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IFSCA Chairman promises clarity on family office structures for resident HNIs in 2-3 months

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GIFT City Regulator IFSCA in talks with RBI to streamline path to prosperity for ultra HNIs

BY KR SRIVATS

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K Rajaraman, Chairman, IFSCA

GIFT City Regulator IFSCA is currently engaged with the Reserve Bank of India (RBI) for a clear Family Office framework at GIFT City and is hopeful of arriving at desired clarity in next 2-3 months, its Chairperson K Rajaraman has said.

Several resident corporate honchos and ultra HNIs from India are keen to set up Family Offices in the GIFT City (international financial services centre), but concerns remain within the RBI on encouraging such structures on certain aspects where monies of resident Indians were to be deployed for setting up such vehicles.

“We are working with the regulator (RBI). Next 2-3 months, clarity on how structures will work will be out,” Rajaraman said here on Wednesday.

If Indian families have a wealth fund in Singapore or family office in London, for moving those funds into Gift City there is no problem at all, Rajaraman said. This is because Gift City has full convertibility on capital account. “However, from India if you want to bring it, RBI is still working on it”, he noted.

Currently, fund management entity regulations of International Financial Services Centre Authority (IFSCA) allows the setting up of family investment funds (FIF), which are akin to a family office, but with some restrictions.

Put simply, there are two kinds of families — Indian family setting up a family office structure and a foreign family setting up a family office in India and investing in India and outside.

As far as foreigners are concerned, there is now absolute policy clarity, Dipesh Shah, Executive Director, IFSCA, said. There is no problem on who is coming and setting up, he added.

“However, as far as India is concerned, our regulations allow and we can authorise, but they have to comply with the domestic law. Because rupee is getting converted into dollar, whatever is the requirement of the domestic regulator (RBI) on investments and currency conversion has to be followed. If those are followed, along with our licence we can offer FIF to more resident Indians. Today as we understand they (RBI) are also figuring out what is the right structure. If we get more clarity from the domestic regulator, it will help those keen to set up Family Office,” Shah said.

EXPERT TAKE

Asked as to why are well-heeled high networth corporate honchos looking to set up family offices in Gift City, Radhika Parikh, Head of GIFT City Office, Nishith Desai Associates, highlighted that there are no FEMA restrictions on investments made by Family Investment Funds into overseas assets.

“Once you remit the money into your family invest fund in Gift City, you can then freely invest offshore. HNIs often invest overseas by setting up an investment vehicle in jurisdictions like Singapore. Instead of having to go to Singapore, you can now do that out of Gift City,” Parikh told *businessline*.

RBI essentially doesn't want family investment fund structures as a vehicle to do those types of transactions that would otherwise have certain restrictions or thresholds if they were to invest directly from India to overseas.

“It's a forex issue and RBI is concerned of the outflow. If a NRI or non resident sets up an Family Investment Fund (FIF) to use non India money, there shouldn't be an issue. The money can be used by the FIF to invest in offshore securities as well as securities or investments in India,” she added.

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