



Govt.'s Policy on Bullion Exchange will make India a Gold Trading Hub: GJEPC

12th November 2021, Mumbai: The Gem & Jewellery Export Promotion Council (GJEPC) has been spearheading brainstorming and multi stakeholder discussions at structural policy reforms of India's bullion sector. It helped the Govt. to understand the opinion of the stakeholders from three previous editions of its annual India Gold & Jewellery Summit (IGJS). In the backdrop of the same, the 4th edition of IGJS will be held in December 2021 in New Delhi in a very crucial juncture when Govt. is on the cusp of transforming the Indian Gold Market with its policy reforms.

The 4th edition of India Gold & Jewellery Summit will focus on the future of gold market in India. World Gold Council, like the previous editions, in this edition too will be partnering with GJEPC for the summit.

The GJEPC has been propagating the benefits of bringing the entire regulatory system around gold under one roof through a mechanism. Govt.'s decision for setting up a Bullion Exchange that can focus on price discovery and provide an entire ecosystem around financial products based on gold and physical deliveries is a welcome step in that direction.

The scattered Indian gold market has numerous regulators overseeing different aspects of the trade. As a result, in spite of its significant size and important global position, the Indian gold market is unable to realise its full potential due to multiple challenges, including lack of quality assurance, weak price transparency, fragmented liquidity, and regulatory issues.

The setting up of the India International Bullion Exchange (IIBX) by IFSCA have the potent to go a long way towards resolving these challenges and would transform the gold trading market in India.

Colin Shah, Chairman, GJEPC, said, "GJEPC has been contributing to the policy changes in gold, and has been deliberating ways to formulate better

standards through its annual India Gold & Jewellery Summit. We welcome the formation of the IIBX which will ultimately lead to development of the India Good Delivery Price. This is expected to strengthen India's position as an influential trading hub, provide an efficient price-discovery mechanism, establish a common transparent platform for bullion trading, address issues about quality assurance, and facilitate gold's integration with other financial market segments. Moreover, this will provide impetus for Gold Monetisation scheme and this will be a platform for gold lending and the trading of gold, similar to Gold (Metal) Loans."

Stakeholders from across the gold ecosystem, including various concerned Government Departments and Ministries, and the Gem & Jewellery Export Promotion Council (GJEPC) discussed the IFSCA's proposals on the IIBX at a recent meeting chaired by Commerce Secretary B.V.R. Subrahmanyam in New Delhi on 21st October.

GJEPC fully supported Govt.'s thought process as per the following:

- mandating a certain percent of import of bullion by nominated banks /agencies through IIBX. However steps should be taken to ensure that the same should not add an extra layer to the already canalised system for imports of bullion.
- import of bullion by qualified domestic jewellers with a threshold net worth through IIBX could be favourably considered. This should be in addition to the canalised system in place.
- enhancing the regulatory remit of IFSCA to Free Trade Warehousing Zones (FTWZs) in various SEZs with respect to vaulting infrastructure.
- the matter regarding the integration of IIBX systems with SEZ Online, Department of Commerce has already taken up with NSDL and Directorate General of Export Promotion (DGEP).

- encouraging exporters to use IIBX as a reference price for export of jewellery in the long run.
- enabling refiners (domestic/GIFT IFSC) of dore to deliver refined bars into IIBX.

According to IFSCA, all the bullion imports for domestic consumption would be channelised through the exchange, making IIBX the “Gateway for Bullion Imports into India”.

Somasundaram PR, Regional CEO, India, World Gold Council said, “IIBX at the International Finance Service Centre at GIFT City will herald a wave of reforms that should give India an active role in the global gold markets. IIBX will present the unique opportunities India offers to the global eco-system to support the increasing role of gold in the mainstream financial system”

In the report, the NITI Aayog Committee had proposed setting up of Bullion Exchanges that would provide an efficient and trusted ecosystem for trading gold and ensure the success of financialisation of gold, with an aim to improve market transparency, protect the interests of market participants and facilitate India to emerge as a price setter for gold.

Following the announcement by the Finance Minister in Union Budget 2020-21, the International Financial Services Centres Authority (Bullion Exchange) Regulations, 2020 were notified on 11th December, 2020 which inter alia cover the Bullion Exchange, Clearing Corporation, Depository and Vaults. The Government has also taken steps to notify bullion spot trading and bullion depository receipts with underlying bullion as financial products and bullion related services as financial services.

In May 2021, the Securities and Exchange Board of India (SEBI) approved the framework for a domestic spot exchange in India that together with IIBX, could empower bullion banking and may help with the successful implementation of the gold monetisation scheme and the development of gold-backed products, according to the World Gold Council.

IFSCA had previously informed that pursuant to Memorandum of Understanding between National Stock Exchange of India Limited (NSE), the Multi Commodity Exchange of India Limited (MCX), India INX International Exchange (IFSC) Limited (INDIA INX), National Securities Depository Limited (NSDL), Central Depository Services (India) Limited (CDSL), the holding company India International Bullion Holding IFSC Ltd. (IIBH) has been created for setting up and operationalising International Bullion Exchange, Bullion Clearing Corporation and Bullion Depository in IFSC, GIFT City.

About The Gem and Jewellery Export Promotion Council (GJEPC):

The Gem & Jewellery Export Promotion Council (GJEPC), set up by the Ministry of Commerce, Government of India (GoI) in 1966, is one of several Export Promotion Councils (EPCs) launched by the Indian Government, to boost the country's export thrust, when India's post-Independence economy began making forays in the international markets. Since 1998, the GJEPC has been granted autonomous status. The GJEPC is the apex body of gems & jewellery industry and today represents 7000 exporters in the sector. With headquarters in Mumbai, GJEPC has Regional Offices in New Delhi, Kolkata, Chennai, Surat and Jaipur, all of which are major centres for the industry. It thus has a wide reach and is able to have a closer interaction with members to serve them in a direct and more meaningful manner. Over the past decades, GJEPC has emerged as one of the most active EPCs, and has continuously strived to both expand its reach and depth in its promotional activities as well as widen and increase services to its members.

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