

## ERGO

*Analysing developments impacting business*

### WELCOMING SOVEREIGN WEALTH FUNDS TO GIFT CITY WITH OPEN ARMS

13 March 2024

As part of the strong push to promote GIFT City as a global financial hub and to remove all stops for sovereign wealth funds to set up shop there, the International Financial Services Centres Authority (IFSCA), vide circular dated 1 March 2023 (2023 Circular), provided certain relaxations to sovereign wealth funds (SWFs) seeking registration as a fund management entity in GIFT City under the IFSCA (Fund Management Entity) Regulations, 2022 (FM Regulations).

Citing the interest of States being represented by SWFs, IFSCA did away with the restriction on fund management entities, that are SWFs, from investing not more than 10% in Venture Capital Schemes and Restricted Schemes launched by it. Further, Venture Capital Schemes and Restricted Schemes akin to Category I and Category II Alternative Investment Funds (AIFs), being launched by SWFs, have been provided the flexibility to be open-ended as well, which in other cases is required to be close ended. With respect to open ended Restricted Schemes launched by SWFs, the 2023 Circular offered multiple breaks including removing the restriction on not investing more than 25% of its corpus in in unlisted companies and relaxation on computation and disclosure of NAV to investors from monthly to half-yearly basis. Lastly, the 2023 Circular brought open-ended Restricted Schemes launched by SWFs at par with close-ended Restricted Schemes with respect to investments in physical assets, permitting such open-ended Restricted Schemes to invest up to 20% (twenty percent) of its corpus in real estate, bullion, art, etc.

Adding to the 2023 Circular, IFSCA has, vide circular dated 11 March 2024 (2024 Circular), offered further breathing space to SWFs. The 2024 Circular has exempted open-ended Restricted Schemes and all other schemes with AUM north of USD 70 million, launched by SWFs, from appointment of an independent custodian. Further, owing to the 2024 Circular, SWFs will now have the benefit of utilizing a common office space for the fund management entity as well as trustee of schemes launched by it in the form of trust, provided that such trustee does not offer services to any third party.

#### **Comments**

The Government has been preparing the stage for setting up of for SWFs in GIFT City, which would further corroborate GIFT City's potential and global comfort with it as an investment jurisdiction.

The 2024 Circular may be a prelude to the in-principle approval granted last week to Abu Dhabi International Authority (ADIA), the largest sovereign wealth fund in the United Arab Emirates, for setting up the first SWF in GIFT City. ADIA's intention of entering GIFT City was first announced in July last year.

Setting up of SWFs in GIFT City will not only boost the credibility of GIFT City globally but will also be the harbinger of big ticket investors routing India as well as outbound investments through India's first IFSC.

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