech or GIFT City every year to give it a much-needed push. In 2017, it got a bigger lease of life when the Prime Minister launched the first exchange at International Financial Services Centre (IFSC), India INX. The launch was accompanied by a forward-looking statement that India will become a price-setter for Indian securities in 10 years. Things are at the half-way mark now. To understand what GIFT and IFSC have achieved so far, *Mint* caught up with Injeti Srinivas, chairman of IFSC Authority (IFSCA) at GIFT City in Gandhinagar. Edited excerpts from an interview:

In your assessment, where have we reached so far?

One of the primary objectives of setting up the IFSC is to make it an international hub for raising capital from the market and also influence pricing of securities by attracting sufficient trading volumes over a period of time. Over the last five years, we have been able to build the ecosystem in terms of market infrastructure institutions and best-in-class regulations. In addition, the Company Law has also enabled listing of securities by foreign companies, companies incorporated in IFSC as well as domestic companies. The road is now clear for foreign companies to list on IFSC exchanges. With regard to IFSC companies, the draft notification has been placed before both the houses of Parliament and is likely to come into force very shortly. Similarly, domestic companies can also list as soon as the rules are notified by the government, which is expected in the near future. To directly answer your question, I would like to state that the groundwork has been completed and foundation has been laid. I am confident that in the coming five years, we will be able to realize our goals.

You have said the first priority for the IFSCA is to get primary listings of equity and debt in the IFSC. What is the progress?

Primary equity listing by domestic companies would become possible as soon as the rules are notified. The IFSCA has already enabled such listing by bringing out necessary regulation.

As far as Depository Receipts are concerned, we already have one ADR listing and many such listings are expected to happen as we move forward. Similarly, new innovative products like Depository Receipts against REITs and InvITs are also expected to materialize soon.

On debt listing, the same is already picking up, the debt listing programmes on IFSC exchanges have already crossed $90 billion. A significant part of this pertains to sustainable finance category for which one of the IFSC exchanges have a tie-up with Luxembourg Exchange. About $5 billion primary debt listing has also been done on IFSC exchanges.

How far along are we on bullion exchange launch? Will it complement Sebi’s gold exchange?

We are fully prepared to commence the activities of the bullion exchange, which is likely to happen very soon. The USP of this exchange is that all the prominent market infrastructure institutions of India have come together as a consortium to promote the exchange, a clearing corporation and a depository. The regulatory framework, legal enablement, appointment of key managerial personnel etc, has been done. The bullion exchange will offer many benefits to the country including price discovery, sourcing integrity, product assurance, and standardization. It will act as a trigger to modernize the gold ecosystem in the country and enhance financialization of gold. As a country, which accounts for 25% of world gold consumption and has over 25,000 tonnes of above-ground gold stock, we are well-positioned to enter the centrestage in the international bullion market. In due course, we expect a healthy connect between international bullion exchange and the domestic gold exchange. Such integration will offer many complementarities and benefit to strengthen the gold ecosystem in India. Apart from trading in bullion depository receipts, we are also poised to introduce gold metal loan, gold ETF etc. in the near future.

We are seeing volume growth in both international exchanges at the IFSC; however, the bulk of it is coming from proprietary trading. How do you look at this conundrum?

You are right; currently, the bulk of the volume seen at both the exchanges pertain to proprietary trading in the derivatives segment. As already mentioned in one of my previous responses, we are very hopeful that sooner than later, more and more products will be listed on IFSC exchanges, and the newly set up international bullion exchange. Once companies start listing their securities on the exchange, the volume in terms of primary and secondary trading will start to grow exponentially.

One of the biggest draw for the IFSC is if funds in Mauritius and Singapore start relocating to the IFSC, with the tax sops it makes sense. What has been the response from funds on relocation?

A number of measures have been taken to promote the IFSC as hub for Alternative Investment Funds (AIFs) which are India-centric. These include best-in-class regulations, competitive tax regime, including tax neutrality for re-domiciling funds and the ease of doing business. All these measures are expected to bear fruits in the coming year or so. We are happy that the IFSC has already started emerging as a preferred destination. Many reputed companies have either set up funds or are in the process of doing so. It is equally important to note that requisite ecosystem has also developed in terms of custodians, fund managers, fund administrators, and trusteeship services etc.

NSE-SGX Gift Connect is imperative to bring realistic volumes to the IFSC. How far along is it?

The NSE-SGX-GIFT connect was slow to start with, but has made considerable progress in the recent months. The SGX SPV has been incorporated, its office has been set up, and the market data connect has also been effected. The technology validation is likely to be ready in a month or so. The operations will start in a phased manner with the first phase beginning from 1 April 2022.

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