



Positioning India at
the heart of global
commodity trade -
Through GIFT City

January 2026



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Positioning India at the heart of global commodity trade – Through GIFT City

1. Executive summary

Today, India stands at a strategic crossroad – one where its economic scale, trade intensity and consumption patterns demand a much bigger voice in global commodity markets than it currently exercises. The country is on the path to becoming a US\$7 trillion economy[1] by 2030 and its appetite for commodities – in energy, metals, minerals, fertilizers and food – continues to grow at a pace unmatched by most emerging economies. India imports nearly 85% of its crude oil, is the world's second-largest consumer of gold and ranks among the top three global producers of wheat, rice, sugar, cotton and steel. The world cannot understand commodity flows without understanding India, but paradoxically, India still plays a marginal role in how these commodities are priced, traded, benchmarked, or financed.

For decades, the hubs of global commodity trading have existed outside India – London, New York, Singapore, Dubai. These cities have shaped the derivatives, benchmarks, clearing systems, financing frameworks, and talent ecosystems that govern global trade today. Because this market infrastructure developed offshore, India-linked trades were also routed through these centers[2]. This has resulted in a quiet but significant economic loss for India: value leakage through foreign clearing houses, limited derivatives innovation, dependence on external benchmarks that do not mirror India's supply-demand realities and missed opportunities for developing a domestic pool of quantitative talent, risk specialists and market strategists.

GIFT City (Gujarat International Finance Tec-City) represents India's boldest attempt to reclaim this lost ground. Built as a globally competitive financial center with a unified regulator – the International Financial Services Centers Authority (IFSCA) – GIFT City offers a regulatory, tax and operational environment that mirrors global hubs. It is India's chance not only to participate in global commodity markets, but to shape them.

GIFT IFSC sits between the world's heavy post-crisis regulatory regimes and the need for a modern, internationally integrated, yet business-friendly financial hub. Unlike EMIR or Dodd-Frank, which were written to prevent systemic failures, the IFSCA framework is designed to enable markets, drive innovation and attract global commodity flows while aligning with FATF standards and global best practices. For Indian businesses, this means lower regulatory [KN1] [AT2] friction, faster execution and a reduced compliance burden –without compromising on global credibility[AT3] .



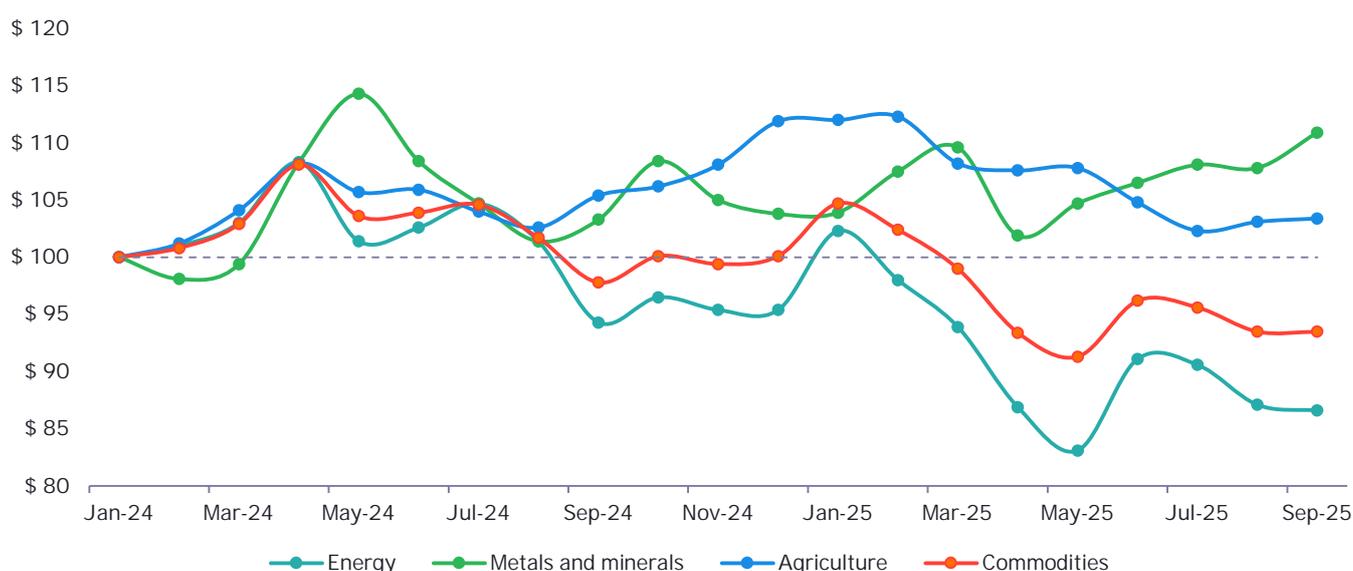
1. Press Information Bureau, Government of India (Aug 2025)
2. Expert Committee, IFSCA (Aug 2025)

Table 1: Competitive position of GIFT City vis-à-vis international regulations

Regulatory area	GIFT IFSC (IFSCA)	EMIR (EU)	Dodd-Frank (US)	AML/CFT
Philosophy	Development-oriented with supervisory oversight	Focused on risk mitigation and transparency	Emphasis on market discipline and systemic stability	Prevention of financial crime and illicit financing
OTC derivatives	Clearing requirements applied on a risk-based basis	Mandatory central clearing for defined products	Mandatory clearing of standardized contracts	Not applicable
Reporting	Streamlined and proportionate	Detailed and transaction-level	Extensive, near real-time reporting	Ongoing monitoring and reporting
Commodity trading	Permitted within a defined regulatory framework	Regulated similarly to financial derivatives	Subject to comprehensive regulation	Subject to customer due diligence requirements
Licensing	Centralized regulatory authority	Multiple national competent authorities	Multiple federal regulators	Jurisdiction-specific authorities
AML/CFT	Aligned with global standards with digital processes	Prescriptive and detailed	Prescriptive and detailed	Prescriptive and detailed
Cost of compliance	Moderate	High	Very high	High
Business attractiveness	Designed to facilitate international participation	Established but compliance-intensive	Established but compliance-intensive	Not applicable

Global commodity markets are being reshaped by fiscal tightening and escalating geopolitical tensions, such as the ongoing conflict in Europe, creating sharper and more frequent price swings – especially in energy (see Chart 1 below). Higher-for-longer interest rates have made financing commodity inventories and hedges more expensive, while disrupted trade routes and supply constraints continue to amplify volatility in crude oil, gas and other energy-linked products. For businesses exposed to these shocks, the need for a reliable, globally connected yet domestically anchored hub has never been greater. This environment underscores the strategic importance of GIFT IFSC, which offers access to international markets, sophisticated hedging tools and competitive financing structures – thereby enabling firms to manage risk and secure supply in an increasingly unpredictable world.

Chart 1: Commodity (indexed) prices normalized by percentage share by exports (Jan 2024 – Oct 2025)³



If executed with long-term strategic intent, GIFT City can fundamentally reposition India from being a price taker to emerging as a price maker—a shift that could transform India’s global economic role for decades to come.

3. Source: [WTO OpenKnowledge](#), CMO

2. Unlocking the strategic potential of commodity trading through GIFT City

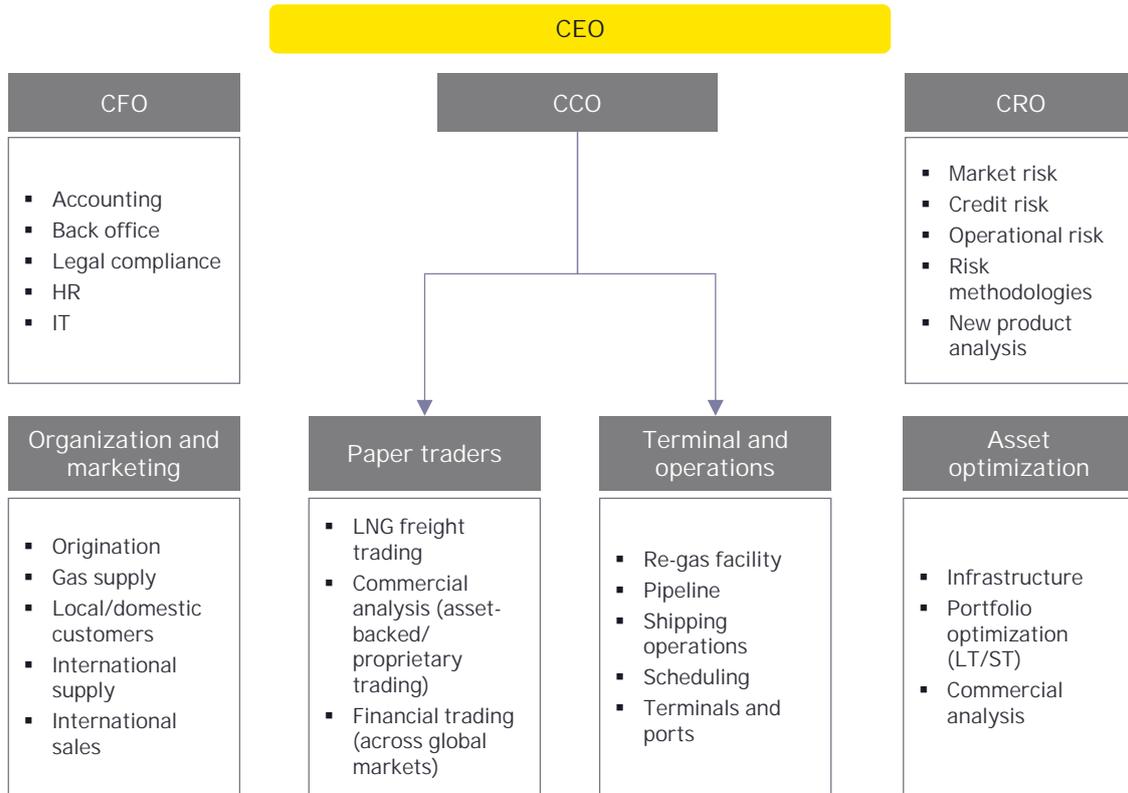
Indian companies' exposure to global commodity markets has increased significantly, resulting in heightened sensitivity to price volatility, freight dynamics, currency movements and geopolitical disruptions. In response, many firms globally have adopted centralized commodity trading and risk management structures to improve control over market risk, liquidity and margin outcomes.

Such models typically rely on a principal trading entity that consolidates commodity trading, treasury, and risk management activities, while maintaining operational linkages with producing or consuming entities across regions. Centralization enables clearer risk ownership, consistent pricing and invoicing, and more effective management of financial and logistics-related exposures, without altering underlying operating businesses.

Figure 1 and Figure 2 illustrate a typical operating model for commodity trading, risk management desk/function and a leading commodity trading structure, respectively.



Figure 2: Illustrative set-up of a leading commodity trading structure



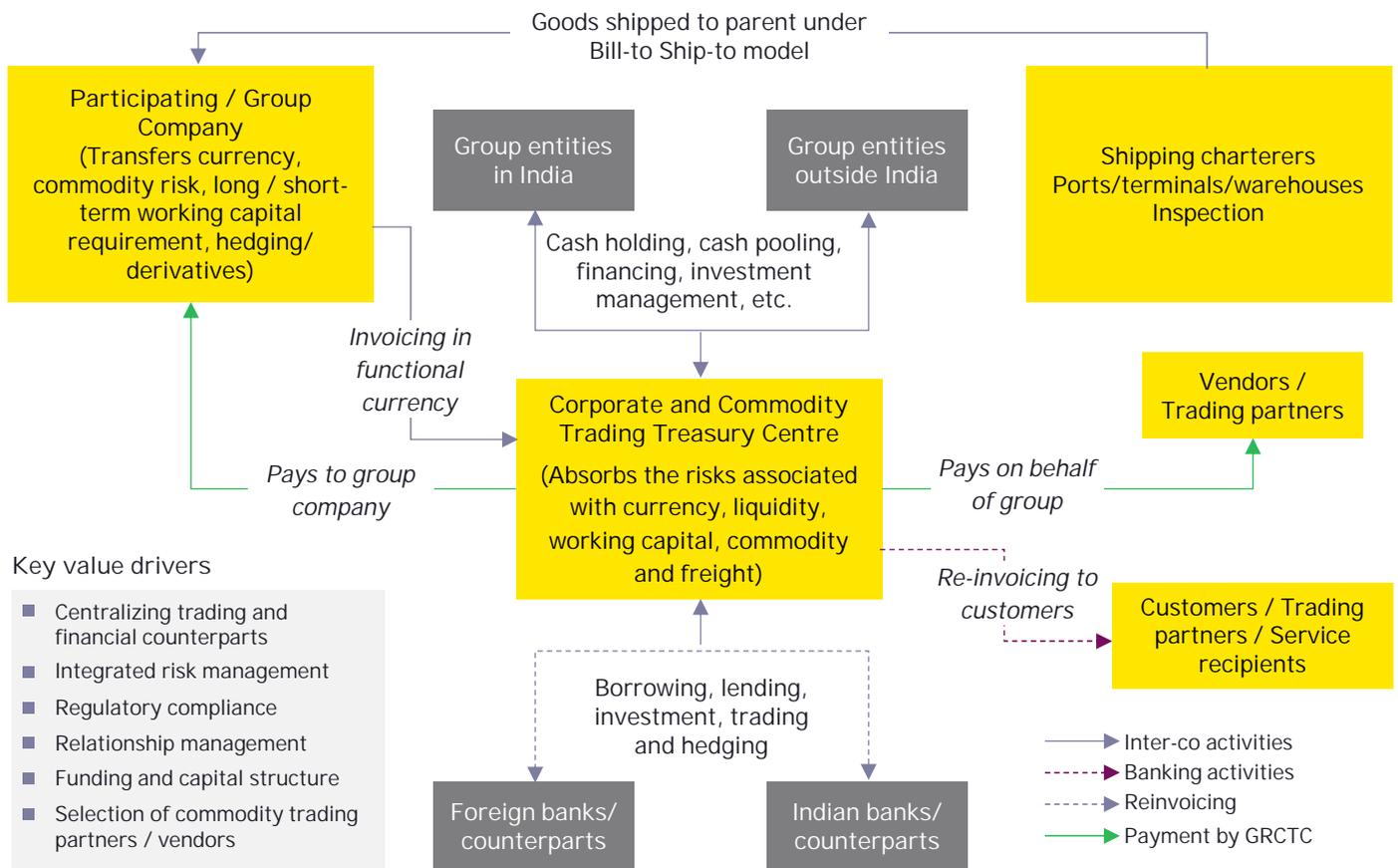
A leading commodity trading structure captures arbitrage opportunities across trading lifecycle and optimizes returns. It acts as a platform for developing specialized skills that support the scalability and sustained growth of trading operations.

The diagram above sets out the typical functional structure of a global commodity trading firm operating across international markets. It highlights a range of activities –including trading, risk management, logistics, treasury, analytics, technology and control functions – that underpin global commodity trading operations. From a policy perspective, this functional decomposition provides a useful framework for assessing which capabilities are core to trading decision-making and which are support or execution-oriented functions. These distinctions are central to understanding how global commodity trading groups and Global Capability Centers (GCCs) evaluate staffing models and location choices when considering the consolidation or relocation of functions across geographies.

Figure 3⁴ focuses on the operating model of a centralized global commodity trading center, illustrating how trading, treasury and risk management functions are organized around a principal entity and linked to operating companies, counterparties, logistics providers and financial markets. From a state-and policy-level perspective, this operating view helps identify specific skills, infrastructure, regulatory clarity and ecosystem support required to host such functions at scale. It also provides a basis for evaluating how targeted public interventions – such as investments in specialized talent pipelines, financial and digital infrastructure, real estate planning and selective incentives – can influence the attractiveness of a jurisdiction as a host for high-value commodity trading GCC functions, without assuming that all activities must or should be relocated.

4. Hemal H Shah, EY | Global/Regional Corporate Treasury Centres and the India advantage

Figure 3: Illustrative Global Commodity Trading Centre



3. Building an integrated multi-asset commodity derivatives ecosystem

For GIFT City to emerge as a credible alternative to Singapore or Dubai, it must foster a deep, multi-asset derivatives ecosystem that allows global market participants to trade across the entire commodity spectrum – energy, metals and agriculture – within a unified, high-governance framework.

a. Energy

India's energy story itself makes the case for a domestic trading hub. By 2030, India is expected to consume over six million barrels of crude oil per day⁵, yet its refiners and importers continue to hedge using Brent and WTI, neither of which reflect India's unique crude basket, freight exposure, or refinery complexity.

GIFT City presents an opportunity to create instruments that address India's actual risk profile – Indian crude basket futures, crack spread swaps tailored to Indian refinery configurations, LNG indices aligned to Asian spot markets, and freight forward agreements to hedge shipping routes relevant to India's import corridors.

b. Ferrous metals

India is the world's second-largest steel producer, accounting for roughly 6% – 8% of global crude steel output and is a major participant in iron ore and coking coal markets⁶. This scale gives India substantial exposure to global price movements and volatility across the ferrous value chain. Yet, despite the size of its physical market, price discovery for key ferrous commodities remains largely external to India.

Iron ore derivatives traded in Singapore and prices published by international price reporting agencies continue to serve as the primary reference points for Indian steelmakers, traders and financiers. These benchmarks reflect seaborne trade dynamics and global marginal supply but do not always capture India-specific factors such as domestic demand cycles, regulatory interventions, logistics constraints, or grade differentials. As a result, Indian market participants often manage risk using instruments that are only partially aligned with their underlying exposures.

5. International Energy Associate (IEA), India Oil Market Report (pp. 9)
 6. Government of India, Press Bureau Information (Oct 2024)

GIFT City offers a framework through which this structural disconnect can be addressed incrementally. By enabling derivatives linked to Indian steel indices and iron ore grades, alongside basis instruments that bridge domestic prices with international benchmarks, GIFT City can support more locally relevant risk management. Developing warehousing, storage and delivery infrastructure would further anchor financial contracts to physical supply chains, strengthening their credibility without attempting to displace established global benchmarks.

c. Non-ferrous metals

India's role in non-ferrous metals has expanded steadily, driven by infrastructure investment, electrification, renewable energy deployment and growth in downstream manufacturing. Aluminum, copper, zinc and related products are increasingly integral to India's industrial economy. However, reference prices for these metals remain anchored to exchanges in London and Shanghai, creating a persistent gap between domestic fundamentals and financial hedging instruments.

This reliance on offshore benchmarks introduces basis risk for Indian producers and consumers, particularly where regional premia, logistics costs, or domestic policy measures materially affect realized prices. While the London Metal Exchange and Shanghai Futures Exchange provide deep liquidity and global price signals, they are not designed to reflect India-specific market conditions.

Within GIFT City, a complementary ecosystem can emerge through the introduction of India-linked futures and basis swaps that reference global benchmarks while incorporating domestic price differentials. Over time, the integration of physical delivery points, accredited warehouses and quality certification can reinforce the link between financial contracts and the underlying metal flows. Such an approach would enhance risk management options for Indian participants while remaining interoperable with global metals markets.

d. Agricultural commodities

India is a leading global producer of wheat, rice, sugar, cotton and several oilseeds, yet its influence on international agricultural price formation remains limited relative to its production share. Global benchmarks for many of these commodities continue to be shaped by markets in North America, Europe and parts of Asia, even where India plays a dominant role in supply or consumption.

GIFT City can help narrow this gap by supporting agricultural derivatives that reflect Indian quality specifications, cost structures and export dynamics. Cash-settled benchmarks for basmati rice, sugar contracts aligned with Indian export premia and cotton futures linked to domestic bale standards can provide hedging tools more closely aligned with local realities. When combined with trading hours synchronized across major global markets, these instruments can improve participation and price transparency without fragmenting liquidity.

7. IBEF, (Oct 2025)

8. Ministry of Petroleum & Natural Gas, Press Release, (Jan 2025)

e. Soft commodities

Soft commodities such as edible oils, rubber, spices, coffee and cocoa are economically significant for India but are often hedged through offshore venues or informal arrangements. This limits the ability of processors, exporters and importers to manage price risk efficiently, particularly during periods of global supply disruption or currency volatility.

GIFT City can provide a structured environment for soft commodity derivatives that reflect India's import and export flows, especially for edible oils and plantation crops. Over time, the availability of cleared and centrally regulated contracts can support broader institutional participation and more consistent risk management practices across the value chain.

f. Bullion and precious metals

India is one of the largest consumers of gold and silver globally, with increasing interest in platinum-group metals. Despite this, global price discovery remains concentrated in London under the "loco London" framework, while India's role has historically been focused on consumption rather than financial intermediation, with as much as two-thirds of the demand attributed to demand for consumption of jewellery .

GIFT City can complement global bullion markets by supporting trading, clearing and settlement frameworks aligned with internationally accepted standards. Developing accredited vaulting, assaying and custody infrastructure can strengthen India's position in bullion logistics and financing, enabling market participants to manage price and inventory risk more efficiently while remaining connected to global liquidity pools.

g. Hydrocarbons

Beyond crude oil, India has growing exposure to refined products, natural gas and LNG markets (see Table 2 below). Price discovery in these segments is increasingly influenced by regional dynamics in Asia, yet many hedging instruments remain linked to European or US benchmarks.

By facilitating regionally relevant gas and refined product derivatives, as well as freight-related instruments, GIFT City can provide Indian energy participants with tools that better reflect their operational and commercial realities. This approach complements existing benchmarks rather than replacing them, enhancing overall risk management effectiveness.

Table 2: India's global ranking in refining and supply⁸

Metric	Global rank
Exporter of refined products	7 th
Ethanol blending in petrol	2 nd
BioFuel producer	3 rd
LNG terminal capacity	4 th
Refining capacity	4 th

h. Carbon markets and environmental commodities

As climate policy frameworks evolve and corporate decarbonization commitments expand, carbon credits and environmental commodities are emerging as a distinct asset class. India's participation in these markets is expected to grow, particularly through voluntary carbon markets and future compliance mechanisms.⁹

GIFT City can serve as a regulated platform for trading verified carbon credits and related environmental instruments aligned with international standards. By integrating these products into a broader commodities ecosystem, GIFT City can connect sustainability objectives with established risk-management and market-infrastructure practices.

4. Cross-border clearing and multi-currency settlement: The backbone of a global hub

No commodity center can thrive without high-quality clearing infrastructure. The global market gravitates toward liquidity and frictionless settlement – and India must deliver both.

GIFT City needs to support multi-currency clearing in USD, EUR, GBP, AED, SGD and INR; interoperable clearing houses; and robust central counterparty (CCP) frameworks that provide the same level of risk protection as those in CME or ICE. Seamless movement of collateral, real-time margining and instant access to global liquidity pools will be essential to incentivize the global trading houses to shift their regional book to India.

If done well, this will not just improve liquidity but also give India unprecedented visibility into regional commodity flows.

5. Creating India-linked commodity benchmarks: A structural shift

Creating India-linked commodity benchmarks represents a structural shift away from offshore price references toward price discovery anchored in domestic physical flows. For such benchmarks to be credible, they must be supported by physically backed markets where the underlying commodity can be reliably tracked, verified and delivered. Traceability of origin, quality, location and ownership – enabled through accredited warehousing, assaying, inspection and digital inventory records – provides the evidentiary foundation on which benchmarks are built. As India develops this physical market infrastructure, prices formed around verifiable domestic supply and demand conditions can transition from transactional references to benchmark status, linking financial instruments directly to India's real economy rather than to external proxies

Benchmark creation is the pinnacle of influence in commodity markets. The countries or hubs that define benchmarks often set the rules and more importantly, capture the value. India, with over US\$650 billion¹⁰ in annual commodity imports, has the scale needed to create India-linked benchmarks.

Potential benchmarks such as the Indian Crude Import Basket Index, offshore steel indices, thermal coal indices tailored to India's consumption mix, or a credible basmati "IndiRice" index could become global reference points. These indices would incorporate Indian logistics, quality differentials and regional supply dynamics – offering more realistic hedging tools for producers, refiners and traders. (See Table 3 below)



9. Hemal H Shah, EY | Carbon trading: An emerging commodity class, (Feb 2025)

10. Ministry of Commerce & Industry, (Apr 2022)

Table 3: International commodity benchmarks and price centers

Category	Commodity	International benchmarks	Price discovery centers	Indian benchmarks
Ferrous metals	Iron Ore	SGX Iron Ore Futures (62% Fe CFR China), Platts IODEX	Singapore, Global PRAs	Indian Iron ore Average Sale Price (ASP) published by CEIC
	Steel	CME HRC Steel Futures (US), SGX/Mysteel Steel Indices	US, Singapore, China	SteelOrbis, BigMint
Non-ferrous metals	Aluminum	LME Aluminum	London	BigMint, MCX Aluminum Futures
	Copper	LME Copper, COMEX Copper (CME)	London, US	BigMint, MCX Copper Futures, LME-linked prices
	Zinc, lead, nickel	LME	London	BigMint, MCX Zinc/Lead/Nickel Futures, LME-linked prices
Agricultural commodities	Wheat	CBOT Wheat (CME Group)	US	NCDEX Wheat Futures*, Agmarknet Mandi prices
	Rice	No dominant global futures benchmark; PRA assessments	Global PRAs	Apeda Basmati Export Prices, Agmarknet Mandi prices
	Sugar	ICE Sugar No.11 (Raw), ICE Sugar No.5 (White)	US, London	NCDEX Sugar Futures*
	Cotton	ICE Cotton No.2	US	MCX Cotton Futures
Soft commodities	Edible oils (palm, soy, sunflower)	Bursa Malaysia Palm Oil Futures (FCPO), CBOT Soybean Oil	Malaysia, US	SEA (Solvent Extractors' Association) edible oil prices; MCX Crude Palm Oil Futures
	Rubber	TOCOM Rubber Futures, SGX TSR20	Japan, Singapore	Indian Rubber Board prices (RSS4); MCX Rubber Futures
	Coffee, cocoa	ICE Coffee, ICE Cocoa	US, London	Coffee Board of India prices (Arabica/Robusta); no liquid futures benchmark
Bullion and precious metals	Gold	LBMA Gold Price (Loco London), COMEX Gold	London, US	IBJA Gold Rate; MCX Gold Futures
	Silver	LBMA Silver Price, COMEX Silver	London, US	IBJA Silver Rate; MCX Silver Futures
	Platinum group metals	LBMA, NYMEX	London, US	Import parity prices (LBMA-linked); no domestic benchmark
Energy and hydrocarbons	Crude oil	Brent, WTI, Dubai/Oman	Europe, US, Middle East	Indian Crude Oil Basket (PPAC)
	LNG / Natural gas	JKM (Platts), Henry Hub, TTF	Asia, US, Europe	Domestic Gas Pricing Formula (APM gas); PNGRB notified prices
	Refined products	Platts Singapore Gasoil, Gasoline	Singapore	PPAC refinery gate prices; Administered references

*NCDEX wheat and sugar futures contracts referenced in this paper are currently not actively traded. NCDEX wheat futures are presently halted, while sugar futures have been discontinued. Their mention is solely for illustrative and analytical purposes and does not imply current market activity or liquidity in these instruments.

11. Proposed methodology to align Indian iron ore ASP with international prices | Notification, Ministry of Mines (June 2025)

Daily price of Iron ore = $P - \text{USD } 55 \times \text{Reference rate of RBI} \times A$

where $P \equiv \text{Price}$, and $IP \equiv \text{International Price}$

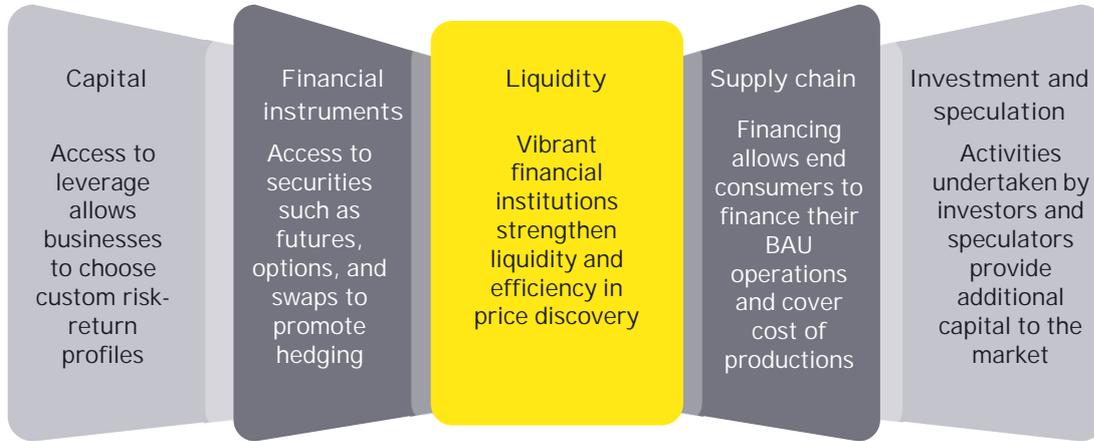
$P = IP$, when $IP \leq \text{USD } 120$, $P = IP - \frac{1}{2} \times (IP - \text{USD } 120)$, when $IP > 120$

$A = 1$, when $IP \leq \text{USD } 100$, $A = 0.85$, when $IP > \text{USD } 100$, and $A = 1$ when $\text{USD} = 100$

12. India has credible domestic aluminium price references through MCX futures and PRA assessments such as BigMint; however, international contracts and cross-border pricing continue to anchor to LME, with Indian prices forming local benchmarks rather than global.

6. Innovating commodity financing through GIFT City

Figure 4: Financial drivers of commodity trading



In India, commodity financing has traditionally been dominated by banks, with structured lending and collateralized facilities forming the backbone of trade finance. However, there is a relative absence of specialized OTC market participants – such as commodity trading houses, non-bank liquidity providers and risk-taking intermediaries – who play a critical role in price risk transfer, inventory financing and balance-sheet intermediation in global commodity hubs. This structural gap limits the depth and flexibility of financing solutions available to producers, traders and processors.

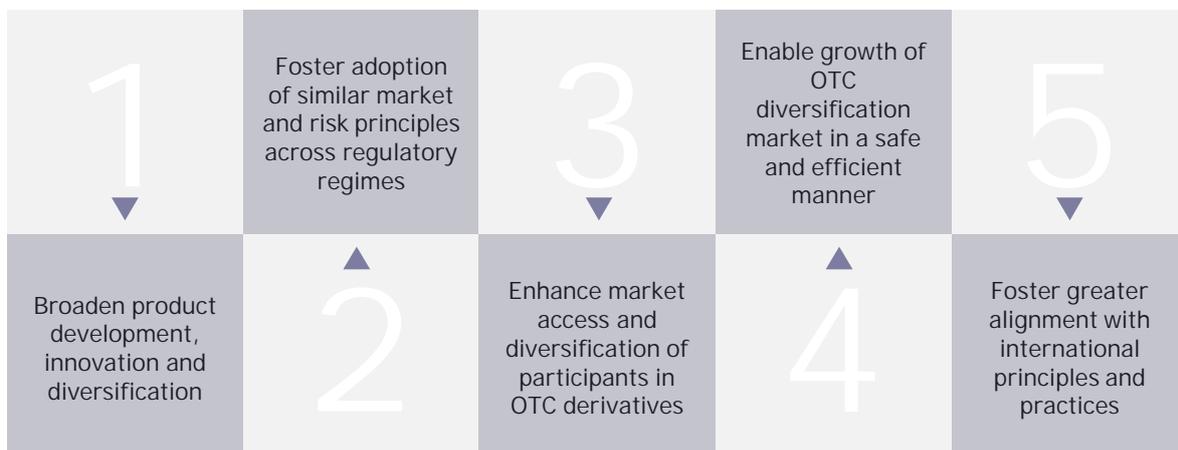
Commodity hubs like Singapore and Dubai dominate commodity financing not because of geography, but because of financial engineering capability. GIFT City offers a framework to broaden participation beyond banks by enabling regulated OTC activity, thereby complementing bank-led finance with market-based risk capital and more diversified financing structures.

Through GIFT City, India can develop:

- A more balanced commodity financing ecosystem by complementing bank-led lending with regulated OTC market participants that provide risk capital, liquidity and market-based intermediation
- Digital warehouse receipt financing, enabling fast, collateralized lending for traders and processors
- Inventory-backed structured notes, improving capital efficiency for balance-sheet-heavy companies
- Trade finance securitization, allowing institutions to participate in commodity receivables as an asset class
- Repo markets using commodities as collateral, to unlock liquidity on an unprecedented scale

These solutions will reduce India's dependency on foreign financing desks and enable Indian supply chains are funded at globally competitive rates.

Figure 5: Key pillars for growth of OTC market in India



7. Digital and ESG-driven commodity products: The future of trading

Commodity markets are increasingly shaped by technology and sustainability and GIFT City must embrace both.

Blockchain can enable tokenized commodities, offering 24x7 fractionalized trading in gold, metals, or even crude. Carbon-linked instruments – such as contracts tied to low-carbon aluminum, carbon-neutral LNG, or green hydrogen – will become essential as global supply chains demand verifiable ESG credentials.

India has the opportunity to lead here—not follow.

8. What will it take to get there?

a. Liquidity and participation: The hardest battle

No exchange can succeed without liquidity. GIFT City must attract global trading houses, oil majors, banks with commodities desks, hedge funds, and proprietary trading firms. Competitive incentives, rapid onboarding and regulatory alignment with global norms will be the deciding factors.

It is imperative to have a legal framework that is conducive to vibrant market participation. This involves broadening the scope of financial products, as defined in the IFSCA Act, and for the purpose of enlarging the scope of commodities on which derivatives can be issued and the power to notify such list of commodities may be vested with IFSCA for which necessary amendments can be made in SCRA.¹³

b. High-performance technology infrastructure

Modern commodity markets run on information shared in milliseconds. GIFT City must deploy low-latency trading systems, blockchain-based settlement frameworks and AI-driven analytics for risk, surveillance and operations. Technology will determine whether GIFT is a global hub – or merely a regional outpost.

c. Developing deep talent pools

India already has the world's largest STEM talent base. What it lacks is the specialized talent that makes commodity hubs thrive: quantitative traders, risk strategists, market microstructure experts and commodity finance specialists. GIFT City will need partnerships with universities, research centers and global exchanges to bridge this gap.

d. Ecosystem connectivity

A commodity hub is not an isolated enclave – it is a network. GIFT City must integrate seamlessly with MCX, NCDEX, CME, ICE, LME and global warehousing and logistics networks.

Only then can it support the full life cycle of commodity trade – from financing to hedging to physical settlement.

e. Regulatory depth: Building a globally competitive rulebook

As commodity trading and risk management activities become increasingly cross-border, regulatory alignment plays a critical role in determining where trading desks, clearing activity and risk aggregation are located. Global commodity hubs have evolved within well-defined regulatory frameworks that balance market integrity, systemic risk management and operational flexibility. In this context, a comparative view of GIFT IFSC framework alongside established international regulatory regimes helps assess its readiness to support globally integrated commodity trading, clearing and risk management activities¹⁴. Table 4 below provides a high-level comparison across key regulatory dimensions.



13. Expert Committee, IFSCA, (Aug 2025), (pp. 17)

14. On 4th Sep 2025, IFSCA and ASIC entered into an MoU with the objective to facilitate “mutual assistance and the sharing of information between the regulators on trends and best practices in the regulation of financial markets”. See [Press Release | IFSCA \(Sep, 2025\)](#)

Table 4: Alignment of GIFT IFSC regulations with international regulatory standards

Regulatory area	GIFT IFSC (IFSCA practice)	Alignment with international standards	Comparable global standard(s)
OTC derivatives oversight	OTC derivatives permitted with risk-based supervision; CCP-based clearing encouraged for systemically important products	Follows IOSCO Principles for Financial Market Infrastructures (PFMI) on risk controls, CCP oversight, margining	EMIR, Dodd-Frank (CFTC/SEC), IOSCO PFMI
Trade reporting and transparency	Reporting to IFSCA-approved repositories; LEIs, UTIs and digital reporting formats adopted	Uses global identifiers (LEI/UTI), lifecycle reporting norms consistent with international TR models	EMIR reporting standards, Dodd-Frank SDR reporting, CPMI-IOSCO data harmonization
Margin and collateral requirements	Risk-based margining; eligible collateral standards aligned with global CCP norms	Alignment with Basel III, IOSCO margin guidelines and PFMI collateral standards	Basel III, EMIR margin rules, CFTC margin requirements
Risk governance and conduct standards	Fit-and-proper criteria, Board-level oversight, internal risk committees; stress testing encouraged	Consistent with Basel corporate governance, OECD governance guidelines, and CFTC/ESMA business conduct rules	Basel governance principles, MiFID II conduct norms, CFTC business conduct standards
Commodity derivatives and market infrastructure	Commodity derivatives treated as financial instruments; exchange and CCP models aligned with global practices	Conforms to IOSCO standards for commodity derivatives markets, including transparency, surveillance and position monitoring	US CFTC commodity rules, MiFID II commodity derivatives framework
AML/CFT and KYC	Full adoption of FATF Recommendations; risk-based KYC, EDD, sanctions screening, suspicious transaction reporting	Direct alignment with FATF and international AML/CFT regimes	FATF, EU AMLD, US BSA / FINCEN
Banking regulation	Capital adequacy, liquidity coverage, exposure norms aligned with Basel III; simplified for IFSC units	Basel III convergence ensures global comparability and risk resilience	Basel III (international banking standard)
Insurance and reinsurance	Solvency, governance and cross-border reinsurance rules benchmarked to IAIS standards	Mirrors IAIS Insurance Core Principles	IAIS ICPs, Solvency II (partially)
Investor protection and market conduct	Disclosure norms, suitability obligations, grievance redressal system; emphasis on transparency	Aligned with IOSCO investor protection principles and MiFID II conduct standards	MiFID II, IOSCO Principles
FinTech, digital reporting and innovation	Regulatory sandbox, API-based reporting, digital KYC, reg-tech enablement	Consistent with FCA (UK), MAS (Singapore), and ASIC (Australia) innovation frameworks	Global fintech sandboxes (UK, Singapore, Australia)
Cross-border participation and access	Liberal foreign ownership, cross-border fund/derivatives access, global intermediary participation	Follows global liberalized hub models like DIFC (Dubai) and MAS (Singapore)	DIFC, MAS, Luxembourg
CCP, exchange and FMI regulations	FMI oversight aligned with PFMI: margin models, default waterfall, segregation and portability	Fully aligned with CPMI-IOSCO Principles for FMIs	PFMI, EMIR CCP rules, CFTC Part 39

Positioning GIFT City as a meaningful center for global commodity trade requires a regulatory framework that goes beyond basic exchange activity and aligns with international principles-based standards similar to EMIR, MiFID II and Dodd-Frank, supported by clear cross-border participation rules, robust risk-based capital and reporting norms, comprehensive supervisory architecture and interoperability across exchanges and clearing entities – a direction reflected in the IFSCA’s mandate and expert committee recommendations to build a competitive hub capable of attracting global liquidity.¹⁵

In practice, regulatory depth is tested not by headline frameworks, but by the ability of core trading and risk-management structures to operate without friction. A critical example arises in centralized hedging for group entities. Under the Foreign Exchange Management (Foreign Exchange Derivative Contracts) Regulations, 2000, units in Special Economic Zones are permitted to engage in offshore commodity derivatives to hedge export and import exposures, subject to ring-fencing from parent or subsidiary financial contracts. While the IFSCA’s Global/Regional Corporate Treasury Centre framework allows finance companies in IFSCs to undertake derivative transactions to hedge risks on their own books and, in principle, those of group entities, such activity remains constrained by FEMA regulations when services are rendered to Indian group entities.

As a result, finance units in GIFT IFSC that seek to implement globally standard centralized hedging models for Indian operating entities face material regulatory limitations. Recognizing this gap, the IFSC Expert Committee has recommended targeted amendments to FEMA regulations to enable such structures, underscoring that regulatory harmonization – rather than incremental relaxation – is essential for GIFT City’s evolution into a globally competitive financial and commodity trading hub^{16,17}.

Key enablers include:

- Clear guidelines for cross-border participation, allowing international trading houses, banks and brokers to operate seamlessly in GIFT
- Risk-based capital, margining and reporting norms comparable to international exchanges, giving global players confidence in market integrity
- A robust supervisory architecture that supports complex products—options, commodity indices, deliverable futures and basis swaps – without creating compliance friction
- Interoperability across exchanges, custodians, and clearing entities, reducing settlement risk and encouraging scale.

A deeper regulatory foundation will signal that GIFT City is ready to attract substantial liquidity rather than mere incremental flows.

f. Arbitrage and market efficiency: Creating the conditions for liquidity

A critical determinant of GIFT City’s ability to function as a genuine global commodity trading and risk management hub lies in the alignment between IFSC-specific regulations and India’s broader foreign exchange framework. While IFSCA regulations permit IFSC entities to undertake derivative transactions to hedge risks on their own books and, in principle, for group entities, practical implementation remains constrained by existing FEMA provisions. This regulatory disconnect limits the feasibility of centralized hedging structures for Indian groups – a core feature of global commodity trading hubs.

It is difficult for a commodity hub to succeed without active arbitrage – which links markets, tightens spreads and gives benchmarks credibility. To anchor liquidity onshore, GIFT must enable efficient cross-market arbitrage between domestic exchanges (like MCX/NCDEX), offshore venues (LME, CME, SGX) and regional markets.

Commodity pricing in India is typically derived from international benchmarks, adjusted to reflect local market conditions such as quality differentials, logistics, duties, taxes and domestic demand-supply dynamics. These benchmark-linked methodologies allow Indian producers, consumers, and traders to remain aligned with global price discovery while accounting for India-specific commercial realities. Table 5 outlines illustrative approaches to linking international benchmarks to Indian pricing references across key commodities, highlighting how global prices can be translated into effective domestic price signals.

Critical requirements include:

- Real-time data connectivity and co-location infrastructure to support high-speed trading and market-making
- A broader eligible-participant framework that permits hedge funds, proprietary trading desks and global market makers to operate from GIFT City
- Flexibility in capital mobility and currency convertibility within the IFSC to enable traders to arbitrage Indian rupee-linked contracts with USD-settled benchmarks
- Deliverable and warehouse-receipt-based products to narrow basis risk and attract physical players into the ecosystem

By supporting arbitrage, GIFT City can move from being a price follower to a price influencer, improving liquidity across ferrous, non-ferrous and bullion markets.

15. Expert Committee, IFSCA, (Aug 2025)

16. Expert Committee, IFSCA, (Aug 2025), (pp. 18)

17. Recommendations by the Expert Committee have been acknowledged by IFSCA. See [Press Release | IFSCA, \(Aug 2025\)](#)

Table 5: Global commodity pricing centers and indicative pricing synergies for GIFT

Pricing center / Exchange	Commodity set	Benchmarks / Proxies	Most liquid products	Indicative methodology for GIFT IFSC	Justification
ICE	Energy	Brent crude	Brent future and options	India-linked Brent Differential: GIFT Price = $Brent_{settle} + Freight_{ind} + QualityAdj - PortCosts$	Adjusts the global crude benchmark to reflect India-specific crude grades, shipping routes and landed cost structure
ICE	Soft commodities	Sugar No.11, Cotton No.2	Futures	Export Parity Model: GIFT Price = ICE Settlement + Indian Export Premium – Inland Logistics	Aligns international futures prices with realized export prices for Indian-origin commodities
LME	Non-ferrous metals	Aluminium, Copper	Futures	Domestic Premium Model: GIFT Price = LME Cash + Domestic Premium – Import Duty – Inland Freight	Converts global metals prices into local consumption prices by incorporating regional premia and policy costs
LME	Non-ferrous metals	Forward curve	Prompt date contracts	India Forward Curve: GIFT Forward = LME Forward + India Basis(t)	Preserves global forward curves while reflecting time-varying domestic market conditions
Shanghai (SHFE)	Ferrous metals	Iron ore, Rebar	Physically deliverable futures	Port-Based Delivery Pricing: GIFT Delivery Price = SHFE Settlement + India Port Basis	Adapts Asian deliverable futures prices to Indian ports, grades and logistics
Shanghai (INE)	Energy	INE Crude	Crude futures	Crude Basket Replication: GIFT Price = $\sum(w_i \times Grade_i Price) + FreightAdj$	Reflects India's actual crude import mix rather than a single global benchmark
Platts (S&P Global)	Energy and metals	Brent, IODEX, steel indices	Physical assessments	India Composite Index: GIFT Index = $\alpha(Domestic Trades) + \beta(Platts Index)$	Balances domestic market representativeness with continuity from established global benchmarks
Platts	Refined products	Singapore Gasoil	Assessments	Import Parity Pricing: GIFT Price = Platts Singapore + Freight + Insurance – Taxes	Replicates import parity pricing used in physical refined product trade
LNG (JKM)	LNG	JKM	LNG swaps	India LNG Basis: GIFT LNG = JKM + Route Freight + Regas Cost	Aligns LNG hedging prices with delivered gas costs in India
Bullion (LBMA-linked)	Gold, Silver	Loco London	Spot and forwards	India Landed Gold Price: GIFT Gold = LBMA Price + Import Duty + Logistics – Lease Rate	Translates global bullion prices into Indian landed and financing-adjusted prices

g. Rating and settlement agencies: Strengthening trust and infrastructure

A credible commodity ecosystem rests on trust in product quality, counterparty performance and settlement finality. India must strengthen rating, certification and settlement institutions to match global commodity hubs.

Key priorities include:

- Independent commodity-grade certification and assaying standards (e.g., for metals, bullion and warehouse receipts) that are internationally recognized
- Trusted collateral management agencies capable of monitoring warehouse quality, logistics integrity, and inventory financing risks

- A world-class clearing and settlement framework with real-time gross settlement (RTGS), multilateral netting and cross-border clearing access
- Integration of credit rating agencies specialized in commodity-market counterparties, supporting structured trades, repo markets and inventory-backed financing.
- Accredited warehouses and vaults, connected digitally to exchanges, ensuring traceability and eliminating delivery disputes.

This institutional backbone will give global players the confidence that GIFT City can manage large, complex and internationally linked commodity flows.

h. Transaction cost arbitrage: Making GIFT the lowest-friction venue

For GIFT City to attract global commodity flows, it must deliver meaningful reductions in transaction costs relative to established hubs like Singapore, Dubai, London and Shanghai. Liquidity naturally gravitates toward the lowest-friction marketplace – one where trade execution, financing and logistics costs are structurally lower.

Key levers include:

- Lower exchange and clearing fees to make futures and swaps more cost-effective for institutional traders
- Competitive brokerage and custody charges, supported by global intermediaries operating from the IFSC
- Efficient funding and collateral mobility, allowing traders to optimize margin utilization across products and venues
- High-speed connectivity and co-location, reducing latency-driven costs for market makers and arbitrage desks

By embedding cost efficiency into the market's operating structure, GIFT City can create a powerful transaction cost arbitrage advantage, pulling liquidity onshore, away from competing Asian hubs

i. Tax competitiveness: Leveraging IFSC's natural advantage

Tax policy is one of the most powerful levers for positioning GIFT City as an attractive destination for global commodity traders and physical players alike:

- Under the earlier IFSC framework, units were eligible for a 100% corporate tax exemption for 10 consecutive years out of a 15-year block, along with exemptions from GST, stamp duty, commodities transaction tax and certain capital gains taxes. These benefits created a meaningful cost arbitrage relative to both onshore and offshore jurisdictions.¹⁸
- The tax environment within the IFSC reduces multiple layers of tax drag on trading, financing and settlement, making onshore hedging and structured commodity products more cost-effective.
- Tax incentives create a favorable environment for funds, trading houses and investors to establish a base in GIFT City rather than route trades through foreign centers.

Building on this, Budget 2026 extends the tax holiday window substantially: units in GIFT City's IFSC will now enjoy a 20-year tax holiday within a 25-year period, up from the earlier 10-year window. After this tax-free period, business income will be taxed at a concessional rate of 15%, well below typical onshore corporate rates^{19,20}.

18. [Doing Business in GIFT CITY](#) (pp. 14)

19. [Union Budget 2026 Financial Services Highlights](#) | EY

20. [Budget Speech, Government of India](#) (pp. 44)

21. Source: [Adani Ports](#)

Key implications:

- Long-term fiscal certainty: A 20-year holiday aligns with the planning horizons of global funds, trading houses, treasury centres and multinational commodity firms, reducing tax uncertainty and encouraging substantive operational commitments.
- Lower all-in cost of capital: Post-holiday, the 15% rate preserves much of the IFSC's cost arbitrage even after incentives lapse, reinforcing GIFT's competitive position.
- Stronger locational choice: By reducing multi-layered tax drag over the lifecycle of trading, financing and settlement activity, the enhanced regime makes onshore hedging, structured commodity products and capital flows more economically viable when routed through GIFT rather than through traditional hubs.

Strategic implication: Competitive and predictable tax treatment – now extended and rationalised – materially lowers the overall cost of trading and financing commodities. When combined with robust regulatory design and transaction cost efficiency, this strengthens GIFT City's proposition against established global hubs and supports its evolution as a sustained global commodity trading centre.

j. Physical infrastructure: Warehousing, blending and energy terminals

A strong commodity trading center must be supported by physical, logistical and processing infrastructure – not merely financial markets. Gujarat's industrial ecosystem provides important building blocks:

Modern warehousing and logistics:

- Nearby infrastructure such as Mundra Port – India's largest commercial port with deep-water berths and large storage capacity – supports dry and liquid bulk handling and can interface with bonded warehouses and SEZ units²¹.
- Strategically located ports and hinterland connectivity help efficient cargo handling, storage and evacuation, which are critical for deliverable futures markets and inventory financing.

Blending and value-added processing:

- Gujarat's industrial clusters host facilities for metals processing, blending and petrochemicals, laying the groundwork for value-added inventory that can be priced and hedged through GIFT City trading products. While direct policy sources on blending infrastructure are still emerging, the region's industrial base provides a strong foundation for this potential.

Energy terminals and regasification

- Gujarat hosts several LNG terminals and energy infrastructure, with ongoing growth in energy storage and handling. Leveraging these assets can help link energy commodity trading and physical delivery with financial products in GIFT City.
- Integrating energy logistics with financial settlements can position India as a node for regional energy pricing, hedging and strategic reserves.

Strategic implication: Physical infrastructure strengthens the link between real economic flows and financial markets – which is critical for developing deep commodity markets.

11. Conclusion

GIFT City represents one of the most transformative financial reforms in Independent India's history. It is more than an economic zone—it is a declaration of intent. It signals that India is ready not only to participate in global commodity markets but also to lead, shape and influence them.

The next decade will determine GIFT City's evolution into Asia's commodity nerve center. The fundamentals are aligned: India's scale, economic trajectory, consumption patterns, talent base and global footprint all point in the same direction.

By combining vision with execution, GIFT City can not only change the direction of trading volumes but also shift power dynamics, positioning India at the heart of global commodity trade.

Appendix

Abbreviation	Full-form
GCC	Global Capability Centre
SEZ	Special Economize Zone
LEI	Legal Entity Identifier
UTI	Unique Transaction Identifier
CPMI	Committee on Payments and Market Infrastructure
IOSCO	International Organization of Securities Commissions
PFMI	Principles for Financial Market Infrastructure
MiFID	Markets in Financial Instruments Derivatives
AMLD	Anti-Money Laundering Directive
US BSA	United States Bank Secrecy Act
AML	Anti-Money Laundering
EDD	Enhanced Due Diligence
FATF	Financial Action Task Force
FinCen	Financial Crimes Enforcement Network
CFTC	Commodity Futures Trading Commission
ESMA	European Securities and Markets Authority
IAIS	International Association of Insurance Supervisors
ICPs	Insurance Core Principles
MAS	Monetary Authority of Singapore
FCA	Financial Conduct Authority
ASIC	Australian Securities and Investments Commission
DIFC	Dubai International Financial Centre

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