

AN EDUCATIONAL GUIDE FOR THE COMMON INVESTOR

GIFT City & GIFT Nifty

India's International Financial Hub — Explained in Plain Language

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If you have ever switched on a business channel at 8 in the morning and heard the anchor say, "GIFT Nifty is pointing to a gap-up opening" — and wondered what on earth that means — this guide is for you. We will unpack two related but distinct things: GIFT City, a place, and GIFT Nifty, a product traded inside it.

What this guide covers

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1. What exactly is GIFT City?

GIFT City is a purpose-built financial district in Gujarat, located between Ahmedabad and Gandhinagar, on the banks of the Sabarmati River and about 12 km from the Ahmedabad airport. It is India's first operational greenfield smart city and its first International Financial Services Centre (IFSC). "Greenfield" simply means it was built from scratch on open land, rather than retro-fitted into an existing town.

It was promoted by the Government of Gujarat through a company called **Gujarat International Finance Tec-City Company Limited (GIFTCL)**. The total development area is around 886 acres, designed on a "walk-to-work" concept with offices, homes, schools, parks, and modern infrastructure such as underground utility tunnels and district cooling.

A SIMPLE WAY TO PICTURE IT

Think of GIFT City as India's answer to **Singapore's financial district** or **Dubai's DIFC** — a special zone where global financial business can be conducted under international-style rules, but on Indian soil and under Indian oversight. It is a "country within a building" for finance.

2. The name and the idea behind it

"GIFT" is an acronym: **Gujarat International Finance Tec-City**. Each word carries weight — *Gujarat* is the home state, *International* signals the global ambition, *Finance* is the core business, and *Tec-City* reflects that it is built as a technology-driven special economic zone.

The project area is split into two parts: the **SEZ (Special Economic Zone) area**, where the IFSC sits and where the international financial action happens, and the **Domestic Tariff Area (DTA)**, which functions more like a normal Indian business park.

3. What is an IFSC, and why does it matter?

This is the heart of the matter. An **International Financial Services Centre (IFSC)** is a jurisdiction that caters to customers *outside* the domestic economy. It deals in foreign currency (largely US dollars), serves global clients, and operates under a lighter, more globally-aligned regulatory regime than mainland India.

The IFSC inside GIFT City is regulated by a single, dedicated authority — the **International Financial Services Centres Authority (IFSCA)**, set up in 2020. Before IFSCA, businesses had to deal with the RBI, SEBI, and IRDAI separately. Having one unified regulator is a major convenience for global firms.

THE CORE LOGIC

Indian businesses and investors who wanted to do dollar-denominated, international financial transactions traditionally went to **Singapore, Dubai, London, or Mauritius**. India was effectively exporting that business — and the jobs, fees, and taxes that came with it. GIFT City was built to bring that activity *home*.

4. Why did India build GIFT City?

- **Repatriate offshore finance:** Capture business that was flowing to Singapore, Dubai and London.
- **Attract foreign capital:** Give NRIs, foreign portfolio investors (FPIs), and global family offices a tax-efficient, dollar-based gateway into India.
- **Create high-value jobs:** Banking, fund management, insurance, fintech, and legal/advisory roles.
- **Build global standing:** Establish India as a credible international financial centre, competing on the world stage.

5. What actually happens inside GIFT City?

GIFT City is not a single activity — it is an ecosystem. The main businesses operating there include:

Activity	What it means in practice
IFSC Banking Units (IBUs)	Branches of Indian and foreign banks doing foreign-currency lending, trade finance and treasury for global clients. Many leading banks have opened units here.
International Exchanges	NSE International Exchange (NSE IX) and India INX, where dollar-denominated securities and derivatives trade — including GIFT Nifty.
Fund Management	Alternative Investment Funds, family offices and asset managers structuring global and India-focused funds.
Insurance & Reinsurance	Global insurers and reinsurers setting up offices to serve international and domestic markets.
Aircraft & Ship Leasing	A growing niche — leasing big-ticket assets through GIFT City for tax efficiency.
Fintech & IT	Technology majors and start-ups, increasingly building AI and BFSI-focused tech hubs.

6. The tax breaks and incentives

The whole proposition hinges on attractive incentives, deliberately designed to lure global business. These include:

- A **tax holiday** for IFSC units (100% exemption on profits for a defined period).
- **GST exemption** on services provided to or within IFSC/SEZ units.

- For investors, generous exemptions — notably, **no Securities Transaction Tax (STT)**, no Commodities Transaction Tax, no stamp duty, and favourable capital gains treatment for non-residents on many instruments.
- State subsidies and a single-window regulatory clearance through IFSCA.

In the Union Budget 2025–26, the government extended the deadline for several of these benefits (for example, for ship-leasing units and treasury centres) to **31 March 2030**, signalling long-term policy commitment.

7. Now — what is GIFT Nifty?

*Here is the simplest definition: **GIFT Nifty is a futures contract on India's Nifty 50 index, priced and settled in US dollars, and traded on the NSE International Exchange inside GIFT City.***

Let us break that down, piece by piece, because every word counts:

- **A futures contract** — an agreement whose value rises and falls with the Nifty 50. You are not buying the 50 shares; you are taking a position on which way the index will move.
- **On the Nifty 50** — the benchmark index of India's 50 largest, most actively traded companies.
- **In US dollars** — unlike the domestic Nifty, which is in rupees. This removes rupee currency hassle for foreign investors.
- **On NSE IX in GIFT City** — the trading venue, under Indian (IFSCA) regulation.

AN EVERYDAY ANALOGY

The Nifty 50 is like the **weather itself**. GIFT Nifty is like a **reliable weather forecast made overnight** — it doesn't change the weather, but because it keeps

"watching the sky" while India sleeps, it gives a strong early hint of what the morning will look like when the Indian market opens.

8. From SGX Nifty to GIFT Nifty

For many years, the offshore Nifty futures contract traded on the **Singapore Exchange (SGX)** and was called **SGX Nifty**. It let global investors take Nifty positions outside Indian hours — but all that business, and the fees, sat in Singapore.

On **3 July 2023**, under an arrangement between NSE and SGX, this entire offshore ecosystem — worth several billion dollars of daily turnover — was shifted to GIFT City and rebranded **GIFT Nifty**. The underlying benchmark (Nifty 50) stayed the same; only the venue and the regulatory umbrella changed. It was a landmark moment: India brought its own offshore derivatives trade back under Indian jurisdiction.

Feature	SGX Nifty (old)	GIFT Nifty (now)
Trading venue	Singapore Exchange	NSE IX, GIFT City, India
Regulator	Singapore (MAS)	IFSCA (India)
Currency	US dollars	US dollars
Underlying	Nifty 50	Nifty 50

9. How GIFT Nifty works

GIFT Nifty is a family of contracts, not just one. The main ones are **GIFT Nifty 50** futures and options, **GIFT Nifty Bank**, **GIFT Nifty Financial Services**, and **GIFT Nifty IT** — each tracking a different segment of the Indian market.

Like all futures, each contract has fixed specifications: a defined lot size, expiry cycles, and US-dollar pricing and settlement. Participants take a view on whether the index will rise or fall by expiry, rather than owning the underlying shares.

10. The trading hours — its biggest advantage

The domestic Nifty trades only during NSE's roughly six-hour window (9:15 AM to 3:30 PM IST). GIFT Nifty, by contrast, trades for **nearly 21 hours a day across two sessions**:

- **Session 1:** 6:30 AM to 3:40 PM IST
- **Session 2:** 4:35 PM to 2:45 AM IST (next day)

This extended window is the whole point. It lets global participants react to news from Asian, European, and US markets in near real-time — long before, and long after, Indian markets are open. (Note: NSE IX publishes its own holiday calendar, which can differ from the domestic NSE calendar; timings are subject to revision.)

11. Why everyone calls it a "pre-market indicator"

Because GIFT Nifty trades through the night while India sleeps, it absorbs all the overnight global cues — the US market close, oil prices, the dollar-rupee rate, Asian market opens. So when an Indian investor wakes up, the level of GIFT Nifty at around 8–9 AM gives a strong early signal of how the domestic Nifty 50 is likely to open:

- GIFT Nifty trading **well above** the previous Nifty close → suggests a likely **gap-up (positive) opening**.
- GIFT Nifty trading **well below** → suggests a likely **gap-down (weak) opening**.

This is exactly why TV anchors and newspapers quote it every morning. **But a vital caveat:** it is an *indication of sentiment, not a guarantee*. The actual opening can still differ.

12. Who can actually trade GIFT Nifty?

This surprises many people. GIFT Nifty is designed for **international and institutional participants** — foreign portfolio investors, NRIs, hedge funds, and global trading members registered with NSE IX.

IMPORTANT FOR RESIDENT INDIANS

A **resident Indian retail investor cannot directly trade GIFT Nifty**. These are leveraged offshore derivatives in foreign currency, and they fall outside what the RBI's Liberalised Remittance Scheme (LRS) permits for retail individuals. So for the vast majority of Indians at home, GIFT Nifty is something to *watch as an indicator*, not something to trade.

13. How to read GIFT Nifty sensibly

If you are simply using it as a morning gauge, focus on a few data points: the current **price**, the **change versus previous close**, the **volume** (a move on heavy volume is more meaningful than one on thin volume), and the **open interest**.

Most importantly, never read it in isolation. View it *alongside* US markets, Asian indices, crude oil, bond yields, and the rupee. Together, these paint a fuller picture of sentiment than GIFT Nifty alone.

14. Where things stand in 2026

GIFT City in 2026 is best described as **functional but still maturing**. The intent and regulatory direction are strong, and momentum is clearly building:

- Leading Indian and foreign banks continue to open IFSC banking units.

- Fund management activity accelerated through FY26, with rising commitments and new retail-style schemes.
- In April 2026, IFSCA approved the first **Foreign Family Investment Fund** under its 2025 regulations, broadening the appeal for global family offices.
- Technology majors are setting up AI and BFSI hubs; insurers and reinsurers are establishing branches.
- Physical and social infrastructure — a metro extension, sports and lifestyle facilities — is being built out to attract and retain talent.
- IFSCA has also stepped up enforcement, issuing notices over compliance lapses — a sign of a maturing, supervised market.

The honest caveat: **liquidity and depth on the IFSC exchanges are still building** and trail established hubs like Singapore and Dubai. GIFT City is a long-term project, and it is being treated as one.

15. Key takeaways

THE WHOLE STORY IN SIX LINES

- **GIFT City** is a place — India's first international financial hub, in Gujarat.
- **IFSC** is the special, lightly-regulated, dollar-based zone within it, overseen by IFSCA.
- **GIFT Nifty** is a product traded there — a US-dollar futures contract on the Nifty 50.
- It **replaced SGX Nifty** in July 2023, bringing offshore Nifty trading home to India.
- It trades **nearly 21 hours**, making it India's most-watched **pre-market indicator**.

- **Resident Indian retail investors cannot trade it** — but everyone can use it as a morning signpost.

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