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1. Good morning to all the dignitaries and participants.
2. It is heartening to note that this Conference has been organized by IBA along with Eventell in a Hybrid manner, bringing the leaders of world bullion industry under one platform, both physically and virtually. I consider it as a great privilege to participate in the Conference and address the participants.

Back Ground

3. Gold is the oldest precious metal known to man for thousands of years. It has been valued as a global currency, a commodity and an investment. More specifically, as an investment vehicle, gold is typically viewed as an asset class that maintains its value and purchasing power during inflationary periods.
4. India ranks among the biggest consumers of the Gold in the world and most of this consumption is catered through imports. Though India has negligible gold production, India does export significant gold jewelry and medallion.
5. As important as the commodity appears in terms of its diverse uses, there are myriad global and local factors influencing the price of gold. While the global factors include above ground supply of gold, global macroeconomic factors like economic events, potency of the dollar and movements in interest rates especially that of the US Federal Reserve, local factors include marriages, harvesting, etc. Thus, market based hedging instruments and strategies, such as, gold derivatives form an indispensable element of Gold ecosystem for the entire value chain participants.

Trends during Covid-19 times

6. The global macros surrounding the current pandemic situation have brought precious metals back in focus for their role as a safe haven asset class, a portfolio diversifier and a true store of value.
7. In international markets (COMEX futures), Gold Price moved from 1458.80 USD per troy ounce on March 16, 2020 and touched a high at 1802.90 USD on October 29, 2021. Silver prices which edged lower at 11.68 USD per troy ounce on March 18, 2020, also scaled a high of 24.14 USD on October 29, 2021.
8. In line with the same, Gold futures prices at MCX moved from Rs. 38,650/- per 10 gram on March 17, 2020 to a high of Rs. 47,944/- on October 29, 2021, whereas Silver futures prices moved from Rs. 33,580/- per kg on March 18, 2020 to a high of Rs. 64,872/- on October 29, 2021.
9. Bullion complex trading in India have held a fair share of commodity trading at the commodity exchanges and **currently enjoys a share of approx. 25 %** in the total turnover and has potential for much higher growth.

The development agenda

10. SEBI's objective, as you all are aware, is to protect the interest of investors in securities and promote the development of and to regulate the securities market. SEBI has been widely recognized as a watchful and efficient regulator and its systems are among the best in the world. It is our constant endeavor to make all segments of securities market, whether its equity or debt or mutual funds or commodity derivatives, deeper, broader and more liquid.
11. In an endeavor to develop the commodity derivatives market including the bullion derivatives, SEBI has embarked on the policy initiatives touching upon **3 'Ps' i.e. Products, Processes and the Participants.**

12. **Let me talk about the developments brought out by SEBI on ‘Products, more particularly, relevant to bullion derivatives’.** The introduction of options on futures and on goods has expanded the choice of instruments for market participants. The introduction of futures on commodity indices is a major developmental initiative as it gives access to a basket of related commodities in the form of a neatly structured index with appropriate weights for its components - such as that of **MCX Bullion Index- MCXBULLDEX**.
13. Markets are already showing enthusiasm in these new products and the turnover in these two categories have been on the rise since their inception at the respective commodity exchanges.

Proposed Gold Exchange

14. Hon’ble Finance Minister, in her budget speech for FY 2021-22 has announced that SEBI will be the regulator for gold exchange and subsequently, it has been decided that SEBI would regulate the entire ecosystem of the gold exchange.
15. It is only natural that India has its spot exchange or a separate segment for gold because of our ever increasing affinity with the yellow metal. India is the second largest consumer of gold globally, with annual gold demand of approximately 800-900 tonnes, and holds an important position in the global markets. This important position, however, is restricted currently to India being a “consumer of gold” and not the “price-setter” of gold.
16. It is expected that the proposed gold exchange would bring in both the large and retail players to the regulated market and thus, bring in transparency in the price-setting of gold, providing assurance to investors of the quality of the gold along with giving a boost to the India good delivery standard.

17. After consulting all the relevant stakeholders, a framework for gold exchange has been devised, with the approval of SEBI Board. The details of the framework are in the Board Memorandum available on the SEBI website. I must say here that a very good response on the proposed framework was received from the market participants and it helped SEBI in finalizing the framework.

18. The entire transaction flow has been divided into three tranches. In first tranche, physical gold deposited in the vaults will be converted into “electronic gold receipt (EGR)”. Second tranche will involve trading of EGR on stock exchanges. In third tranche, the EGR can be converted into physical gold to be delivered by the vault manager to the beneficial owner. The framework includes the concept of fungibility and inter-operability between vault managers. This measure, though, comes with its own challenges in implementation, but it holds promise to reduce the cost for buyers (at the time of withdrawal of gold). Fungibility means gold deposited against EGR 1 can be delivered against EGR 2, provided both the EGRs had the same contract specifications. It is expected that this measure would help to de-centralize the demand and supply of gold from few locations to Pan-India. Additionally, inter-operability concept means that gold deposited with Vault A can be delivered by Vault B, to the extent possible. These steps may greatly reduce the need and cost of movement of the metal.

19. Coming to liquidity of the instrument. With a view to bring large client base and especially retail investors to this platform, the concept of smaller denomination for trading of EGR has been approved. It means that investor will be allowed to trade in i.e., buy or sell, smaller unit of EGR such as 5 grams or 1 gram, depending on the tradable lot decided by the stock exchanges. The investors can accumulate these smaller units and convert the same into gold of standardized denomination i.e., higher denomination.

20. This new policy development in the commodity market ecosystem also requires SEBI to regulate Vault Managers as they will play an important role as custodians of gold and will provide storage, safekeeping and delivery services in the gold exchange. Till now, Vault Managers were not under the direct regulatory purview of SEBI and were only accredited by stock exchanges. With gold exchange, SEBI will be regulating the EGR related business of Vault Managers. To bring effect to this, regulatory framework for Vault Managers is being framed which provides for registration, net worth criteria, duties and obligations and other responsibilities of Vault Managers.

Way Forward

21. To have a vision is one thing, but to be able to translate that vision into reality is everything. The real work of implementation and giving it a proper shape for the Gold Exchange has just began.

22. The introduction of new products can enhance market efficiency and depth only if they are accessible and available to a large and diverse set of participants. There is a need, therefore, to lay greater emphasis on awareness programs by harnessing social and electronic media, besides greater physical outreach. In this direction, as you all may be aware, SEBI along with IOSCO is celebrating World Investor Week, from November 22-28, 2021. Relevant programs need to be conducted to bring awareness amongst the investors during this occasion.

23. Of course, there is no need to reiterate the crucial role that the industry leaders who are participating in this conference can play in this endeavor. The industry leaders can aid the regulator and the commodity derivatives exchanges in market research, efficient contract design, give valuable feedback during stakeholder consultation, product awareness and innovation. This will facilitate introduction of new products to meet the demands of the varied stakeholders,

impart adequate liquidity, deepening of participation, thus, leading to the exchange prices becoming benchmarks and lodestars in their own right.

Concluding remarks

24. I want to emphasize that the commodity derivatives market can enrich itself and progress only by keeping the stakeholders and value chain participants at its very core, without which it shall not be able to fulfil its fundamental purpose of serving the real economy.
25. It is apparent that the ultimate objective of the Commodity Derivatives Market is not only to achieve manifold increase in trade volumes and liquidity, but also to ensure that the liquidity so generated serves as a channel for percolation of benefits to the real sector, which indeed is the entire value chain of the commodity complex and the economy at large. It is the fulfilment of this objective that shall be the true test of not only the performance but also the very relevance of the Commodity Derivatives Market.
26. As a regulator we are open to new ideas. I, therefore, request all the participants to do a deep dive and deliberate on various issues concerning the bullion market and share the takeaways from this Conference, both with the exchanges and the regulator. This would enable to take further appropriate reforms to deepen the Commodity Derivatives Market in India and buttress its global stature and repute.
27. Thank you once again.
