

16TH INDIA
INTERNATIONAL



CONVENTION

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Global best practices in bullion banking relevant to India

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Your company logo

Introduction

- Bullion banking products: Global Vs India
- Metal accounts: Allocated and Unallocated
- Clearing

Bullion banking products

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Product	International Bullion Banking	India Bullion Banking	Recommended
Trading	Include: physical metal trading, Spot, Forward, Option products, trading in exchanges and many more..	Periodical licence for few banks to ONLY import back to back for further domestic sale	Banks should be given trading licence to Buy and sell/participate in domestic and international bullion markets and exchanges
Consignment Stock and Sale	Supply for further for further outright sale or loan basis	Imports bullion back to back only for further supply to domestic market/exporters	Indian banks can better utilise unallocated deposits
Clearing	By a group of bullion banks on unallocated accounting system	Banks are not permitted to offer such products	banks need to look in to domestic clearing mechanism
Financing	Mine to Market: Mine financing, leasing, hedging, prepayments, deferred payments, working capital, inventory financing, structured solutions etc.,	Only Physical metal outright sale and gold loans back to back.	Financing at various levels instead of gold loans only
Risk Management	Bullion Banks play a major role at all levels of transactions providing spot, forwards, futures, options, swaps etc.,	Not all products are offered and risk management tools are minimal. Clients depend on other avenues like commodity exchanges, internal control mechanism etc.	Indian banks need to be encouraged to offer various derivative products to the market

Allocated Vs Unallocated Metal Accounts

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Allocated Gold	Unallocated Gold
Bullion Bank holds physical gold on its clients behalf earmarking or setting aside gold	Physical Metal need not be set aside by the bank. More represented by book keeping credit and debit entries
In case of bankruptsy scenario, banks creditors cannot claim the allocated gold	Client is unsecured creditor
Allocated gold may incur slightly higher costs than unallocated gold such as premiums and storage costs.	Unallocated gold is a credit arrangement
Allocated Gold is true way of owning gold	Unallocated gold is a way of imitating bullion investment
Allocated gold is more investment specific	Unallocated gold is the most common form of gold investment worldwide

Allocated Vs Unallocated Accounts

- Banks in India need to be permitted to open Gold Savings accounts on par with currency savings accounts through unallocated metal accounting
- Banks can settle gold loans in ounces sourced through deposits
- Banks can defer physical gold loan payments by using unallocated metal account deposits
- Need not be restricted to few nominated banks

Clearing and vaulting

- Bullion Banks undertake the clearing through private company LPMCL through platform called AURUM
- Process of matching and transferring settlement amounts between participants
- LPMCL system utilizes London Bullion Market's unallocated metal accounts
- 5 clearing members are JP Morgan, HSBC, ICBC SB, Scotia and UBS of which first 3 owns PM Vaults in London

THANK YOU NAMASTE