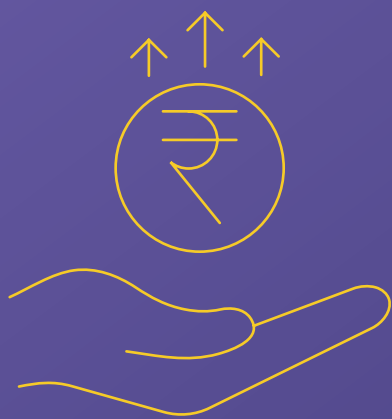




INDIA'S FINANCIAL FRONTIER: WHAT GIFT CITY MEANS FOR THE RETAIL INVESTOR

India accounts for roughly 4-5% of global market capitalization. An investor whose entire portfolio is domestic is, by definition, underexposed to 95% of global opportunity. For years, the Indian retail investor trying to own a piece of Apple or the S&P ran into the same wall. The simplest route, i.e., investing in international mutual funds, has a regulatory block that restricts fresh inflows into many schemes due to strict limits on overseas investments imposed by the Securities and Exchange Board of India (SEBI) and the Reserve Bank of India (RBI).

A solution has been taking shape since 2020, when the International Financial Services Centre Authority (IFSCA) was formally established, giving GIFT City - Gujarat International Finance Tec-City - a unified regulatory framework and the infrastructure to function as a genuine international financial hub.

Long associated with institutional players, global banks, and high-net-worth investors, GIFT City is now opening its doors meaningfully to retail participants. The core attraction for retail investors comes down to three things GIFT City offers: accessibility, products, and taxes.

BY SHIVANI CHOPRA, CFA
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Accessibility

An IFSC-domiciled mutual fund can deploy capital internationally without being subject to the \$ 1 billion per AMC limit or the \$ 7 billion aggregate industry limit. Resident Indians must use the Reserve Bank of India's Liberalized Remittance Scheme (LRS), which caps outward remittances at \$ 250,000 per person per financial year.

Getting acquainted with the LRS process first and know-how of opening accounts to buy IFSC mutual funds is strongly recommended.

Outbound funds give resident Indians access to global markets through regulated Indian fund management entities in GIFT City. Before this, the only equivalent was domestic international fund-of-funds, and those ran into the industry-wide RBI cap.

GIFT City outbound funds are not subject to the same constraints, which is why they have attracted attention from both fund houses and investors who have been shut out of domestic international schemes recently.



Products

This is where things have shifted most meaningfully for retail investors. Until recently, GIFT City was primarily the domain of Alternative Investment Funds and Portfolio Management Services, both of which carry minimum investments that place them firmly in HNI territory. That threshold remains, but a parallel set of retail-accessible structures is now available alongside it.

The retail entry point, with funds having a minimum ticket size of \$ 5,000 (and additional \$ 500 top-ups), puts systematic investing within reach for a broader set of investors than was possible a year ago. Here is what the landscape looks like today for retail investors

* GIFT City Outbound Retail Funds: Accessible to resident Indians via LRS; minimum investment - \$ 5,000			
AMC Name	Asset Class	Scheme Name	Underlying Rationale
DSP Mutual Fund	Equity	DSP Global Equity Fund	Active exposure to global equities across US, Europe, Japan, and China
PPFAS Mutual Fund	Equity	PPFAS Nasdaq 100 Fund	Tracks tech-heavy US index via UCITS/ETFs
PPFAS Mutual Fund	Equity	PPFAS S&P 500 Fund	Diversified US large- cap exposure via UCITS/ETFs
Edelweiss MF	Equity	Edelweiss Greater China Fund	Targeted exposure to China, Taiwan, and Hong Kong equities

(Subsequent top-ups for DSP and PPFAS funds are available from \$ 500)



How should investors choose the right international mutual funds

Before investing in international mutual funds, investors should evaluate a few key factors:

- Their overall risk appetite, personal financial goals and investment time horizon
- The credibility and long-term performance record of the fund house
- The geography, sector, or theme the fund focuses on
- Costs involved, including expense ratios and any underlying fund fees
- Most importantly, how the international allocation complements and diversifies the existing portfolio



What is the ideal investment horizon for international mutual funds

Since international mutual funds are largely equity-oriented, investors should ideally have a long-term perspective. Staying invested for at least 5 years or more allows them to benefit from global economic growth cycles, and the diversification advantages these funds can provide.



Taxation

On the tax front, the IFSC framework is structured differently from domestic investing. GIFT City funds pay tax at the fund level, not the investor level.

For holdings beyond two years, the long-term capital gains rate with surcharge and cess comes to 14.95%. Positions sold within two years are taxed at up to 42.7% (maximum marginal rate). This steep rate is why fund managers at GIFT City tend to minimise turnover in the first two years. Securities Transaction Tax, Commodities Transaction Tax, and stamp duty don't apply to IFSC exchange transactions.

Investors can consult a Chartered Accountant or financial advisor for a personalized view and understanding of tax treatment especially with respect to Schedule FA (foreign assets) reporting and other matters such as TCS.



What are the caveats

The opportunity is genuine, but so are the constraints. Retail investors should weigh both sides carefully before investing.

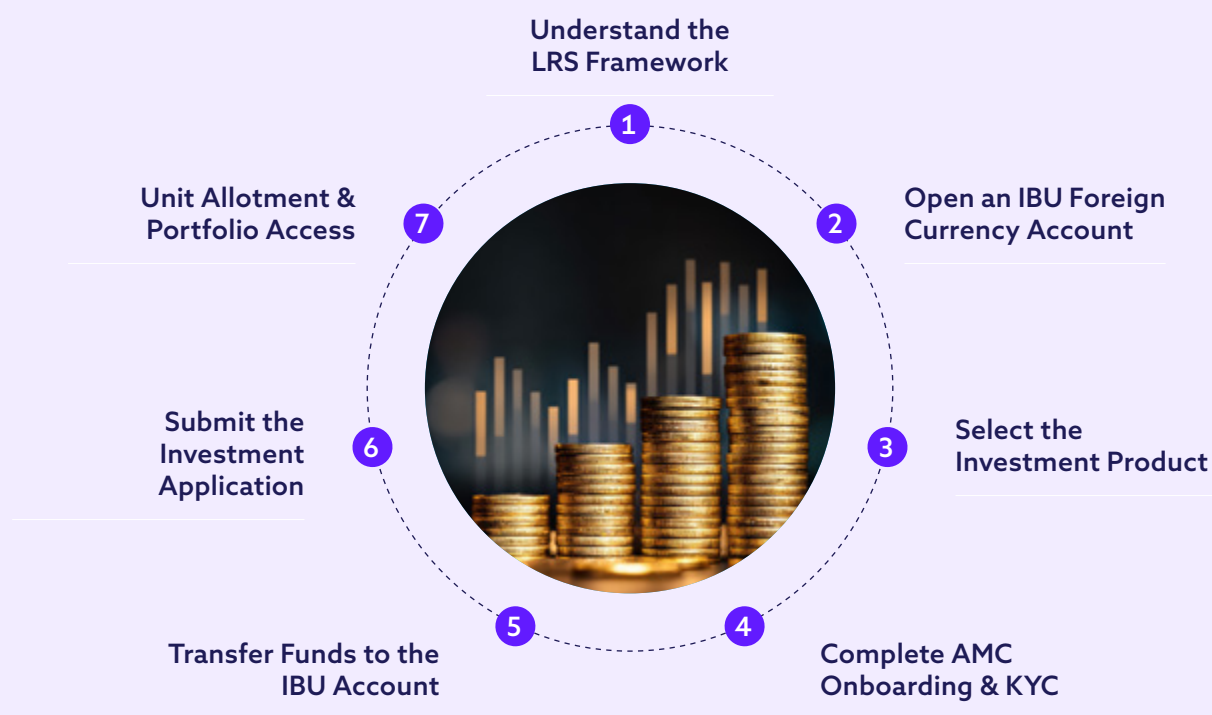
For instance, the LRS ceiling of \$ 250,000 per financial year per individual applies to all overseas uses, including travel, education, and investments combined. For residents, this is a shared pool, not an exclusive investment budget.

The onboarding experience and online account accessibility for IFSC mutual funds are improving gradually, but the process is still not completely seamless. A key challenge remains the absence of a unified transaction platform similar to domestic ecosystems such as BSE Star or NSE MF, which currently make investing in domestic mutual funds far more streamlined and convenient.

The ecosystem may be at a nascent stage, but the value of GIFT City should be best understood as a structured, regulated, India-anchored route to global diversification that is, for the first time, becoming accessible below the HNI threshold.



Quick Steps to Invest in IFSC GIFT City Mutual Funds



1. Understand the LRS Framework

Familiarize yourself with the Liberalized Remittance Scheme (LRS), which allows Indian residents to remit funds overseas within prescribed limits for global investments.

2. Open an IBU Foreign Currency Account

Open a foreign currency account with an IFSC Banking Unit (IBU) located in GIFT City to facilitate investments in global products. Not all AMCs require this.

3. Select the Investment Product

Evaluate and choose the appropriate IFSC-based mutual fund based on your risk profile and financial goals.

4. Complete AMC Onboarding & KYC

Register with the Asset Management Company (AMC) or empaneled advisor/distributor and complete KYC formalities

5. Transfer Funds to the IBU Account

Remit funds under LRS from your domestic bank account into the foreign currency account maintained with the IBU.

6. Submit the Investment Application

Place the transaction request with the AMC or distribution platform for the selected mutual fund scheme.

7. Unit Allotment & Portfolio Access

Once processed, units are allotted to the investor and can be tracked through the AMC or platform portal.

ABOUT SHIVANI CHOPRA



Shivani Chopra, CFA, is a finance professional with over 15 years of diverse experience across investment management, private equity, and academia.

She currently serves as a Vice President at Truemind Capital, a SEBI-registered, fee-only private wealth management firm known for its research-driven and client centric advisory approach. Over the course of her career, she has worked at the intersection of investments and financial strategy, bringing analytical depth and practical insight to high-net-worth client portfolios.

Shivani's academic foundation includes the CFA Charter (CFA Institute, USA), CFA (ICFAI), MA in Economics, and the CFVM certification from Wall Street Prep, USA. Shivani is deeply passionate about financial education and has served as visiting faculty at several leading B-schools across India, where she teaches courses in investments, valuation, and applied finance. She is also a long-standing and active volunteer with CFA Society India, currently serving as Co-Chair of the Public Awareness Committee (PAC).

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