



## FAQ's on NSE IFSC Receipts

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Prospective investors are advised to note that the NSE IFSC Receipts Programme pertains to the NSE IFSC Receipts, and not the Underlying Shares.

You should note that the information contained in this document has been prepared as general information only, without consideration of your particular circumstances, investment objectives, financial situation or needs, and that the tax implications of your investment in NSE IFSC Receipts will depend on your personal circumstances. In making an investment decision, the prospective investors must rely on their own examination of the NSE IFSC Receipts and the Underlying Shares. Prospective investors should not construe the contents of this document as legal, tax, accounting or investment advice of any manner.

Accordingly, before deciding whether to invest in NSE IFSC Receipts, you should obtain your own advice, which considers your particular circumstances, investment objectives, financial situation and needs from your financial, legal, investment and tax advisors.

## **BACKGROUND**

### **1. What is the role of International Financial Services Centres Authority (IFSCA)?**

The International Financial Services Centres Authority (IFSCA) has been established on April 27, 2020 under the International Financial Services Centres Authority Act, 2019. It is headquartered at GIFT City, Gandhinagar in Gujarat

The IFSCA is a unified authority for the development and regulation of financial products, financial services and financial institutions in the International Financial Services Centre (IFSC) in India. At present, the GIFT IFSC is the maiden international financial services centre in India. Prior to the establishment of IFSCA, the domestic financial regulators, namely, the Reserve Bank of India (RBI), Securities and Exchange Board of India (SEBI), Pension Fund Regulatory and Development Authority (PFRDA) and Insurance Regulatory and Development Authority (IRDAI) regulated the business in IFSC.

### **2. What is GIFT City?**

GIFT City is an emerging global financial and IT services hub, a first of its kind in India, designed to be at or above par with globally benchmarked business districts. It is supported by state-of-the-art infrastructure encompassing all basic urban infrastructure elements along with an excellent external connectivity.

### **3. What is NSE IFSC?**

NSE IFSC (NSE International Exchange) incorporated on November 29, 2016, is a fully-owned subsidiary company of National Stock Exchange of India Limited (NSE). NSE IFSC is currently regulated by IFSCA. Stock exchanges operating in the GIFT City are permitted to offer trading in securities in any currency other than the Indian rupee. Accordingly, NSE IFSC which launched trading on June 5th, 2017, offers USD denominated trading in various products.

NSE IFSC Limited offers trading in various products including index derivatives, stock derivatives, currency derivatives, commodity derivatives and debt securities.

### **4. What is Liberalized Remittance Scheme (LRS) and who is eligible?**

Liberalized Remittance Scheme is introduced by the RBI as a liberalization measure to facilitate resident Indian individuals to freely remit funds up to USD 2,50,000/- outside India in a financial year (April to March) for any permissible current or capital account transaction or a combination of both.

Resident Indian individuals are eligible to avail benefit of LRS. The person must be a person resident in India as per FEMA. Once an individual is a resident under FEMA, he is eligible to avail benefits of LRS, whether or not he is an Indian citizen. For further details, please refer to the RBI's circular dated February 16, 2021 on Remittances to International Financial Services Centres (IFSCs) in India under the Liberalised Remittance Scheme (LRS) available at <https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12029>.

For further details on LRS, investors may refer to the RBI website at the following link:

<https://m.rbi.org.in/scripts/FAQView.aspx?Id=115#Q1>

## **PRODUCT**

### **5. What is an NSE IFSC Receipt?**

An NSE IFSC Receipt is a negotiable financial instrument in the nature of an unsponsored depository receipt issued by the NSE IFSC Receipts Custodian, namely HDFC Bank Limited IFSC Banking Unit, in its capacity as an IFSCA recognised custodian on the basis of underlying shares issued by a U.S. listed company (Underlying Share and such company, Underlying Company).

Some salient features of the NSE IFSC Receipt are:

- It is a negotiable financial instrument in the nature of a depository receipt as defined under the International Financial Services Centres Authority (Issuance and Listing of Securities) Regulations, 2021.
- It is created without the involvement, participation, or consent of such Underlying Companies or of the U.S. exchange(s), Accordingly, the Underlying Companies are not, and will not be, involved in the issuance, trading or cancellation of NSE IFSC Receipts.
- It gives the holder of such NSE IFSC Receipt a proportionate beneficial interest in the underlying share. The extent of such beneficial interest is a function of the ratio in which NSE IFSC Receipts are issued vis-à-vis one Underlying Share of the relevant Underlying Company.

### **6. What shall be criteria for NSE IFSC Receipts?**

- NSE IFSC Receipts shall be based on the Underlying S&P 500 index; and
- The Underlying Shares should have been listed on the NYSE or NASDAQ for at last 12 months.

The Underlying Shares will not be issued by investment funds (including exchange traded funds) that are (or are required to be) registered with the SEC as investment companies under the U.S. Investment Company Act.

The list of underlying shares based on which the NSE IFSC Receipts are issued can be viewed at [https://www.nseifsc.com/content/usstocks/List\\_of\\_stocks\\_and\\_ratios.pdf](https://www.nseifsc.com/content/usstocks/List_of_stocks_and_ratios.pdf).

### **7. Who is the NSE IFSC Receipts Custodian?**

HDFC Bank IBU will be acting as the NSE IFSC Receipts Custodian.

HDFC Bank IBU is recognised by IFSCA as a custodian of securities/ assets (bearing license number-IFSC/CUS/2021-22/003) under IFSCA's circular (F. No. 224/IFSCA/CMD-DMIIT/CUST/2021/1) dated February 24, 2021.

## **8. Who are the other parties involved in the issuance and creation of the NSE IFSC Receipts?**

The NSE IFSC Receipts Custodian has appointed Deutsche Bank AG, New York as the U.S. Custodian who will hold the Underlying Shares at the instructions of the NSE IFSC Receipts Custodian. The NSE IFSC Receipts Custodian has appointed CDSL IFSC Limited as the Registrar. The Registrar will be responsible for maintaining the the register of Holders in respect of each Series of NSE IFSC Receipts and will provide other services related to the NSE IFSC Receipts.

## **9. What is the Underlying Share to NSE IFSC Receipt ratio?**

An NSE IFSC Receipt Holder will have a proportionate beneficial interest in the Underlying Shares. The extent of such proportionate beneficial interest will depend on the ratio in which the NSE IFSC Receipts are issued vis-à-vis one Underlying Share of the relevant Underlying Company. Such ratio may be expressed as 1:N (example 1:100, 1:200 and so on) and is linked to the value of the Underlying Share. The ratio will be reviewed from time to time with appropriate adjustments to the holding as well.

## **10. In which currencies can one trade NSE IFSC Receipts?**

NSE IFSC Receipts are issued and traded in U.S. Dollars, and any amounts paid to NSE IFSC Receipt Holders in connection with NSE IFSC Receipts will be paid in U.S. Dollars.

## **11. How are NSE IFSC Receipts created?**

The NSE IFSC Receipts will be issued and created by the NSE IFSC Receipts Custodian based on the deposit of Underlying Shares received by the U.S. Custodian. The U.S. Custodian will hold the Underlying Shares at the instructions of the NSE IFSC Receipts Custodian. The issuance of NSE IFSC Receipts is based on the Underlying Share to IFSC Receipt ratio as defined by the NSE IFSC Ltd. from time to time. The NSE IFSC Receipts will be created in Series, with each Series relating to the Underlying Shares of a specific Underlying Company.

For further details on creation of NSE IFSC Receipts, investors may refer to the Product Disclosure Statement available at [https://www.nseifsc.com/content/usstocks/Product\\_Disclosure\\_Statement.pdf](https://www.nseifsc.com/content/usstocks/Product_Disclosure_Statement.pdf).

## **12. How are NSE IFSC receipts converted back to Underlying Shares?**

An investor can request for the cancellation of NSE IFSC Receipts into the Underlying Share, if the NSE IFSC Receipts held by such investor represents a whole number of Underlying Shares. The investor may submit a Cancellation Request to take delivery of the Underlying Shares in the US brokerage account.

For further details on conversion of NSE IFSC Receipts into Underlying Shares, investors may refer to the Product Disclosure Statement available at:

[https://www.nseifsc.com/content/usstocks/Product\\_Disclosure\\_Statement.pdf](https://www.nseifsc.com/content/usstocks/Product_Disclosure_Statement.pdf).

### **13. Who will issue or cancel the Receipts?**

NSE IFSC Receipts Custodian viz. HDFC Bank IBU on its own or through its appointed Registrar and Transfer Agent will issue or cancel the NSE IFSC Receipts.

## **ELIGIBLE PARTICIPANTS AND TRADING IN NSE IFSC RECEIPTS**

### **14. Who are eligible to trade NSE IFSC Receipts (Individuals / Corporates / Partnership / etc.)?**

Trading Members may have the following categories as clients,

- a) Person resident outside India
- b) Non-resident Indians
- c) Individual resident in India who is eligible under FEMA to invest funds offshore, to the extent allowed in the Liberalized Remittance Scheme of Reserve Bank of India

*However, US and Canadian residents shall not be allowed to trade in NSE IFSC Receipts.*

### **15. What is the Process for an Indian resident to trade in NSE IFSC Receipts?**

An Indian resident who wishes to trade in NSE IFSC Receipts on NSE IFSC platform must complete the below formalities before he can commence trading:

- Register with an IFSCA registered Trading Member and complete the KYC requirements
- Complete documentation for Liberalized Remittance Scheme (LRS) with the bank
- Transfer US Dollars from his/her bank account to the Trading Member's bank account in GIFT IBU
- Confirm that Broker has given credit to his account
- Start trading NSE IFSC Receipts on NSE IFSC platform.

### **16. Can a Trading Member avail the LRS?**

LRS is not available to corporates, partnership firms, HUF, Trusts, etc.

### **17. Where can one find the list of Trading Members registered at NSE IFSC?**

The updated list of Trading Members is available on the NSE IFSC website at:

[https://www.nseifsc.com/content/usstocks/Member\\_Directory.pdf](https://www.nseifsc.com/content/usstocks/Member_Directory.pdf).

### **18. What is the process of registering as a client with a Trading Member?**

Investors are expected to fulfill all KYC requirements/documentation as applicable. Trading members will carry out the required due diligence before allotting a client code for the investor to trade on NSE IFSC platform.

As a part of the KYC process, for transacting in NSE IFSC Receipts through NSE IFSC, all individual investors shall also be mandatorily required (mandatory) to provide duly filled **W-8BEN form** which applies to individual investors.

**19. What is the significance of W-8BEN/ W-8BENE Form?**

Forms W-8BEN/ W-8BENE are relate to "**Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding and Reporting**" and must be submitted by foreign persons who receive certain types of income in the United States.

The W-8BEN form helps you claim a reduction or an exemption from the U.S. tax withholding if you reside in a country with which the United States has an income tax treaty and the income you received is subject to that treaty.

**20. What will be the market timings?**

NSE IFSC Receipts would be traded during US Market hours - 9:30 a.m. to 4 p.m. Eastern Standard Time, which is from 7 p.m. – 1:30 a.m. Indian Standard Time (Based on Daylight Saving)

The timings may undergo a change and the same shall be informed to the market in the form of a circular.

**21. Is there any limitation on the number of NSE IFSC Receipts of a particular Underlying Company that an investor can acquire?**

There is no limitation on the number of NSE IFSC Receipts that an investor can acquire, however the LRS limits prescribed by the RBI (USD 250,000 / Financial Year) needs to be adhered to.

**22. Will the NSE IFSC broker issue contract notes to the Investors trading in NSE IFSC Receipts?**

It is mandatory for the IFSCA registered Broker / Trading Member to issue contract notes to the investors trading on NSE IFSC Platform.

**23. Is Intra-Day trading allowed? Is short selling allowed?**

Yes. Intra -day trading is allowed in NSE IFSC Receipts. However, in respect of Indian Retail Investors, intra -day trading is allowed, provided the investor:

- Will not be permitted to take any positions/ execute any trade which would exceed the overall LRS limit of USD 2,50,000 per financial year.
- Each transaction is adequately backed by the entire transaction value.
- Sell transactions should be either backed by NSE IFSC Receipts or should be a sell transaction against an open buy position created during the day.

Short selling of NSE IFSC Receipts by the Indian Retail investors will not be permitted.

## **SETTLEMENT OF NSE IFSC RECEIPTS**

### **24. What is the Settlement cycle of NSE IFSC Receipts?**

All NSE IFSC Receipts that are bought and sold on NSE IFSC platform shall be settled through NSE IFSC Clearing Corporation Limited (NICCL).

The settlement of funds and NSE IFSC RECEIPTS shall happen on T+3 day.

### **25. Which type of Bank account is required by the investor to remit funds / receive any payments?**

There is no specific requirement for a Bank account to be held by the Investors.

Investors can either open a Dollar account with any of the Banks operating from IFSC region or can use their domestic INR account to remit or receive any payments from the broker.

### **26. How and where does the Investor hold NSE IFSC Receipts bought by him?**

The NSE IFSC Receipts shall be held in the dematerialized form in the demat account which will be opened with the IFSCA registered broker (acting as a depository participant) or with any other depository participant.

### **27. How will delivery shortages be handled?**

Failure of the seller to deliver NSE IFSC Receipts shall result in financial close-out of the deal.

- Close out shall be at the highest price prevailing at the Exchange from the day of trading (T) till the close of markets on T+2 day or 5% above the settlement price on the settlement day, whichever is higher.
- Losses occurred due to financial close-out shall be recovered from the seller.

## **CORPORATE ACTIONS AND INFORMATION**

### **28. Where can one find corporate information regarding the NSE IFSC Receipts and Underlying Companies?**

Important filings and SEC mandated requirements are available on the Underlying Company's website. Apart from these filings, the Underlying Company's information can also be found on the SEC website.

The following information with regards to the NSE IFSC Receipts will be available on the NSE IFSC website (<https://www.nseifsc.com/USStocks/index.jsp>):

- Fees & Charges schedule,
- Historical data of NSE IFSC Receipts,
- Links to EDGAR for each Underlying Company,
- Links to application and cancellation request forms,



- Corporate actions, etc.

For additional details, please refer to the section titled “Obtaining Information on Underlying Companies, Underlying Shares and NSE IFSC Receipts” of the Product Disclosure Statement available at [https://www.nseifsc.com/content/usstocks/Product\\_Disclosure\\_Statement.pdf](https://www.nseifsc.com/content/usstocks/Product_Disclosure_Statement.pdf).

### **29. How will the benefits of Corporate actions announced in the Underlying Securities be passed on to NSE IFSC Receipt holders?**

All investors in NSE IFSC Receipts would be eligible for corporate actions involving – payment of dividends and distribution of bonus / split / rights.

Other voluntary corporate actions such as rights issues, voting and so on would not be passed to the investors.

For additional details, please refer to the section titled “Obtaining Information on Underlying Companies, Underlying Shares and NSE IFSC Receipts” of the Product Disclosure Statement available at [https://www.nseifsc.com/content/usstocks/Product\\_Disclosure\\_Statement.pdf](https://www.nseifsc.com/content/usstocks/Product_Disclosure_Statement.pdf).

## **TAX AND COMPLIANCES**

### **30. What are the Taxes applicable to an Indian Retail Investor?**

- Withholding Tax on cash dividends paid out by U.S. corporations to non-U.S. shareholders
  - Global dividend income is taxable in India. Taxed as per the applicable income tax / corporate tax rates in India.
- Sale of IFSC Receipts (or the underlying shares)
  - Sale of underlying shares is not subject to tax in India
  - Long Term Capital Gains (LTCG) or Short Term Capital Gains (STCG) is applicable based on the period of holding such NSE IFSC Receipts.
  - This may further be subject to the treaty benefits applicable at IFSC.

For detailed applicability of taxes in each of the above instances, investors may refer to the Product Disclosure Statement available at:

[https://www.nseifsc.com/content/usstocks/Product\\_Disclosure\\_Statement.pdf](https://www.nseifsc.com/content/usstocks/Product_Disclosure_Statement.pdf).

## **MISCELLANEOUS**

### **31. What information is available on the NSE IFSC website?**

The following information related to NSE IFSC Receipts shall be available on the NSE IFSC website <https://www.nseifsc.com/USStocks/index.jsp> :

- Master Deed Poll

- Product Document Statement
- A list of available Series of NSE IFSC Receipts
- Historical prices Series of NSE IFSC Receipts
- Links to EDGAR for each Underlying Company
- Links to the Application Form and Cancellation Request Form;
- All announcements made by the NSE IFSC Receipts Custodian in relation to each Series of NSE IFSC Receipts; and
- Information relating to the Underlying Shares and their trading prices, corporate actions, etc.
- Applicable fees and charges;
- Other relevant documents

### **32. What are the applicable charges and cost for participating and / or holding NSE IFSC Receipts?**

Below are the tentative fees which may be levied by each of the parties facilitating the transactions in NSE IFSC Receipts. These fees may be subject to change from time to time and investors are requested to refer to the latest applicable charges or consult the concerned parties for further details.

A detailed schedule of fees and charges in relation to the NSE IFSC Receipts is available at the link [https://www.nseifsc.com/content/usstocks/Schedule\\_of\\_fees.pdf](https://www.nseifsc.com/content/usstocks/Schedule_of_fees.pdf).

<b>Sr.</b>	<b>Activity</b>	<b>Charges</b>
1	Trading	<ul style="list-style-type: none"> <li>• Brokerage charges levied by the IFSCA registered broker</li> <li>• Exchange transaction charges levied by NSE IFSC</li> </ul>
2	Issuance of NSE IFSC Receipts	Issuance fee levied by HDFC Bank IBU
3	Cancellation of NSE IFSC Receipts	Cancellation fee levied by HDFC Bank IBU
4	Corporate Action	Processing / Service fee levied by HDFC Bank IBU
5	Holding NSE IFSC Receipts	Demat Account charges / Annual Maintenance Charges levied by the Depository Participants
6	Transactions in DP accounts	Transaction fees levied by Depository / Depository Participant.

### **33. Can I trade in other products at NSE IFSC with LRS remittance?**

Currently NSE IFSC Receipts is the only investment product available on NSE IFSC for investment under the LRS.

### **34. What are the Potential risks for an investor?**

Investing in NSE IFSC Receipts carries risks. Some of the significant risks are as follows:

1. General price and volatility risk.
2. Risk of illiquidity.
3. Underlying Share risk.
4. Risk of Cancellation and Termination of the NSE IFSC Receipt.
5. Tax risks.
6. Other risks such as force majeure, changes in law, settlement, trading, etc.

Kindly refer to the Product Disclosure Statement for details. Please follow the link - [https://www.nseifsc.com/content/usstocks/Product\\_Disclosure\\_Statement.pdf](https://www.nseifsc.com/content/usstocks/Product_Disclosure_Statement.pdf).

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