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Direct Listing In GIFT IFSC: Comparative Insights, Regulatory Challenges, And The Road Ahead

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Abstract
The introduction of direct listing of Indian companies on exchanges at Gujarat International Finance Tec-City (GIFT IFSC) represents a transformative reform in India's capital market landscape. By enabling Indian firms to list equity shares directly in a global financial jurisdiction within India, this initiative promises to expand access to foreign capital, enhance valuations, and integrate India more deeply into international financial markets. This paper examines global best practices in cross-border listings, analyzes regulatory and operational challenges for India's direct listing framework, and compares the GIFT IFSC model with established jurisdictions such as Hong Kong, Singapore, and London. The paper argues that while the reform can position GIFT IFSC as a competitive international financial centre, success hinges on regulatory clarity, seamless depository connectivity, and active market development.
Keywords: *Direct Listing, GIFT IFSC, Cross-Border Capital Markets, Regulatory Framework, Depository Models, India*

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I. Introduction

Capital markets have historically played a foundational role in shaping the trajectory of national economies by enabling efficient allocation of capital, supporting corporate expansion, and providing investors with opportunities to build long-term wealth. For emerging economies like India, where demographic dividend and rapid digitalisation promise unprecedented growth, capital markets are not merely financial instruments but strategic enablers of development. Yet, despite the strength of its domestic exchanges, India has faced persistent limitations in integrating its corporates directly into global capital pools. Traditionally, Indian companies relied on the American Depository Receipts (ADR) and Global Depository Receipts (GDR) regimes, which, while path-breaking at the time of their introduction, have steadily declined in relevance due to structural inefficiencies, cost burdens, and waning global investor interest.

The Government of India's recent policy shift towards allowing direct listing of Indian companies at the International Financial Services Centre (IFSC) in GIFT City is therefore both a corrective and forward-looking reform. GIFT IFSC, situated in Gujarat and operationalised under the Special Economic Zones Act, 2005 and subsequently the International Financial Services Centres Authority Act, 2019, represents a confluence of progressive regulatory architecture, and strategic intent to project India as a global financial hub. Unlike earlier offshore attempts, such as ADR/GDR listings that required regulatory dependence on foreign jurisdictions, the GIFT IFSC framework seeks to retain jurisdictional oversight within India while still offering corporates the breadth of global capital markets.

The significance of this reform cannot be overstated. For policymakers, direct listing at GIFT IFSC is not only about unlocking alternative sources of foreign capital but also about positioning India within the competitive hierarchy of global financial centres like Singapore, Hong Kong, and Dubai. For corporates, it offers the possibility of improved valuations, diversified investor bases, and enhanced visibility among global asset managers and sovereign funds. For the Indian economy, it reflects a calibrated effort to strengthen financial sector depth, attract foreign exchange inflows, and reinforce India's ambition of becoming a developed economy by 2047. This paper therefore examines the comparative insights, regulatory challenges, and future pathways that define this critical reform.

Objectives

This paper aims to:

1. Evaluate the rationale and significance of direct listing in GIFT IFSC.
2. Conduct a comparative analysis of global cross-border listing frameworks.
3. Identify regulatory and operational challenges specific to India.
4. Propose strategies to strengthen GIFT IFSC as a global hub for direct listings.

II. Methodology

The research follows a qualitative and comparative approach:

Primary Sources: Government of India and IFSCA reports, notably the Working Group Report on Direct Listing of Listed Indian Companies on IFSC Exchanges (2023).

Secondary Sources: Academic studies, global financial centre literature, regulatory frameworks from jurisdictions such as Hong Kong, Singapore, UK, and Canada.

Comparative Framework: Benchmarks global models of dual listing, depository connectivity, and nominee structures against the Indian proposal.

Comparative Analysis of Global Cross-Border Listing Practices

Global experience demonstrates that there is no single template for enabling companies to access international capital; instead, jurisdictions have evolved different mechanisms suited to their institutional strengths and investor ecosystems. The United States and Canada, for instance, operate one of the most integrated models of cross-border capital market connectivity. Through the DTC–CDS depository link, Canadian and American companies can achieve dual listings with the same class of shares trading seamlessly across both markets. This arrangement, backed by highly automated reconciliation systems, has facilitated deep liquidity and investor participation across borders (IFSCA, 2023). The lesson for GIFT IFSC is clear: robust depository infrastructure and technological integration are foundational to ensure efficiency and investor confidence.

In Asia, the Hong Kong–China A–H share model provides a contrasting but equally successful example. Chinese corporates issue ‘A’ shares in renminbi on the Shanghai or Shenzhen exchanges and ‘H’ shares in Hong Kong denominated in Hong Kong dollars. This dual-class system has not only provided Chinese companies with access to global pools of capital but also allowed foreign investors exposure to Chinese corporates without directly entering the mainland market. As of 2023, over 280 companies were dually listed in this manner, accounting for nearly 40% of Hong Kong’s total market capitalization (HKEX, 2023). For India, this demonstrates how differentiated share structures and currency segmentation can balance domestic control with global integration.

The European Union’s passporting regime, embodied by Euronext, illustrates another pathway: harmonisation of regulatory approvals. Once a prospectus is approved in one EU jurisdiction, it is automatically valid across other member states, significantly reducing compliance burdens for issuers. Moreover, Euronext’s “fast path” admission mechanism allows US-listed companies to secure a European listing within weeks, providing rapid market access (Euronext, 2022). This highlights the importance of regulatory cooperation and mutual recognition, areas where SEBI and IFSCA must establish strong Memorandums of Understanding to enable smooth direct listing at GIFT IFSC.

Similarly, Australia and New Zealand have pioneered the “foreign exempt regime,” whereby companies listed on one jurisdiction’s exchange can obtain a secondary listing in the other with minimal incremental compliance. By recognising each other’s regulatory standards, both markets have facilitated corporate mobility and reduced costs for issuers. This underscores the value of regulatory trust and mutual alignment, something India could explore through bilateral agreements with other emerging international financial centres.

Against this backdrop, the proposed models for GIFT IFSC—the Direct Depository Connect and the Nominee Account Structure—reflect a hybrid approach. The first seeks to replicate the US–Canada efficiency by establishing a direct link between Indian and IFSC depositories, while the second aligns with international practices by allowing nominee accounts through international central securities depositories such as Euroclear and Clearstream. Both models have the potential to create an investor-friendly environment that balances India’s regulatory priorities with global market expectations (IFSCA, 2023). However, success will depend on how effectively India implements these mechanisms with clear tax treatment, liquidity creation measures, and internationally benchmarked disclosure standards

- US–Canada: Highly automated depository link; billions in cross-border daily settlement volumes.
- Hong Kong–China: 280+ A–H dually listed companies, ~40% of HKEX market cap.
- EU/Euronext: Market cap €6.6 trillion; “fast path” used by major US tech companies.
- Aus–NZ: 50+ cross-listed companies under exempt regime.
- India/GIFT IFSC: Direct listing framework announced in 2023; expected to open ~$2–5 billion annual inflow potential (MoF, 2023).

The Role of Global Capital in National Economic Growth

Global capital inflows, facilitated through international listings, are critical drivers of economic transformation:
Lower Cost of Capital: Access to diversified foreign investors reduces reliance on domestic savings and lowers financing costs for corporates.

Broader Investor Base: Expands participation from institutional investors, sovereign funds, and global asset managers who otherwise face jurisdictional restrictions.
Wealth Creation & Valuation Gains: Firms often achieve higher valuations when listed internationally, benefiting domestic shareholders and employees.
Market Development: Enhances liquidity, trading volumes, and sophistication of domestic capital markets through benchmarking against global peers.
Spillover to Real Economy: Increased foreign capital supports job creation, infrastructure investment, and innovation, boosting GDP growth.
Foreign Exchange Reserves & Stability: International investment inflows strengthen a nation's external account, reducing vulnerability to shocks.

In India's context, direct listing via GIFT IFSC can serve as a strategic channel to attract sustainable foreign capital while retaining jurisdictional oversight within the country, aligning with the national vision of becoming a developed economy by 2047.

Regulatory and Operational Challenges

1. Regulatory Harmonization – Coordination between SEBI and IFSCA is crucial to avoid duplicative compliance.
2. Minimum Public Shareholding – Whether to calculate separately for Indian and IFSC listings remains debated.
3. Depository Framework – India's segregated account system differs from global nominee models, requiring legal amendments.
4. Taxation – Uncertainty over capital gains, withholding tax, and applicability of Section 56 of the IT Act may deter investors.
5. Market Development – Liquidity creation via mutual funds, FPIs, and market makers will be essential.
6. Corporate Actions – Synchronizing dividends, buybacks, and disclosures across jurisdictions is operationally complex.

The Road Ahead for GIFT IFSC

For direct listing to succeed, several enablers must be prioritized:
Regulatory MoUs: Bilateral cooperation agreements between SEBI and IFSCA for surveillance and enforcement.
Tax Incentives: Clear, globally competitive tax framework to attract foreign investors.
Market Liquidity: Allowing Indian mutual funds, FPIs, and NRIs to participate with dedicated limits.
Technology Infrastructure: Real-time depository connectivity and reconciliation systems.
Global Branding: Positioning GIFT IFSC as India's international capital gateway through roadshows and strategic outreach.

III. Conclusion

The introduction of direct listing at GIFT IFSC represents far more than a procedural capital markets reform; it is a statement of India's evolving financial diplomacy and economic ambition. At its core, the reform recognises that in a globalised world, capital does not respect borders, and companies seeking to scale internationally must be able to access diverse pools of investors seamlessly. By situating this opportunity within GIFT IFSC, India has effectively created a platform that blends the jurisdictional safeguards of domestic regulation with the opportunities inherent in global markets.

Yet, the path ahead is not without complexity. Regulatory harmonisation between SEBI and IFSCA, legal reforms to align depository frameworks, and clarity on taxation will determine the actual usability of the system. Just as importantly, liquidity creation—through active participation of mutual funds, foreign portfolio investors, and market makers—will be critical to ensuring that GIFT IFSC listings are not symbolic, but vibrant and value-accretive. Lessons from Hong Kong's dual-class A–H model and the US–Canada depository connect highlight that infrastructure, credibility, and liquidity must converge for cross-border listings to succeed. India must therefore invest not only in regulatory design but also in the softer aspects of market development, talent capacity, and brand positioning of GIFT IFSC.

Looking ahead, the success of this initiative will be measured by whether India can use direct listing to attract marquee corporates, global investors, and eventually establish itself as a reliable alternative to other Asian financial centres. If implemented with vision and precision, GIFT IFSC could emerge as the fulcrum of India's global financial integration, enabling capital flows that fund innovation, infrastructure, and inclusive growth. In doing so, India would not just be opening its capital markets but also reinforcing its position as a thought leader in reimagining the role of international financial centres for emerging economies.

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