

IIGC 2017 Recommendations:

The 14th edition of India International Gold Convention 2017 was organised from 11 - 13 August, 2017 in Goa by Foretell Business Solutions Pvt Ltd in association with India Bullion and Jewellers Association (IBJA). The key outcome and recommendations of the convention are given below.

Outcome

Ministry of Finance along with Ministry of Commerce, Reserve Bank of India, Ministry of Consumer Affairs and other stakeholders are coming out with a comprehensive gold policy.

It is proposed that while forming policies, the industry consultation be done on a regular basis. All the associations and federations (IBJA, GJF, GJEPC, AGRM, IAHC along with other stakeholders such as World Gold Council, FICCI, Assocham and Exchanges) have agreed to work together to present their suggestions periodically. Mr. Manoj Dwivedi, IAS, joint secretary, Ministry of Commerce and Industry, Government of India welcomed the suggestion and kindly agreed to schedule a stakeholder meeting twice a month.

Key recommendations that emerged from the conference.

1. Import of gold articles from FTA countries under concessional customs duty:

Since July 1, 2017 about 21 tons of gold coins and articles valued at approx US\$800 million have come in at NIL BCD under India – South Korea Comprehensive Economic Agreement, with the following impact:

- Govt. has already lost revenue of approx. US\$80 million due to under-collection of BCD and is now incurring a revenue loss of approx. US\$ 4 million per day. The importers have benefitted by a similar sum.
- Banks and Nominated Agencies have stopped importing gold bullion.
- Domestic refining industry has become inoperative since the import is sold in the domestic market at highly discounted prices of more than the 0.65% refining margin.
- Refiners that have the ability to divert contracted mine Dore supply have commenced doing so. Smaller refineries that buy Dore on spot basis have stopped buying Dore.
- Economic activity in India in this sector has come to a standstill.
- Refineries are saddled with refined output that they are unable to sell; a default in payment obligation for mine Dore received is merely a matter of time.
- **The country is experiencing grave reputational risk, which will discourage its ability to attract foreign investment in the value-add manufacturing sector.**
- **Employment generation is under grave threat.**

Govt. needs to move swiftly to address this matter and going forward, assure that the items do not feature in the list of permissible items under any FTA.

2. Refund of GST on gold exports

Gold and gold articles are placed at 3% GST. Considering the high value nature of the product and narrow margins, it is proposed that government may consider refund of 90% of the duty paid on the imported gold within 7 days of export of gold article or 80% of the duty paid against the shipping bill at the time of exports. This would greatly relieve the industry from locking capital and increase competitiveness in the export market. Where record of duty paid is not specifically available, the duty refund be computed basis the BCD prevailing on the date of export.

3. Options in Gold:

Government may permit nominated banks and financial institutions having exposure to gold bullion to participate and hedge their risks in Indian commodity derivatives markets. Other banks and financial institutions with no exposure to gold and silver may also be permitted to participate in the Indian commodity derivatives market as service providers.

4. Spot exchange in gold:

Banks' participation in spot exchange is must to lend credibility, provide liquidity, ensure compliance with KYC norms and also to reach out to customers in remote locations. Hence, Government may permit banks and financial institutions to be an integral part of the spot exchange eco-system.

5. India Good Delivery:

The industry has come out with a draft guideline on India good delivery standards in consultation with various stakeholders. The guidelines are modelled along the LBMA guidelines on technical and responsible sourcing guidance parameters. However, on other parameters, the guidelines have been modified to suit the local needs and market conditions. The draft is placed in IBJA website (www.ibja.in) for stakeholder consultation and has also been presented to various ministries for their views. The second draft incorporating the suggestions would be released by end of September 2017. The industry appeals to the government to encourage and support the initiative by recognising the final set of guidelines and also by advising regulatory bodies (such as Reserve Bank of India and Securities Exchange Board of India) to accept 'India good delivery' bars amongst their constituents such as banks and commodity exchanges.

6. Gold mining India:

Based on exploration and prospecting, it is estimated that from 20+ mines, an annual dore of about 100 tons could be mined from India. It is appealed to the government to come out with specific guidelines on gold mining in India.

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Other developments:

Mrs. Barbara Oteng-Gyasi, Deputy Minister of Land and Natural Resources, Ghana

“Ghana, the second largest dore producer in Africa, is an important supplier of dore to India with an annual volume of about 40 tons. To facilitate and streamline the trade further, Ghana has brought out specific traceability guidance for artisanal miners in June 2017. The government is also taking initiatives on upgrading quality assurance and assaying processes. I appeal to the Indian importers to deal only with government-recognised exporters of Ghana for sustainable business. Ghana is also looking at investments into its large-scale mining sector. With favourable investment policies, stable government and strong cultural links between Ghana and India, I also appeal to India bullion stakeholders to take advantage of the opportunity. Finally, we invite research institutions and organisations which can work with us to reclaim degraded artisanal mine fields”.

Message from DRC delegation comprising Ms. Yamba, Director, CEEC and Mr. Bulindi Apollinaire, Minister of Mines, South Kivu, DRC

Gold dore coming out of Congo and the Great lakes region must be accompanied by the ICGLR certificate issued by CEEC. This certificate ensures that all responsible sourcing norms are complied with.

Congo is open to foreign investments into its gold mining sector. Gold exported against such investments in mines would be free from taxes up to the amount invested. Post that a central levy of 3% of the value of export would be levied. A provincial levy would also become applicable.

Technical Advisory Committee:

Mr. G Srivatsava, President, Foretell Business Solutions Pvt Ltd (Convener)

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Mr. Shekhar Bhandari, Sr. VP, Kotak Bank

Mr. Amar Singh, ED, J P Morgan

Mr. Johnson Lewis, MD, Scotiabank India

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All the conference sessions, presentation videos can be accessed on www.goldconvention.in. The website also provides archive of all previous conference proceedings, recommendations, videos, downloadable ppts, etc.