

INDIA INTERNATIONAL BULLION EXCHANGE IFSC LTD.

GATEWAY FOR BULLION IMPORTS INTO INDIA

Policy Timeline

Period of Restriction (1947-62) & Prohibition (1963-1989)

FERA introduced-1947
Minimum Reserve System
for Currency-1956
GoldBondScheme:1962
Gold Control Rules -1963
Gold (Control) Act -1968

1947 - 1962

1990 - 2012

Intervention (2012-13)

Duty hike to 10% from 2%
Import restrictions on May 13, 2013
Introduction of the "80:20 rule"
Ban on import of gold coins and its
selling
LTV ratio reduced from 75% to 60%

2012 - 2015

Liberalization

Gold Control Act repealed in 1990
NRI Scheme, 1992 and Expansion of Special Import License
Seven Banks authorized to import gold in 1997
Gold import guidelines March 1998
Gold Loans to Exporters from Dec 1998
Gold deposit scheme- Sep 1999
Banks permitted to enter into Gold Forwards Oct 2002.
Gold Loans to Domestic Jewellery manufacturers Feb 2005

Phase of Transparency-2014 onwards



2014

Removal of "80:20," an export obligation of 20% on importers of gold
Prohibition lifted on import of gold coins



2016

PAN mandatory on jewellery purchases exceeding RS 2 Lacs
Introduction of 1% Excise duty on Jewelers above Rs120mn turnover



2018-19

Budget 18-19, Govt formulates Gold Policy & provides for setting up of regulated gold exchange
Enactment of IFSCA Act, 2019 to establish Authority to develop & regulate Financial Services Centres



2015

GDS of 1999 withdrawn and relaunched in new form as GMS
Launch of first ever National gold coin – Indian Gold Coin
Sovereign Gold Bond Scheme launched



2017

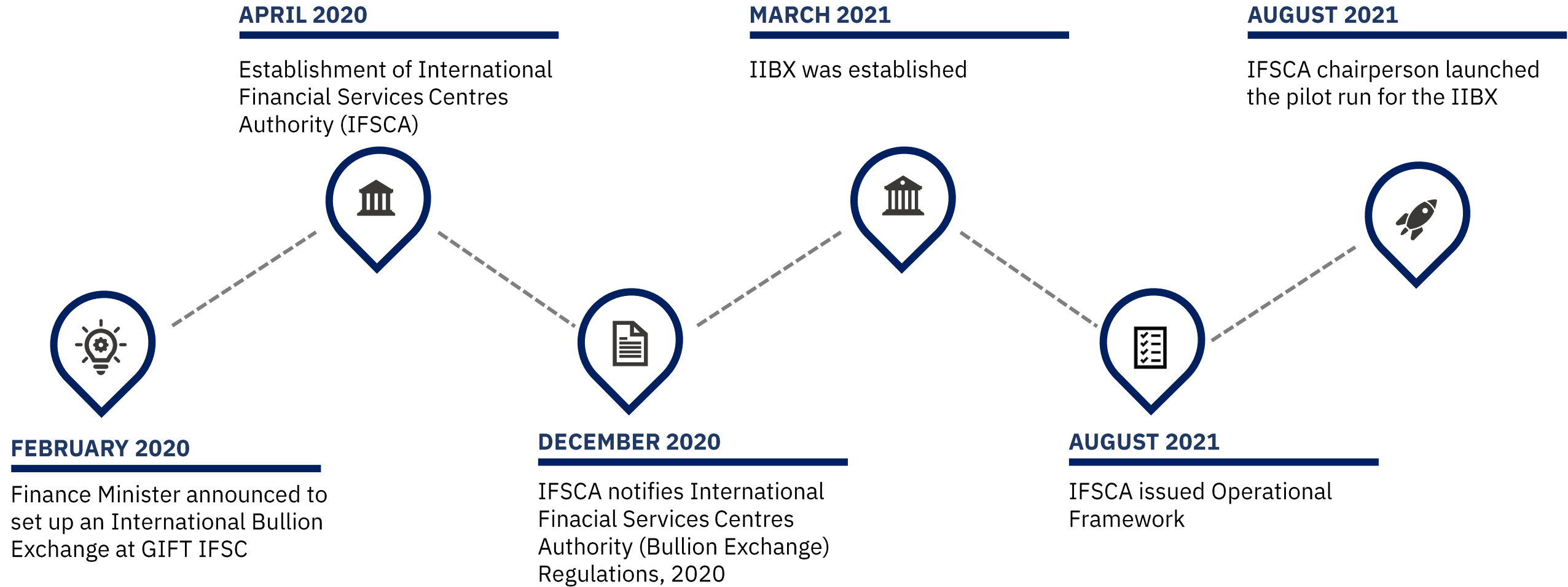
New BIS Act introduced that makes Hallmarking mandatory



2020-22

Budget 2020-21 International Bullion Exchange at GIFT-IFSC regulated by IFSCA
Budget 2021-22, SEBI notified as the regulator for the gold exchange
Rationalisation of import duty on gold to 10.75%

Evolution of IIBX



About IIBX



PROMOTED BY



Objective



Become the Asia' Largest
Trading Hub for Bullion

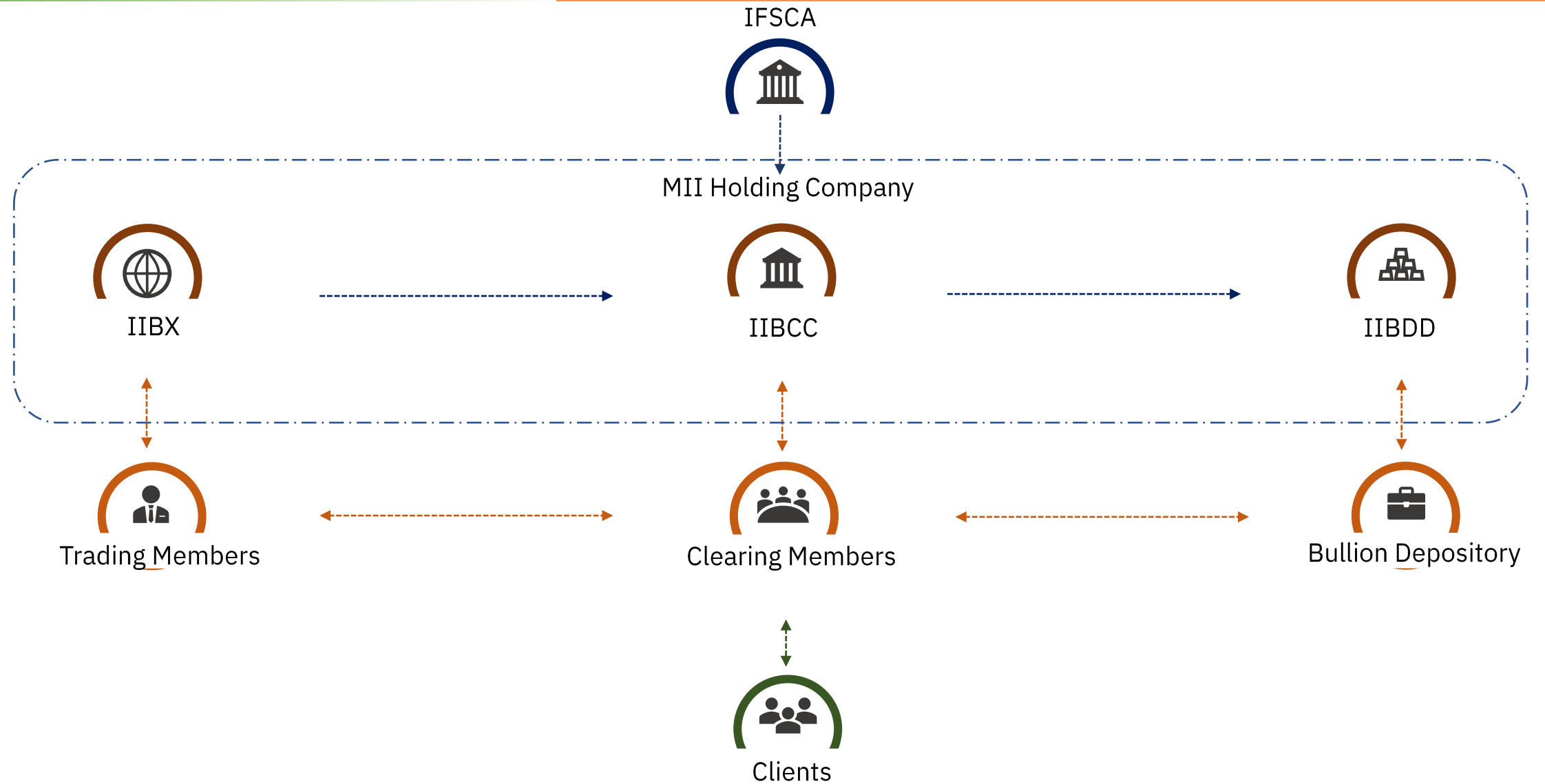


Aimed to focus across
Bullion eco system

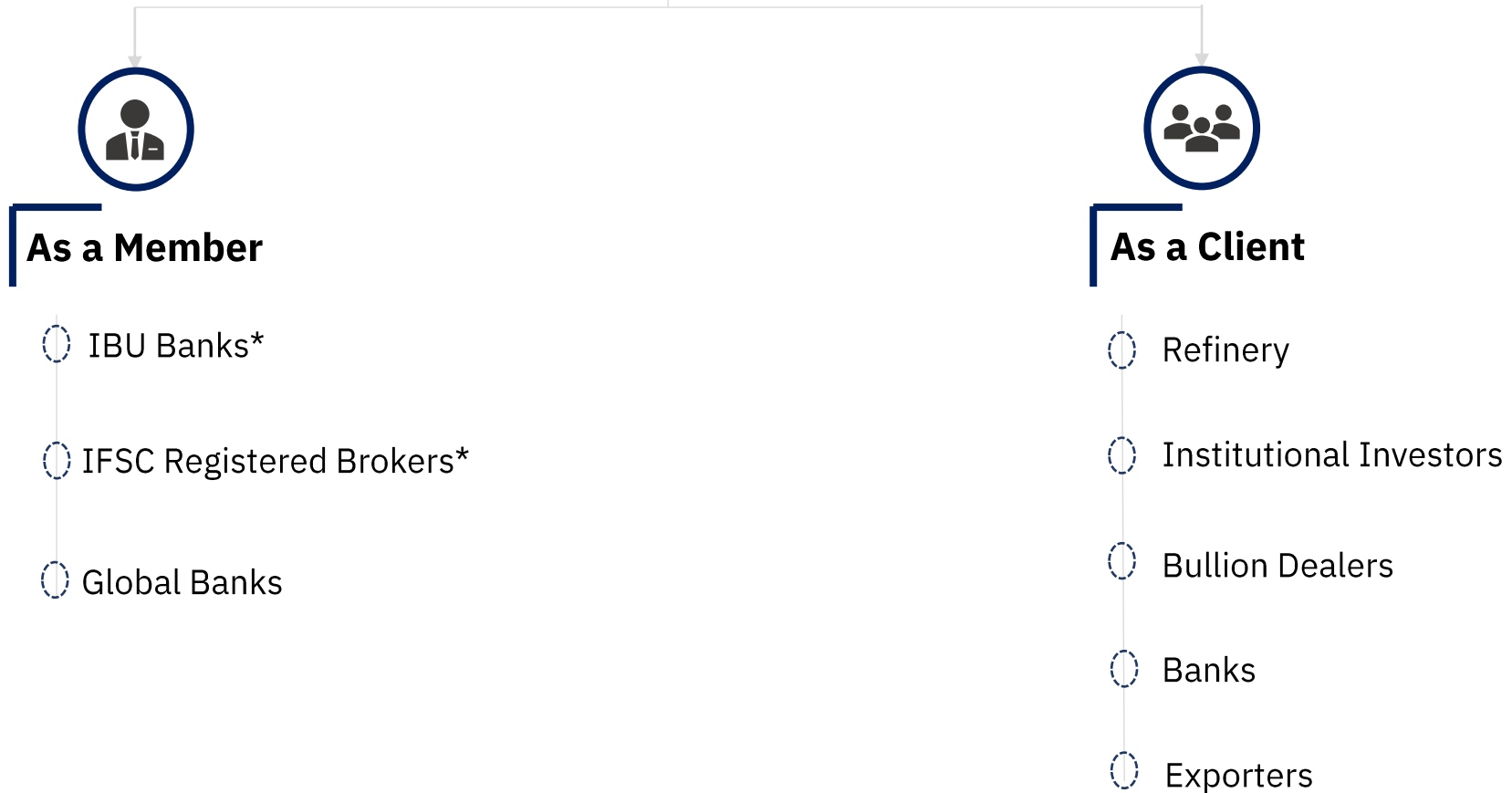


A state-of-the-art digital
platform for global trade &
robust data and risk
management

Building The Global Market Infrastructure



Market Participants



Market Participants - Eligibility & Requirement

As a Trading Member



Eligibility

- Banking Units at IFSC
- Subsidiaries/Branches of entities dealing with financial products, set up in an IFSC
- Banks authorized by RBI and Nominated Agencies authorized by Directorate General of Foreign Trade (DGFT) to deal in bullion

Requirement

- Trading members shall have at least 1 employee having experience of minimum 3 years and sound knowledge in precious metals industry
- Trading members shall have professional competence and general reputation of fairness and integrity in business transactions

As a Client



Eligibility & Requirement

- A Qualified individual who is a person resident outside India having net worth not less than \$ 250,000 or any other equivalent foreign currency
- Person's resident outside India who are corporate or institutional entities having net worth not less than \$ 500,000 or any other equivalent foreign currency
- Person's resident in India, who are Qualified Resident Individual, corporate or institutional entities (Including Banking Entities) who are customers of Nominated Banks/Agencies
- Member shall enter into Brokerage agreement with customers and on-board the customers based on the eligibility norms specified

Fees, Deposit and Net Worth

Net worth Requirements for IFSCA Incorporated Entities/Applicant

In USD

Applicant	Deposit Structure		Total Deposit	Net Worth
	Exchange	Clearing Corporation		
TM	15,000	-	15,000	150,000 [^]
TM & SCM	15,000	75,000	90,000	10,000,000*
TM & CM	15,000	85,000	100,000	10,000,000*
PCM	-	100,000	100,000	10,000,000*

[^] IIBX defined ; * IFSCA defined

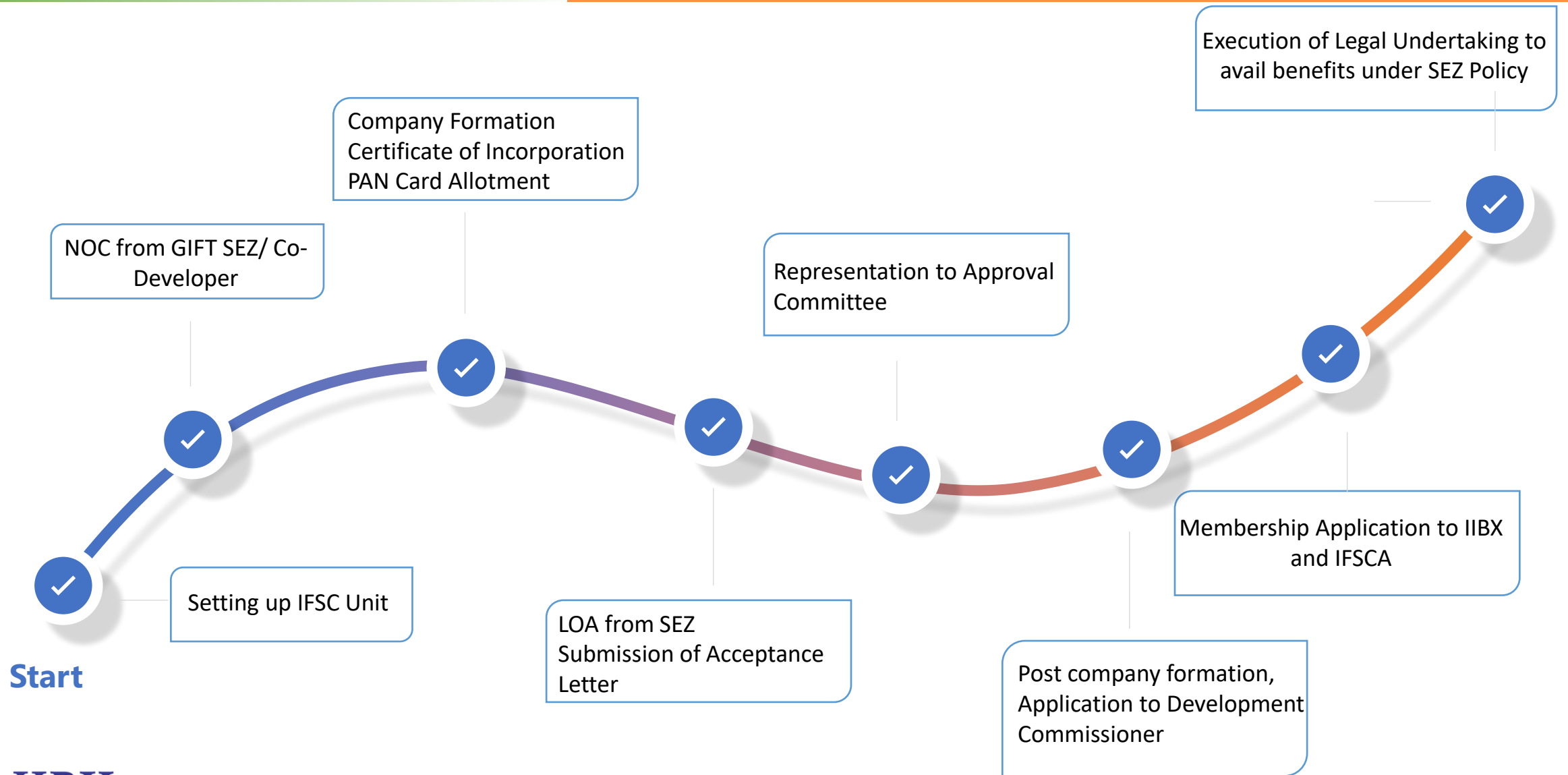
IFSCA registration fees, annual membership fees, processing fees will be charge as applicable

Base Minimum Capital Requirement

In USD

Particular	Clearing Corporation
Only Proprietary trading without Algorithmic trading	75,000
Trading only on behalf of Client (without Proprietary trading) and without Algo	75,000
Proprietary trading and trading on behalf of Client without Algo	75,000
All Trading Members/Brokers with Algo	75,000

Membership Process



Proposed Product, Market Hours and Settlement Type

PHASE - 1 PROPOSAL

Products



GOLD 995 T+0



GOLD MINI 999 T+0

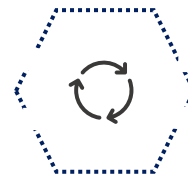


SILVER T+0



Market Hours*

9.00 AM to 3.30 PM / 4.30 PM (IST)



Settlement

T+0 Settlement

100% Margin

Compulsory in Bullion Depository Receipts

* depending on day light savings

PHASE - 2 PROPOSAL

Products



GOLD 995 T+2



GOLD MINI 999 T+2

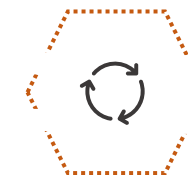


SILVER T+2



Market Hours

4.30 AM to 2.30 AM^ (IST)



Settlement

T+2 Settlement

Volatility Based Margin; Extreme Loss Margin;
Mark To Market Margin

Compulsory in Bullion Depository Receipts

IIBX Block Window (Phase 1)



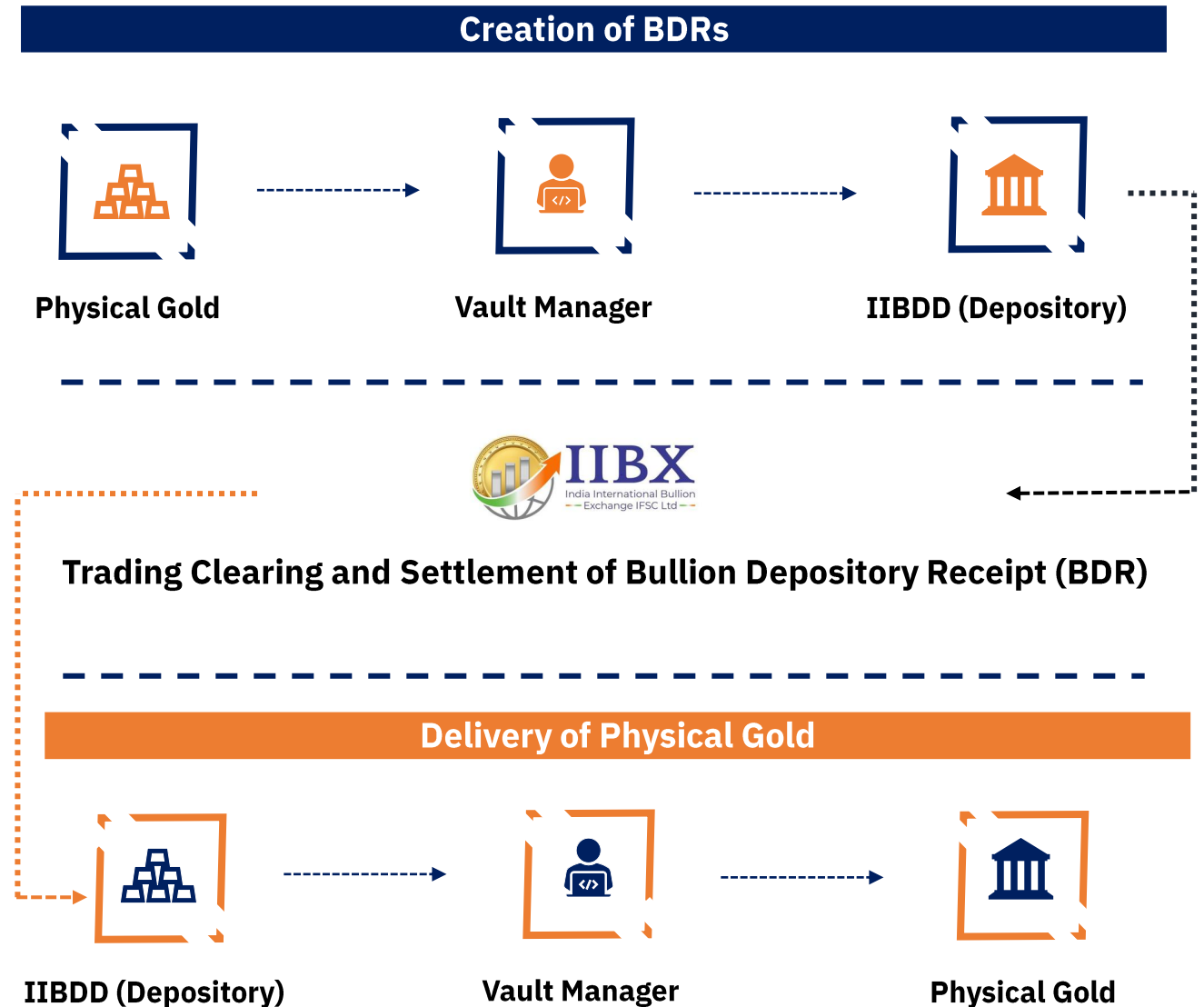
Timing		3.00 PM-4.15PM		Timing		7.30PM-8.45PM
Funding	Pre-funded with metal and funds	Pre-funded with metal and funds		Funding	Pre-funded	Pre-funded
Settlement	T+0	T+0		Settlement	T+1	T+1

- Two daily Fixings, aligned with London AM & PM fix timings
- Block window
- Quoted and conducted in US Dollars

Common Interface – Flow of Transactions

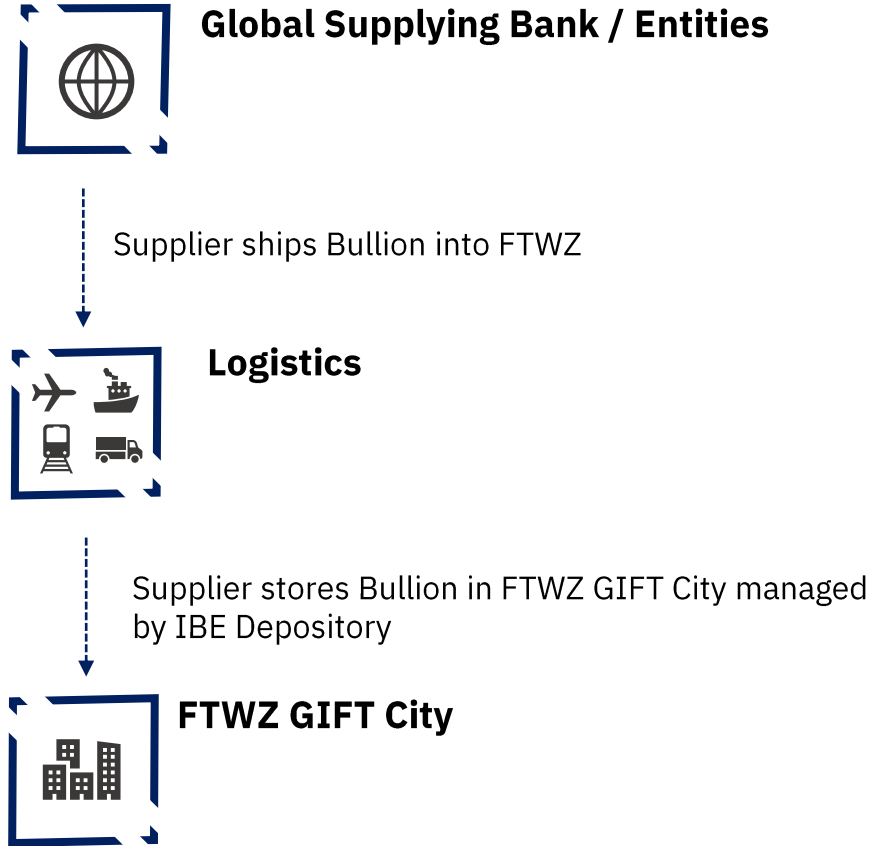
Common interface between Bullion Exchange, Clearing Corporation, Depositories, Vault Manager and the participants

- Delivery of physical gold to Vault manager to create Bullion Deposit Receipts (BDRs)
- IIBDD shall assign ISIN to BDRs to make it tradeable on IIBX
- IIBCC informs IIBX and IIBDD for any changes in the beneficial owner of BDRs at the end of the trading day
- Beneficial owner intend to obtain physical delivery against BDRs required to surrender BDRs

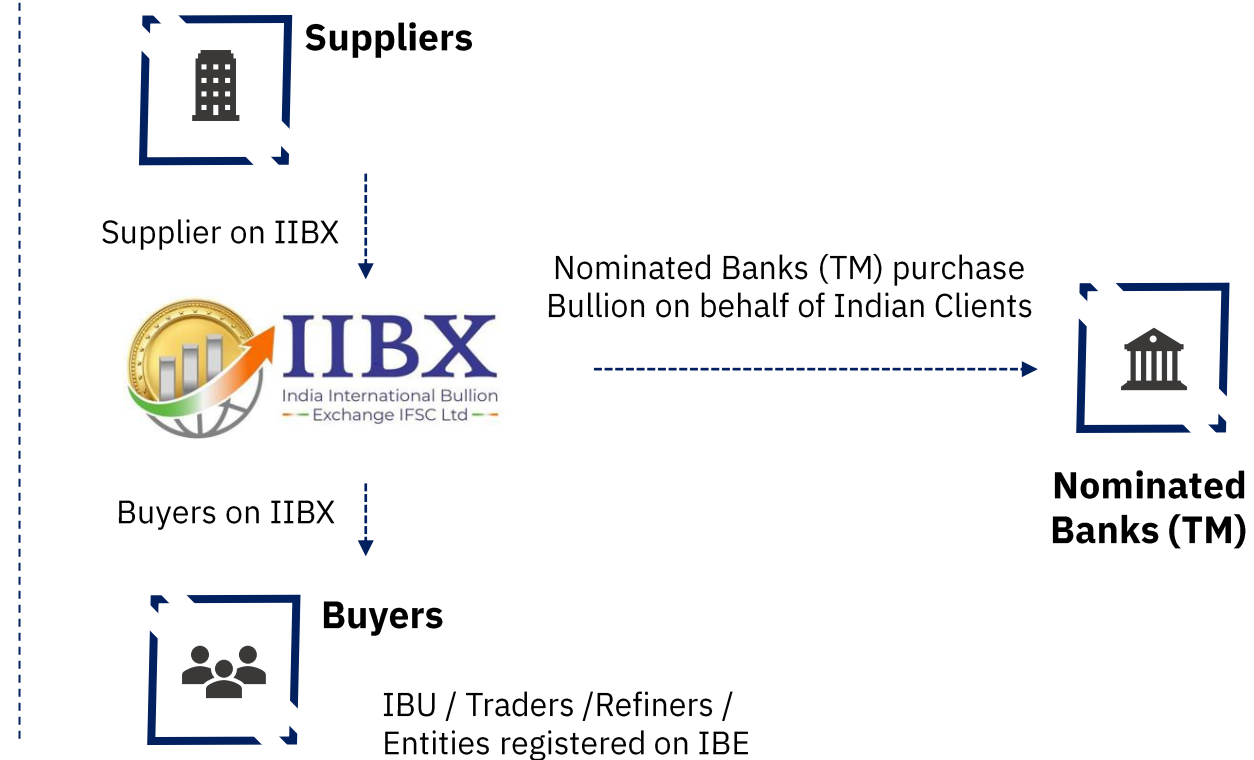


IIBX – Bullion Movement

Bullion Movement



Exchange Platform



IIBX – Trading Activities Eco-system

Trading Activities

Activity	QI Resident Outside India	QI Indian Resident*	Global Banks	Nominated Agencies/Banks
Trade on Exchange	✓	✓	✓	✓
Handling BDR Delivery	✓	✓	✓	✓
SEZ Imports and BDR Creation	✓	✗	✓	NA
BDR Extinguishment and Export	✓	✗	✓	NA
BDR Extinguishment and Import to Indian DTA	✗	✗	✗	✓

* Includes Indian resident Bullion Dealers and jewelers etc.

Value for Industry Stakeholders

Tranche 1

- T+0 Settlement
- Bullion Depository Receipts
- Block Deal Window

Tranche 2

- T+2 Settlement

Way Forward

- Deferred Contracts
- Gold on Lease/ Loan
- Other Bullion products

Value for Indian Jewellers, Traders & Supplier Banks

- 1 Proximity to Indian DTA and important bullion trading hubs
- 2 A well-connected distribution network – Logistics, Transportation & Warehousing
- 3 Availability and trade of all financial instruments linked to standard import benchmark
- 4 A well functioning transaction and holding eco system - Bullion Deposit Receipts
- 5 FX transaction alongside in IFSC Exchanges
- 6 Electronic trading platform available around-the-clock

Bullion Deposit

Due Diligence Process & BDR Issuance

On the request of the depositor, the depository will inform Vault for bullion deposit

For risk mitigation, Depository to allow access of BO ID, personal detail, authorized person and signatory detail before deposit

BO shall upload documents at depository to capture BO ID, ISIN, Units etc. before deposit of bullion; Checker at depository will verify

Depositor will deposit bullion with the identified vault & Vault Manager shall ensure completion of the documentation

Maker will upload details on refiner, serial number, purity, weight, packing etc in the depository system

Checker to verify details and confirm the receipt of physical bullion and relay the information to the Depository

On verification, the depository may issue Bullion Depository Receipts in Dematerialize form with underlying bullion, bearing a unique identifier

Units will be credited to BO account of the depositor & Obtain the signature of the depositor on BDR for the records

SOPs for Vault Manager

- 1 Ensure technical specification before accepting from the depositor
- 2 Vault Manager to be liable for any damages caused by willful omission of BDR Particulars
- 3 No BDR shall, by reason of the omission only of any of the particulars set-forth in sub-regulation (1), be deemed to be invalid for the purpose of settlement of disputes or claims
- 4 With the approval of the authority, Vault manager shall employ an assayer for the purpose of good delivery standard
- 5 To ensure the bullion deposited shall meets the good delivery standard

SOP for Vault Manager for Storage

1. Demarcate storage area for vaulting services for bullion in respect of which the BDR is issued
2. The physical storage of BDR shall be separate from other vaulting activities
3. To ensure maintaining the quality and quantity of physical bullion stored in the vault
4. To ensure physical inventory matches with the record daily

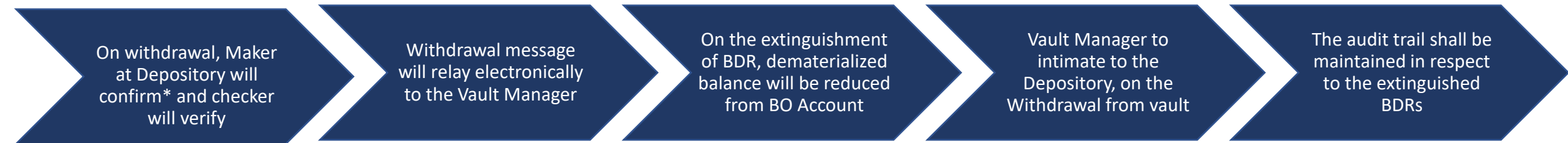
Bullion Withdrawal

Verification / Due Diligence Process



- ❖ For Gold, maker at vault will capture the necessary details including Bar serial number to be delivered to BO
- ❖ For Silver, maker at Vault will confirm the bars identified by the depository as to be withdrawn to deliver to BO

Withdrawal Procedure



*For silver, identify the bar that is to be delivered against a withdrawal request

*For Gold, Bar Serial Number to be delivered to BO

Possible Withdrawal Scenarios

- I. Domestic Requirement – Bill of entry to be filed for home consumption
- II. Requirement in another SEZ – Zone to Zone bill of entry to be filed
- III. Intent to Export – Shipping bill to be filed

SOP - Reconciliation between the Vault / Vault Manager and the Bullion Depository

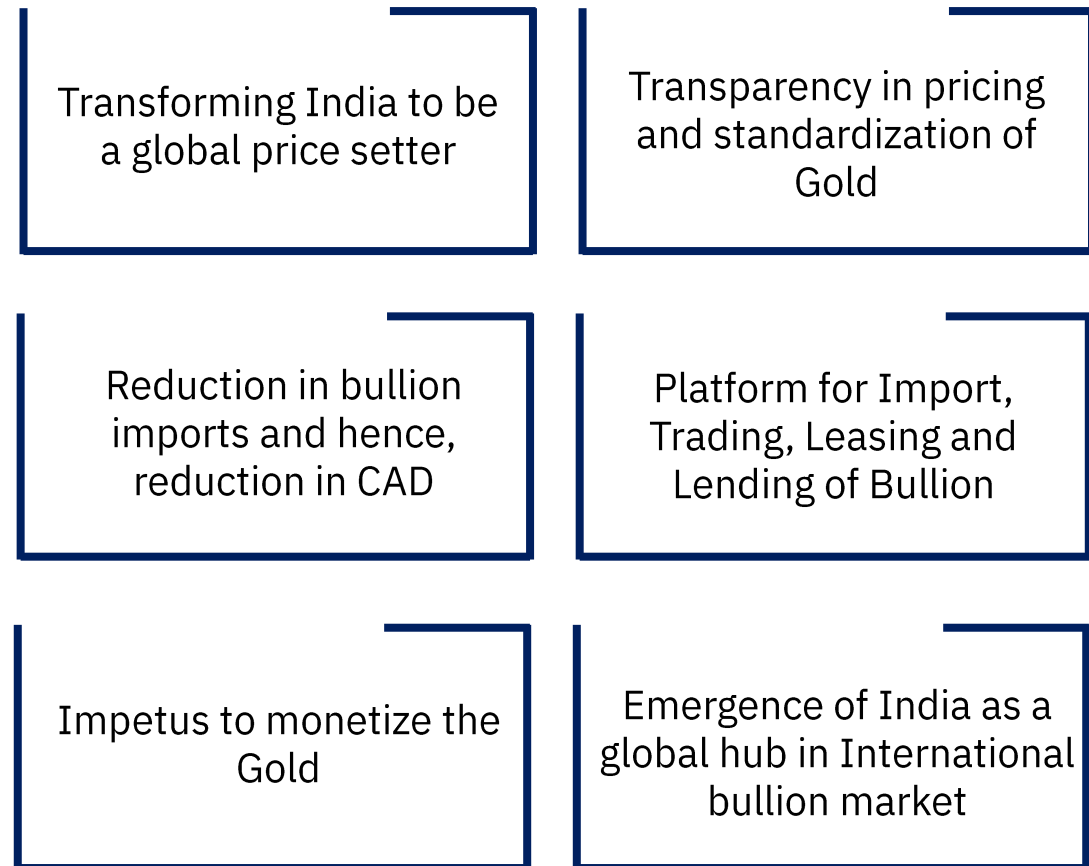
- For reconciliation, the depository to electronically provide total balances in the system to the Vault/Vault Manager on daily basis
- The Bullion Depository and Vault Manager shall reconcile active BDRs daily -
 - At EOD, Bullion Depository shall provide details on active BDR, ISINs, bar numbers etc to the Vault Manager
 - On the next business day, at the start of day, Vault Manager shall confirm Units and other information
- Any reconciliation issues, shall be reported to the Authority, Bullion Exchange, Bullion Depository and Bullion Clearing Corporation and temporarily stopped the fresh deposits/withdrawal
 - The Vault manager shall be liable for such discrepancy to the extend of his failure/fault being liable for a disciplinary action by the Authority
- Fresh deposit and withdrawal shall be resumed with the Authority approval, post the reconciliation issues resolved
- The Vault manager shall submit periodic reports on discrepancies and actions to the Authority and the Depository
- If the Vault / Vault Manager stores multiple/same Bullion with different package sizes, such records should be shown in different line item
- Physical stock reconciliation will be “as on date and time” report, data up to report generation time will be displayed
- For any disputes on quality of physical bullion during the withdrawal, shall be dealt by obtaining a quality report from an independent assayer recognized by the Bullion Depository

Strengthening India as a Global Hub

KEY BENEFITS



POWERING INDIA IN INTERNATIONAL BULLION MARKET



Thank You