



India International Exchange

**- Your best offshore platform to
invest into India**

Inauguration of India INX at GIFT IFSC – 9th Jan, 2017



Biggest liberalisation of Indian Capital markets in the making

2 key vision outlined by PM at the launch of India INX



*"My vision is that **in ten years from now, GIFT city should become the price setter for at least a few of the largest traded instruments in the world, whether in commodities, currencies, equities, interest rates or any other financial instrument**"*

"...Companies from Asia, Africa and Europe should be able to raise funds from this important International Finance Centre"

- P.M. Narendra Modi on 9th Jan, 2017 at inauguration of India INX

About GIFT IFSC

GIFT City Master Plan

- GIFT City Total Area – 886 acres
- Domestic Tariff Area – 625 acres
- Special Economic Zone – 261 acres
- Processing Zone includes – IFSC and other Multi Speciality SEZ services



Services available -

- Multi-speciality Special Economic Zone
- Smart city with state of the art infrastructure, utility services
- Entities at IFSC are offshore entities
- Financial services on offer viz. -
 - Fund raising in foreign currency
 - Asset and wealth management
 - Broking operations
 - Global tax management, cross-border tax liability optimization
 - Corporate treasury operations
 - Risk management
 - M&A among MNCs
- Dispute resolution through International Arbitration Centre in IFSC



Why GIFT IFSC? Tax benefits at par with global IFSCs

Tax benefits for all

- **NO** Security Transaction Tax (STT)
- **NO** Commodity Transaction Tax (CTT)
- **NO** GST on dollar denominated services procured or offered internationally
- **NO** Capital Gains Tax across Derivatives, Bonds, DRs for non-residents

Additional Tax benefits for IFSC units

All of the above tax benefits plus the following additional benefits -

- **NO** Dividend Distribution Tax (DDT)
- **NO** Stamp duty
- **9%** Minimum Alternate Tax (MAT)
- **9%** Alternate Minimum Tax (AMT) for non-corporates
- **10 year – graded Income Tax Holiday**
- **Capital subsidy upto INR 10 million** of IT capex (one time)
- **Employment generation incentive through EPF contribution** for 5 years¹
- **Lease rental subsidy** subject to no. of employees² for 5 years
- **Incentive on power tariff and duty**³ for 5 years

1. 75% of eligible contribution by employer for male employees and 100% of eligible contribution by employer for female employees

2. INR 400 per employee per month upto 20 FTE and INR 250 per employee per month above 20 FTE

3. INR1 per unit of consumption billed per month and 100% subsidy of electricity duty

India INX: Universal exchange offering complete ecosystem

Listing and Trading

Primary Markets

Cash Equities / Fixed
income / DRs

Derivatives

Global Securities Market*

India INX derivatives market for Equity, Currency, IRD and Commodities

Post Trade

INDIA ICC
INDIA INTERNATIONAL CLEARING CORPORATION

clearstream
Deutsche Börse Group

Information Services

Bloomberg

cogencis

Asia Index Pvt. Ltd.
(JV between BSE and S&P)

Technology – hosting and connectivity

EX e u r e x

T7 Trading

**MARKETPLACE
TECHNOLOGIES**

PERPETUUITI™
Think Continuity - Think Perpetuity

WebSphere®

MQ

**TATA
COMMUNICATIONS**

**OTC platform to
report trades**

* Currently, primary market and secondary trading available for debt instruments

India INX value proposition

1 Balanced Portfolio	<ul style="list-style-type: none">• Derivatives across assets class – equity, equity indexes, commodity and currency• Long only – debt in multiple currencies; GDR and foreign equity in pipeline
2 Growing Liquidity	<ul style="list-style-type: none">• Non-stop access 22 hours a day – ability to react to any change real time• USD170+Bn total turnover till date; USD1.7+ Bn highest daily trading turnover• USD39 Bn of MTN established; USD12+ Bn of listed bonds
3 Competitive cost	<ul style="list-style-type: none">• No currency risk - transact and settle in USD• Capital efficiency - Single segment across asset class• Wide choice of collateral - Foreign securities, BGs, FDs, cash, G-Sec, etc.• Higher position limit with single market access
4 Easy to on board diverse participants	<ul style="list-style-type: none">• Any Indian or foreign entity with IFSC subsidiary can become member• Trade omnibus - Foreign participants trade with Segregated Nominee Accounts• Grandfathering of all registered FPIs – trade directly in equity and commodity• Eligible Foreign Investors (EFI) can trade as client with KYC by TM• Funds at IFSC can invest in India through FPI, FVCI or FDI route
5 Financial Safeguards	<ul style="list-style-type: none">• Twice daily MTM – derivatives cash settled; securities settled through ICSDs• Settlement guarantee by India ICC as counterparty to each derivative trade
6 Reliability and Technology	<ul style="list-style-type: none">• 22 hours non-stop fair and equal access - Colocation, Direct Market Access• World's fastest exchange with median response time of 4 microseconds• Real time price and transaction data feed

1 Balanced product portfolio and a stronger pipeline

	Portfolio composition
Products Available	Equity Index Derivatives (F&O) : S&P BSE Sensex, India50
	Commodity Derivatives (Futures): Gold, Silver, Copper, Gold KG, Brent Crude
	Global Single Stock (Futures) : Apple INC, Facebook INC ,Microsoft, Google, J.P Morgan
	Currency Derivatives (F&O) : EURUSD, GBPUSD, JPYUSD
	Indian Single Stocks (F&O) : 107 Single Stock Futures
	Debt Securities Masala bonds Foreign currency denominated bonds
Products in pipeline	Currency Derivatives (Futures) – INRUSD Commodity Derivatives (Futures): Natural Gas, Gold Quanto, Silver Quanto, Copper Quanto, Brent Crude Oil Quanto Depository Receipt (DRs) Foreign Equity

Listed Bond Universe



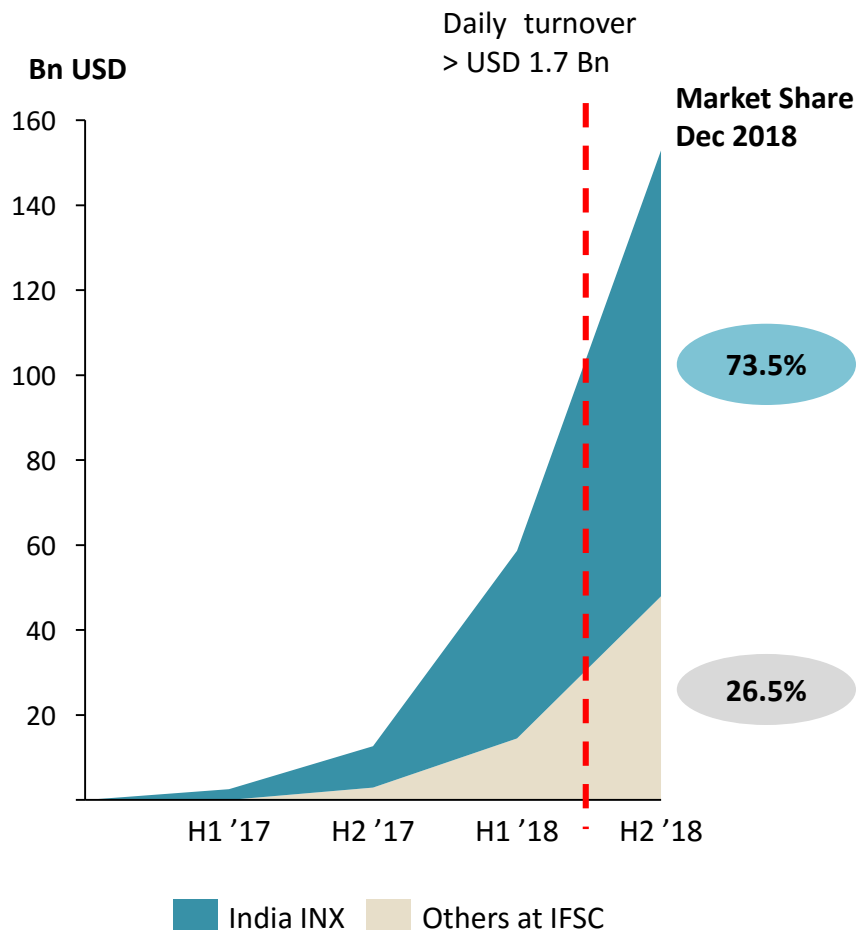
State Bank of India

Comparative view of India INX vs SGX : India Index contracts

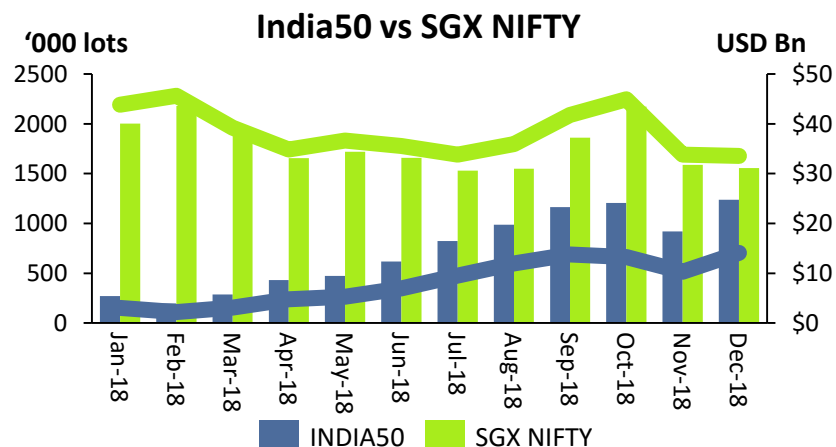
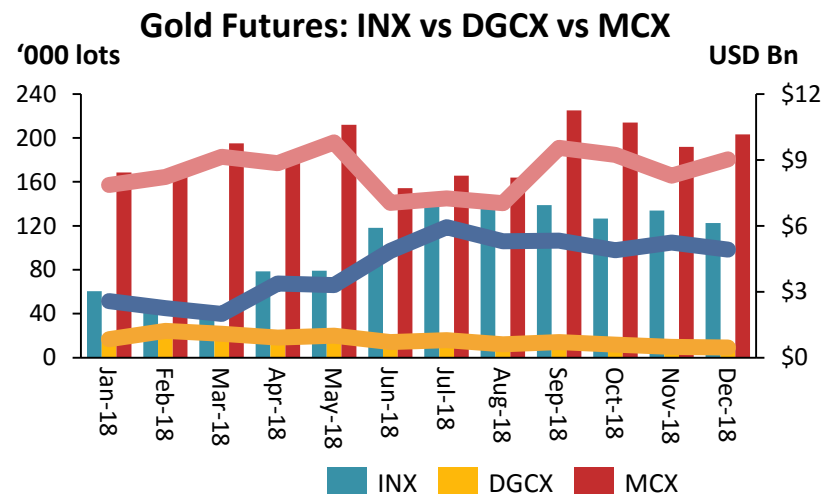
	INDIA 50	SGX NIFTY
Symbol	INDIA50	IN
Underlying	India 50 INDEX	NIFTY 50 INDEX
Trading Hours	22 hours	18:15 hours
Quotation	USD	USD
Contract Months	3-month trading cycle	2 serial & 4 quarterly months
Contract value	US\$1 x Futures price (e.g. 11,000 x 1 = US \$ 11,000)	US\$2 x Futures price (e.g. 10,500 x 2 = US \$ 21,000)
Settlement	Cash settled (USD)	Cash settled (USD)
Position limits	Gross Open Position: Trading Members: 5 million lots Clients: 3 million lots	25,000 lots (net)
Price bands	Similar	Similar
Margin on May 17, 2018	3.50% (IM+EM)	3.82% (IM)

2 Growing liquidity – leadership at IFSC

Increasing Trading Turnover...



...Growing liquidity across asset class



3 Transaction cost at INX most competitive vs other IFCs

Transaction Cost – India INX vs global exchanges

Products	India INX **	DGCX	SGX	Domestic Exchanges in India
Currency Derivative Contract	NIL	0.96	1.4 – 2.0	0.03
Commodity Derivative Contract	NIL	0.96	2.0 – 2.4	8.48
Equity Derivative Contract	NIL	0.51	NA	1.77

Transaction cost per contract (round off) in US Dollar

** Promotional offer since inception. Even when charged, charges would be competitive

4 Ease of onboarding diverse participants (1/2)

Type of Foreign entity	Definition	Trading Member	Clearing Member	Provider for Nominee account	Client of Broker	Client of Provider	Other intermediary services (non-broking)
SEBI registered FPIs	FPI - Cat I, II, Cat III (non-individual)	Yes (with IFSC subsidiary)	Yes (with IFSC subsidiary)	Yes (FPI Cat I & II)	Yes	Yes	NA
Global funds with presence in IFSC - AIFs	Established or incorporated in IFSC as trust, company, LLP, body corporate	NA	NA	NA	Yes	Yes	Investment Advisor, Portfolio Manager, Invest in other AIFs in IFSC
Foreign Bank Branch	<ul style="list-style-type: none"> • Already present in India • Set up as IFSC Banking Unit 	Yes	Yes	Yes (If TM at IFSC)	Yes	Yes	Banker to an issue, Underwriter, Custodian

4 Ease of onboarding diverse participants (2/2)

Type of Foreign entity	Definition	Trading Member	Clearing Member	Provider for Nominee account	Client of Broker	Client of Provider	Other intermediary services (non-broking)
Eligible Foreign Investors	Non-individual foreign participants not registered as FPIs with SEBI	Yes (with IFSC setup)	Yes (with IFSC setup)	Yes (if TM/CM)	Yes	Yes	NA
Broking / Clearing Members of global exchanges/ CCP	TM or CM with international exchanges from FATF jurisdiction	Yes (with IFSC setup)	Yes (with IFSC setup)	Yes	Yes	Yes	NA
Global Custodian	Global custodians without Associate in India	NA	Yes (with IFSC setup)	NA	NA	NA	Custody services (with IFSC setup or in tie up with local custodian)
International Associates of SEBI registered non-broking / non-clearing intermediary	Associate ¹ as defined in SEBI (Intermediaries) Regulations, 2008	NA	NA	NA	NA	NA	Merchant Banker, Underwriter, Investment advisor, Portfolio Manager, Custodian

6 Fair and equal access for Direct Market Access to participants

Option 1: Colocation set up

- Tier 3 equivalent datacenter
- Fair and Equal access by usage of same length cables
- Access to full order book multicast
- Fastest technology platforms with a turn-around time of 4 micro seconds
- Approximately 8 micro second Network TCP latency
- Precision Time Protocol (PTP)
- Round the clock support
- Telco redundancy
- INDIAINX DR site connectivity

Option 2: Leased line connectivity

- Apply through <https://iiefs.indiainx.com>
- List of Independent Software Vendors
<http://www.indiainx.com/static/softwarevendors.aspx>

4 types of membership are available -

Trading Member (TM)	<ul style="list-style-type: none">• Member can execute trades on his own account as well as on account of his clients• Cannot clear and settle on their own
Trading Cum Self Clearing Member (TSM)	<ul style="list-style-type: none">• Member can execute trades• Member can clear and settle the trades executed on his own account as well as on account of his clients.
Trading Cum Clearing Member (TCM)	<ul style="list-style-type: none">• Member can execute trades on his own account as well as on account of his clients• Member can clear and settle trades executed by themselves as well as by other trading members who choose to use clearing services of the member.
Professional Clearing Member (PCM)	<ul style="list-style-type: none">• Member can only clear and settle trades of such members of the Exchange who choose to clear and settle their trades through this member• Member cannot trade

Process to onboard foreign participants as clients of TM

Process for FPI clients

- 1 KYC application form to be submitted by FPI to Trading Member (TM)
- 2 Trading Member verified FPI from KRA and enrolls client
- 3 FPI may request for co-location setup to TM or Leased Line to TM who subsequently requests India INX for approval (*optional*)
- 4 FPI Transfers money to TM or CM to start trading

Process for non-FPI foreign clients

- 1 KYC application form to be submitted by applicant to Trading Member (TM)
* Applicant may choose multiple TMs and 1 CM
- 2 Trading Member verifies records of applicant
- 3 Applicant applies for Permanent Account Number (PAN)
- 4 TM enrolls client subject to verification
- 5 Client Transfers money to TM or CM to start trading

How to become a Segregated Nominee Account Provider?

Who is eligible to be a Provider...

Eligibility

- **Entity type**
 - SEBI-registered brokers in IFSC,
 - SEBI registered FPIs (Category I and II), and
 - Trading / Clearing members of international stock exchanges / clearing corporations that are regulated by a member of Financial Action Task Force (FATF)
- Minimum net worth - **USD 5 million**

Other Requirements

- Obtain information relating to end-clients as and when sought by Exchange or SEBI

... Steps to register as Provider

3 step registration process:

1. Apply to India INX with net-worth certificate and SEBI registration details
2. India INX conducts due diligence of proposed Provider's details
3. India INX issues a Provider Code (PCODE) to applicant
4. Select TMs to open account (optional)

Leading offshore exchange in India's IFSC

- 👉 Liquid and deep market operational for 22 hours with 80% market share
- 👉 No tax friction - no transaction tax, no capital gains tax, no GST, income tax holiday for IFSC units
- 👉 Most cost competitive exchange globally
- 👉 Balanced and diversified portfolio
- 👉 State of the art technology - world's fastest exchange with 4 ms speed
- 👉 Strong governance and risk management aligned with PFMI
- 👉 Trade through nominee account structure or be a provider of nominee account
- 👉 Easy to onboard, ease of operations
- 👉 Tie up with ICSDs - use international securities as collateral, settle through ICSDs
- 👉 Best in class primary market for debt - Global Securities Market

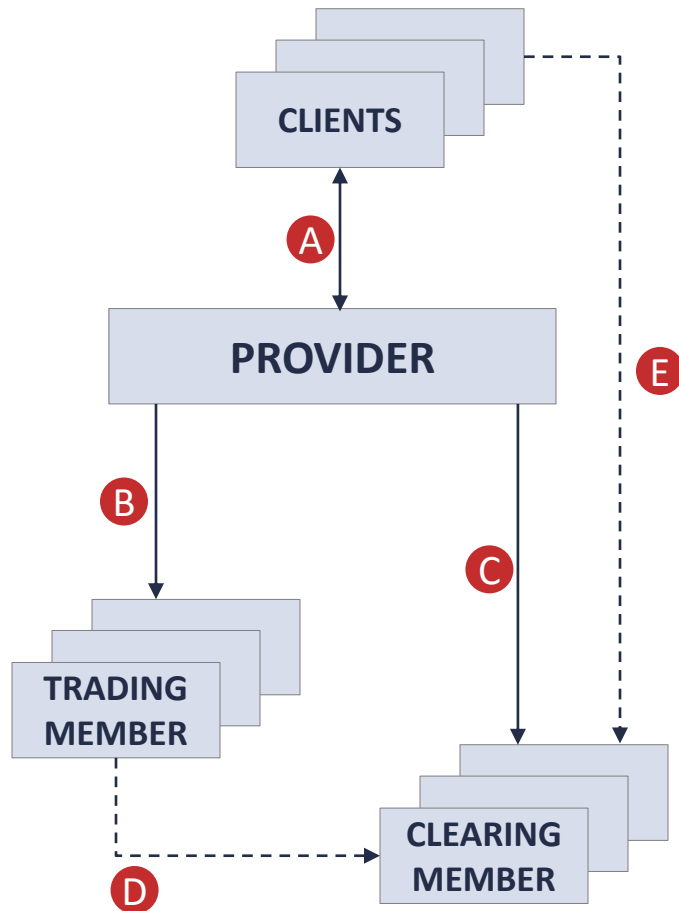


Thank You

For more details please visit <http://www.indiainx.com>

How does Segregated Nominee Account Structure work?

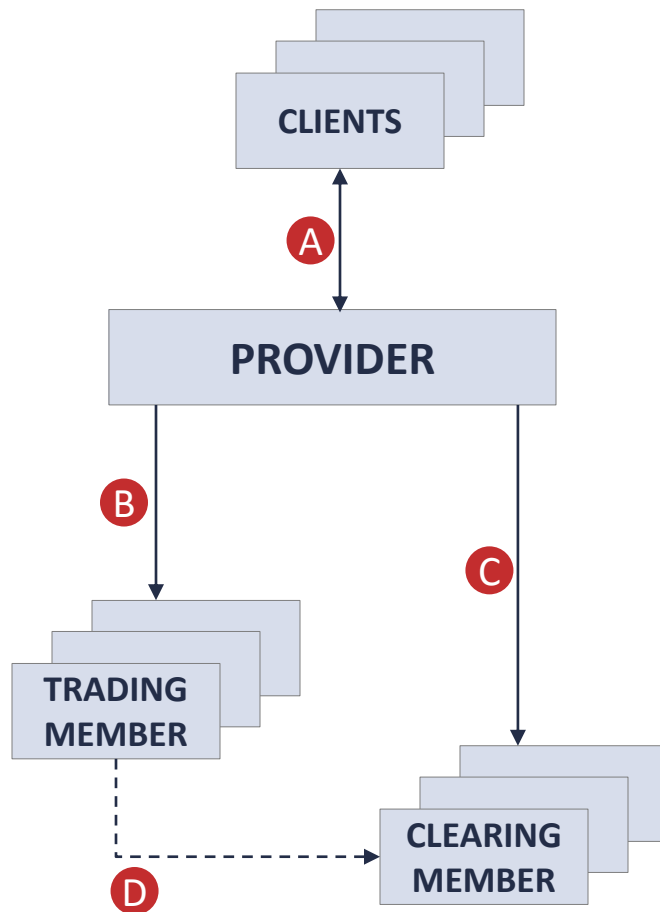
SNAS Archetype



How SNAS works?

- A** • Provider on-boards end-clients to trade on India INX
- A** • Each client can register with only one Provider
- Provider can offer Margin Funding to clients
- Details of end-client available only with Provider
- B** • Provider can choose multiple TMs for trade execution
- C** • Provider can choose multiple CMs for clearing of trades
- D** • Trades executed by TM are cleared and settled by the designated CM of client of a Provider after *give-up* by the default CM of TM
- E** • Each Client's trades are cleared and settled through only one CM ("Designated CM")

SNAS Archetype



Trading, Clearing and Settlement

- A** • Clients can execute transactions through:
 - Provider (in case the Provider is a TM), or
 - Any TM with whom Provider has a Member-Client relationship
- B** • Provider's TM places order on behalf of end-Client using the CLCODE as the Unique Client Code
- Margins computed at the end-client level of 'Provider' and grossed up
- C** • Margin reporting shall be at the level of the 'Provider'
- Margin to be held by the Clearing Member
- Trades are Cleared through the *Designated* CM after *give-up* by *default* CM of TM and confirmation by the Designated CM
- D** • Unconfirmed trades form part of default CM's obligations

Who is eligible to be a Client...

Eligibility

- **Entity type**
 - FPIs
 - EFIs
- Client is eligible as per due diligence done by Provider following global KYC and AML compliance standards

Other Requirements:

- Adherence to Prevention of Money Laundering Act, 2002 (PMLA) including KYC by Client

... Steps to onboard a client

Provider can onboard a client in 3 steps:

1. Provider conducts AML / KYC checks on client
2. Apply to India ICC with application to onboard client providing client details and CM undertaking
3. India ICC issues CLCODE to Client through Provider and informs assigned CM
4. Provide copy of agreement with Client on margin funding, if requested by Exchange, CCP or SEBI