

Chapter 7

Structuring International Financial Centre: A Comparative Study Between Singapore, Dubai, and India (GIFT)

Nitin Shankar
Amity University, India

Anil Dubey
Amity University, India

ABSTRACT

This chapter tries to analyse an overall perspective of the financial developments of Singapore (an established IFSC), Dubai (a new IFSC), and Gujarat (an upcoming IFSC) international financial centres. The structure of this chapter is as follows. Section 1 includes an introduction and literature review followed by Section 2, which will provide the background information on the centres with the focus on developments. An introduction to the current CPMI (clearing and payment infrastructure) for Singapore, Dubai, and India is presented in Section 3. Section 4 gives an insight of the heart of any international financial trade centre (i.e., its tax and regulatory environment), which makes corporations look beyond their shores. Section 5 concludes this chapter with probable recommendations proposed by various commissioned studies.

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INTRODUCTION

‘Make in India’ could be the master stroke which can propel India to the next level in terms of capability expansion in walk of life be it finance, healthcare, manufacturing, retail, hospitality, education, agriculture, logistics etc. However to ensure that we are able to take 360 degree advantage of this program every sector needs to be geared up.

India has never been able to position itself as global or regional financial service provider in spite of the availability of the major ingredients. Be it the technological capability, skilled human resource, great hinterland advantage etc, still Singapore, Japan, Australia, Dubai and China are well ahead of us.

Government of India do realise the importance of a establishing India as an International Financial service centre and formed a high powered committee ‘Percy Mistry Committee’. The committee submitted its report more than half a decade ago and IFSC was conceptualised in Mumbai though it lead to establishment of GIFT (Gujarat International Financial Trade Centre). Though the GIFT is not yet fully operational as envisaged still it has fast tracked the regulatory process enquired for creating a conducive atmosphere necessary for the functioning of any IFSC.

As we are skilling our work force under ‘skill India’ programs to meet the requirement of employable human resource once the corporations which have come since the inception of ‘Make in India’ initiative start operating, On the same lines Indian financial firms should sharpen their skill sets so as to have the lion share of the opportunity.

Even today Indian banks are operating out of various foreign sophisticated markets like Singapore, Dubai etc. possessing quality infrastructure to deliver quality services to their clients.

The revenue generation opportunity in terms of FOREX trading, exchange transaction fees, transfer pricing, Fund raising activities etc. Which Indian financial firms stand to earn due to amount of money pledged under the ‘Make in India’ program and the subsequent movement of funds between headquarters and branches. We try to understand what an IFSC is, what are its ingredients. We will further compare the nearby emerging and developed financial markets. We will also look at the steps required to establish India as Regional Financial Centre before becoming a true Global International Financial Service centre (IFSC); which is critical to capitalize on this opportunity.

This paper tries to analyse an overall perspective of the financial developments of Singapore (an established IFSC), Dubai (a new IFSC) and Gujarat (a upcoming IFSC) international financial centres. The structure of this paper is as follows. Section one includes an introduction and literature review followed by section two which will provide the background information on the centres, with the focus on developments. An introduction to the current CPMI (clearing and payment

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