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TARIFFS, FUNDS, AND FINANCIAL SOVEREIGNTY: REASSESSING THE GIFT CITY PARADIGM IN LIGHT OF IFSCA'S 2025 REGULATORY FRAMEWORK

Utkarsh Vijayvargiya & Krishna Dabhi†*

ABSTRACT

India's GIFT City – the nation's only International Financial Services Centre (IFSC) has become an increasing destination for cross-border fund management within the collective regulatory jurisdiction of the International Financial Services Centres Authority (IFSCA). This is while a reignited US–China tariff war 2024–25 has shaken global trade, leading investors and fund managers to search for alternative markets. This article revisits the GIFT City model against these dynamics, particularly the new IFSCA (Fund Management) Regulations, 2025. We map the development and legal framework of GIFT City, examine the 2025 Fund Management Regulations, and evaluate global spillovers from US trade policy. We borrow comparative lessons from traditional fund jurisdictions (Singapore, DIFC, ADGM, Luxembourg) and survey the significant enforcement precedents (e.g., Sabara India). The interaction between shield tariffs and fiscal relocation delivers challenges and opportunities: India's comparatively home-based economy can ride out trade shocks (IMF/World Bank reports) and even pull in capital displaced from China (Reuters, 2025; East Asia Forum, 2025). Still, GIFT City must fill gaps in regulation, taxes, and operations to take advantage of this window. We end with policy advice to support GIFT's competitiveness and harmonise its fund regime with international best practice. This authoritative, law-and-policy analysis demonstrates that although GIFT City has progressed (177 FMEs), US\$22.1 bn commitments up to mid-2025. Further reforms are required to cement its role as a regional fund-management centre in the face of increased geopolitical risk. Further reforms are required to cement its role as a regional fund-management centre in the face of increased geopolitical risk.

* Utkarsh Vijayvargiya is a second year B.B.A. LL.B. student, at Indian Institute of Management, Rohtak, and can be contacted at vijayutkarsh7[at]gmail[dot]com

† Krishna Dabhi is a Second year B.B.A. LL.B. student, at Indian Institute of Management, Rohtak, and can be contacted at krishnaiimr04[at]gmail[dot]com

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I. INTRODUCTION

The Indian government has established GIFT City (Gujarat International Finance Tec-City) to facilitate an offshore financial platform within India’s framework. The IFSCA was established as a unified regulator for all financial service activities in India’s IFSCs, through the International Financial Services Centres Authority Act, 2019. The GIFT City IFSC offers a “best-in-class regulatory framework” and tax regime under which Indian and global institutions can offer cross-border financial services.¹ Prime Minister Modi set the goal of establishing GIFT City as “a price-setter for ... financial instruments”, combining India’s onshore with an offshore regulatory environment. In the first three years since its 2020 launch, GIFT’s fund-management ecosystem has rapidly grown. Projections through the end of 2024 show 139 Fund Management Entities (FMEs) operating 198 funds with commitments of US\$14.88 billion. Its growth has been led by progressive regulation and tax incentives. For example, and as noted above, by its regulatory reforms (2022–25), the IFSCA aligns itself with global regulations related to stipulations, while India’s Income Tax Act provides an overseas taxation neutral regime for offshore funds reallocated to GIFT City.²

At the same time, the world is facing a new round of trade protectionism. In 2024–25, the US re-escalated tariffs on Chinese products over 125%, which prompted retaliatory actions and increased economic uncertainty. According to the WTO and IMF, this uncertainty appears to reduce global trade, 2025 forecasts updated to <1% growth due to tariffs impacting investment and supply chains.³ Emerging Asia sees uneven spillovers; some economies tightly connected to China may see capital outflows, while others such as Vietnam and Malaysia wish to attract the capital that no longer goes to China.⁴ So far, global investors have pulled over US\$12 billion out of China-focused equity funds in early 2025. In this context, Asian financial centres are preparing to benefit.

¹ International Financial Services Centres Authority (IFSCA), *Fund Management ecosystem at GIFT-IFSC records robust growth amid IFSCA’s progressive regulatory reforms* (Press Release, Aug. 7 2025), https://ifsc.gov.in/CommonDirect/ViewFile?id=21626bde60601ef44a0ed022016f9fa2&fileName=Fund_Management_ecosystem_at_GIFT_IFSC_records_robust_growth_amid_IFSCA%E2%80%99s_progressive_regulatory_reforms_20250807_0623.pdf. (ifsc.gov.in)

² Bijal Ajinkya & Rahul Jain, *Taxation of IFSC Funds and its Investors*, 37 Chamber’s Int’l Tax J. (Sept. 2023), <https://www.khaitanco.com/sites/default/files/2024-02/CTC%20Journal%20-%20Article%20on%20Taxation%20of%20IFSC%20Funds%20and%20its%20Investors.pdf>.

³ Sushma Ramachandran, *Resilience in Times of Uncertainty: How India Navigates Tariff Whirlwinds with FTAs, Domestic Push*, The Secretariat (Oct. 8 2025), <https://thesecretariat.in/article/resilience-in-times-of-uncertainty-how-india-navigates-tariff-whirlwinds-with-ftas-domestic-push>.

⁴ East Asia Forum, *Asia Must Brace for the Impact and Opportunities of Trade Tensions* (30 Nov. 2024), <https://eastasiaforum.org/2024/11/30/asia-must-brace-for-the-impact-and-opportunities-of-trade-tensions/#:~:text=Increased%20tariffs%20on%20Chinese%20imports,goods%20produced%20in%20third%20countries.>

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Singapore recently surpassed Hong Kong in the rankings as a global financial centre, benefiting from stable policies while tensions between the West and China increased.⁵

This paper explores the role of GIFT City's fund management framework in responding to global upheaval. We start by reviewing India's IFSC establishment and some of GIFT City's purposes. Then, we analyse the IFSCA (Fund Management) Regulations, 2025 from a legal perspective, including new scheme types, governing structures and eased requirements. Following this, we survey the international backdrop: how the trade war between the US and China has changed capital flows and the competition for financial centre status. We outline helpful comparisons from Singapore's MAS, Dubai's DFSA and ADGM regimes and Luxembourg fund framework. A specific case study on *Sahara India Real Estate Corp. Ltd. v. SEBI (2012)* will highlight some enforcement mechanisms around cross-border funds. Finally, we canvass implications for GIFT City's positioning and consider the areas for public policy (tax, regulation, facilitation) where it could take action to improve GIFT City's attractiveness as a fund management location. In all cases, we highlight the most recent data sources and legal references to provide certainty in this developing area.

II. RESEARCH METHODOLOGY

This study utilises a doctrinal and comparative research methodology to investigate the development and consequences of the IFSCA (Fund Management) Regulations, 2025, concerning the GIFT City framework amidst global trade uncertainties. The study utilises a variety of primary sources, including regulations, circulars, government notifications, and policy statements from the International Financial Services Centres Authority (IFSCA), to gain insight into the regulatory, legislative and policy context. The study considers some secondary sources, including research papers, industry reports, news articles, and commentaries from experts that provide background and contextual information on fund management trends and regulations around the world. The study will undertake a comparative review approach of the evolving regulatory framework in India against best practices globally for the professional fund manager, investing, regulation, investor protection, and development of the broader market. Limitations include reliance on and use of publicly available information, and the factors that an evolving regulatory environment will influence the type and scope of a real-time analysis. This methodology seeks to evaluate, provide gap analysis and ideally desk recommendations for the developing a fund management industry in GIFT City.

⁵ GWBMA, *Singapore Overtakes Hong Kong to Become Asia's Top Financial Center*, Registration China (May 31, 2024), <https://www.registrationchina.com/articles/singapore-overtakes-hong-kong-to-become-asias-top-financial-center/>.

III. EVOLUTION OF GIFT CITY AND INDIA'S IFSC FRAMEWORK

The idea of an Indian IFSC was first conceptualised in 2007, but picked up speed in the mid-2010s. The Government formally approved GIFT City as a Multi-Services Special Economic Zone under the SEZ Act of 2005 by notification in 2015–16. The International Financial Services Centres Authority Act, 2019 (No. 50 of 2019) statutorily established IFSCA as a single regulator for financial services in the IFSCs. Statement of Objects of the Act authorises IFSCA explicitly to “develop and regulate financial products, financial services, and financial institutions” in IFSCs.⁶ Operationalised with effect from September 2020, IFSCA replaced RBI, SEBI, IRDAI, and PFRDA in regulating IFSCs, creating an integrated framework. This legislative integration was aimed at simplifying licensing and eliminating duplication. According to one commentator, IFSCA “replaced RBI, SEBI, etc. as the single point of regulation” within IFSCs.⁷

In the IFSC regime, the units are considered non-residents of India’s exchange control and can transact in foreign currency. The tax policy is also customised; India provides special tax treatment to GIFT funds. Category I and II Alternative Investment Funds (AIFs) registered with SEBI already have pass through treatment for domestic investors. GIFT’s Income Tax Act ensures neutrality for offshore funds shifting to the IFSC. A special domestic provision (Sec. 10(23FBC) of the Income Tax Act) guarantees that the investors in a Category III AIF (with non-resident investors only) set up at the IFSC don’t pay any tax on their share of the income.⁸ Investors are taxed 10% (the GIFT tax rate) at best, and there’s no corporate minimum alternate tax. These incentives – coupled with capital gains and dividend distributions exemptions – seek to make GIFT IFSC competitive with world fund flows.

GIFT City was contemplated as a cutting-edge smart city and financial centre. India’s “first fully functional smart city and the country’s one and only IFSC” provides a smooth platform for economic and IT services. The focus is “onshore talent with an offshore technological and regulatory framework,” as conceptualised by PM Modi. The IFSC is specifically required to serve customers outside India in any currency besides INR. The aim has been to “provide international financial services offering cross-border financial products and services in a competitive tax environment”.⁹

⁶ International Financial Services Centres Authority, *The International Financial Services Centres Authority Act, 2019*, Act No. 50 of 2019, https://www.indiacode.nic.in/bitstream/123456789/14009/1/A2019____50.pdf.

⁷ Parth Ved, *Financial Entities in IFSC: A Primer*, Vinod Kothari Consultants (Nov. 25, 2022), <https://vinodkothari.com/2022/11/financial-entities-in-ifsc-a-primer/>.

⁸ Parul Jain, Dhruv Sanghavi, Prakhar Dua, Radhika Parikh, Nandini Pathak, and Parul Jain, *Fund Formation: Attracting Global Investors — Global, Regulatory and Tax Environment Impacting India Focused Funds* (Nishith Desai Associates, Feb. 2024), https://www.nishithdesai.com/fileadmin/user_upload/pdfs/Research_Papers/Fund-Formation-Attracting-Global-Investors.pdf.

⁹ Z/Yen Group, *Focus on GIFT City 2024*, Financial Centre Futures (Nov. 2024), https://www.longfinance.net/media/documents/Focus_On_GIFT_City_2024_v1.3.pdf.

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Early development has been encouraging. As per data from IFSCA, GIFT-IFSC's fund management ecosystem increased gradually during the 2024–25 period. By Q4 FY 2024–25 (Dec 31, 2024), 139 FMEs ran 198 schemes, with aggregate commitments totaling US\$14.88 billion and funds raised US\$7.01 billion. By June 30, 2025, those numbers had risen to 177 FMEs, 272 schemes, US\$22.11 billion commitments and US\$10.5 billion in funds (+40.5% quarter-on-quarter). Particularly, ~85% of investments have been directed towards India, “supporting the ‘onshore the offshore’ mantra” and making GIFT City an entry point into Indian assets.¹⁰ The investor base is international: more than 3,500 overseas and domestic institutional investors across 60+ jurisdictions have already invested through GIFT funds (Mutual Funds, VCs, PE, pension & sovereign wealth funds, etc.). Such numbers indicate strong momentum in GIFT's fund hub, supported by investor faith.¹¹

Although the legal and physical infrastructure of GIFT City has developed a world-class international airport, stock exchange, bank branches, and regulatory environment, obstacles persist. The GIFT entities have to contend with well-established international fund domiciles. Uncertainties in Hong Kong and openness in Singapore during geopolitical strain have already restructured Asia's financial pecking order.¹² Under these circumstances, India's policymakers have worked to keep GIFT's structure evolving. The first IFSCA Fund Management Regulations, 2022 notified on April 2022), set the ground for onshore managers in the IFSC. Later versions most notably the 2025 Regulations codify the regime further. We now examine the current legal regime at length.

IV. THE 2025 IFSCA (FUND MANAGEMENT) REGULATIONS: LEGAL ANALYSIS

A. Overview

In February 2025, IFSCA issued notice of the IFSCA (Fund Management) Regulations, 2025. These supersede the 2022 Regulations and are based on industry comments. A press release states that the 2022 rules were “thoroughly reviewed in 2025 after considering the perspectives of market

¹⁰ International Financial Services Centres Authority, *Fund Management Ecosystem at GIFT-IFSC Records Robust Growth Amid IFSCA's Progressive Regulatory Reforms*, Press Release (Aug. 7, 2025), https://ifsc.gov.in/CommonDirect/ViewFile?id=21626bde60601ef44a0ed022016f9fa2&fileName=Fund_Management_ecosystem_at_GIFT_IFSC_records_robust_growth_amid_IFSCA%E2%80%99s_progressive_regulatory_reforms_20250807_0623.pdf.

¹¹ International Financial Services Centres Authority, *Statistics for Fund Management Activities in GIFT IFSC as on December 31, 2024*, https://ifsc.gov.in/Common/PreviewPdf?id=21626bde60601ef44a0ed02201817bb7&fileName=Statistics_for_Fund_Management_activities_in_GIFT_IFSC_as_on_December_31__2024_20250818_0549.pdf.

¹² GWBMA, *Singapore Overtakes Hong Kong to Become Asia's Top Financial Center*, Registration China (May 31, 2024), <https://www.registrationchina.com/articles/singapore-overtakes-hong-kong-to-become-asias-top-financial-center/>.

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participants,” while maintaining the foundational framework.¹³ The fundamental principle remains: entities wishing to manage funds must register with IFSCA as a Fund Management Entity (FME), and each fund or scheme must be approved by IFSCA through a “Private Placement Memorandum” (PPM). Notably, the FME concept is akin to SEBI’s Alternative Investment Fund (AIF) framework, but more efficient, one FME can launch multiple schemes without separate registration for each fund. As one legal expert explains, IFSCA’s FME is equivalent to SEBI AIF, but the FME model does not use duplicative approvals.¹⁴

2025 Regulations extend the AIF-like scheme types. schemes are divided by investment strategy. Venture Capital Schemes (VC), Restricted Schemes (for qualified or accredited investors only), etc., are examples. General public retail schemes are usually not allowed (as in other IFSCs). One of the most significant enhancements in 2025 is alignment with the needs of investors and minimising friction. Reg. 10, a PPM’s validity period has been extended from 6 to 12 months. The initial corpus requirement for new schemes has been reduced from USD 5 million to USD 3 million.¹⁵ Facilitating managers in raising funds more easily. Transitional relief is granted to older PPMs (short extensions permitted). These changes are a reaction to calls from industry for more flexibility.

B. Scheme enhancements and investor safeguards

The Regulations also add new provisions to encourage innovation and investor protection. A significant one is the accredited investor formal framework: sophisticated investors for example, institutions, high net worth individuals, family offices are defined under a new investor class, making it easier to market to them. In the same vein, IFSCA has made available a special regime to enable Indian NRIs/OCIs to invest between 100% in IFSC funds, subject to conditions.¹⁶ The 2025 regulations formalise this by clarifying that Non-Resident Indians (NRIs) can subscribe to scheme units after meeting specific KYC and tax requirements.

The regulations also clarify custody and asset eligibility norms. FMEs must ensure that an IFSC-based custodian or trustee holds fund assets. Fund assets can include securities, derivatives, and

¹³ International Financial Services Centres Authority, *Fund Management Ecosystem at GIFT-IFSC Records Robust Growth Amid IFSCA’s Progressive Regulatory Reforms*, Press Release (Aug. 7, 2025), https://ifsc.gov.in/CommonDirect/ViewFile?id=21626bde60601ef44a0ed022016f9fa2&fileName=Fund_Management_ecosystem_at_GIFT_IFSC_records_robust_growth_amid_IFSCA%E2%80%99s_progressive_regulatory_reforms_20250807_0623.pdf.

¹⁴ Ved, *supra* note 7.

¹⁵ Legality Simplified, *IFSCA Fund Management Regulations, 2025*, (Apr. 9, 2025), <https://www.legalitysimplified.com/ifsc-fund-management-regulations-2025/>.

¹⁶ International Financial Services Centres Authority, *Fund Management Ecosystem at GIFT-IFSC Records Robust Growth Amid IFSCA’s Progressive Regulatory Reforms*, Press Release (Aug. 7, 2025), https://ifsc.gov.in/CommonDirect/ViewFile?id=21626bde60601ef44a0ed022016f9fa2&fileName=Fund_Management_ecosystem_at_GIFT_IFSC_records_robust_growth_amid_IFSCA%E2%80%99s_progressive_regulatory_reforms_20250807_0623.pdf.

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permitted foreign investments subject to IFSCA/SEBI collaboration, e.g., the IFSC FPI/NRI route for Indian securities¹⁷. These provisions aim to maintain par with SEBI's AIF norms while leveraging IFSC advantages (e.g., greater global asset access).

Most importantly, IFSCA has regulated governance and capital adequacy. According to the 2025 rules, an FME should possess a minimum net worth of USD 0.5 million for foreign entities, equivalent, or as specified for the type of scheme. Essential personnel directors, senior officers, fund managers should be fit and proper and possess the required certifications. FMEs are subject to regular oversight, such as portfolio composition disclosures, risk management requirements, and material scheme changes (Reg. 19–31). Audited financials annually, and disclosures have to be submitted to IFSCA. These investor protection features are generally similar to those of other jurisdictions (e.g. MAS's LFMC guidelines and DFSA rules).

C. Co-investments and special schemes

The 2025 Regulations and subsequent circulars allow for explicit co-investing through Special Purpose Vehicles (SPVs). IFSCA has introduced a framework whereby a venture or restricted scheme can establish one or more SPVs (“Special Schemes”) to hold individual portfolio companies. This enables a manager to create a parallel fund vehicle to co-invest in a practical context besides the central fund. As the Lexology analysis indicates, SPVs can benefit from “protective segregation of liabilities” via a protected-cell structure.¹⁸ Unlike some regimes, IFSCA allows for a single-asset SPV as long as it is a co-investment with another related company. This fits global trends; for example, ADGM's VCC and MAS's VCC allow for umbrella and segregated portfolio funds, respectively. The SPV mechanism provides more flexibility for private equity and VC managers.

D. Third party fund management services

One of the significant developments is the formal approval for non-IFSC third party fund management. In July 2025, IFSCA amended the FM Regulations to permit FMEs to manage funds sponsored by a third-party manager. A foreign fund manager can “attach” with an IFSC-licensed FME to set up a fund under their FME license, with certain safeguards. This idea similar to outsourcing fund management is for funds that want to use IFSC infrastructure but want to

¹⁷ International Financial Services Centres Authority, *Fund Management Ecosystem at GIFT-IFSC Records Robust Growth Amid IFSCA's Progressive Regulatory Reforms*, Press Release (Aug. 7, 2025), https://ifsc.gov.in/CommonDirect/ViewFile?id=21626bde60601ef44a0ed022016f9fa2&fileName=Fund_Management_ecosystem_at_GIFT_IFSC_records_robust_growth_amid_IFSCA%E2%80%99s_progressive_regulatory_reforms_20250807_0623.pdf.

¹⁸ Economic Laws Practice, *IFSCA Issues a Framework to Facilitate Co-investment by Venture Capital Schemes and Restricted Schemes*, Lexology (May 22, 2025), https://www.lexology.com/library/detail.aspx?g=842eeac6-13d0-4952-b9d8-7158fbac77f7&utm_.

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leverage foreign expertise. According to the IFSCA circular July 2025, the Restricted Schemes must be for specified investments only and only for specific investors, and the FME is responsible to IFSCA. However, in contrast to the SEBI's AIF regime, SEBI does not explicitly permit third party managed funds under one license. This new approval could attract global managers looking to enter India.

E. Comparison with SEBI AIF Framework

While there are similarities between the scheme design under IFSCA and the SEBI AIF model, there are also some key differences. Most importantly, there is the concept of the FME itself. Under India's domestic SEBI regime, each AIF (fund) is a separate legal entity that registers separately. Under IFSCA, a single FME entity (per IFSCA license) can launch and manage multiple schemes under that license. As a result, when it comes to compliance, the manager tells IFSCA once and does not need compliance for each fund entity. On the other hand, the IFSC regime provides that FMEs have a minimum corpus and minimum investor requirements (e.g. 50 accredited investors for some schemes), which is very similar to SEBI's QIF/Expert AIF categories. IFSCA also mandates that all FMEs, even re-domiciled funds, maintain sufficient capital and otherwise meet prudential standards and definitions under the IFSCA Act. The 2025 Regulations overall seek to balance both India's desire to emulate global norms (e.g. co-investment SPVs, flexible structuring of investments) and investor protections, transparency, and disclosure (fit-proper checks, capital rules, and disclosure norms).

F. key legal highlights

1. PPM & Validity: Private Placement Memoranda (PPMs) of venture/restricted schemes are now valid for 12 months. IFSCA may, on request, extend expired PPMs by 6 months.¹⁹
2. Corpus: Scheme size is lowered to USD 3 million (earlier 5 million), promoting smaller funds.
3. Accredited Investor Framework: Institution and qualified investor formal definition and onboarding specifications have been added.
4. NRI/OCI Contribution: Relaxations have been made for a 100% NRI/OCI contribution to IFSC funds (via FPI route with safeguards).
5. Co-investment & SPVs: Special Schemes (SPVs) permitted co-investing VCs/restricted schemes.
6. Third-Party Management: FMEs allowed to manage funds on behalf of foreign/domestic third-party managers, subject to harsh conditions.²⁰

¹⁹ International Financial Services Centres Authority, *Transition to IFSCA (Fund Management) Regulations, 2025*, Circular F. No. IFSCA-IF-10PR/1/2023-Capital Markets/7 (Apr. 8, 2025), <https://ifsc.gov.in/Document/Legal/transition-to-ifsc-fund-management-regulations-202508042025093121.pdf>.

²⁰ International Financial Services Centres Authority, *Fund Management Ecosystem at GIFT-IFSC Records Robust Growth Amid IFSCA's Progressive Regulatory Reforms*, Press Release (Aug. 7, 2025),

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7. Transition Provisions: FMEs with schemes in operation by Feb 2025 are given grandfathering, including PPMs filed before the regulation date.

The 2025 Regulations reflect an incremental development of India's new regime for IFSC funds. They largely align GIFT City with high tier fund jurisdictions by introducing modern structures (e.g. co-invest SPVs, VCC draft), with regulatory robustness guaranteed. The reforms are critical to making GIFT City a competitive peer of Singapore, Dubai, or Luxembourg. We go on to the overall global context where these reforms will operate.

V. THE GLOBAL BACKDROP: US TARIFF WAR AND FINANCIAL SPILLOVERS

Starting in 2024, US trade policy shifted unexpectedly and more aggressively. In addition to leaving tariffs on China above 100%, the US occasionally announced higher tariffs on the EU and other trading partners while temporarily retracting. Together, these tariffs have contributed to supply-chain uncertainty. The WTO reported revised global trade growth is now less than 1% as “tariff uncertainty weighed heavily on business confidence, investment and supply chains”²¹ Empirical observers have noted that countries closely linked to China (ex., electronics exporters) may have immediate headwinds, whereas other countries will benefit by winning diverted production and investment^{22, 23}.

Financial markets responded sharply. A Reuters analysis cites that global investors are “more cautious on China” and have, in turn, recently withdrawn about US\$12 billion from equity funds focused on Chinese exports. Fund managers report flight-to-safety flows, for example, into bonds or gold. In Asia, the January 2025 pullback in Chinese equities was partly attributed to a drawdown associated with tariffs.²⁴ Conversely, there have been times when sentiment toward other Asian markets has improved. Analysts cite Malaysia and Vietnam as receiving higher direct foreign investment as firms hedge their supply risk.²⁵

https://ifsc.gov.in/CommonDirect/ViewFile?id=21626bde60601ef44a0ed022016f9fa2&fileName=Fund_Management_ecosystem_at_GIFT_IFSC_records_robust_growth_amid_IFSCA%E2%80%99s_progressive_regulatory_reforms_20250807_0623.pdf

²¹ Ramachandran, *supra* note 3.

²² Takashi Onoda, *Asia Must Brace for the Impact and Opportunities of Trade Tensions*, *East Asia Forum* (Nov. 30, 2024), <https://www.eastasiaforum.org/2024/11/30/asia-must-brace-for-the-impact-and-opportunities-of-trade-tensions/#:~:text=Increased%20tariffs%20on%20Chinese%20imports,goods%20produced%20in%20third%20countries.>

²³ *Id.*

²⁴ Ankika Biswas, *Trade War or Not, Global Investors Turn Even More Cautious on China*, *Reuters* (Feb. 5, 2025), <https://www.reuters.com/markets/asia/trade-war-or-not-global-investors-turn-even-more-cautious-china-2025-02-05/#:~:text=In%20the%20past%20three%20months%2C,October%27s%20inflow%20of%20%2413%20billion.>

²⁵ Onoda, *supra* note 22.

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There are also political aspects to consider. Increased tensions between the US and China influence Hong Kong's role. One observer noted that "geopolitical tensions ... build, Hong Kong, being part of China, has had its international status and attractiveness diminished," which has caused some institutions to relocate to Singapore.²⁶ Hong Kong's proximity to its competitors will favor Singapore's MAS-led environment (stable rule of law, open policy, etc.) and possibly other regional hubs that are not China. In fact, Singapore has recently changed its regulations (e.g., increasing retail access to private funds by long-term investment funds) to attract redirected global capital from riskier markets.²⁷

Despite this, confidence is still fragile. A market commentator in April 2025 observed that any loosening of tariffs can "raise investor confidence across Asia, including in Hong Kong", but cautioned that "the trade-weighted effective tariff rate is still going up" and that some volatility is probably still forthcoming.²⁸ In short, US protectionism provides both pressures and possibilities, and it is expected that Asia's next tier financial centres, which enjoy political stability and reliable regulation, may capture some of the flows being considered, +/- China.

GIFT City's implications are twofold. First, GIFT City should contribute to India's broader economic resilience to the trade war. Some commentators emphasise India's economy, accounting for only ~2% of world trade, to be relatively insulated. The domestic-focused nature of the Indian economy (GDP ~6-7%, mainly driven by consumption and services) provides some cushion. In fact, India is not seeing significant export growth, which tempers US tariffs significantly; India's services exports remain strong, and the nation is negotiating FTAs with the UAE and the UK, and looking to begin trade talks with the EU. Major agencies (ADB, IMF) still expect India to grow about ~6.5% in 2025, partly because the effects of the tariff war are "expected to be manageable as trade accounts for a relatively small share of GDP"²⁹. GIFT City enjoys the benefit of the general resilience of a macro economy and international confidence in India's future.

Second, the tariff war provides market opportunities. If companies relocate supply chains out of China, some global companies may look to India for new assets (manufacturing, tech, etc.). Funds focused on Emerging Asia may even rebalance into Indian equities or local debt. GIFT City can

²⁶ *Singapore Overtakes Hong Kong to Become Asia's Top Financial Center*, Registration China (May 31, 2024), <https://www.registrationchina.com/articles/singapore-overtakes-hong-kong-to-become-asias-top-financial-center/#:~:text=center%2C%20mainly%20due%20to%20Singapore%E2%80%99s,both%20Singapore%20and%20Hong%20Kong>.

²⁷ Sidley Austin LLP, *Singapore Investment Management Regulatory Update (July 2025)*, Sidley Insights (July 3, 2025), <https://www.sidley.com/en/insights/newsupdates/2025/07/singapore-investment-management-regulatory-update-july-2025#:~:text=In%20line%20with%20recent%20global,Singapore%20and%20authorized%20by%20MAS>.

²⁸ Reuters, *Investors React to Intensifying Sino-US Trade Tensions*, Reuters (Apr. 10, 2025), <https://www.reuters.com/markets/investors-react-intensifying-sino-us-trade-tensions-2025-04-10/#:~:text=negotiation%20headlines%20take%20centre%20stage>.

²⁹ Ramachandran, *supra* note 3.

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serve as a hub for capital for such opportunities. According to one Indian report, a possible EU–India FTA (likely by 2025–26) could facilitate a substantial boost to exports and make India increasingly attractive to foreign investors. Hence, GIFT City and its fund regimes would be well-positioned to take advantage of this boost. However, it must contend with competition: investors worldwide can relocate their operations to Singapore or London or institutions elsewhere, like the Middle East (i.e., the ADGM or DIFC), with similar infrastructure. Within Asia, the selling points in GIFT City and IFSC are strong: a low tax rate of 10%, exposure to India’s growth story, and a stable though developing legal system. However, these selling points must be assessed through the lens of perception; the IFSC is new and therefore not as tried and tested as Singapore or Luxembourg.

The US tariff war has unsettled agreeable business arrangements and caused capital re-evaluation. Global fund managers are more identified than ever to hedge future capital flows against a China-centric risk profile (as demonstrated by current fund flows)³⁰. This is potentially positive for competing hubs. For GIFT City, this emphasises projecting confidence and competitive offerings. The coming sections look to consider how global jurisdictional practices and enforcement experiences impact where GIFT fits into this discussion.

VI. COMPARATIVE LEGAL PERSPECTIVES: LESSONS FROM GLOBAL FINANCIAL HUBS

GIFT City will ultimately have to compete with existing international financial centres. We review fund-regime design in Singapore, Dubai (DIFC/DFSA), Abu Dhabi (ADGM), and Luxembourg to share applicable lessons. We will concentrate on structural and regulatory aspects that may be replicable or adaptable for India.

1. **Singapore (MAS):** Singapore’s Monetary Authority of Singapore (MAS) has a long-standing approach to developing fund management for various investment funds. The regime separates fund managers into Licensed Fund Management Companies (LFMCs) and Venture Capital Fund Managers (VCFMs) based on capital/profit thresholds or restrictions for managing funds and disclosures. A hallmark of Singapore’s regime is establishing a Variable Capital Company (VCC) structure, which was introduced in 2020 and permits open-ended umbrella funds with segregated sub-funds operating under a single corporate entity. The VCC resembles the FME/umbrella concept under IFSC. MAS has developed a complete package of tax incentives which is helpful for fund investors: the Singapore Resident Fund Scheme offers tax exemption for certain income, and funds can operate in Singapore as tax-exempt collective

³⁰ Biswas, *supra* note 24.

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investment vehicles if more than 20% is qualified ownership by fund corporations. Recent MAS consultation/reform views proposed open access to the private market from retail investors, under MAS registered Long Term Investment Funds (LIFs), demonstrating a global trend toward democratized access to fund investment. Singapore's progression of easy licensing including fast-track applications for pre-approved funds and a stable political environment have resulted in thousands of funds from other centres in Singapore. The operating lessons for GIFT include the following: supported by good governance and a transparent process for licensing, Singapore encourages, facilitates, and rewards innovation (like the VCC structure and LIF concept) that broadens the appeal of investment vehicles³¹.

2. **Dubai (DIFC-DFSA):** The Dubai International Financial Centre (DIFC), overseen by the DFSA, has an established multi-tier fund framework. This framework incorporates **Public Funds** (for mass retail and offers full disclosure), **Expert Funds** (with a maximum of 200 investors, no minimum AUM, marketed solely to qualified investors), and **Qualified Investor Funds** (QIFs) (a minimum of 50 investors and of \$100,000); Qualified/Expert Funds have no minimum capital requirements. Notably, DIFC allows external (i.e., non-DIFC) fund managers to manage retail DIFC funds with no local licensing requirements from “acceptable jurisdictions”. Additionally, DIFC grew in popularity with the Protected Cell Company (PCC) structure, which legally distinguishes sub-funds' assets within an umbrella fund. Fund custody and administration must be licensed at world-class levels of supervision. The cost to fund managers to establish a fund can be relatively low (e.g., USD 50K to develop a QIF). The DFSA takes a very pragmatic and commercial approach to regulation, emphasising touching the professional operator lightly while maintaining strong anti-money-laundering rules and allowing reputable global custodians from a significant international financial centre. For GIFT, it is worthwhile to consider DIFC's positive regulatory experience as providing value toward considering the implications of flexibility (e.g., DIFC has no domicile requirement for managers) and a legal segregation mechanism (e.g., PCC)³². GIFT's SPV regime is similar to the PCC concept of the DIFC
3. **Abu Dhabi (ADGM):** ADGM (Abu Dhabi Global Market) has been proactively courting fund managers, capitalising on factors described as “tax-friendly environment (0% corporate tax) and streamlined authorisation”. Its Financial Services Regulatory Authority (FSRA) has

³¹ Sidley Austin LLP, *Singapore Investment Management Regulatory Update (July 2025)*, Sidley Insights (July 3, 2025), <https://www.sidley.com/en/insights/newsupdates/2025/07/singapore-investment-management-regulatory-update-july-2025>.

³² Dubai Financial Services Authority, *Funds in the DIFC* (Sept. 14, 2014), <https://www.dfsa.ae/application/files/4815/8220/1483/FUNDS-in-the-DIFC-Sep-14-2014.pdf>.

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made funds available through companies, Limited Partnerships, or trusts. ADGM also launched its own VCC in 2021. It offers an innovative framework with a private REIT regime and a Venture Capital Fund Manager (VCFM) category with a zero capital requirement. There are no investor limits or AUM minimums for qualified funds, and there are no remuneration caps for managers. With proper approval, ADGM has an open approach: any entity (local or foreign) may market and distribute funds from ADGM. Their commitment to “best-in-class costs and time-to-market” aligns with UK Common Law, offering a welcome option for international fund managers. As ADGM provides a clean presentation of tax, an extensive range of fund vehicles (corporate, LP, trust), and a competitive fee structure, it has streamlined its services and processes. For example, ADGM takes pride in presenting no direct taxes, a wide selection of investment vehicles, and competitive fee structures to fund managers³³. GIFT may leverage ADGM’s playbook by ensuring transparent fees, ease of repatriating capital, and enforceable contracts in line with global best practice (for example, ADB offers to include ADGM arbitration clauses, etc.). Overall, the Middle Eastern model demonstrates that tax-neutrality combined with a clear legal framework (of 0% tax and the UK legal framework) has the potential to attract investment capital quickly

4. **Luxembourg (CSSF):** Luxembourg is unequivocally the largest fund domicile in Europe and provides a wide variety of fund structures, such as: Undertaking for Collective Investment in Transferable Securities (“UCITS” or regulated mutual funds), Part II funds, Specialised Investment Funds (“SIFs”), Reserved Alternative Investment Funds (“RAIFs”) and partnership structures. RAIFs have become a very popular structure, as they are not regulated and only need to appoint an AIFM that is registered (“Alternative Investment Fund Manager”), which allows considerable flexibility while also providing European “passporting” under the AIFMD (“Alternative Investment Fund Managers Directive”). Luxembourg domiciled funds have access to broadly marketed funds throughout Europe, tax-passthrough arrangements often not taxable if the investor is taxed elsewhere, and very recent reforms demonstrating its competitiveness for instance tax at 2025 enabling broaden the carried interest regime, where carried remunerations continue to be lightly taxed, and also provides clear terms to be applied to the “reverse hybrid” tax rule in the collective-enforcement vehicle. Under the new legislation, it demonstrates that it wants to ensure that it continues to be one of the most attractive locations for private capital, also showing apparent regulatory and tax certainty in

³³ Abu Dhabi Global Market, *Investment Funds* (July 5, 2018), <https://assets.adgm.com/download/assets/adgm-investment-funds.pdf/8a8dd708589b11e9fab36e29b0f3a63>.

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these new reforms³⁴. Key lessons: the regulatory framework and tax certainty are central. The GIFT City follows a similar exemption for the Framework as a draft amendment for the IFSC Act for being carried interest, to have comparable standards internationally. In Luxembourg, the requirement for funds to appoint AIFMs and auditors who are domiciled in the EU will ensure the funds adopt early on a level of rigor and trust with investors; however, GIFT allows either Indian managers or foreign managers who are licensed through the IFSCA. On balance, the European model of encouraging cross-border passporting (through agreements or mutual recognition between mainly countries) or tax-neutral fund vehicles that will attract fund managers.

A comparison brief is made in Table 1 below. Note how GIFT-IFSC (under IFSCA) has multiple similarities with the jurisdictions - a unified regulation, tax neutral, and choice of vehicles - but also several gaps (non-EU location, rulebook becoming current). Its competitive benefit comes from the large Indian market access and coherent policy push, and its weaknesses seem primarily from the brand not being recognised yet and aligning it with global practice (if introducing VCCs or umbrella funds from existing and creating what is more substantial).

Table 1 – Fund Regime Comparison

Feature/Regime	GIFT City (IFSCA)	Singapore (MAS)	Dubai DIFC (DFSA)	Abu Dhabi ADGM (FSRA)	Luxembourg (CSSF)
Regulator	IFSCA (unified)	MAS	DFSA (DIFC)	FSRA (ADGM)	CSSF
Fund Vehicle Types	Fund Management Entity (FME) and multiple schemes;	LFMC + Variable Capital Companies (VCC)	Public Funds, Expert Funds, QIF (PCC)	VCC, Co. Ltd, LP, trusts; VCFM	UCITS; SIF; Part II UCI; AIF; RAIF
	segregated portfolio via SPVs	(umbrella open/closed)	(segregated cell umbrella)	(0% tax, umbrella allowed)	(umbrella and partnership funds)

³⁴ Guilhèm Becvort, *Luxembourg's Push for Private Capital Attractiveness and Competitiveness*, White & Case (Sept. 9, 2025), <https://www.whitecase.com/insight-alert/luxembourgs-push-private-capital-attractiveness-and-competitiveness>.

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Investor Types	Accredited/Qualified; NRI/FPI eligible	Retail (LFMC target retail funds);	Qualified/Expert (only professional)	Accredited/investible	Retail (UCITS) & professional (AIF)
		Accredited (private wealth)			
Capital/Corpus Req'ts	FME net worth USD 0.5M; Scheme min corpus USD 3M ³⁵	LFMC: SGD 1–2M capital; Funds often no AUM min ³⁶	QIF min USD 20k; Expert min 50 investors; no fixed AUM ³⁷	No fixed AUM; VCFM zero capital ³⁸	RAIF, SIF: no AUM; Part II: €1M; AIFMs: €125k–€300k capital
Tax Regime	GIFT tax: 10% on income; corporate tax 9%; fund income exempt	Offshore fund incentives: 0% for VCCs if conditions are met	0% corporate tax; funds are generally tax-exempt	0% corporate tax; 0% withholding	Funds are tax-transparent for EU investors
Notable Features	Onshore tax neutrality for foreign funds; co-invest SPVs;	Strong enforcement; VCCs allow sub-funds;	External managers can run DIFC funds without a	Business-friendly costs; 0% tax; flexible VC/REIT frameworks	EU passport via AIFMD; robust

³⁵ Legality Simplified, *IFSCA (Fund Management) Regulations, 2025*, Legality Simplified (Apr. 9, 2025), <https://www.legalitysimplified.com/ifsa-fund-management-regulations-2025/>.

³⁶ Sidley Austin LLP, *Singapore Investment Management Regulatory Update (July 2025)*, Sidley Insights (July 3, 2025), <https://www.sidley.com/en/insights/newsupdates/2025/07/singapore-investment-management-regulatory-update-july-2025#:~:text=In%20line%20with%20recent%20global,Singapore%20and%20authorized%20by%20MAS.>

³⁷ Dubai Financial Services Authority, *Funds in the DIFC* (Sept. 14, 2014), <https://www.dfsa.ae/application/files/4815/8220/1483/FUNDS-in-the-DIFC-Sep-14-2014.pdf>.

³⁸ Abu Dhabi Global Market, *Investment Funds* (July 5, 2018), <https://assets.adgm.com/download/assets/adgm-investment-funds.pdf/8a8dd708589b11e9fab36e29b0f3a63>.

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	third-party fund mgmt ³⁹	MAS LIF for retail ⁴⁰	local license ⁴¹ ; PCC structure		regulatory oversight; evolving carried-interest carve-outs ⁴²
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(Sources: IFSCA Regulations, 2025; MAS/FSC publications; DFSA/ADGM brochures; White & Case (2025) on Luxembourg.)

In reviewing comparative ways, GIFT City identified, asserted, and/or utilised many best practices (e.g., single unified regulator, tax neutrality, flexible SPVs). Like regulatory playbook standards, GIFT City’s approach is converging with the rest of the world: e.g., draft proposals to execute a new Variable Capital Company (VCC) regulatory platform at the IFSC.⁴³ Largely parallels proposed changes in SG/ADGM. However, GIFT’s relatively small scale means it would take time to reach the volume of funds domiciled in Singapore or Luxembourg. To enhance GIFT’s position, it should continue benchmarking regulation, including emerging norms globally related to ESG disclosure and AML/KYC, and fund-of-funds indexing to enable funds to redirect capital efficiently based on investor preferences. The following section discusses experiences in enforcement that have implications for this comparative landscape.

VII. ENFORCEMENT & CASE LAW LESSONS

A. Indian Enforcement – *Sahara India Case Study*

A foundational enforcement case is *Sahara India Real Estate Corp. Ltd. (2012) 10 SCC 603 v. Securities and Exchange Board of India*. In that case, two companies of the Sahara group collected money from

³⁹ International Financial Services Centres Authority, *Fund Management Ecosystem at GIFT-IFSC Records Robust Growth Amid IFSCA’s Progressive Regulatory Reforms*, IFSCA (Aug. 7, 2025), https://ifsc.gov.in/CommonDirect/ViewFile?id=21626bde60601ef44a0ed022016f9fa2&fileName=Fund_Management_ecosystem_at_GIFT_IFSC_records_robust_growth_amid_IFSCA%E2%80%99s_progressive_regulatory_reforms_20250807_0623.pdf.

⁴⁰ Sidley Austin LLP, *Singapore Investment Management Regulatory Update (July 2025)*, Sidley Insights (July 3, 2025), <https://www.sidley.com/en/insights/newsupdates/2025/07/singapore-investment-management-regulatory-update-july-2025#:~:text=In%20line%20with%20recent%20global,Singapore%20and%20authorized%20by%20MAS>.

⁴¹ Dubai Financial Services Authority, *Funds in the DIFC* (Sept. 14, 2014), <https://www.dfsa.ae/application/files/4815/8220/1483/FUNDS-in-the-DIFC-Sep-14-2014.pdf>.

⁴² Guilhem Becvort, *Luxembourg’s Push for Private Capital Attractiveness and Competitiveness*, White & Case (Sept. 9, 2025), <https://www.whitecase.com/insight-alert/luxembourgs-push-private-capital-attractiveness-and-competitiveness>.

⁴³ International Financial Services Centres Authority, *Fund Management Ecosystem at GIFT-IFSC Records Robust Growth Amid IFSCA’s Progressive Regulatory Reforms*, IFSCA (Aug. 7, 2025), https://ifsc.gov.in/CommonDirect/ViewFile?id=21626bde60601ef44a0ed022016f9fa2&fileName=Fund_Management_ecosystem_at_GIFT_IFSC_records_robust_growth_amid_IFSCA%E2%80%99s_progressive_regulatory_reforms_20250807_0623.pdf.

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Indian investors through “Optionally Fully Convertible Debentures” (OFCDs) that were not publicly offered in compliance with the SEBI requirements. The Supreme Court held that these issuances were indeed a public offering under the Companies Act and the SEBI Act, and ordered that Sahara refund the money to the backers. Sahara India defined offshore structures as not being leveraged to escape India’s securities regulations. It exemplified the broad reach of regulation: even though SEZ entities initiated the transactions. It sold OFCDs across India, intersecting with a foreign vector, the court held that the jurisdiction of the SEBI encompasses the need to protect domestic investors. The judgment engendered a strong notion of investor protection and full disclosure. It provides a warning in light of GIFT IFSC: if fund managers in IFSC utilise offshore schemes directed at Indian investors, they must comply rigorously with the norms of IFSCA. Similar offshore schemes cannot escape the registration requirements governing schemes directed towards investors in India solely because the offshore scheme was not offered within the Indian mainland. The judgment led SEBI to impose multi-crore penalties on Sahara entities for “violating laws that govern fund-raising by corporates” for offering OFCDs and not complying with disclosure requirements. (**Case Study:** *Sahara India Real Estate Corp. Ltd. v. SEBI* The Supreme Court determined that Sahara’s issuance was illegal, OFCDs were illegal public offerings, and ordered a refund to investors.⁴⁴ This landmark ruling confirmed the domestic securities law’s applicability over cross-border fundraising initiatives to Indian residents. The key principles - strict compliance and strict disclosure obligations - are directly relevant for the funds in GIFT City).

B. International Enforcement – Rule of Law for Funds

Scandals in cross-border finance have resulted in more vigorous enforcement abroad. Recent examples include the SEC charging Centerline Investment (an investment adviser based in Hong Kong) in late 2024 for violations of Reg. M (shorting prohibited securities in the public offering context). Even though Centerline was not a traditional fund-structure scenario, it is relevant here because it demonstrates that regulators presented evidence of extraterritorial enforcement: Centerline was a non-U.S. operator that the SEC claimed manipulated the market concerning U.S. offerings⁴⁵. Likewise, financial authorities in Singapore and Hong Kong have punished fund managers for deficiencies in custody or AML controls involving jurisdictional geography (e.g., SFC fines resulting from internal control deficiencies). This highlights the aggressive regulatory position by institutions to punish firms outside their jurisdiction that do not follow the local laws.

⁴⁴ *Sebi Fines 2 Sahara Cos ₹12 Crore*, *Times of India* (June 28, 2022), <https://timesofindia.indiatimes.com/business/india-business/sebi-fines-2-sahara-cos-12-crore/articleshow/92500392.cms>.

⁴⁵ Securities and Exchange Commission, *In the Matter of Centerline Investment Management Limited*, Exchange Act Release No. 34-101133, Admin. Proc. File No. 3-22156 (Sept. 23, 2024), <https://www.sec.gov/enforcement-litigation/administrative-proceedings/34-101133-s>.

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Inside India, SEBI's recent fund-related enforcement underscores the importance of transparency. For instance, SEBI's AIF regulator has started litigating cases where fund managers have exceeded investment limits or delayed winding up expired AIFs -there has also been scrutiny in the market for features of master-feeder and CLO structures for possible regulatory arbitrage. Though the AIF and recent SEC enforcement do not take place under IFSCA jurisdiction, these types of enforcement actions signal the nature of issues pending or on the minds of IFSCA related to enforcement in the GIFT City. It is also important to note that IFSCA's mandate under Sections 13-14 of the Act provides it with enforcement authorities somewhat akin to SEBI, RBI, etc. IFSCA's enforcement actions may also involve coordination with Indian courts and regulators when needed.

From the Sahara to the recent SEC enforcement action, enforcement case law aims to educate fund managers and other GIFT City businesses on two points. First, GIFT City funds and companies must adopt strong compliance cultures. And complete transparency must be exercised in all disclosures to avoid litigation or penalties. Second, the regulatory perimeter is genuinely global, meaning one jurisdiction's regulatory violations can trigger responses and regulatory enforcement from other jurisdictions, including but not limited to any affected jurisdiction. GIFT City is a desirable, flexible jurisdiction; however, that does not mean "no enforcement." IFSCA has already signaled, during the still-modern era of newly-established and rapidly-evolving regulation, that AML/CFT and market conduct (e.g. recent guidance on suspicious transaction reporting) are a very high priority for enforcement in the GIFT City. Therefore, FMEs should be mindful of and guided by relevant precedents being issued globally.

C. Strategic Implications: Positioning GIFT City in a Tariffed World

The previous discussion spells out challenges and opportunities for GIFT City. It raises crucial strategic work that GIFT has to do: the need to harness the strengths available in India, while balancing the global competitive environment.

1. **Global Diversification of Exports with GIFT's Role:** India has significantly limited exposure to the US slowdown, as the economy is less trade dependent. In fact, growth forecasters (IMF, ADB) have mostly retained healthy growth prospects for India, indicating that a domestic consumption boom and continued service export demand will offset weak manufacturing demand.⁴⁶ Given this macro perspective, GIFT can certainly benefit: investors around the globe view India as a "key growth engine", and its direct exposure to new tariffs is limited. One report cites explicitly that investors "finally began upgrading India's sovereign rating, because tariffs on exports to the US would be manageable had significant reliance on

⁴⁶ Ramachandran, *supra* note 3.

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trade”. GIFT City can emphasise macro stability: funds placed in GIFT City would harness a 4-7% growth engine story in India within a relatively stable rule framework.

2. **Capital Inflows and Investor Shifts:** With that being said, the tariff war does create an additional layer of risk awareness to institutional investors. Investors may go to witness political neutrality. India’s lack of alignment (and GIFT City’s ability to form its legal framework) could be understandably advantageous to its future role in fintech and funds. Recent jumps in GIFT commitments suggest firmly that increased investor confidence exists.⁴⁷ If enough companies transfer portions of their market presence from China to India or South Asia, this will create further demand and offer opportunities in this area. However, the Tax/Gift Phase requires Indian authorities to continue capitalising on the waterfall and renew market infrastructure (e.g., investor grievance mechanisms offer various means of faster resolution) if trust can be retained.
3. **Competitor Benchmarking:** GIFT will compete with Singapore, DIFC/ADGM, and other IFSCs in growth mode. Singapore’s designation as the top financial centre in Asia shows its attractiveness.⁴⁸ In GIFT’s case, GIFT can market its unique selling propositions: access to onshore markets, a single regulatory authority, and transparency (e.g., guaranteed 10% scheme tax rate for 10 years). The forthcoming EU-India FTA is another component: Europe-origin capital could enter GIFT’s deals once completed. Co-investment and innovation funding (e.g., provincial entities for single-asset deals) appeals to global private equity/venture capital firms looking to co-invest in Indian startups.
4. **Regulatory Efficacy:** The 2025 Regulations and related reforms (e.g., third-party service providers) allow IFSCA a marketing opportunity for GIFT as a business-friendly entity. Rapid licensing of 177 FMEs by mid-2025 demonstrates being responsive. An ongoing series of dialogues with stakeholders (IFSCA’s “Chintan Shivir” industry dialogues) shows IFSCA is listening to the industry. Equally, GIFT’s regulators must commit to staying consistent and predictable. For example, any future replacements to the tax regime (e.g., 2030 special tax regime) should have been the subject of a significant notice period. Aligning with international AML/CFT standards (such as with MAS and ADGM) will give legitimacy to foreign investors, who may be concerned about compliance risk.

⁴⁷ International Financial Services Centres Authority, *Fund Management Ecosystem at GIFT-IFSC Records Robust Growth Amid IFSCA’s Progressive Regulatory Reforms*, IFSCA (Aug. 7, 2025), https://ifsc.gov.in/CommonDirect/ViewFile?id=21626bde60601ef44a0ed022016f9fa2&fileName=Fund_Management_ecosystem_at_GIFT_IFSC_records_robust_growth_amid_IFSCA%E2%80%99s_progressive_regulatory_reforms_20250807_0623.pdf#:~:text=Union%20Budget%20for%20FY%202023%E2%80%9324%2C,incorporate%20measures%20towards%20investor%20protection.

⁴⁸ *Singapore Overtakes Hong Kong to Become Asia’s Top Financial Center*, Registration China (May 31, 2024), <https://www.registrationchina.com/articles/singapore-overtakes-hong-kong-to-become-asias-top-financial-center/>.

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5. **Risks to consider:** Finally, GIFT has specific exposure to risks. The onshore-offshore model means the GIFT funds' returns are moving within the Indian home-market environment. By extension, the returns are also exposed to any domestic political, regulatory, or currency risk. If India's economic reforms begin to fade or some volatility comes, foreign funds will first weigh whether to engage the market or move cautiously. Therefore, the GIFT's regulations must include some intended protection (e.g., currency hedging rules that are easy to understand, repatriation easy to follow, and a dispute resolution process). Compared to Singapore or Luxembourg, where there is a well-trod legal recourse, GIFT is developing its jurisprudence; therefore, in many legal areas, policymakers should be particularly focused on providing some legal certainty (e.g. cross-border treatment of insolvency provisions for IFSC-regulated entities). This becomes important in developing investor confidence.

In aggregate, the US tariff war has sharpened thinking about a diversified Asia. GIFT city stands to capture a share of this shift, provided the Indian sub-continent macro strengths and constant regulatory fine-tuning are maintained. The volumes growth figures at a 40% quarterly increase in new commitments expected by mid-2025,⁴⁹ is indicative of the momentum, but maintaining it matters, so we will turn next to considerations for concrete policy suggestion determination so that GIFT City can realise its strategic objectives.

D. Policy Recommendations and Future Roadmap

Expanding on the previous analysis, we suggest several policy interventions to boost the fund management ecosystem at GIFT City. The following recommendations are designed to align incentives, close remaining gaps, and future-proof GIFT against global standards and evolution:

1. **Improved Tax Certainty:** While GIFT funds benefit from a favorable 10% tax regime, it is worth noting that this is limited to a 10-year sunset. Policymakers should consider long-term tax stabilisation/extension of incentives to signal their commitment to the market. Doing so would signal commitment to the market, particularly if the pass-through status on Category III IFSC funds were to occur (as intended) on level terms with onshore AIFs. Further, continuing the tax neutrality on fund transfers would give further assurance to investors in their base fund, etc. (carve-out in the Income Tax Act)⁵⁰ and ensuring no retrospective changes would further reassure global investors.

⁴⁹ International Financial Services Centres Authority, *Fund Management Ecosystem at GIFT-IFSC Records Robust Growth Amid IFSCA's Progressive Regulatory Reforms*, IFSCA (Aug. 7, 2025), https://ifsc.gov.in/CommonDirect/ViewFile?id=21626bde60601ef44a0ed022016f9fa2&fileName=Fund_Management_ecosystem_at_GIFT_IFSC_records_robust_growth_amid_IFSCA%E2%80%99s_progressive_regulatory_reforms_20250807_0623.pdf#:~:text=Union%20Budget%20for%20FY%202023%E2%80%9324%2C,incorporate%20measures%20towards%20investor%20protection.

⁵⁰ Athul Kumar, *et al.*, *Fund Formation: Attracting Global Investors — Global, Regulatory and Tax Environment Impacting India Focused Funds* (Nishith Desai Associates, Feb. 2024),

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2. **Licensing and Ongoing Compliance Work-Load:** IFSCA has already decreased workload within the form-filing (e.g. 50% fees on re-filed PPMs)⁵¹ and merged regulator coordination (via SEBI *vis-a-vis* NRIs)⁵². This workload reduction should be digitised and made transparent. For instance, a single-window platform will improve efficiency in FME registrations and scheme approvals, including clear timelines. Various other jurisdictions have established umbrella licenses for family office GP/LP/fund structures, which may broadly attract global fund groups. There may also be an opportunity to periodically test fund structure and other relevant products in a controlled environment (i.e., “regulatory sandboxes”).
3. **Increase Fund Vehicle Options:** While the draft proposal on VCCs is welcome, IFSCA should accelerate the proposal’s passage. Enabling Variable Capital Companies (open- and closed-ended) may start to level the field with competitors and attract Hong Kong or European managers familiar with that legal form. Additionally, IFSCA could enable real-estate investment trusts (REITs) to be private, commodity funds (to aid India’s aspiration of becoming a bullion hub), and a fund vehicle with debt-personas for a niche market.
4. **Investor Protection and Transparency:** Building trust is paramount. It would be ideal for IFSCA to adopt and publish a code of conduct and/or best practices type publication (similar to MAS’s LFMC guidelines) to promote best practices and develop an environment of investor trust. For example, establishing rules around conflict-of-interest issues (GP co-invest disclosure), side-letter disclosures, and segregation requirements would demonstrate a commitment to transparency, as that is the global norm. Encouraging or mandating third-party valuations and audits would promote investor confidence, similar to Luxembourg, which requires an AIFM for its RAIF. Regular (weekly or monthly) enforcement notices or summaries (or reports) to indicate the relevant authority will enforce the rule of law (similar to MAS’s enforcement notice summary) would also engender a belief that there is some commitment to the rule of law.
5. **Global Integration and Marketing:** GIFT City must be internationally marketed. For example, if fund managers or products were offered reciprocal recognition (MOUs with either MAS/DFSA regulators), that could lead to increased cross-listings and fund flows. The

https://www.nishithdesai.com/fileadmin/user_upload/pdfs/Research_Papers/Fund-Formation-Attracting-Global-Investors.pdf.

⁵¹ International Financial Services Centres Authority, *Transition to IFSCA (Fund Management) Regulations, 2025*, Circular F. No. IFSCA-IF-10PR/1/2023-Capital Markets/7 (Apr. 8, 2025), <https://ifsc.gov.in/Document/Legal/transition-to-ifsc-fund-management-regulations-202508042025093121.pdf>.

⁵² International Financial Services Centres Authority, *Fund Management Ecosystem at GIFT-IFSC Records Robust Growth Amid IFSCA’s Progressive Regulatory Reforms*, IFSCA (Aug. 7, 2025), https://ifsc.gov.in/CommonDirect/ViewFile?id=21626bde60601ef44a0ed022016f9fa2&fileName=Fund_Management_ecosystem_at_GIFT_IFSC_records_robust_growth_amid_IFSCA%E2%80%99s_progressive_regulatory_reforms_20250807_0623.pdf.

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suggested passports for UAE-India (or EU-India) fund structures should include the IFSC. Additionally, participation in international financial initiatives (such as IMF/OECD working groups on funds) would keep the IFSCA updated on fund changes and innovations. Finally, the GIFT was able to play on India's strong record with financial inclusion and fintech in relation to funds (APIs or blockchain for fund transaction processing or documentation). In that case, that could be appealing to more technology-savvy global investors.

6. **Leverage Domestic Institutional Investors:** Institutional investments in alternative assets in India's pension and insurance sectors are negligible⁵³. Policies encouraging qualified domestic investors in India to park their capital in gifting specific types of funds with tax breaks or matching grants could increase their base capital and reliance on funding flow from abroad. This approach is similar to or a reaction to the measures in similar countries highlighted above (for example, the EPF and allocation amounts to local funds in Malaysia, etc.).
7. **Refining the Regulations:** IFSCA should ensure that FM regulations are reviewed routinely (e.g., in a 2-to 3-year cycle) and include feedback on the implementation challenges. When experience demonstrates that an aspect of the regulation (e.g. capital requirements or restrictions on investment outside of India) is too restrictive, the rules should be amended promptly once the experience is available. Anticipating global trends (thinking about ESG fund level standards, or crypto-asset level regulations) and developing anticipatory regulation as applicable will ensure that GIFT stays ahead of the curve.

By accepting this approach to governance, the policymakers can ensure that GIFT City can survive and thrive in an uncertain trade environment. The aim should be to make the regulatory process as streamlined as possible, without impeding governance. The balance between making it easier to do business within the coming days and governance has made hubs like Luxembourg and Singapore the hubs they are, and ought to be the goal of GIFT City.

VIII. CONCLUSION

India's GIFT City is rapidly emerging as a dynamic International Financial Services Centre (IFSC) due to a coherent policy and solid growth metrics. The introduction of new IFSCA (Fund Management) Regulations, 2025, shows India's desire to fine-tune this ecosystem to include the best practices from throughout the world. In the meantime, uncertainty created by the US-China tariff war and geopolitical upheaval has reaffirmed the need to develop alternative financial centres.

⁵³ Kumar, *supra* note 50.

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The GIFT City stands to benefit from some of the shifts it provides stable governance and access to India's large market already, and it is already beginning to see some fund commitments^{54, 55}.

However, being competitive will depend upon execution. Widening the comparison indicates that GIFT must continue to innovate – bringing the structure of Variable Capital Companies, global standard investor protections, and marketing itself as an efficient asset management hub. Enforcement and legal clarity (as cases regarding Sahara India have indicated) must be present and consistent to sustain investor confidence. Depending on how trade policies shift perceptions of risk around capital flows, India finds itself at a unique intersection, as pressure in the West or conflicts with China push capital out of both regions, GIFT can assert itself as a compelling, non-Western, Asian alternative.

In conclusion, the GIFT City model—based on the 2025 regulations—is well positioned to thrive in a “tariffed world,” if it builds on India's growth story and adopts a mix of international fund management practices and norms. Policymakers should constructively build on recent reforms, add institutional support and remain conscious of real-time developments worldwide. GIFT City's objectives will be achieved if these measures are completed, and India will become a more significant player in global finance.

⁵⁴ International Financial Services Centres Authority, *Statistics for Fund Management Activities in GIFT IFSC as on December 31, 2024*, IFSCA (Aug. 18, 2025), https://ifsc.gov.in/Common/PreviewPdf?id=21626bde60601ef44a0ed02201817bb7&fileName=Statistics_for_Fund_Management_activities_in_GIFT_IFSC_as_on_December_31_2024_20250818_0549.pdf#:~:text=Number%20of%20Fund%20Management%20Entities,principle%20approvals.

⁵⁵ International Financial Services Centres Authority, *Fund Management Ecosystem at GIFT-IFSC Records Robust Growth Amid IFSCA's Progressive Regulatory Reforms*, IFSCA (Aug. 7, 2025), https://ifsc.gov.in/CommonDirect/ViewFile?id=21626bde60601ef44a0ed022016f9fa2&fileName=Fund_Management_ecosystem_at_GIFT_IFSC_records_robust_growth_amid_IFSCA%E2%80%99s_progressive_regulatory_reforms_20250807_0623.pdf#:~:text=Union%20Budget%20for%20FY%202023%E2%80%9324%2C,incorporate%20measures%20towards%20investor%20protection.