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IUKFP

India - UK Financial Partnership

Catalysing bilateral growth: Connecting India and the UK's equity capital markets

April 2025

Foreword

The India-UK Financial Partnership has continued to play a pivotal role in fostering collaboration between the financial industries of India and the UK since 2014. As both nations deepen their economic and financial ties, the IUKFP has served as a key platform for dialogue, policy advocacy and financial innovation. Over the years, this partnership has facilitated discussion on critical areas such as FinTech, GIFT City, bond markets, insurance and broader financial market reforms, contributing to policy recommendations that enhance bilateral relations.

This paper on capital market connectivity presents a bold and forward-looking vision. It lays the foundation for advancing capital account convertibility and strengthening confidence in both markets. This well-structured approach can serve as a catalyst for meaningful discussions among policymakers in both markets. However, realising this vision requires careful consideration of several key factors:

- Timing – Assessing when the Indian economy will be optimally positioned for such a transition.
- External account strength – Ensuring India's macroeconomic stability supports greater capital flow flexibility.
- Competitiveness – Enhancing India's capital markets to compete with global exchanges.
- Geopolitics – Navigating the evolving global landscape to safeguard mutual strategic interests.
- Implementation roadmap – Defining clear steps to achieve this goal, including regulatory and market infrastructure reforms.
- Cross-border listing Opportunities – Exploring similar partnerships with other economies to broaden India's global market presence.
- Cost Benefit Analysis at the national level – Evaluating economic and financial trade-offs to ensure long-term sustainability

At a time when global financial markets are evolving rapidly, we hope that this paper can drive an informed debate and constructive action in both countries. We are very grateful to all working group members for their valuable contribution to this work and we hope it serves as a valuable resource for all stakeholders committed to advancing India-UK financial cooperation.

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Introduction

At the 11th UK-India Economic and Financial Dialogue (EFD) in September 2021, the Chancellor of the Exchequer and the Finance Minister of India provided the IUKFP with a mandate to examine the potential for capital markets connectivity between the two countries.

In January 2023, the IUKFP launched its working group on equity capital markets connectivity. Co-led by Bahram Vakil, Founding Partner of AZB and Partners, and Mohan Bhuyan, Primary Markets Lead for India, London Stock Exchange Group, the objective of the working group is to explore the creation of an equity capital markets link focusing on bilateral ways in which the UK and Indian regimes could be adjusted or adapted to support respective capital raising and investment.

The co-leads are supported by a working group comprising expert practitioners from across the financial and related professional services industries in India and the UK. The full list of working group members can be found in the Appendix. The group has met several times over the last two years to define the scope of work and outline the existing issues and barriers that need to be addressed to establish a bilateral equity capital markets connectivity mechanism between the UK and India. The co-leads presented an outline of these issues at the Financial Markets Dialogue held in London in April 2023, where they were asked by HM Treasury and the Ministry of Finance to provide a final set of recommendations in advance of the next EFD, which will take place on 9 April 2025.

In this report, the working group has provided a set of actionable recommendations to enhance bilateral equity capital markets connectivity through equity share cross listings between Indian and UK stock exchanges.

Executive Summary

In December 2018, the Securities and Exchange Board of India's (SEBI) Expert Committee for the Listing of Equity Shares of Companies Incorporated in India on Foreign Stock Exchanges and of Companies Incorporated Outside India on Indian Stock Exchanges wrote in its report:

"The fast-growing liberalised Indian economy is anchored on the principles of transparency and ease of doing business promoted by Government of India. This has provided a boost to foreign corporates to actively participate in the growth of the Indian economy and compete with established as well as new companies incorporated in India. This may, therefore, be an opportune time to consider further liberalising the equity capital raising framework by allowing companies incorporated outside India the opportunity to access the vibrant Indian equity capital markets. At the same time, it is also an opportune time to enable companies incorporated in India to directly access the global equity capital markets."

What was considered opportune in 2018 is even more so today, more than six years after the SEBI report was published and accepted by the Government of India. India's equity markets have now attained global standards, depth and heft. Fuelled by increasingly larger portions of people's savings flowing into the equity market through mutual, insurance and pension funds and directly, and the growing interest of foreign investors, India's overall market capitalisation crossed the $5tn mark in 2024. Last year, India became the world's leading market for IPOs, the world's largest equity derivatives market by volume, and the world's second largest in terms of equity capital market activity and fund raising. Additionally, India is now the world's fifth largest economy with a GDP of $4.27tn and is expected to become the world's third largest economy by the end of the decade.

All these qualities have now brought India's equity market to a position where it should attract the attention of international issuers of equity, particularly those that operate in India. The authors of this report envision a near-future when international companies will be considering India as a capital pool of global scale and issuing equity securities to Indian investors as a means of accessing this valuable pool.

There are some in India who assert that India's well developed equity markets with its rich valuations, large domestic and foreign investor base, and a market depth that can accommodate billions of dollars plus capital raisings, are adequate for Indian companies, and that they don't need to seek funding or investors outside the country. However, India's insatiable appetite for capital to fund its infrastructure, fight climate change, grow its manufacturing base and generate skilled employment opportunities, as well as the global ambitions of its companies, belie that theory.

Ambitious Indian companies seeking to establish a global footprint may seek an overseas equity listing not just to access equity capital beyond what is available through the FPI/FDI and Private Equity routes, but also to broaden their investor base, seek specialist investors, and more patient and permanent capital than that available through private equity, enable overseas mergers and acquisitions, and incentivise their increasingly international employee bases. The same applies in reverse for foreign companies and investment funds looking to India. Equity share listings by such companies and investment funds will internationalise India's National Stock Exchange (NSE) and Bombay Stock Exchange (BSE), making them global stock exchanges and allow Indian investors to diversify their equity investments into quality international stocks without drawing down on their individual foreign exchange quotas through the Liberalised Remittance Scheme (LRS). An additional benefit for India is that an equity cross listing link will enable companies that have established overseas domiciles and stock exchange listings to attain an Indian or 'home' listing as well.

Since the mid 1990's, listed Indian companies have been able to access international equity markets by issuing Depositary Receipts (DRs), and many have done so by issuing and listing DRs in London, Luxembourg and New York. However, this method is no longer considered optimal by issuers or investors and there have been virtually no issuances of DRs by Indian companies in the last 10 years or so. In the other direction, India had implemented an Indian Depositary Receipts (IDR) policy for overseas companies. This route was used by only one international company, thus the experience was not considered successful and interest in IDRs have since faded away. Therefore, it is the belief of the IUKFP Equity Capital Market Connectivity Working Group that ordinary equity shares offer a simpler, cost-effective issuer and investor friendly alternative to DRs for equity funding in both directions.

Since the publication of the SEBI Expert Group's Report on Cross Border Equity Share Listings in 2018, India has taken several regulatory and policy steps to enable overseas equity listings. In October 2023, the Indian Companies Act 2013 was amended for public companies to issue such class of securities to be listed on a permitted stock exchanges in a 'permissible foreign jurisdiction'. In July 2023, the Union Minister for Finance and Corporate Affairs announced that direct listings of Indian Companies at GIFT- IFSC exchanges in the first phase would be enabled. Subsequently, on 24 January 2024, the Department of Economic Affairs (DEA), Ministry of Finance, amended the Foreign Exchange Management (Non-debt Instruments) Rules, 2019, and notified the 'Direct Listing of Equity Shares of Companies Incorporated in India on International Exchanges Scheme'. Simultaneously, the Ministry of Corporate Affairs (MCA) issued the Companies (Listing of Equity Shares in Permissible Jurisdictions) Rules, 2024 and notified IFSC-Gift City and its two international exchanges owned by NSE and BSE as the first permitted jurisdiction and stock exchanges. These changes collectively, provide an overarching regulatory framework to enable public Indian companies to issue and list their shares in permitted international exchanges.

Meanwhile in the UK, the Financial Conduct Authority (FCA) concluded its Primary Markets Effectiveness Review and introduced improved eligibility criteria, rules and disclosure requirements for a new consolidated Main Market of the London Stock Exchange. The new Main Market also has a new 'International Secondary Listing' category, aimed at attracting dual listings from overseas companies with appropriate regulation so that an overseas company choosing a secondary listing in this category should not have a materially higher regulatory burden than it has on its primary exchange. This new segment has already admitted secondary listings from companies with primary listings in Hong Kong and the United States.

The above policy developments in India and UK dovetail well for the establishment of a seamless India–UK Equity Connection Arrangement. The IUKFP Working Group believes that by initiating this arrangement with equity share cross listings by already listed companies in both markets, the growth ambitions and equity strategies of India and UK-based companies can be met without affecting the growth, prospects and further development of either country's equity markets. The pioneering policy, groundwork and infrastructure that will be laid down for an India-UK equity cross listing arrangement will also serve as a template for similar arrangements with other global markets. And in the future, this can also serve as the base-case arrangement for Initial Public Offers (IPOs) by unlisted and private companies in either market.

However, some additional policy changes must be made, and a few obstacles overcome in order to implement a smooth and functional equity cross listing arrangement and these are detailed below.

Regulations and policy

In the UK, there are no regulatory and policy changes required to enable listed Indian equity shares to be listed and traded through London's International Secondary Segment and settled on the UK's Crest system. Nor are policy changes required for UK listed equity shares to be listed, traded and settled in India.

For Indian shares to be listed, traded and settled in UK, the UK needs to be added as a Permitted Jurisdiction in the Companies (Listing of Equity Shares in Permissible Jurisdictions) Rules 2024 and London Stock Exchange, added as permitted stock exchanges.

In India, the provisions of the Issue of Capital and Disclosure Requirements (ICDR) related to further equity offerings—such as rights issues, further public offerings, preferential allotments, or qualified institutional placements—will need to be amended to allow Indian listed entities to undertake such issuances on the London Stock Exchange. Similar provisions will be required in ICDR for UK companies to be listed on the Indian exchanges.

Companies seeking admission to London's International Secondary Segment are expected to adhere to the corporate governance and disclosure norms of their primary market. Additional disclosures under the UK's Market Abuse Rules (MAR) related to publishing a list of insiders and proper and prompt disclosure of their trading activities will not be required.

For UK listed companies seeking a listing in India, there may be differences between the Continuous Obligations prescribed by FCA and SEBI's Listing Obligations and Disclosure Requirements (LODR) mainly related to corporate governance, promoter (controlling shareholder holding majority) identification, and materiality based on geographical reasons. This report recommends a comparative study be conducted and, if required, tailored requirements be made applicable to UK companies seeking a listing in India.

Prospectuses

Prospectus regulation is evolving in the UK, with the FCA currently conducting a consultation that is expected to conclude soon, and its agreed recommendations will be implemented later this year (2025). This report considers various scenarios under which a prospectus may or may not be required for an overseas company seeking a secondary listing in London with or without an offer of securities. Currently, a company seeking a listing in the UK for the first time will be required to produce a prospectus, but after the new prospectus rules are implemented, it is likely that there will be a scenario in which overseas companies seeking a secondary listing in UK can do so with less onerous documentation.

The report also makes a recommendation for the FCA and SEBI to jointly work towards mutual recognition of prospectuses and offer documents. While the content of such documents in both jurisdictions may be largely similar, format and style are very different thereby complicating the review and approval process for regulators in either jurisdiction. The Working Group recognises that this is a resource intensive process and suggests this as a medium-term recommendation.

Accounting standards

The UK requires companies seeking a listing and admission to trading to report its accounts using IFRS and be audited per international audit standards. India prescribes the India Accounting Standard (Ind-AS) and the Indian Audit Standard (IAS) for its companies. Ind-AS is converged and harmonised with IFRS, but there are a few differences. While having to recast accounts and audits in IFRS and international audit standards will not be deal-breakers, they do impose an additional burdens and costs on Indian companies seeking a London listing. This report recommends that the UK conducts a comparative study on both Indian standards for permitting equivalence, as they are closely aligned with international standards. It also recommends that India allows UK companies reporting in IFRS to seek a listing in India. The Working Group appreciates that comparative studies of accounting and audit standards will involve considerable resources, time and costs and suggests this as a medium-term recommendation.

Taxation

Fair and equitable policies in both jurisdictions on the taxes that are triggered by the trading and transfer of shares such as capital gains tax, stamp duty, securities transaction tax and dividend distribution tax, are vital for the successful implementation and smooth functioning of a potential India-UK equity cross linking arrangement. The Working Group recommends that these taxes and duties are levied only in the jurisdictions in which the trading has taken place (avoiding double taxation) and in which the investors are resident. Such precedents already exist on the tax treatment for DRs and on equity share trading in IFSC-Gift City and can be extended for the trading of equity shares in either jurisdiction.

Disclosure of significant beneficial ownership

In India, a significant beneficial owner (or SBO) with respect to a company is someone who indirectly or together with direct holdings: (i) owns at least 10% of the shares, (ii) has 10% or more of the voting rights, (iii) is entitled to at least 10% of the distributable dividends in a financial year, or (iv) has the right to exercise, or actually exercises, significant influence or control. 'Significant influence' means participating in financial and operating policy decisions without having full control or joint control.

UK regulations require shareholders of an overseas company to notify the issuer of changes in its voting rights at prescribed thresholds of 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75%. There is no expectation that an Indian company with a primary listing in India and seeking a listing on the International Secondary Segment will need to put in place arrangements for requiring the disclosure of beneficial ownership in addition to those that apply as per Indian corporate law in India. However, since UK's SBO reporting requirements start at a lower threshold (5%) than India's (10%), the Working Group recommends that UK standards be accepted by India for the secondary listings of Indian companies in UK, for which a precedent exists under SEBI's Depositary Receipts Framework, 2019.

It should be noted that secondary listings between large-scale equity markets (such as London and Mumbai) are made by admitting smaller proportions of the total outstanding equity of a company. The home market will remain the primary market, and the bulk of the outstanding equity and free float will be available in the home market. it is not expected that significant acquisitions of equity along with their voting rights will take place in the venue of the secondary listing.

Settlement

The Working Group has undertaken an in-depth examination of settlement issues, particularly noting that foreign equity shares require a UK 'wrapper'—known as a Depository Interest—for settlement within CREST, the UK's central securities depository operated by Euroclear UK & International (EUI).

Two methods for cross border settlement can be used:

- Crest Depository Interests (CDI): issued by a CREST nominee through an international settlement link between EUI, Euroclear Bank, and their CSD counterparts in India (NSDL & CDSL).
- Depositary Interests (DI): issued by a UK company registrar holding an account with the Indian CSDs and establishing an overseas branch register for the companies issuing their shares in the UK.

In either method, the following requirements in Indian policy should be considered:

- Permission to operate through Omnibus or Nominee accounts with Indian CSDs whereas current Indian law mandates Segregated Account structures.
- All shares of the relevant class in a company must be capable of being listed and traded on UK markets as well as in the home market.
- Multiple levels of beneficial ownership must be recognised whilst allowing them to be custodied through omnibus accounts.
- Implement the tax-related recommendation.

Without these changes, a viable and functional equity cross listing between India and UK will not be possible because in a segregated model, all trading internationally would require settlement to occur at the home CSD, defeating the purpose of enabling investors to trade and settle UK and Indian shares in their respective local market. However, it is emphasised that in a secondary listing arrangement between two highly equity markets, the bulk of the trading and liquidity remains in the home market. It would also be beneficial to apply such changes to India's domestic government debt so that international investors could access these in the same manner.

Liquidity

The Working Group has conducted an in-depth review on the question of cross border trading, generating and maintaining liquidity in the home and secondary markets and opportunities that arise such as arbitrage. The Working Group envisions an environment in which trading will function smoothly in both home markets (India and UK) and between both markets, with liquidity created, managed and bi-directionally fungible and not siloed. The requirements for such an environment are:

- Liquidity events upon listing: while it will be possible for companies to attain a secondary listing in both markets via introduction, capital raising either through primary issuances or secondary sell-downs (known as Offers for Sale in India) will ensure that liquidity is created in the secondary listing, as well as profile and visibility for local investors.
- Removal of friction and barriers to liquidity, such as duties, transaction costs and exchange controls.
- Re-positioning services: CSDs and registrars offer services such that trading in either market can be settled within the settlement windows of both markets (currently T+1 in India and T+2 in the UK in 2027). For this functionality, omnibus and nominee accounts are vital. Securities moving from the UK to India are expected to be available in India on T+1, aligning with the settlement timeframe. Conversely, securities moving from India to the UK could be made available on the same trading day due to time zone advantages, allowing transactions to be processed after the Indian market closes but while the UK market remains open. These services are also effective in ensuring that price differences that may arise between both markets are ironed out in quick time.
- Market participants: Market makers, arbitrage participants, and institutional investors play a key role in maintaining liquidity pools across multiple markets. These participants often leverage stock loans and internal rebalancing strategies to facilitate settlements efficiently. The key consideration remains minimising friction in cross-border movements, such as transaction costs, regulatory hurdles, or settlement delays.

Next steps

The first required step would be to notify the UK as a permitted jurisdiction in the Companies (Listing of Equity Shares in Permissible Jurisdictions) Rules, 2024, followed closely by decisions on nominee accounts and taxation. Setting up an India-UK equity link will involve upfront legal and operational costs for some market infrastructure participants, especially for settlement in both jurisdictions, for which policy certainty is a prerequisite. No short-term policy changes are required on the UK side to enable the link.

Thereafter, an implementation Working Group could be established, reporting to the Ministry of Finance in India and HM Treasury in the UK. Co-chaired by SEBI and the FCA, the group would include representatives from institutions in both countries – such as stock exchanges, clearing houses, Central Securities Depositories, registrars and share transfer agents, investment banks, and law firms. This group would be well positioned to develop the framework for enabling equity cross-listings between India and the UK.

Main recommendation

The IUKFP Working Group on Equity Capital Markets Connectivity recommends that the Indian and UK equity markets be connected by allowing and enabling the cross listing of equity shares between both markets thereby creating the opportunity for the raising of equity capital in one market by companies that have a primary listing in the other market. Thus, Indian companies with a primary listing on India's NSE and/or BSE Ltd. will be able to obtain a secondary listing on the London Stock Exchange, and UK and international companies with a primary listing on LSE will be able to have a secondary listing on NSE and BSE.

Rationale

An equity capital markets connectivity mechanism between the two countries through the cross listing of common equity shares would provide the following benefits:

- It would increase and help diversify the sources of capital for India's National Infrastructure Pipeline, which requires approximately $4.5 trillion in funding by 2030. It would also contribute to meeting India's energy transition objectives, which are projected to require around $2 trillion by 2030 and support the country's ambitious plans to expand its manufacturing sector to 25% of GDP.
- Allowing Indian companies to retain their domicile while providing them a new and more effective route than the existing DRs policy to access overseas capital and global investors. Start-ups and private companies with their operations wholly in India would not have to flip their domicile to another country for a future overseas listing and access to global capital and investors.
- Enabling the internationalisation and growth of India's major stock exchanges NSE and BSE. While India's equity capital market with a total market capitalisation $5tn now rubs shoulders with global markets in terms of size, it remains a purely domestic issuer-only market.
- Widening the investor base available to Indian companies beyond Foreign Portfolio Investors (FPIs), such as to UK based institutional investors (80% of whom do not currently invest in Indian-listed equities). It would also give Indian companies access to specialist assets under management such as Deep Technology Funds, Carbon Funds, ESG Funds and the like.

- Allowing UK listed companies to benefit from India's now large and well-developed capital market and its huge domestic investor base comprising of Indian mutual funds, pension funds, insurance funds, high net-worth investors and millions of retail investors.
- Allowing UK listed investment funds holding shares, bonds and alternate assets to tap a new investor base – domestic Indian investors seeking exposure to UK, US and European securities and assets without having to tap into their Liberalised Remittance Scheme (LRS) limits.
- Increasing the number of stocks in both markets that are available to institutional and retail investors for investment. Indian retail investors will not have to draw down on their Liberalised Remittance Scheme (LRS) limits while investing in UK companies listed in India. Research has also shown that an additional dual listing in an overseas market increases liquidity in the domestic market (see section on liquidity).
- Enabling overseas incorporated companies having Indian founders and substantial operations in India to seek a 'home' listing.
- Equity shares denominated in GBP/USD provides an international acquisition currency for global M&A and employee incentives (ESOP) for international employees. Similarly, equity shares of UK companies denominated in INR will enable M&A and ESOPs in India.
- The UK is an ideal partner for a bilateral equity capital market connect mechanism because London offers the largest international capital pool among the leading IFSCs of the world. Dedicated Assets Under Management (AUM) in UK is currently $467bn, the largest such pool in Europe. Since the mid-1990s more than 70 Indian companies have benefitted from this pool, raising $15bn, which is a fraction of India's requirements. A bilateral connect will enable more of this equity capital pool to flow to India.
- While a dual listing mechanism through the issuance of Global Depositary Receipts (GDRs) in London and Indian Depositary Receipts (IDRs) in Mumbai currently exists, this route has not been used in recent years. This point will be explained in more detail below.
- Recent capital markets reforms in the UK and India have now made it possible for an exclusive cross-listing framework to be introduced that will enable companies in both markets to seek a secondary listing in the other. This is also explained in more detail below.

Other recommendations

Regulatory requirements

- In order to establish a viable equity capital markets connection between India and UK, the primary requirements from an Indian regulatory perspective will be to include the UK as a permitted jurisdiction and the London Stock Exchange as permitted stock exchanges in India's Companies (Listing of Equity Shares in Permissible Jurisdictions) Rules 2024.

  To permit equity shares issued by UK incorporated companies to list on Indian stock exchanges, a provision akin to Section 390[1] of the Companies Act, 2013, would need to be introduced enabling SEBI to forumlate regulations permitting the listing of equity shares of companies listed on LSE on Indian Stock Exchanges.

Prospectuses

- The FCA should have authority to review and approve prospectuses in respect of Indian applicants for a cross listing. An Indian company would be able to use its Indian Accounting Standards financial statements, and once listed, the Indian company would be subject to the same continuing obligations as other secondary listed companies from around the world.
- The Securities and Exchange Board of India (SEBI) would have the authority to review and approve prospectuses of UK companies seeking a cross listing in India.
- Both the FCA and SEBI undertake an exercise to compare the contents, format, style and language used in prospectuses in either market with a view towards mutual recognition of prospectuses issued in either jurisdiction. The Working Group recognises that this is a resource intensive process and suggests this as a medium-term recommendation for both parties.

[1] Section 390 of the Act provides: Central Government may make rules applicable for— (a) the offer of Indian Depository Receipts; (b) the requirement of disclosures in prospectus or letter of offer issued in connection with Indian Depository Receipts; (c) the manner in which the Indian Depository Receipts shall be dealt with in a depository mode and by custodian and underwriters; and (d) the manner of sale, transfer or transmission of Indian Depository Receipts, by a company incorporated or to be incorporated outside India, whether the company has or has not established, or will or will not establish, any place of business in India.

Accounting and audit standards

The UK and its regulatory authorities, namely the Financial Reporting Council (FRC) and FCA, initiate a study on Indian Accounting Standards (Ind-AS) and Indian Audit Standards with a view towards granting equivalence to IFRS and international audit standards. Ind-AS is the accounting standard used by all listed companies and represents an advancement over the older accounting standard known as Indian GAAP. It was developed to align India's accounting standards with IFRS and is substantially converged with them – an important factor that should support the case for the UK to grant equivalence. While not a necessary condition to enable equity cross listings in the UK, equivalence would remove the need to recast accounts into IFRS and revise audited accounts for the past three years per international audit standards, all of which adds to delay as well as costs and disincentivises companies from international secondary listings. The Working Group appreciates that comparative studies of accounting and audit standards will involve considerable resources, time and costs and would like to categorise this as a medium-term recommendation.

Similarly, we recommend that Indian authorities permit IFRS and international audit standards for overseas companies seeking a secondary listing in India.

Beneficial ownership

In secondary listings on overseas exchanges, typically only a small proportion of a company's issued equity is traded, with the majority of the free float remaining in the home market. Consequently, it is uncommon for significant share acquisitions to occur through the secondary market.

We recommend that the government of India and the SEBI accept the UK's SBO reporting requirements for secondary listings of Indian equity shares In the UK. Under UK regulations, shareholders of an overseas company are required to notify the issuer of changes in its voting rights at prescribed thresholds of 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75%. Upon reaching any of these thresholds, the relevant shareholder must notify the company and disclose the chain of controlled undertakings through which the voting rights are held. In cases of indirect holdings, this includes disclosure of the full holding structure up to the ultimate beneficial owner.

There is no expectation that an Indian company with a primary listing in India and seeking a listing on the International Secondary Segment will be required to implement beneficial ownership disclosure arrangements beyond those mandated under Indian corporate laws. However, since the UK's SBO reporting requirements start at a lower threshold (5%) than India's (10%), it is recommended that UK standards be accepted by India for the secondary listings of Indian companies in UK, should Indian authorities desire a lower threshold for such disclosures. A precedent for this already exists, as India has accepted beneficial ownership reporting requirements of the UK and certain other jurisdictions in the context of DRs.

Taxation

The tax treatment of capital gains and losses arising for the transfer of Indian equity shares between investors trading on an overseas exchange should be the same as the current tax treatment applicable to DRs. This would mean that capital gains on equity share transfers be taxed in the home country of the investor and not be subject to double taxation in India.

Similarly, capital gains arising from the transfer of UK shares on Indian exchanges should be subject to the same tax treatment as the transfer of Indian shares on Indian exchanges. Such tax measures are essential to support a functional cross-listing framework between India and the UK.

Settlement

We recommend that India allows the use of Omnibus accounts by Central Securities Depositaries and registrars and share transfer agents (directly or through their appointed local custodians) with their Indian counterparts to facilitate the seamless clearing and settlement of trading of equity shares listed by Indian companies in UK and by UK companies in India. Without the permission for Omnibus accounts for this use case, a functional and economical equity cross listing arrangement between both nations will be impossible to implement. Additionally, any benefits accrued can be leveraged for India's government debt.

Next steps

On the acceptance of this report by both governments and consequently a decision is taken to establish an equity cross listing link between India and the UK, the first required step would be to notify the UK as a permitted jurisdiction in the Companies (Listing of Equity Shares in Permissible Jurisdictions) Rules, 2024. No policy changes are required on the UK side to enable equity listings of Indian companies in UK or to permit UK listed companies to take an additional listing in India.

In addition to notifying the UK as a Permitted Jurisdiction, the Government of India will also need to make timely decisions regarding taxation and the use of nominee accounts. Establishing a cross-border equity link will require a lead time of several months and will involve both legal and operational costs for several market infrastructure participants, particularly with respect to settlement in both jurisdictions. It is therefore essential to ensure policy and regulatory certainty before these costs are undertaken.

Thereafter, an Implementation Working Group will be required, reporting to India's Ministry of Finance and the UK's HM Treasury. Co-chaired by SEBI and the FCA, the group can draw its members from key institutions in both countries, including stock exchanges, clearing houses, central securities depositories (CSDs), registrars, investment banks, and law firms. This group would be tasked with examining the proposition in depth, addressing potential obstacles, and developing the framework for enabling equity cross-listings between India and the UK.

TheCityUK

TheCityUK is the industry-led body representing UK-based financial and related professional services. We champion and support the success of the ecosystem, and thereby our members, promoting policies in the UK and internationally that drive competitiveness, support job creation and enable long-term economic growth. The industry contributes 12% of the UK's total economic output and employs over 2.4 million people – with two thirds of these jobs outside London across the country's regions and nations. It pays more corporation tax than any other sector and is the largest net exporting industry. The industry plays an important role in enabling the transition to net zero and driving economic growth across the wider economy through its provision of capital, investment, professional advice and insurance. It also makes a real difference to people in their daily lives, helping them save for the future, buy a home, invest in a business and manage risk.

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Kotak Mahindra Bank

Kotak Mahindra Group, established in 1985 by Uday Kotak, is one of India's leading financial services conglomerates. In February 2003, Kotak Mahindra Finance Ltd. (KMFL), the Group's flagship company, received a banking licence from the Reserve Bank of India (RBI). With this, KMFL became the first non-banking finance company in India to be converted into a bank – Kotak Mahindra Bank Limited (KMBL). From 2003 onwards, Kotak Bank has built a network of 1,700+ branches and 2,609+ ATMs across India. Kotak Bank provides the full suite of banking services to its customers encompassing Treasury, Corporate Banking and Retail Banking. Every year we are adding strong footprints through physical branches and digital innovations to make banking easy and convenient for our growing base of 30.7 million+ active customers.

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