

Opening of a New Era for Qualified Jewellers - India International Bullion Exchange

Fuelled by its impressive growth trajectory, India is poised to shake up the global economic landscape. International Monetary Fund (IMF) predictions suggest India will become the world's fourth-largest economy by 2025, overtaking Japan. And within two more years, it's expected to surpass Germany and claim the number three spot. Even as global growth stumbles, India stands out as a beacon of hope. Fueled by a young and dynamic population, a booming tech sector, and increasing investment in infrastructure, all parts of the Indian economy are primed to contribute to its remarkable rise. This surge positions India to become a major player in the coming years, reshaping the global economic order.



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INTRODUCTION

Fueled by its impressive growth trajectory, India is poised to shake up the global economic landscape. International Monetary Fund (IMF) predictions suggest India will become the world's fourth-largest economy by 2025, overtaking Japan. And within two more years, it's expected to surpass Germany and claim the number three spot. Even as global growth stumbles, India stands out as a beacon of hope. Fueled by a young and dynamic population, a booming tech sector, and increasing investment in infrastructure, all parts of the Indian economy are primed to contribute to its remarkable rise. This surge positions India to become a major player in the coming years, reshaping the global economic order.

GIFT-IFSC

Established in April 2015, GIFT City's International Financial Services Centre (IFSC) aspires to become the central hub for India's international financial activities. Envisioned by the Prime Minister, GIFT IFSC offers a world-class infrastructure and a competitive tax regime established by the Union Budget 2016.

INTERNATIONAL FINANCIAL SERVICES CENTRES AUTHORITY – IFSCA

Established on April 27, 2020, under a dedicated act passed in 2019, the International Financial Services

Centres Authority (IFSCA) marks a significant step towards India's ambition of becoming a global financial powerhouse. Headquartered in the burgeoning Gujarat International Finance Tec-City (GIFT City), the IFSCA plays a multifaceted role:

The IFSCA acts as a unified regulator for all financial products, services, and institutions operating within the IFSC framework. This streamlined approach eliminates the need to navigate multiple regulatory bodies, fostering ease of doing business for domestic and foreign entities.

The IFSCA's vision extends beyond India's borders. It aims to position GIFT City as a world-class financial hub, attracting international investment and facilitating seamless integration of the Indian financial sector with the global financial landscape.

ROLE OF GOLD IN INDIA

Gold is also an important part of our economy. The gold industry's size is estimated at around 6.5 lakh crore (\$90 billion). It provides employment to over 6 million people and contributes to around 15% of merchandise export from India. Being a gold centric country, the industry has been growing at over 15% CAGR for the last 5 decades. India accounts for 17-18% of global consumption of gold (Based on Gold Focus Report 2024: <https://www.metalsfocus.com/product/gold-focus/>). It is estimated that India may have 25,000 tonnes of above ground stock, which may be held by individuals and households. This is more than what central banks of the USA, Europe, China and Japan together hold (which may be around 20,000 tonnes).

In India when one refers to gold, it may not be limited to referring gold as a commodity or even a precious metal. In India gold means many things. For the people and society at large, gold is closely associated with their customs, rituals, cultures, traditions and financial security. In short, gold is an important part of the way of life of every ordinary Indian. At the same time, there has been a shift in the customer preference for gold from just being a consumption product having ornamental value, to being an investment product with Sovereign gold Bonds

IIBX was launched by the Honourable Prime Minister of India, Shri Narendra Modi on 29th of July 2022 in GIFT-IFSC. As of June 27, 2024, more than 16 tonnes of gold have been imported through IIBX. IIBX has also been instrumental in facilitating silver imports under the India-UAE CEPA. The India International Bullion Exchange (IIBX) is poised to play an important role to develop a transparent and efficient market for gold trading, ensuring responsible sourcing and guaranteed quality. This will also boost gold-based financial instruments in India. This is a significant step towards financialization of gold.

leading the way as a key investment product in gold. Retail investors are also adding gold to their portfolio of investment through Gold ETFs and also through certain digital offerings.

INDIA INTERNATIONAL BULLION EXCHANGE IFSC LIMITED – IIBX

In this context, IIBX was launched by the Honourable Prime Minister of India, Shri Narendra Modi on 29th of July 2022 in GIFT-IFSC. As of June 27, 2024, more than 16 tonnes of gold have been imported through IIBX. IIBX has also been instrumental in facilitating silver imports under the India-UAE CEPA. The India International Bullion Exchange (IIBX) is poised to play an important role to develop a transparent and efficient market for gold trading, ensuring responsible sourcing and guaranteed quality. This will also boost gold-based financial instruments in India. This is a significant step towards financialization of gold.

High purity gold and silver in the form of bars, ingots, or coins are known as bullion. These precious metals hold value as reserves for central banks and institutional investors. Bullion may even function as legal tender in some cases.

A unified and transparent trading platform for bullion has been created by the IIBX exchange. This ensures fair pricing, guaranteed gold quality, and better connects the bullion market to other financial sectors.

IIBX has bolstered the trade partnership between India and UAE under the India-UAE CEPA by operationalizing the imports of gold under the CEPA through IIBX. Once IIBX expands its vaulting infrastructure at other SEZs, apart from GIFT-IFSC, it is expected that a significant volume of gold may be routed for spot trading through IIBX in the coming months. Ultimately, this may position India as a leading global gold trading hub.

IMPORT OF GOLD BY QUALIFIED JEWELLERS AND FINANCIALIZATION OF GOLD ECONOMY

The Directorate General of Foreign Trade (DGFT), Ministry of Commerce and Industry vide its Notification No. 49/2015-2020 dated January 05, 2022, has inter alia specified that Qualified Jewellers as notified by the International Financial Services Centres Authority (IFSCA) will be permitted to import ITC(HS) Codes gold under 71081200 and 71189000, through India International Bullion Exchange IFSC Ltd. (IIBX).

Prior to this notification, import of gold was allowed only through nominated agencies as notified by Reserve Bank of India (RBI) (for banks) and DGFT (for other agencies). IFSCA vide circular dated December 13, 2023, on "Import of gold and silver by Qualified Jewellers through India International Bullion Exchange" has listed out various conditions which is required for an entity to be notified as qualified jewellers by IFSCA.

Some of the conditions for the entity to be notified as qualified jewellers by IFSCA as mentioned in the circular are listed here:

- The entity shall be engaged in the business of goods falling under ITS(HS) codes 7106, 7108, 7113, 7114 and 7118 under Chapter 71 of ITC(HS).
- The entity must have filed due GST returns up to the preceding month prior to making an application to the IIBX. Further, a certificate should be submitted by the entity, duly attested by a practicing-chartered accountant or a practicing cost accountant or a practicing company secretary, stating that 90% of the average annual turnover in the last 3 financial years are through dealing in goods under precious metals; and
- The entity shall have a **minimum net worth of INR 25 crore** as per its latest audited financial statement.

The detailed circular may be found out on the website of IFSCA (<https://ifsc.gov.in/Pages/Contents/Metals-and-Commodities>).

All of the enabling Government of India Circulars/Notifications/Public Notices, IFSCA Circulars, RBI Circulars among others can be found on the abovementioned website.

Till date, 129 Qualified jewellers have been notified by IFSCA.

The import of gold and silver has picked up in recent years through IIBX. As of June 27, 2024, more than 16 tonnes of gold have been imported through IIBX. IIBX has also been instrumental in facilitating silver imports under the India-UAE CEPA.

This enablement of Qualified Jewellers to import gold through IIBX has played an important role in the financialization of gold economy. IIBX is in the advanced

stage of launching future products in Gold. RBI circular dated December 12, 2022, permits resident entities to hedge gold price risks on exchanges in the International Financial Services Centre (IFSC) recognized by the IFSCA.

Reserve Bank of India (RBI) had also issued the Statement on Developmental and Regulatory Policies as part of the Monetary Policy Statement on February 8, 2024, wherein, it has been mentioned that RBI has now decided to also allow them to hedge the price of gold in the over the counter (OTC) segment in the IFSC. RBI, on April 15, 2024, has granted resident entities, who are exposed to gold price, to hedge their gold price risk on IIBX and India International Exchange (India INX) in GIFT-IFSC.

RBI has also issued an important circular on February 9, 2024, which enables the participation of Indian Banks in IIBX. GIFT-IFSC hosts 16 Indian bank branches and 11 foreign bank branches. Many of these are evaluating participation in hedging/trading in over the counter (OTC) and on exchange on IIBX.

WAY FORWARD

Apart from these significant steps, there are various programs and policies that are in the pipeline of IFSCA to be taken up this year, and significant consultations with the government have taken place. Some of the initiatives planned are:

- Operationalizing the IFSC vaulting centres at other locations within Special Economic Zones or Free Trade Warehousing Zones across India.
- Enable the digital gold products on IIBX
- To work on good delivery guidelines and audit norms to enable the internationalization of India made gold bars

CONCLUSION

These initiatives within GIFT-IFSC are a powerful engine propelling India towards becoming a dominant force in the global precious metals market. This transformation may help India to become a developed nation by 2047.

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