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Dear Readers,

It is a welcome relief to jewellers when central government accepted the recommendations of sub-committee of high level committee (HLC) and increased the SSI Eligibility and SSI Exemption limit for manufacturers of articles of jewellery or parts of articles of jewellery or both. The Finance Ministry has also simplified the compliance procedures for the excise duty including records to be maintained and other administrative issues to be adhered to. While the message is clear that excise duty is here to stay, the government has addressed most of the concerns of jewellers. It is now up to the jewellers to fit them into new trade environment that calls for strict compliance and trade practice.



The Union Cabinet has approved amendments to the constitutional amendment bill, which was required to make GST a reality. The Cabinet has incorporated suggestions by states. Key points that Cabinet has approved include removal of one percent tax on inter-state transactions, and 100% compensation for any revenue loss of states for full five years. In all probability, and way the Union Cabinet is pushing, GST might see its day from April 2017. For jewellery manufacturers, GST will open new markets; will initiate healthy competition, generally good for trade.

Through Fourth tranche of sovereign gold bond programme, the government has realised Rs.919 crore, representing around 2.95 tons of gold. Together, so far, government has collected Rs.2237 crore, or \$335.4 million. It shows the scheme is becoming popular due to its broad-based advantages.

Hon'ble Prime Minister Shri Narendra Modi has urged the members of gems and jewellery sector to create 'Make in India' Brand. He has emphasized the need for innovation and skill development to achieve this goal, making India's handmade jewellery popular in global market. The Prime Minister has also asked jewellers to popularize the gold monetization scheme through word-of-mouth campaign so that their clients get encouragement and deposit their unused jewellery, bars or coins under the monetization scheme. It shows the keenness of central government to elevate India's gold market to next level, as well as, bring into circulation the 'dead currency'. India's gold reserves in households are currently valued at US\$ 1 trillion, and it's a big numbers. If one percent of this money comes back to circulation, it should be considered as tremendous success of the government. The Prime Minister, at the same time, has warned to come clean before 30 September on undisclosed income issue.

I would like to congratulate organiser of India International Gold Convention (IIGC) well in advance. The conference has brought tremendous value to industry over the years, as they always looked at industry through neutral eyes. I am sure this year too, they will keep their flag upright on top.

Debajit Saha

Editor

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Institutional Changes Needed to Liberalize Indian Gold Market

Mrugank Paranjape, MD & CEO, MCX



It is imperative for any asset class to have a strong and resilient underlying spot market - and commodities are no exception. Also, given the past experiences, it is also very important that there is a very matured and developed regulatory oversight for any market or asset class to have the acceptability across a wide spectrum of participants. Hence, there is a case for setting up an exchange-traded gold spot market which would operate under the regulatory oversight of the SEBI, the regulator of the gold futures market.

Congratulations on taking over as the MD & CEO of MCX. It is about two months since you have taken charge. What are the top goals that you have set for MCX in the near future?

In the two months that I have been at MCX, the first thing that strikes you is the phenomenally resilient operating environment and stringent risk control and discipline that is embedded within the Organisation. At the same time I noticed that due to our preoccupation with managing some of the past challenges we have probably underplayed some of the great things this organization has been doing. Lastly, I noted that we are all set for a very exciting time in the overall commodities business and it is upon us to seize this opportunity. I am in process of evolving the top priorities for the organization in consultation with all our stakeholders - regulators, shareholders, the board of the company, our trading members and hedgers and my colleagues at MCX. The key themes that we are working on and will emerge over the next 30-45 days are around the following:

1. Continue to be the provider of choice for commodity markets by introducing more products and being ready to harness the opportunities that

come through new segments - whether types of instruments or classes of investors.

2. Build a long term operating strategy around the 3 pillars of risk management, technology and operations. This would entail creating our own clearing corporation, looking at stronger but more flexible risk management and having a comprehensive end-to-end technology strategy.
3. Last but not the least is to make MCX the organization of choice for every stakeholder: for regulator as a trusted market intermediary, for shareholders as a valued investment and for our employees as the employer of choice.

Spot gold exchange is one idea that is being widely debated for quite some time. MCX is the recognized leader in derivatives space. Besides, MCX has a well-established delivery mechanism in place. Do you see spot gold exchange as an opportunity for MCX, either directly or indirectly?

It is imperative for any asset class to have a strong and resilient underlying spot market - and commodities are no exception. Also, given the past experiences, it is also very important that there is a very mature and developed regulatory oversight

for any market or asset class to have the acceptability across a wide spectrum of participants. Hence, there is a case for setting up an exchange-traded gold spot market which would operate under the regulatory oversight of the SEBI, the regulator of the gold futures market. By aligning the operations and regulatory framework of the gold derivatives and spot exchanges, the entire ecosystem and all stakeholders in the gold economy could derive the maximum possible benefit. Hence, instead of setting up a spot exchange, it would be wiser to introduce one or two day future contracts with T+1/T+2 delivery. The advantage of having futures contracts is that they would fall under the ambit of the Securities Contract (Regulation) Act, 1956 and therefore under SEBI's regulatory ambit. We definitely see the potential for such a marketplace and will continue to evaluate the opportunity to see how best we can participate in it.

MCX is an important stakeholder in India's gold sector. What is your vision in moving India on the path of being a 'price provider' to the global markets?

Given India's position as one of the largest gold consumers in the world, the country has the potential to emerge as a gold

Given India's position as one of the largest gold consumers in the world, the country has the potential to emerge as a gold trading hub in the Asia Pacific region and hence make Indian gold price as a widely used reference-able price in international trade of this commodity. However, to achieve this, we have to undertake some institutional changes to make the gold market much more liberal than it is at present. The participation in the gold market has to be broad-based by permitting different types of market intermediaries and institutions, including foreign institutions.

trading hub in the Asia Pacific region and hence make Indian gold price as a widely used reference-able price in international trade of this commodity. However, to achieve this, we have to undertake some institutional changes to make the gold market much more liberal than it is at present. The participation in the gold market has to be broad-based by permitting different types of market intermediaries and institutions, including foreign institutions. In this regard, I see the initiatives being taken by China as path-breaking to achieve this potential. The Shanghai Gold Exchange in April 2016 launched a new benchmark price, 'Shanghai gold fix' for gold. The price benchmarking is aimed at finding the market-wide price in the world's No.1 gold mining and importing nation. However, as a precursor to creating this

benchmark it must be noted that China had undertaken some path-breaking reforms in its gold market to strengthen the underlying institutional participation. For instance, foreign participants, particularly financial institutions such as banks, have been allowed and encouraged to trade. We need such big-ticket institutional reforms too in making India move through the path of being a 'price provider' to the global markets.

It is seen that corporate users of commodities shy away from using commodity derivatives markets.

Why are they not participating actively? How can they be encouraged to hedge their price exposures? What role is MCX playing in both these aspects?

First, there is some element of truth but some element of misconception in this statement. Do we believe that we need many more

corporates to use the commodity derivatives to manage their exposures? – the answer is 'yes'. But does that mean that we aren't seeing corporate participation - answer is clearly 'no'. There are lot of large and small corporates that are actively using this market.

What are the impediments:

the two big issues are around transaction costs in the form of the Commodity Transaction Tax (which have made the impact cost of our contracts very high) and the lack of far month liquidity - the latter though is a chicken and egg situation. Of course, the participation of institutions like banks and mutual funds, when allowed, would surely add liquidity including in far month contracts and somewhat lower the impact cost of participation. At MCX we invest very heavily in investor education and we are working extensively with industry bodies to spread awareness. We have also now sought the intervention of the regulators to encourage companies to hedge their non-agricultural exposures (just like they have been asked to hedge their agricultural exposures).

We have already done 94 awareness programmes for various bullion and industrial associations and investors pan –India in the first quarter of FY 2016-17.

Gold and silver prices in India are at a substantial discount to LBMA adjusted price for about four months now. How has it affected transaction volumes in gold and silver? How do you propose to address the issue?

Transaction volumes are a combination of various factors such as inherent volatility, price of the underlying and other macro aspects, including arbitrage opportunities that arise. So the prevalence of discount will clearly provide opportunities for trading on the difference between the prices in the two markets. We should have benefited in terms of volumes much more, the spot discount that you mention has certainly taken away some of our upside.

This is an area that needs continuous dialogue with government - mainly to ensure that they share our concerns and will look to policy measures to close the gap.

Existence of such arbitrage opportunities and the trading

opportunity in derivative markets, had led to increased delivery on the exchange platform in the recent times vindicating the fact market will find its own equilibrium given policy gaps.

How can the gold futures market play a role in this change?

MCX gold futures prices are already taken as reference prices in the most physical market transactions of this commodity at the national level. I believe that if the gold futures market is strengthened, the transparency and robustness of its operations can make the gold futures price the undisputed reference price within and beyond the country. To achieve this, a few significant reforms in the futures market are needed. Tax reforms such as repeal of Commodity Transaction Tax (CTT) on trade of non-agricultural commodity derivatives and abolition of state-level taxes which inhibit the free movement of goods across states, need to be taken up on priority. Similarly, to deepen the gold

futures market and enhance access of this risk management platform to all stakeholders, institutions such as banks and mutual funds must be permitted to participate in the gold derivatives market. Such participation will strengthen the price discovery process of the exchange and also move the prices towards a national and global benchmark. These institutions already play an important role in promoting financial inclusion by creating suitable products and hand-holding the excluded sections into the Indian financial market, and there is no reason why they should be denied to play the same role in the gold derivatives market. I am positive that these institutional reforms in the gold derivatives market will go a long way in making India a 'price maker', rather than a price taker of gold, which it is at present, and lead to the creation of a vibrant gold trading hub in India.

The government has recently launched the Sovereign Gold Bond Scheme and Gold Monetisation Scheme, with varying levels of success. Do you see a role of the gold futures market in making these schemes successful?

Yes, definitely. Under the Gold Monetisation Scheme (GMS), gold is deposited with the banks, exposing these institutions to the risk associated with volatility in gold prices and in currency

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rates. It is, therefore, imperative for banks to hedge the risks associated with volatile gold prices, a requirement that can be fulfilled by the liquid rupee-denominated gold futures market in India. In the case of the Sovereign Gold Bond Scheme (SGBS), it is the sovereign government which is exposed to the risk of gold price volatility, since the pay out on redemption is linked to the price of gold. Thus, there is a case for government too to hedge this clearly identifiable price risk.

Besides, the gold future markets could be used for certifying the quality of gold, along with the other designated testing centres. The presence of very few testing and certifying centres is, to my mind, a hindrance in GMS's success. Commodity exchanges have been facilitating the delivery of tonnes of tested and purified gold on the exchange platform for more than ten years now. Their infrastructure and experience could be channelized for testing and certifying the gold deposited by investors for the monetization scheme. Physical gold, which is already there in exchange-approved vaults and is quality approved, need not go through testing again. In this way, the infrastructure of the gold futures market and its ecosystem could be used to complement the testing requirements of GMS.

Finally, the exchange-traded gold derivatives prices could be used as reference prices for operationalizing the two schemes. It is widely accepted that commodity derivatives market discovers prices which are the most scientific and fair, reflecting the real fundamentals of the commodity. Hence, for bringing in transparency and trust in the execution of the two schemes, gold prices as discovered and disseminated by the commodity exchanges should be appropriately referenced by banks and institutions offering the two schemes.

Merger of Forward Markets Commission (FMC) in to SEBI is expected to be beneficial. How do you see the change? What is your expectation?

The biggest benefit that we see emanating from this change is likely to be around the harmonization of best practices across the securities and commodities exchanges.

The second big upside is likely to be in the augmentation of the commodities markets - given SEBI's experience with all derivative instruments, multiple asset classes and inclusion of Institutional players in this segment.

You have mentioned about Human resources and technology as two pillars of MCX. What initiatives are planned in strengthening these

pillars?

You are right, I have said this before and will always maintain that these two pillars are what will keep us going in the short and long run. On technology, we are proud that we do have an unblemished record and we are now looking to investing more into our BCP & DR infrastructure as well as creating the building blocks for Options and other asset classes that will come in.

On people, I said this in the beginning as well - that it is my goal to make MCX the employer of choice for my people. So while a slew of measures are in the offing - I wouldn't want to spell them out here.... I'd love to see you come back and hear it from our people the next time we meet or speak.



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With Mandatory Hallmarking, Quality will Win over Quantity

Anil Kansara, Director, Gujrat Gold Centre is highly critical on various issues impacting the Indian gold market in recent past.



“The shortage of official imports and jewelers shying away from Excise Duty, led to illegal Gold imports and development of a thriving parallel Gold market. A 11% duty difference (Custom + LST) allowed to offer Gold at hefty discounts. Also, the Gold coming from Excise Free Zone refineries did not get market recognition due to quality issues. Thus refiners were forced to offer their gold at lower than LME price to generate liquidity for further imports.”

What made Indian gold market at such huge discount for extended period of time? Is it only smuggling, or there are other causes?

To analyze the prevailing situation of distorted (negative premium) price of Bullion Gold in India, one needs to know the sources of procuring bullion.

In the first Category of supply sources are Nominated Agencies, Banks, & Dore importers (refiners) which import refined Gold as per

Government policy.

The second category consists of Jewellery industry (includes manufacturers and retailers) who are by far the second largest supply source in form of Jewellery scrap.

Third category consists of Gold Metal Loan Companies auctioning Gold on default of loan repayment.

The fourth not largest but significant source is pawn brokers and scrap dealers.

The First Category of importers, mainly banks and nominated agencies have stopped imports except for export purpose since last budget and due to lack of official demand by trade which went on strike across country to protest against levy of 1% EXCISE DUTY. The Gold Refineries located

both in Excise Free Zones as well as Domestic Tariff Area (mainly MMTC_PAMP) which constituted about 25% of total imports of Gold in the country last year also reduced imports (particularly MMTC-PAMP) and thus most of supply came from EFZ refineries, which enjoys even today a duty advantage over that available to DTA refineries.

The shortage of official imports and jewelers shying away from Excise Duty, led to illegal Gold imports and development of a thriving parallel Gold market. A 11% duty difference (Custom + LST) allowed to offer Gold at hefty discounts. Also, the Gold coming from Excise Free Zone refineries did not get market recognition due to quality issues. Thus refiners were forced to offer their gold at lower than LME price to generate liquidity for further imports.

The Gold Metal Loan Companies, though does have any significant direct supply to market, also in order to generate liquidity, were not able to impact much on negative premium of Gold but were able to get better rates from organized trade compared to unofficial supplies.

The fourth category consists of unregulated traders as well as unorganized refineries cornering about 70-80% of Gold Jewellery scrap (about 300 Tons per year) as well as gold from sweeps of Jewellery and small refineries. The fear of Excise implication brought all medium as well as small Jewellery manufacturers resort to paperless transaction and were forced to offload scrap gold at discounted price set by huge illegal imports.

The situation has not much changed yet as Excise applicability has been further relaxed up to July end. Jewellers are still reluctant to register with Central Excise fearing future harassment by the department and getting exposed to scrutiny of past trade transactions.

Thus four main reasons of negative premium prevailing in Gold market are in order of weightage, (1) illegal imports (2) Excise Duty evasion prompting paperless scrap supply (3) unorganized refineries (4) refineries in EFZ taking advantage of duty differentials coupled with quality issues.

With mandatory hallmarking is coming soon, how will it change the market environment?

A new Hallmarking Act 2016 was passed in both houses of Parliament, got its assent of the President of India on 21st March, 2016 and was published as Bureau of Indian Standard Act, 2016, dated 21.03.2016.

The Act provides the Bureau with wide ranging powers including that of making Hallmarking of Gold, Silver and Platinum Jewellery mandatory in India. It also provides powers to BIS for imposing cash penalty, seizure of Jewellery and imprisonment for misuse of Hallmark on substandard Jewellery by trade as well as licensed and illegal Hallmarking Centres.

It is proposed to introduce mandatory Hallmarking initially in metro cities as well as tier two cities like state capitals or cities where population is more than 10 Lacs and where, there exist sufficient number of Hallmarking Centres to meet the demand of hallmarked Jewellery. The Jewellery Hallmarking, though introduced in year 2000, could not be made mandatory due to various reasons like insufficient Hallmarking Centres across country, lack of confidence in working of Hallmarking Centers, safety and security during transit and also while it is stored at the Centres.

From just 5 Hallmarking Centres in initial year, currently there are nearly 400 Licensed Hallmarking Centres operating across country covering all states except few in North East. Many of these Centres are operating at only 30-40% of their built in capacity. Even at this scale of operation, from the royalty revenue statistics available from BIS, nearly 500 Tons of Jewellery is being Hallmarked per annum. With mandatory regime, this figure could as well touch 1000 Tons. It will also bring in more transparency in retail and wholesale Jewellery trade. This in fact, will complement Excise law on Jewellery and increase revenue collection of state as well as Centre. The harsh rules framed in the BIS Act, will halt illegal and spurious Hallmarking of Jewellery which

The end effect is Quality will win over Quantity and Customers will be benefitted immensely. The trade will be more transparent and ethical. The indirect effect will be, substantial increase in revenue to BIS as Royalty fees, to state in form of Sales tax and to Central government in form of Excise Duty.

As far as domestic scrap recycling is concerned, 80% of trade is with unorganized refining sector which at every step could be resorting to unethical trade practices and are not even aware what “Responsible Sourcing Guideline” means.

is rampant in some locations in connivances with unlicensed as well as licensed Jewellers.

The end effect is Quality will win over Quantity and Customers will be benefitted immensely. The trade will be more transparent and ethical. The indirect effect will be, substantial increase in revenue to BIS as Royalty fees, to state in form of Sales tax and to Central government in form Excise Duty.

Are refiners facing any regulatory issues in sampling and inspection?

Yes, there are issues of sampling method at customs warehouse on imported Dore bars. Lack of provision of proper sampling tools and equipment, lead to delay in execution of sampling, and thus, resulting in delay in release of cargo to refineries. Gold being a high valued cargo and a feedstock to the refinery, delay in custom clearance of Dore consignment does have negative economic consequences. At the same time, some refineries importing Dore in huge volumes directly from mining companies need to send the deep samples for third party (referral lab) assays. Dore being excised after refining operation, the procedure for removal

of samples drawn from melted lot becomes quite complicated from point of view of excise records as well as cumbersome procedure for exports. A hand held XRF equipment with calibrated reference sample at each importing airport and qualified manpower, can certify the purity being less than 95% of Gold, one of the essential conditions of Dore import. This will speed up custom clearance procedure in least possible time.

How important is it to adopt best technology for refiners to produce best quality products?

Even the best of the equipped refinery cannot produce acceptable quality of Gold unless it adheres to standardized procedure of production and testing methods. Quality of a Gold bar / product is not built in to its aesthetical looks but its inherent value with respect to its weight and purity. The technology of assaying, refining and manufacturing has existed since years. There has been more automation than before to reduce dependency on human skill. However, the principal behind the producing a quality product remains same. One must adapt to changes or else be prepared to perish.

Are refiners in India all following responsible sourcing guideline?

Responsible sourcing guidelines are framed mainly to resist conflict gold, human rights violation, financing terrorist activities, child labour, and environment degradation by illegal mining operations, and unethical business practice. It is assumed that about 200 tons of Gold entered India through smuggling last year and the same has been continuing this year too. The problem lies mainly with many artisanal mining companies who use environmentally destructive methods on lack of modern mining equipments and of course, the finance. To deal in smuggled Gold or import of Gold Dore from some of the African and Latin American countries, unknowingly, we, the Indian refineries may be breaking rules of responsible sourcing guidelines. We do not have any organization in our country which frames such guidelines. As far as domestic scrap recycling is concerned, 80% of trade is with unorganized refining sector which at every step could be resorting to unethical trade practices and are not even aware what “Responsible Sourcing Guideline” means.



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Gold Monetization Scheme: Flaws that Prevent Scale

Prof Arvind Sahay, Head, India Gold Policy Centre-IIMA



The latest Gold Monetization Scheme launched in 2015 is part of this long tradition. And like all other attempts, this one too will fail. Let us look at why.

First, a very large proportion of the gold holdings exists as jewelry with individuals. Temple gold is actually a small proportion - but it is a low hanging fruit. And Indians have tended to have a deep emotional connect with gold jewelry. And are very loath to part with it. They

want to keep it in the physical form.

Consider, for example, the following. A top manager of a leading listed firm in India recently asked his wife about her gold holdings weight so he can declare his assets under the new requirements. The wife tells him that what gold she had was hers only and that it was none of her husband's business. And that was that. And across many houses the same story repeats

Over the past 35 years, the government has attempted several times to collect and / or use the stored gold (as ornaments or bullion) in India. Estimates suggest that there is more than 22000 to 25000 tons of stored gold in India in private hands. At current prices in July 2016, that is Rs. 300,000 X 22= Rs. 66,00,000 crores (or \$ 990 billion) - that is half of India's GDP and in the same ball park as the bank deposits in the country. The argument is that monetization will release money back in circulation and it will be available for useful economic activity.



in many households. Therefore, there has to be a change to this cultural aspect of the attachment to gold. Incidentally, this kind of attachment to gold does not exist in the United States and Western Europe.

Neuroscience suggests that changing these kinds of deep rooted behavior requires interventions that provide the nudge required to get people to change their behavior. That these behaviors related to gold are embedded in the unconscious. And influencing these embedded ideas requires a concerted campaign on the part of the government. Campaigns that are designed with

"minimum necessary change" interventions.

We might even argue that the dominant form of attachment to gold is as "Streedhan" for women who were not working and for whom it was a form of security. And carrying the argument further it could be said that the newer generation of women in India are economically independent and not so attached to gold. And that as these women become a larger part of the female gender cohort that the demand for gold jewelry would anyway decline. And that the right "minimum necessary change" campaign would accelerate the move away from gold and increase

the chances of success of the gold monetization scheme.

However, the bottom line is that without a concerted campaign directed at individuals that is based on addressing the neurophysiological bases of desire for gold, the amount of gold deposited under the scheme will be limited - is unlikely to go above a very small fraction of the total gold available. And a 2.5% return on a deposit is not that attractive, even if it on gold, a previously non-interest bearing asset class.

Second, there is the issue of assessing the purity of the jewelry that the person is taking to the



jeweler or the CPTC or the refiner before it goes to the bank as a deposit. Because, the bank will only accept certified gold. Who will certify the gold? Where does the credibility come from? How will the gold that is collected at different places be aggregated and transported?

Without this credible certification, the individual is unlikely to deposit the gold even if she wants to. Some reputed jewelers now have karatometers in their showrooms. However, each one of these machines costs more than INR 10 lakhs and not all jewelers may be able to afford them. By and large, preliminary research suggests that people tend to take back the jewelry, if at all, to the jeweler that they had bought the piece from.

So, the second bottom line. How to reassure the depositor of the grade of gold that has been submitted. Should it be the jeweler where the deposits will be made? Or should it be the CPTCs? And what will the banks accept? Because, ultimately the deposit is on the books of the bank.

Third, we are yet to think of a good commercial reason for banks to take gold as deposits. For the large scheduled commercial banks, gold is a very small

part of their overall business. Fluctuations in the value of gold do not make gold a reliable deposit. It is not clear as to why banks should devote the kind of resources to make the scheme a success. One possible way is the creation of gold banks that have been mooted but not in their present form - but as separate organisations within existing banks.

So the third bottom line, what is in it for banks?

To sum up, unless the Gold Monetization Scheme addresses the issues above, this scheme like the ones before it will also not garner more than a small fraction of the gold with individuals. Less than 1-2% - which would be under 400 -500 tons.

Surely, not the intention of the scheme?

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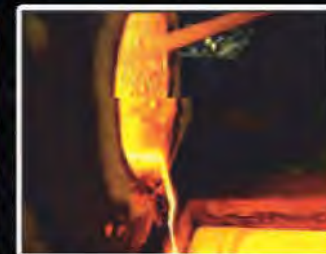
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Shanghai Gold Benchmark Price has Strengthened the Price Formation Mechanism of the Chinese Gold Market

Jiao Jinpu, Chairman, Shanghai Gold Exchange



Propelled by the steady progress of the Belt and Road Initiative and the internationalization of yuan, Renminbi has become more widely used around the world and in neighboring Asian countries especially. The Shanghai Gold pricing mechanism will offer more ways for these neighboring countries to use their Renminbi, thus promoting bilateral trades and fostering closer financial ties between China and these countries.

1 Motivation
China is one of the world's largest gold producers, consumers and importers. It has a booming gold industry as evidenced by the increasingly diverse offering of gold products and surging gold trading volume. The Shanghai Gold Exchange, by combining the experiences of overseas markets with its unique strengths and market position, introduced the benchmark price trading of Shanghai Gold, a

product that is priced in Renminbi and centrally cleared and settled by the exchange. In addition to helping align the development strategy of the exchange with the latest direction of domestic and international gold markets, SGE hopes that the launch of this new product and mechanism will bring the following benefits: (1) to provide an Renminbi benchmark price for the domestic spot gold market and gold derivatives; (2) to improve the product mix of SGE and promote the development of the gold industry; (3) to accelerate the internationalization of the Chinese gold market; and (4) to enhance the influence of RMB-priced gold products in the global gold market.

2. Potential Benefits and Influence
The launch of the Shanghai Gold

Benchmark Price has strengthened the price formation mechanism of the Chinese gold market. Additionally, by serving as a possible reference price for gold derivatives, Shanghai Gold Benchmark Price has empowered the market to better support China's real economy, as the reference price will promote product innovation in the gold market and germinates a richer selection of risk management tools for the benefits of both domestic and international market participants.

London Gold and New York Gold have a history stretching back more than a century and have been deeply influential on the trading practices of gold market participants around the world. On the other side of the globe, Shanghai Gold is a product introduced by SGE – by



leveraging China's prominence in the gold market and the ever increasing global influence of yuan – for the purpose of supporting “upstream” and “downstream” businesses in the gold industry and aligning the exchange with the development trends of the domestic and international gold market. The Shanghai Gold Benchmark Price reflects the supply and demand for gold in the Asia time zone. Among the fixing members and reference price members for Shanghai Gold are homegrown commercial banks, international banks such as Standard Chartered and Australia and New Zealand Banking Group, as well as some of China's largest corporate gold producers and consumers. The diversity and industry representativeness of the selection will shape Shanghai Gold Benchmark Price into an authoritative global gold price indicator for the Asia

time zone. With each representing a significant time zone for gold trading, London Gold, New York Gold and Shanghai Gold will together provide market participants with a more balanced and objective gauge for the global gold market.

Currently, other than the participation of some international fixing members, Shanghai Gold has yet to meaningfully influence the global market. But as Renminbi becomes more widely used as an international currency and Shanghai Gold Benchmark Price gains further influence, opportunities are many. For example, overseas financial institutions can develop their own Renminbi-priced gold products that are pegged to the Shanghai Gold Benchmark Price; and leading market players may also trade Shanghai Gold directly. Furthermore, because the domestic gold price is

often higher than its international counterparts due to the rising gold demand in China, gold importers and exporters may find it more desirable to settle their trades with Shanghai Gold Benchmark Price. The introduction of the benchmark price has made the Chinese gold market more accessible than ever, facilitating the flow of global gold resources and allowing foreigners to capitalize on the business opportunities offered by the burgeoning Chinese gold market, thereby benefiting and bringing further balance to the global gold market system.

3. How to Use It

1. Asian countries can readily benefit from the RMB-denominated Shanghai Gold Benchmark Price

Like China, many Asian countries are particularly captivated by gold. Indeed, the strong demand for gold in Asia has made the continent a major engine for gold market growth. In stark contrast with its rising importance, the Asian market did not have a benchmark price that fairly reflects the regional market dynamics and so heavily relies on London and New York for gold pricing. In other words, the changing market landscape was missing a crucial component – a price from Asia and for Asia.

The launch of the Shanghai Gold pricing mechanism has filled in this missing piece by providing neighboring Asian countries and

the global gold market with a reliable, executable RMB-priced gold benchmark price tailored for the trading hours of Asia. Moreover, against the backdrop of more extensive market reforms and greater opening-up of the Chinese economy, the Chinese gold market is highly competitive in its trading hours, investor base, and market liquidity, and is willing to provide a wider range of services to investors.

Propelled by the steady progress of the Belt and Road Initiative and the internationalization of yuan, Renminbi has become more widely used around the world and in neighboring Asian countries especially. The Shanghai Gold pricing mechanism will offer more ways for these neighboring countries to use their Renminbi, thus promoting bilateral trades and fostering closer financial ties between China and these countries.

2. Wide application and promising prospect for Shanghai Gold Benchmark Price

The understanding and use of Shanghai Gold Benchmark Price by neighboring Asian countries will be a gradual process consisting of the following five phases: (1) Helping investors understand the pricing mechanism of Shanghai Gold and acknowledge that the mechanism is open, transparent, fair and traceable; (2) Allowing investors to

directly participate in the fixing and trading of Shanghai Gold. Financial institutions engaged in precious metals commerce and trading and businesses in the gold production industry can all apply to become SGE fixing members or reference price members, the approval of which will grant them direct access to Shanghai Gold Benchmark Price trading. Other investors from neighboring Asian countries may also trade through the brokerage services offered by other SGE members; (3) Gradually adopting the Shanghai Gold Benchmark Price in RMB-denominated gold commerce agreements between China and other countries to reduce the costs and risks associated with foreign exchange settlement; (4) Adopting the Shanghai Gold Benchmark Price as a reference price or the settlement price in various gold and gold derivatives contracts; (5) Exchanges in Asia may consider developing and listing trading, clearing and delivery products linked to the Shanghai Gold Benchmark Price.

4. Benefits to IB Products

Shanghai Gold provides an open, transparent, and executable RMB-denominated benchmark price for the global gold market, the international board of Shanghai Gold Exchange included. At present, the international board features three spot gold contracts. They are accessible by both domestic and international members in line with

their designed purpose of facilitating cross-border flow of physical gold and balancing the supply and demand between the domestic market and the international market. The price formation mechanism of these three contracts is closely linked to domestic and international gold prices. The Shanghai Gold Benchmark Price, on the other hand, reveals the gold supply and demand balance at a particular instance of time. Although similarities exist between these two products, they are also different in many respects, especially in terms of trading mechanism and locations for physical delivery. To ensure that the Shanghai Gold Benchmark Price can better illustrate and represent the supply and demand dynamics of RMB-priced gold market, the Shanghai Gold Exchange had selected 12 fixing members and 6 reference price members, including 2 international members, to participate in the fixing process. As the pricing mechanism matures, we believe more international members will be involved in the process. The international board products and the Shanghai Gold pricing mechanism will not only continue to serve their unique functions, but also complement each other and build synergy to jointly promote the internationalization of China's gold market.



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It is Very Difficult for a Refiner to Sustain in Current Environment

Vidit Garg, Director, Kundan



Dore supplies shifting to neighbouring countries after government increased the excise duty. How refiners could sustain in this environment?

World-wide when we are buying Dore, the price we buy at is almost the same against other country refiners. Being in India having an advantage of 1% benefit, it is very hard for any refiners to sustain. It is only possible when the market is on the high premium of at least 5 to 6 Dollars per Ounce. But I don't see that kind of market for a constant period.

It is very difficult for refinery to sustain in current environment. Government has already reduced the benefit on dore refining to only 1% which is much lesser seeing the interest cost, refining cost of India in comparison to international costs. Moreover since last six months Indian market is continuously in discount resulting in almost all the refineries at closure.

Suggestion: If the Government of India allows the refineries to be able to export gold bars and get full duty refund of 10%, then we will be able to compete with other refineries in neighboring countries as well & will be a sustainable business in all environment.

with mandatory hallmarking is coming soon, how will it change the market environment?

Mandatory hallmarking coming in the market will absolutely impact and give better confidence to the buyers and to the consumers.

Lots of dore suppliers are coming from African continent in IIGC. What are you expecting from them? How India could build a long term relationship with African and South American suppliers?

I expect a better pricing and better supply of Dore from all the Dore suppliers from Africa. According to me South America is not really feasible for us because the price what we can pay to them even American refineries can pay and our freight charges are much more higher as compared to if they ship the material anywhere in United States.

Now, as I said earlier, it is very hard for Indian refiners to sustain the business in long term relationship with any suppliers.

GST might be becoming very soon. Do you think that this will change the business environment?

Yes, it will but only when it will come in full swing. It will help in eliminating cascading effect of tax and ultimately benefit customer / end user. ■ ■ ■

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What made Indian gold market at such huge discount for extended period of time? Is it only smuggling, or there are other causes?

Yes smuggling is one culprit as lot of gold is being smuggled into India since the duty has been increased to 10%. But I don't think that smuggling alone is fulfilling the entire demand of the country. Lower demand is also responsible.

Demand is withered away since jewelers went to strike on imposition of excise duty. So, collectively, smuggling, increased price of gold and excise applicable on jewelers, all are hitting the market and have kept the Indian gold market at huge discount for extended period.

RJC: Why you should care about making Jewellery Responsibly



A few years ago, only a handful of organisations issued sustainability reports to share the economic, environmental and social impacts caused by their everyday activities. Today, organisations large and small, have integrated corporate social responsibility as part of their routine business. Consumers are increasingly becoming aware of responsible business practices and the actions organisations take to do their part in making the world a better place. In the jewellery supply chain, it is no different.

Consumers are increasingly becoming aware of responsible business practices and the actions organisations take to do their part in making the world a better place. In the jewellery supply chain, it is no different. Sustainability has become an important topic in the jewellery industry, not only with reference to business ethics, but also specifically in supply chain management.

Sustainability has become an important topic in the jewellery industry, not only with reference to business ethics, but also specifically in supply chain management. But just what does this mean for your business? Being a responsible business in the jewellery industry will promote confidence among your peers and consumers as well as protect your business reputation. The Responsible Jewellery Council (RJC) is a standards setting and certification system for the jewellery supply chain, from mine to retail. It is unique as the participation of companies at every step in the value chain for diamond, gold and platinum group metals jewellery enables a connection to a community of confidence.

Founded over 10 years ago by 14 founder member companies,

the RJC has developed a rigorous and credible standards and certification system and grown to include over 800 Members from the entire jewellery supply chain, with more joining daily. Over 350,000 employees globally are covered by the RJC's Code of Practices (COP) Standard. So how can the RJC help your business? RJC provides an internationally recognised and credible framework for responsible business. Through RJC Certification, companies are enabled to proactively address the environmental and social risks that adversely affect growth and success. RJC Certification is evidence of a company's commitment to responsible business practices and can be used to demonstrate due diligence to stakeholders, including banks, suppliers and customers through a third party audit. This

provides credibility and impartiality. Additionally, the certification process helps organisations identify risk areas and provides tools for managing those risks. RJC Certification helps Member companies stay ahead of legislation, putting them a step ahead of competitors.

Today, close to 20% of the entire RJC Membership is based in India, spanning much of the supply chain. That is a group of over 100 companies that already see the benefits of their RJC Membership and Certification. Rajesh Khosla, Managing Director of longstanding RJC Member company, MMTC-PAMP India, comments “We joined the RJC in 2013 and have been a certified Member since 2014. Achieving certification reflects our commitment to the principles and guidelines set out by RJC and it

has enabled us to further spread our values of ethical conduct and respect within the industry and our customers. Being a certified Member of the RJC is also a great source of pride for the team involved and we continually strive towards building an ethical business environment and improving the processes of the company.”

The RJC works with a wide range of stakeholders to promote responsible business practices and to support harmonisation between related initiatives. This is designed to reduce the audit burden for companies. The RJC works to harmonise its standards, for example with the OECD Due Diligence Guidance for Responsible Supply Chains from Conflict-Affected and High-Risk Areas and the Better Gold Initiative (BGI). Additionally, the RJC cross-recognises standards

outright. For example, the LBMA and EICC audits are accepted as fulfilling parts of the RJC Chain-of-Custody (CoC) Standard. Further, RJC formally recognises the Fairmined Standard v.2.0 under the Chain-of-Custody Standard allowing RJC CoC certified entities to source gold from a Fairmined certified mining organisation.

So why should businesses become RJC Members? To join a global community of confidence; experience the tangible business benefits that result from implementing better business practices; take the next step towards corporate social responsibility; achieve your company’s sustainable sourcing goals and, ultimately, build stronger commercial relationships.

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For more information on RJC Members, Certification, and Standards please visit www.responsiblejewellery.com

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Supply Overhang Keeps Trade Mute in 2016

Sudheesh Nambiath, Lead Analyst- Precious Metals Demand, GFMS, South Asia & UAE



Hopes were high that the silver price would not trend significantly higher this year given the many hundreds of tonnes that were on the high seas en route to India. Unfortunately, the price rally in recent months caught many traders by surprise leaving several shorts in the market as they have not been replenishing stocks expecting a price correction.

The Indian silver imports last year reached 7,954 tonnes, the third consecutive year of increase to reach a fresh record high. The rise in volumes has also coincided with an increase in shipments by sea. This evidently reduced the cost of sourcing the metal by at least 50%, with this occurring at a time when prices were drifting lower. Last year ended with year on year annual average price in rupee basis down by approximately 15%, in the declining price trend fabricators and investors found it lucrative to firstly ship in the metal then file

the bill of entry and price the metal at their convenience.

Hopes were high that the silver price would not trend significantly higher this year given the many hundreds of tonnes that were on the high seas on route to India. Unfortunately, the price rally in recent months caught many traders by surprise leaving several shorts in the market as they have not been replenishing stocks expecting a price correction. However, there were some who had accumulated silver for the sake of averaging out their purchase prices. Taking a loss on the books is a most unlikely scenario for a large section of the trading community as taking speculative positions has been a trait for them, investors, and some sections of the jewellery fabrication sector. Thus, as the silver price rallied disinvestment started to emerge. Exacerbating

the situation was the strike by jewellers who were protesting the implementation of excise duty on gold jewellery. Silver jewellery fabricators showed their support to their gold allies by keeping their fabrication units only partially operational; eventually however it resulted in a grinding halt to their jewellery fabrication operations as well. And by the time work resumed demand was down due to seasonal reasons.

Looking ahead, with the market generally aware of the tonnes of shipments en-route, the volumes held at ports in India, the level of inventory already held in vaults, and more importantly the rise of disinvestment volumes that have occurred as the silver price has rallied this knowledge has temporarily inverted the price structure of silver in the Indian

market. This is because across the value chain stake holders are aware that at any given point there is silver available on demand. The impact of this supply overhang was evident by the domestic market price trading at a discount of 100 cents from the landed price towards the fourth week of June 2016, as against last year's average of just four cents. Given the volumes that are still accessible to the trade, it is unlikely that we will see a surge in imports even if the silver price retreats from the current level. In our view we would need to see the price back below \$18 an ounce for the pent up demand to be alleviated

demand. A rise in end consumption and demand for cash purchases as against exchange of old jewelry due to lower prices, helped drive volumes. While changing fashion trends made an important contribution, the low price point coupled with higher price expectations led to rampant stock building across the supply chain. Fabrication demand for the most consumed products like anklets, leg chains and toe rings, primarily produced from Salem, Kolhapur, Ahmedabad and Rajkot, posted an average year-on-year increase of close to 18%. Our contacts also indicated that purity levels had

with volumes concentrated among a handful of fabricators and primarily from the city of Agra. The growth of e-commerce has helped broaden its reach in the last two years to a wider market. It is popular amongst working women and students, to an extent that due to higher gold prices and facing a risk of theft, there has been a gradual shift to silver earrings among school going students.

We estimate silver consumed for jewelry export at 7.8 Moz (243 t), a rise of 10% from 2014. In value terms it is estimated to have increased by 35% year-on-year, primarily driven from exports of precious stones, diamonds and gem-set segment, which enjoyed a rise of 51% last year. The growth story of this segment has run parallel with increased imports of silver over the last three years. However, investigation has revealed these exports were primarily a result of overvalued shipments as they included the usage of synthetic diamonds, while the silver content was at an average of just 4% of the total value.

Indian silverware fabrication gained by 15% last year to 41.3 Moz (1,285 t), thereby rising to the highest level on record. This marked the third consecutive year



Source: Thomson Reuters, GFMS

Factors driving demand

Jewellery:

Indian jewelry fabrication increased by 16% to 72.4 Moz (2,254 t) in 2015 to the highest level on record and marked the fourth consecutive annual rise in

also risen, from an average of 50% during the last decade to 70% in the last two years. Indeed, the purity level is likely to rise further in coming years due to design preferences among consumers. Demand for sterling jewelry is estimated to be growing at a rate of more than 50% year-on-year,



Looking ahead, with the market generally aware of the tonnes of shipments en-route, the volumes held at ports in India, the level of inventory already held in vaults, and more importantly the rise of disinvestment volumes that have occurred as the silver price has rallied this knowledge has temporarily inverted the price structure of silver in the Indian market.

of increase as fabricators increased their inventory level to take advantage of lower price levels.

Industrial:

Touching upon some of the key segment, the electronics sector consumed 14.5 Moz (451 t) last

year, the lowest in eight years. This sector contributed to 36% of the consumption in the industrial segment. The offtake from silver contact exporters declined sharply. The electrical contacts market, largely influenced by demand from the LV switch gear sector, shrank despite growth in power transmission lines, which grew at a monthly average rate of 2,338 circuit kilometers (ckm) per month as against 1,481 ckm per month in 2014. This was because a large part of consumption was catered for from inventory carried over from 2014 as the delay in execution of projects had led to excess inventory, thus it was largely a delivery of backlog orders. Additionally, poor offtake from the oil and gas industry due to sluggish growth has had

a material impact on the order books of electrical contacts and electroplating industry. The solders and brazing alloy sector, which contributes 6% of the consumption in the industrial segment declined by 6% year-on-year. Fabrication volumes declined as there were delays in the execution of projects in infrastructure and a slowdown in the real estate sector



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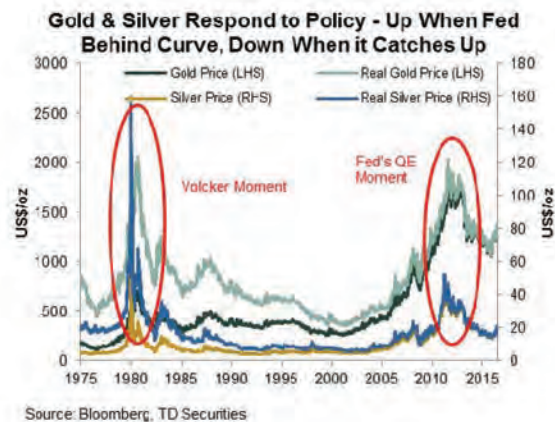
Gold and Silver: Ultra-low Rates Limiting Downside Pressure from the Fed's Pending Policy Normalization

Bart Melek, Director and Head of Global Commodity Strategy, TD Securities



The current negative bond market environment for some thirteen trillion worth of fixed income assets, typically found outside the US, should keep yield-hungry investors buying US Treasuries and keeping yields quite low indeed. Consequently, TD Securities expects gold and silver to post only modest declines this time around to average \$1,308/oz and \$18.38/oz, over the next twelve months or so, respectively.

Central bank monetary policy dynamics have been driving gold markets for as far back as one cares to look. Aside from the period before and shortly after the Fed's Volcker launched his attack on inflation back in 1980, when real gold price in June-2016\$ spiked to just over \$2,665/oz (\$850/oz nominal), with silver



hitting an inflation-adjusted high of \$155/oz (49.45/oz nominal), the zero-bound monetary policy in the aftermath of the Great Recession is another period during which precious metals have been most impacted by central bankers. The occurrence of deeply negative rates rallied gold to multi-decade highs, followed by steep corrections in both cases.

During both of these periods, gold dropped sharply when real interest rates rose, or even on the expectation that they would, as happened prior to the Fed actually ending its QE program purchases in 2014. Higher USD opportunity cost relative to fixed income assets prompts investors to reduce precious metals exposure. As such, many now wonder how gold and silver will react when the US central bank resumes its monetary policy normalization program.

While tightening monetary conditions along with the accompanying short-term rate increases often tend to serve as a negative for prices, the gold and silver response should be relatively benign this time around. The US central bank will lift rates no more than 50 bps by the end of 2017, while inflation should creep higher. Indeed, the pending Fed rate hikes should not be seen as the start of a tightening cycle, but rather a move away from an emergency monetary stimulus environment. Consequently, the real increase in the opportunity cost to hold these metals should be relatively modest. In addition, the long end of the yield curve is unlikely to move sharply higher due to BoJ and ECB asset purchases.

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USD Opportunity Cost and Spec Positioning Important Price Drivers

The Fed's pending drive to normalize monetary policy by moving away from the current near zero-bound range, has the potential to radically change the current real interest rate environment and currency relative exchange rates. But in our view this is unlikely to happen as it did when Mr. Volcker was running the Fed show. The key difference between the 1980s and the current era is that thirty years ago, the US central bank moved real rates aggressively into positive territory in response to an oil-driven inflation surge, while now disinflation and massive indebtedness are a concern that suggests monetary authorities are unlikely to get overly restrictive.



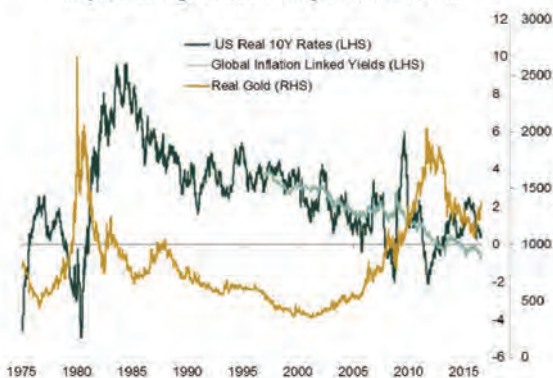
In our view, the real cost of carry (real interest rates) and the US dollar are by far the biggest drivers of the yellow metal and silver, and Fed action has the potential to decide both the direction and magnitude of change for both. But US central bank action will not be the only driver of precious metals, other central banks will also be very important.

While the pending US hikes, albeit very modest due to global economic risks and an uneven US recovery, and the resulting firmer USD are likely to pull gold and silver lower, the full impact will be muted by policy action in

other parts of the world. Key central banks like the BoJ, the ECB and the PBoC are all likely to add monetary stimulus as the Fed gets more restrictive, at least for a while.

The Fed's modest rate increases will occur in an environment where negative interest rates originating from Europe and Japan are serving as a sinkhole, keeping yields near-record low across the entire fixed income space. Much of any future US rate increase will be absorbed by the currently prevailing historically low rate environment. This suggests that future monetary tightening performed by the Fed should have limited success in lifting the cost of carrying zero-yielding assets such as gold and silver. Consequently, investors will likely only face modest increases in the cost of holding gold, silver and other zero-yielding assets, which will make it unlikely that a floor of gold/silver denominated assets hits the market.

Ultra-Low Bond Yields Muting Negative Impact of Higher Fed Policy Rates on Gold



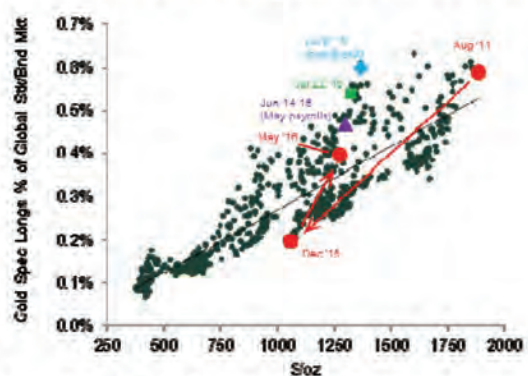
Source: Bloomberg, Deutsche, TD Securities

Safe-haven Demand Serving as Support

Persistent low yields may eventually prompt markets to speculate that central banks are at risk of being behind the inflation curve, which suggests safe-haven demand for gold and silver may be maintained at relatively high levels. Indeed, since bond, real estate and equity portfolios have ballooned in the current über low rate environment, precious metals exposure may again grow should investors diversify their asset mix.

Persistent low yields may eventually prompt markets to speculate that central banks are at risk of being behind the inflation curve, which suggests safe-haven demand for gold and silver may be maintained at relatively high levels.

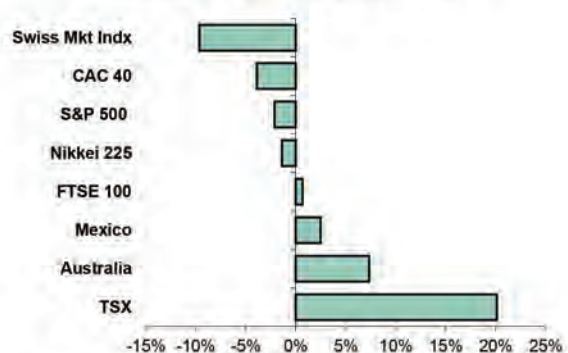
Global Risks Prompt Investors to Buy Gold



Source: World Bank, BIS, Bloomberg, TD Securities

The prior period of elevated positioning in gold, post-GFC, saw money managers build long gold and silver spec and ETF holdings in response to the Fed's zero-bound rate policy and the QE program. While these positions eventually abated as risk appetite surged and equities

Gold as a Non-commodity Equity Hedge
(correlation of weekly returns, 1990-current)



Source: Haver, TD Securities

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pushed ever higher to a record high, we have recently witnessed large builds in gold and silver spec positions in reaction to Brexit and negative interest rates. Despite the move back to elevated gold holdings there is every reason to think that the renewed new record exposure could continue to build. At the very least, people may want to keep gold and silver exposure robust amid various global risks, such as the Brexit negotiations, equity market correction, and the potential slowdown and systemic issues in the Chinese and global economies.

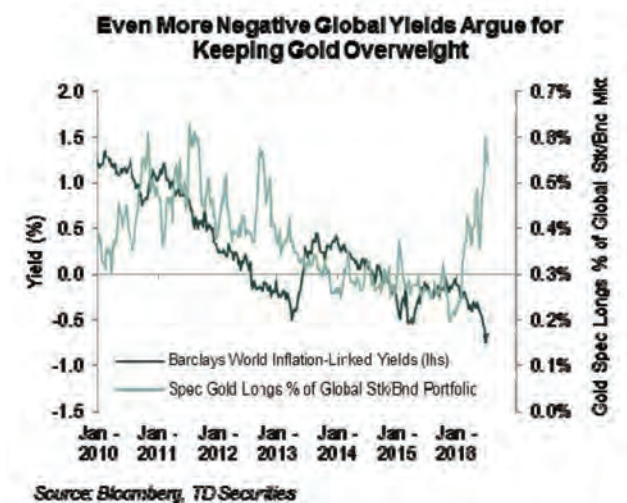
Equity markets can correct from record levels should the economic outlook weaken, while bonds could

About Author

Bart contributes to the TD Securities strategic view by providing commentary on commodity markets and how they relate to the sectoral and economic outlook. His forecasts are a part of the global consensus. Previous to joining TD, Bart was a Global Commodity Strategist and Sr. Economist at another major Canadian bank. He was also a Senior Economist and Senior Analyst in Treasury and Risk Management/Senior Credit Committee at another major Canadian chartered bank.

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Disclaimer: Views are personal and not the views of the publisher.

selloff if markets see higher rates. All these risks are likely factors which have the potential to drive new investors into gold or keep existing ones exposed. Gold still represent a very small portion of individual wealth, which has jumped due to the current low rate environment. As such, we don't expect the pending tightening cycle to derail gold and silver, so we think the risk is to the upside from our base case. At this stage, we think the risk is to the upside from our base case for \$1,308/oz gold and \$18.38/oz silver over the next twelve months or so.

Bullion Insurance – Solution for a Risk- Free Growth

Ankur Kacker, Vice President, FINPRO



Precious metals and gems, especially gold has always maintained a special position in our culture from ancient times and exists as one of the most important commodity in modern India as well. Thanks to our love for the yellow metal, India is today one of the largest gold consuming markets where gold ingots worth billions of dollars is transported within India itself to satisfy the ever-growing demand of this metal. As per the latest figures released by GJEPC in July 2016, total imports and exports in this industry stands at USD 8 billion and USD 9 billion respectively for Q1 of which gold/ bullion consists of more than 20%.

With the growth of business in this industry and the increasing price of gold and other precious metals,

The Indian insurance companies are not very familiar with the way this industry functions and therefore are not very clear as to how they should provide insurance coverage to such companies.

the risks faced by this industry has also increased. Analysis of the spot gold prices shows that the numbers have doubled since 2009 leading to a very high exposure for traders and merchants. The key exposures include:

1. Employee Infidelity of the owners of the metal or the employees of the transit companies
2. Transit Risk
3. Storage Risk
4. Terrorism Threats
5. Availability of armoured vehicles to move these metals
6. Customs and Regulatory challenges
7. People challenges
8. Loss of a single gram of pure gold in 2009 and today has a minimum difference of USD 20. This does not seem to be a very high number on a standalone basis however on a cumulative basis it can be a large amount.

Though various measures have been implemented by members of this industry at different stages of the trade, still the vulnerability of an event leading to such losses has not been completely eradicated. In

fact, the cases reported are much more than what it used to be in the earlier times. This has happened only because people are now more aware and are open to approach the authorities if there has been loss. Due diligence of employees has become a very important risk mitigating factor within this industry.

The losses caused by infidelity of employees are directly related to the value of the items handled by them and the salaries paid to them by their employers which instigates an employee to steal.

The Indian insurance companies are not very familiar with the way this industry functions and therefore are not very clear as to how they should provide insurance coverage to such companies. The most common mistake, which is done by a number of people while insuring such risks, is that they include precious metals within their property insurance policies or their Marine Insurance policies which is not the right way of covering the companies' interest.

The other common mistake which a number of companies make while purchasing insurance is that they look to protect the metal against Fire,

Burglary, Theft, Strike, Riot, Storm, Tempest etc which is done innocently as we have been brought up in an insurance industry which provides coverage for named “perils” only.

These are misconceptions and such types of policies do not provide a comprehensive coverage to the buyer.

The international Insurance market or the Lloyds market has been insuring such risks for decades now and has in place procedures to make sure that they are covering a risk which is genuine and meets the needs of the insured as well. The cover protects the buyer from any fluctuation in the price of the metal as well as it pays the loss as per the price of the metal on the day of the loss.

The product which is offered by the Lloyds market is an All Risk product rather than a named peril product so it covers the entire exposure of the client be it while the gold is in Transit, while it is in storage or while it is being worked upon or any other situation subject to a few exclusions.

Since the majority of this industry is regulated and there are proper documents for import and export of Precious Metals it becomes easier for the clients to prove the loss to the underwriters. The Lloyds market has a proven track record of paying claims in record time. For example the famous heist at the Belgium Airport a few years ago where a shipment estimated to be USD 50 Million of Gold Bullion was stolen by a gang was insured by the Lloyds market. The

claim was settled within 8 working days to the owners of the shipment. This was possible since the owners had the right documentation in place and Marsh who was the broker involved moved quickly along with the underwriters to have the claim settled. There was no requirement of a Final police investigation report which is usually asked for by the Indian insurers.

It is important for the Insured to share all the information about their business with the insurers or their brokers so that a bespoke product can be framed for them to cover all aspects of their risk. This helps the insurer understand the full risk and also helps the Insured when they have a loss as the insurer is fully aware of what he is covering and things can move faster during a loss.

It is recommended having a pre risk survey conducted by the underwriters prior to insuring a particular risk as it helps them understand the risk better and also gives the insured an opportunity to understand the perspective of the insurer when he is covering a particular risk. There may be certain recommendations which might be relevant to the business of the insured and which might help them in mitigating the losses.

Marsh can assist in evaluating the Total Cost of Risk (TCOR) for the industry by which the insured can understand how much risk they can retain on their balance sheet and what should they be transferring via insurance. If a large organization who

has a strong balance sheet is willing to take on more risk on their balance sheet as they feel comfortable with it the insurance cost can be very low as the insurance markets understand that the Insured has more skin in the game than the insurer and they are willing to cover the big catastrophic losses where even a large balance sheet will not be able to sustain the loss.

Similarly if the insured would like to take on less risk on their books and pass on majority of the risk to the insurers the cost of insurance might not be very low since the insurer is practically on the hook from the first dollar onwards.

The question of cost vs risk covered is very simple. The cost of capital for any organisation today on an average is 10% to 12% whereas the cost of insurance is anywhere between 0.05% to 0.2% depending upon a few underwriting factors and the business.

Therefore, provide your broker with the correct and complete information in order for them to negotiate the best possible product for you.

The author heads the Gems and Jewellery Insurance Business at Marsh India Insurance Brokers Pvt. Ltd. He can be contacted at ankur.kacker@marsh.com



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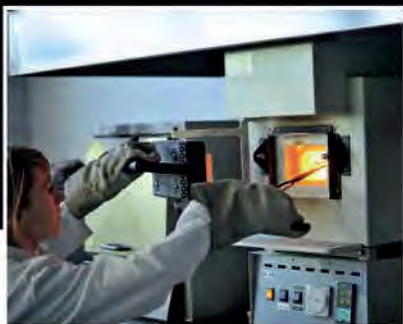
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Artisanal and Small Scale Gold Mining: A Sector of Problems and A Sector of Promise

Dr. Linda McGrew, Consultant, Environmental Sustainability in Business



The process of extracting the gold in ASGM involves direct mercury contamination to water and air, but this is not just an Indonesian problem. The use of mercury to extract gold is a process found in almost every developing country, including many other parts of Asia.

Artisanal and small scale gold mining (ASGM) represents 20 per cent of global gold production. Although it can be devastating to environments and the health of many, it also has the potential to improve the lives of some of the world's poorest people, including many in Asia.

ASGM in Indonesia

Indonesia's Gold Rush began almost 30 years ago when the longtime military ruler, Suharto, was replaced by a government that has not been rigorously implementing regulations. Today, ASGM in Indonesia produces US\$5 billion in gold a year, accounting for about seven per cent of total gold production. There are as many as 300,000 artisanal gold miners working at 1,000 informal sites across the country. Often these miners are either displaced

agricultural workers or fishermen who have very few options in terms of alternative livelihoods. ASGM fulfils a need in these rural communities for income-generating opportunities, but at a major expense.

ASGM miners dig deep mine shafts in rural areas that are uncontrolled. They dredge rivers, destroy forests, and poison the environment. The children of the mining communities exhibit life-altering signs and symptoms of mercury poisoning, having been exposed to it in their food, water and air since even before their birth. Although the practice of using mercury to extract gold was banned by the Indonesian government in 2014, nearly all artisanal miners used mercury to extract their gold. In the process, miners released hundreds of tonnes of mercury into the water, soil, and



air, often in poor, remote areas, contaminating food and wildlife.

Since it is unregulated and informal, artisanal and small scale gold miners are vulnerable to extortion by corrupt police and soldiers who control access to mining areas and demand payments. Anecdotal evidence suggest that some have been forced to give up as much as half of their earnings. Rural mining communities already face risks to their health and safety, but the miners' illegal status makes them vulnerable to extortion. In Indonesia the police and military take a significant share; instead of enforcing the law against mercury use, officials accept bribes and walk away. Operating outside the law means the miners pay no taxes. However, if ASGM were made legal in Indonesia the government could collect taxes and in turn teach the miners methods that do not use mercury, and pay for health

care, mercury cleanup, and land rehabilitation. Many in Indonesia believe that legalizing the small-scale miners is the only way to end their mercury use.

The process of extracting the gold in ASGM involves direct mercury contamination to water and air, but this is not just an Indonesian problem. The use of mercury to extract gold is a process found in almost every developing country, including many other parts of Asia. This air and water pollution spreads throughout the globe. ASGM is the single largest contributor to mercury pollution worldwide. Without proper technical and institutional support, ASGM will remain in a highly vulnerable state burdened with constant threats to their economic, health, and environmental security.

A Sector of Promise

Although there are many

widespread problems with ASGM, through various levels of support the ASGM sector can be improved and its potential harnessed. For example, Global Affairs Canada is financing projects to help miners obtain better technology and to employ better environmental and social practices. This equipment and accompanying training decreases and ultimately eliminates the use of mercury, and often increases the gold yield for miners.

The Artisanal Gold Council (AGC), based in Victoria British Columbia, works with industry stakeholders to drive rural development in many developing countries. Part of AGC's focus is to train miners to adopt more responsible, environmentally friendly methods of mining and gold processing. By focusing on chemical-free methodologies that forego the use of mercury and other toxic chemicals, the miners are able to work in a safer and healthier environment, and responsibly produce gold, generating positive, long-term benefits to their health, economy and environment.

Currently the AGC is working in Indonesia with a local partner, Yayasan Tambuhak Sinta. The project covers the four provinces of Central and South Kalimantan, North Sulawesi and Java, and has three main components: technical

training, policy support and market development for sustainability. Community engagements have started in Central Kalimantan and two mercury-free facilities are expected to be set up in late 2016. Once the facilities are established, miners will be able to work in safer environments, get a higher yield of gold, and sell their gold for fair market value — all the while decreasing and ultimately eliminating their use of mercury in compliance with the world's new global environmental treaty on mercury, the UN's 2013 Minamata Convention.

The Future of ASGM

ASGM, if properly regulated, has the capacity to lift people out of poverty, improve health and environmental conditions, and create better economic conditions for entire regions.

The Asian Development Bank reports that the majority of the 28 million poor in Indonesia live in rural areas. These poor populations mainly participate in low productivity employment in the agricultural and services sectors. ASGM supplements these livelihoods and creates jobs in some of the poorest places in Indonesia. Although there are large industrial mines in Indonesia, artisanal mines employ about ten times as many

The Asian Development Bank reports that the majority of the 28 million poor in Indonesia live in rural areas. These poor populations mainly participate in low productivity employment in the agricultural and services sectors. ASGM supplements these livelihoods and creates jobs in some of the poorest places in Indonesia.

people, typically workers who are not eligible for employment in industrial mining due to a lack of formal education and experience.

Furthermore, small miners' earnings tend to be spent locally or sent as remittances to other poor communities, supporting sustainable economic growth in local communities. Bringing ASGM into the formal economy through legalization benefits governments in that they reduce illicit financial transactions, collect taxes, and often see a subsequent reduction in crime in these regions. ASGM is recognized by the world's major development organizations such as the UN, World Bank, and Global Environment Facility to have the potential to be a major driver for

rural development, improving lives in large, rural areas.

Dr. Linda McGrew is a business consultant who specializes in Asia, environmental sustainability, small and medium enterprise innovation, and greening supply chains. For more information about developments in this sector visit www.artisanalgold.org or follow @artisanal_gold on Twitter and Artisanal Gold Council on Facebook.



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[TO BE PUBLISHED IN THE GAZETTE OF INDIA, EXTRAORDINARY, PART II, SECTION 3, SUB-SECTION (i)]

GOVERNMENT OF INDIA MINISTRY OF FINANCE (DEPARTMENT OF REVENUE)

Notification

No. 26/2016 – Central Excise

New Delhi, the 26th July, 2016

G.S.R. (E). – In exercise of the powers conferred by sub-section (1) of section 5A of the Central Excise Act, 1944 (1 of 1944), the Central Government, being satisfied that it is necessary in the public interest so to do, hereby makes the following further amendments in the notification of the Government of India in the Ministry of Finance (Department of Revenue), No. 12/2012-Central Excise, dated the 17th March, 2012, published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i), vide G.S.R. 163 (E), dated the 17th March, 2012, namely:-

In the said notification,

(A) in the Table, for serial number 199 and the entries relating thereto, the following shall be substituted, namely:-

(1)	(2)	(3)	(4)	(5)
"199	7113	(I) Articles of jewellery (II) Parts of articles of jewellery (II) Articles of silver jewellery, other than those studded with diamond, ruby, emerald or sapphire Explanation. – For the purposes of this exemption,- An article of jewellery or part of article of jewellery or both, produced or manufactured from an alloy (including a sintered mixture and an inter-metallic compound) containing precious metal may be treated as an article of jewellery or part of article of jewellery or both of a precious metal, if any one precious metal constitutes as much as 2% by weight of the article of jewellery or part of article of jewellery or both (excluding the weight of the precious or semi-precious stones, mounted or set), in accordance to the following : (i) an article of jewellery or part of article of jewellery or both, containing 2% or more, by weight, of platinum is to be treated as an article of jewellery or part of article of jewellery or both, of platinum; (ii) an article of jewellery or part of article of jewellery or both, containing 2% or more, by weight, of gold but not platinum, or less than 2% by weight, of platinum, is to be treated as an article of jewellery or part of article of jewellery or both, of gold ; (iii) other articles of jewellery or parts of articles of jewellery or both, containing 2% or more, by weight, of silver are to be treated as articles of jewellery or parts of articles of jewellery or both, of silver.	1% 1% Nil	16 16 -";

[F. No. 354/25/2016 –TRU (Pt.-I)]

(Anurag Sehgal)

Under Secretary to the Government of India

Note:- The principal notification No. 12/2012-Central Excise, dated the 17th March, 2012 was published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i) vide number G.S.R. 163(E), dated the 17th March, 2012 and last amended vide notification No. 23/2016 -Central Excise, dated the 17th May, 2016 published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i) vide number G.S.R. 525(E), dated the 17th May, 2016.

[TO BE PUBLISHED IN THE GAZETTE OF INDIA, EXTRAORDINARY, PART II, SECTION 3, SUB-SECTION (i)]

**GOVERNMENT OF INDIA
MINISTRY OF FINANCE
(DEPARTMENT OF REVENUE)**

**Notification
No. 27/2016 – Central Excise**

New Delhi, the 26th of July, 2016

G.S.R. (E). – In exercise of the powers conferred by sub-section (1) of section 5A of the Central Excise Act, 1944 (1 of 1944), the Central Government, being satisfied that it is necessary in the public interest so to do, hereby exempts articles of jewellery manufactured,-

(i) from jewellery provided by a retail customer; or

(ii) by mounting of precious stones provided by a retail customer,

from so much of the excise duty leviable thereon, as is in excess of the duty of excise payable on a value which is sum of the cost of additional materials used by the manufacturer or principal manufacturer, as the case may be, for making such article of jewellery and labour charges charged by the manufacturer or principal manufacturer, as the case may be, from the retail customer.

2. For availing the exemption under this notification, the manufacturer or principal manufacturer, as the case may be, shall maintain a proper record containing the following details, namely:-

(i) name and address of the retail customer;

(ii) weight and purity of the jewellery, weight of precious stone provided by the retail customer;

(iii) receipt number and date;

(iv) issue voucher number and date of sending such jewellery or precious stones to a job worker or to the manufacturing premises of the jeweller himself; and

(v) value addition, including cost of additional materials and labour charges, charged by the jeweller, which shall also be mentioned separately in the invoice issued to the retail customer.

Explanation.-1 - For the purposes of this notification, weight refers to weight in grams for precious metals; and in carats for precious stones.

Explanation.-2 - For the removal of doubts, it is hereby clarified that for the purposes of this notification, the expression “jewellery” shall not include precious metal in any form, other than jewellery provided by a retail customer for the manufacture of articles of jewellery to a manufacturer or principal manufacturer, as the case may be.

[F. No. 354/25/2016 –TRU (Pt.-I)]

(Anurag Sehgal)

Under Secretary to the Government of India

[TO BE PUBLISHED IN THE GAZETTE OF INDIA, EXTRAORDINARY, PART II, SECTION 3, SUB-SECTION (i)]

**GOVERNMENT OF INDIA
MINISTRY OF FINANCE
(DEPARTMENT OF REVENUE)**

**Notification
No. 28/2016 – Central Excise**

New Delhi, the 26th July, 2016

G.S.R. (E). – In exercise of the powers conferred by sub-section (1) of section 5A of the Central Excise Act, 1944 (1 of 1944), the Central Government, on being satisfied that it is necessary in the public interest so to do, hereby makes the following further amendments in the notification of the Government of India in the Ministry of Finance (Department of Revenue) No. 8/2003-Central Excise dated the 1st March, 2003, published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i) vide number G.S.R. 138 (E) dated, the 1st March, 2003, namely :-

In the said notification,-

(a) in the Table, for serial number 3, and the entries relating thereto, the following serial number and entries shall be substituted, namely:-

(1)	(2)	(3)
"3	First clearances of the articles of jewellery or parts of articles of jewellery or both for home consumption, other than articles of silver jewellery but inclusive of articles of silver jewellery studded with diamond, ruby, emerald or sapphire, falling under chapter heading 7113 of the First Schedule upto an aggregate value not exceeding ten crore rupees made on or after the 1st day of April in any financial year, from the whole of the duty of excise specified thereon in the First Schedule : Provided that during the period starting from 1st March, 2016 and ending on 31st March, 2016, the exemption shall apply to the first clearances of the articles of jewellery or parts of articles of jewellery or both for home consumption, other than articles of silver jewellery but inclusive of articles of silver jewellery studded with diamond, ruby, emerald or sapphire, falling under chapter heading 7113 of the First Schedule, up to an aggregate value not exceeding eighty five lakh rupees.	Nil.”;

(b) in paragraph 2,-

(i) in sub-paragraph (iii), for the proviso, the following shall be substituted, namely:-

“Provided that the manufacturer of the articles of jewellery or parts of articles of jewellery or both other than articles of silver jewellery but inclusive of articles of silver jewellery studded with diamond, ruby, emerald or sapphire, falling under chapter heading 7113 of the First Schedule shall not avail the credit of duty on inputs under rule 3 or rule 11 of the

said rules, paid on inputs used in the manufacture of these goods cleared for home consumption, the aggregate value of first clearances of which, as calculated in the manner specified in the said Table does not exceed ten crore rupees : Provided further that nothing contained in this sub-paragraph shall apply to the inputs used in the manufacture of specified goods bearing the brand name or trade name of another person, which are ineligible for the grant of this exemption in terms of paragraph 4;”;

(ii) in sub-paragraph (iv), for the proviso, the following shall be substituted, namely:-

“Provided that the manufacturer of the articles of jewellery or parts of articles of jewellery or both other than articles of silver jewellery but inclusive of articles of silver jewellery studded with diamond, ruby, emerald or sapphire, falling under chapter heading 7113 of the First Schedule also does not utilise the credit on capital goods under rule 3 or rule 11 of the said rules, paid on capital goods, for payment of duty, if any, on the aforesaid clearances, the aggregate value of first clearances of which does not exceed ten crore rupees, as calculated in the manner specified in the said Table;”;

(iii) in sub-paragraph (vii), for the proviso, the following shall be substituted, namely:-

“Provided that aggregate value of clearances of all excisable goods for home consumption by a manufacturer of the articles of jewellery or parts of articles of jewellery or both other than articles of silver jewellery but inclusive of articles of silver jewellery studded with diamond, ruby, emerald or sapphire, falling under chapter heading 7113 of the First Schedule, from one or more factory or premises of production or manufacture, or from a factory or premise of production or manufacture by one or more manufacturers, does not exceed rupees fifteen crore in the preceding financial year;”;

(c) in paragraph 3, for the words beginning with “For the purposes of determining”, and ending with “taken into account, namely :-”, the following shall be substituted, namely:-

“For the purposes of determining the first clearances upto an aggregate value not exceeding one hundred and fifty lakh rupees made against serial number 1 or upto an aggregate value not exceeding ten crore rupees made against serial number 3, of the said Table, as the case may be, on or after the 1st day of April in any financial year, the following clearances shall not be taken into account, namely:-”.

[F. No. 354/25/2016 –TRU (Pt.-I)]

(Anurag Sehgal)

Under Secretary to the Government of India

Note:- The principal notification No. 8/2003-Central Excise, dated the 1st March, 2003, was published in the Gazette of India, Extraordinary, vide number G.S.R. 138(E), dated the 1st March, 2012 and was last amended vide notification No. 8/2016-Central Excise, dated the 1st March, 2016, published vide number G.S.R. 225(E), dated the 1st March, 2016.

Press Information Bureau Government of India Ministry of Finance

13-July-2016 20:36 IST

Government accepts the recommendations of Sub-Committee of the High Level Committee to interact with Trade & Industry on Tax Laws on issues relating to compliance procedure for the excise duty, records to be maintained and other relevant administrative issues.

Government has also decided to increase the SSI Eligibility limit and SSI Exemption limit for manufacturers of articles of jewellery or parts of articles of jewellery or both.

In this year's Budget, a nominal excise duty of 1% [without input and capital goods credit] or 12.5% [with input tax credit] has been imposed on articles of jewellery with simplified procedures.

In this connection, the Central Government had constituted a Sub-Committee of the High Level Committee to interact with Trade & Industry on Tax Laws to interact with trade and industry on issues relating to compliance procedure for the excise duty, including records to be maintained and any other administrative issues that may be relevant.

Since then, the said Sub-Committee has submitted its report on 23.06.2016, and interalia recommended the following:

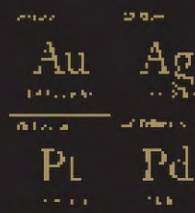
- a) no requirement to submit any ground plan of the premises for taking Excise registration;
- b) excise duty on jewellery is payable at first sale invoice value;
- c) in case the invoice does not show excise duty separately, the value for VAT will be treated as cum duty value [value + excise duty];
- d) no excise duty may be payable on the sale of traded goods;
- e) records maintained for State VAT and other private records, showing details of inputs, stocks, manufactured goods, sold/exported goods, etc. to be accepted for excise purposes. Stock details to be maintained on weight and caratage basis;
- f) movement of jewellery, which does not involve sale, for example, movement of jewellery, to be shown as samples, branch transfers not involving sale, for display in exhibition, for hallmarking, and for approval before sale, may not be liable to excise duty. No transit checks by excise officers;
- g) when a retail customer brings jewellery [other than in form of gold or any precious metal] to a jeweller which is converted into new jewellery by the jeweller or a job worker of such jeweller, excise duty will be payable only on value addition, including cost of additional materials and labour charges charged, subject to the maintenance of certain records;
- h) Repairs and alterations, which do not change the identity, character and use of the goods and do not result in a new item is not "manufacturing" and may not attract excise duty;
- i) excise duty of 1 % without input and capital goods tax credit or 12.5 % with credit may apply to parts of articles of jewellery, made of platinum, gold and silver;
- j) an optional scheme may be prescribed for jewellers who are not able to maintain separate physical stocks and / or records of manufactured and traded goods. For availing the optional scheme, a principal manufacturer of jewellery shall maintain separate stocks on weight and/or carat basis separately for:
 - Silver studded jewellery;
 - Gold or platinum jewellery studded with diamonds; and
 - Other gold or platinum jewellery [that is other than gold or platinum jewellery studded with diamonds];
- k) no excise audit may be carried out, for the first two years, for units whose duty payment (cash plus credit) is less than Rs. 1 crore, [that is turnover of manufactured goods less than Rs. 100 crore.];
- l) no visit, search and seizure at job workers premises;
- m) no visit to premises of the principal manufacturer [jeweller], except on the basis of specific intelligence and with the approval of Commissioner or equivalent rank officer
- n) summons may be issued only with the approval of Commissioner;

All these recommendations have been accepted by the Government.

In this context, independent of Committee's recommendations, the Government has also decided to increase for manufacturers of articles of jewellery or parts of articles of jewellery or both:

- a) the SSI Eligibility limit from Rs. 12 Crore to Rs. 15 Crore;
- b) the SSI Exemption limit from Rs. 6 Crore to Rs. 10 Crore in a financial year and Rs. 85 lakh for the Month of March, 2016;

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PM Narendra Modi urges Gem & Jewellery Sector to step up to the next level and create a “Make in India” Brand

Mumbai, July 25, 2016: The Prime Minister Narendra Modi urged the members of gems and jewellery sector to step up to the next level and create “Make in India” Brand.

Speaking at a felicitation programme organized by GJEPC, GJF and AIJAC on July 23rd at New Delhi, PM assured the sector an unstinted support towards all strategic initiatives leading towards “Make in India” and Country’s economic development. Modi called for innovation and skill development to achieve this objective and work on increasing the global demand for handmade jewellery.

In his address to the PM, **Mr. Praveen Shankar Pandya** said, “Due to the excellent rule of the then Gujarat Chief Minister, the city of Surat was transformed from an old city with barely any infrastructure to one of the most modern city with wide roads, hospitals, convention halls, schools and cleanliness drives due to which this industry occupies an elevated position in the World Jewellery market.”

Hon’ble PM Narendra Modi addressing the Gem & Jewellery traders said, “Surat Diamond industry has transformed itself from 1972 from small sweat shops with factories possessing primitive machinery not always conducive for working to most modern highly ventilated factories. CSR programs initiated by diamond factories have led to the elevation of working conditions & the standard of living of working class of Diamond industry.”

He advised the jewellery industry which is still working with outdated equipments with ‘Guru-Shishya’ parampara to modernize & upgrade themselves by embracing latest technology. This will not only help domestic business to grow but unleash them in jewellery world market too.

Chairman Praveenshankar Pandya stressed upon the requirement of G&J university which could produce world class artisans, managers and executives something which Hon’ble PM had envisaged. Shri. Narendra Modi readily pointed out that it is available at the Baroda university and G & J could take guidance for training and skill upgradation for the G & J sector.

In response to the past ad hoc policy for gold taxation, for the first time the PMO has addressed the gold monetization scheme which is likely to be a game changer in the coming years. However, GJEPC Chairman felt the need of separate ministry to constantly provide policy support & structural pace. PM in his address responding to the request willingly offered the support of the Prime Minister himself to the Sector, which received a thunderous applause.

Chairman pointed out that any duty above 6%-7% duty on gold becomes counter productive. Country such as Dubai has started manufacturing gold jewellery with the aid of workers from India. This has given impetus to the development of parallel industry. In order to give support to the modern & transparent businesses, duty should be brought down.

Chairman appealed to the fellow members to come clean and take advantage of the Voluntary disclosure scheme and declare assets by September 30th. This will not only help become transparent but also aid in ease of doing business and drive industry growth in the long run.

Chairman GJEPC speaking on the excise said, “The way the problem of excise was addressed at the behest of Hon’ble PM, Amit Shah and Piyush Goyal was commendable. The Ministry dealt this matter with meticulous detail and redrafted the law which has never happened in the history of Indian Gem & Jewellery Industry. This would go a long way in building more confidence between Industry & Government.”

GJEPC believed that Government would announce measures to facilitate the export-oriented industries and create an environment of ease of doing business. GJEPC will continue to engage with the government on key issues and challenges faced by the Industry.





Idle Gold Finally Reaches Jeweller's Workshops

Recycled gold volumes up 45-60%, Muthoot group to collect 1 ton recycled gold by 2018-end With price of gold crossing `31,000 per 10 gm, jewellers have seen a 45-60% increase in recycled gold volume at the stores in the past two months.

Taking advantage of this trend, jewellers such as Muthoot Pappachan group's Precious Metals division has decided to use this recycled gold for its Swarnavarsham scheme, which is targeted at the bottom of the pyramid, thereby cutting its dependence on gold imports.

Muthoot Pappachan group, which has already collected 140 kg of gold so far through their newly introduced gold recycling centres, will start recycling this once they touch 1 ton which they expect to achieve by the end of 2018, according to Keyur Shah, CEO, Precious Metals, Muthoot Pappachan group.

Muthoot's Precious Metals division has opened recycling centres where customers can sell their old gold and get the buying rate on payment of 2% as service charge in contrast to traditional jewellers who charge a 10-15% cut on old gold, said Shah. Gold collected in this fashion will be used to fund the Swarnavarsham scheme where people, mainly in the low-income bracket, can buy standardised gold weighing anywhere between 1.5 gm and 9 gm by paying an EMI on a daily, weekly or monthly basis. Around 95% of Muthoot's Precious Metals division's 1,20,000 clients belong to this lower income bracket. "This is a micro business and there is no competition yet," Shah said.

Source: Economietimes.Indiatimes.com



Gold monetisation scheme gets Narendra Modi push

Prime Minister Narendra Modi asked people to benefit from the government's gold monetisation scheme and sought the help of jewellers to convey his message

to their associates and clients to declare their undisclosed income before September 30 and take advantage of a one-time amnesty scheme.

Hinting that the gems and jewellery sector provides the maximum scope to black money hoarders, followed by land and construction sectors, the Prime Minister said at an event in Delhi: "Why is the fear of the government or income tax officers? The best way to change this situation is to declare everything (undisclosed income) before

September 30. Because I don't want anybody to lose sleep after September 30. And I don't want to do that conversation that I would do on September 30. So convey my message to the people who are associated with you."

The government has maintained no questions would be asked about the source of the undisclosed income or assets if the declaration is made voluntarily by September 30. Comparing unutilised gold to "dead money", the PM asked jewellers to encourage their clients to park such jewellery or bars and coins with banks under the monetisation scheme.

Source: <http://www.financialexpress.com>



Cut gold import duty by 5% to bring back demand: Industry to PM Modi

Gems and jewellery industry asked Prime Minister Narendra Modi to reduce gold import duty to 5% to check shift of business to neighbouring countries besides seeking separate ministry for the sector. The other demands were

setting up of jewellery park in line with the Information Technology Parks; jewellery university and a separate gold policy.

Speaking at the felicitation function organised for the Prime Minister, All India Gems and Jewellery Trade Federation (GJF) Chairman G V Sreedhar said: "There are challenges in the sector. High import duty is affecting our topline and economy as a whole. I request you to consider reducing it to 5% from 10%".

Due to high duty, businessman of the sector are shifting to neighbouring countries and impacting the country's exports, he said.

Source: <http://www.dnaindia.com/>



Gold import nearly halves to \$3.90 bn in Apr-Jun

quarter 2016. Gold imports fell by about 48% to \$3.90 billion in the first quarter of the current fiscal. Gold imports stood at \$7.51 billion in April-June 2015.

The contraction in imports helped narrow trade deficit to \$8.11 billion last month as against \$10.82 billion in June 2015.

India's CAD narrowed to 1.3% of GDP in the third quarter of 2015-16 as against 1.5% in the same period of the previous year, mainly on account of a lower trade deficit.

Source: <http://www.business-standard.com>





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अनिवार्य हॉलमार्किंग से गुणवत्ता की मात्रा पर जीत

Anil Kansara, Director, Gujarat Gold Centre.



भारतीय बाजार में गोल्ड के इतने समय तक डिस्काउन्ट पर रहने का क्या कारण है? क्या ऐसा केवल तस्करी के कारण है या कोई और कारण भी है?

भारत में बुलियन गोल्ड के भाव में बिगाड़ की वजह जानने के लिये बुलियन खरीदी के स्रोत की जानकारी प्राप्त करनी होगी।

सप्लाई स्रोतों की पहली कड़ी में नामित संस्थाएँ, बैंक तथा डोरे आयातक (रिफायनर) आते हैं जो कि भारत सरकार की नीति के अंतर्गत रिफाइन गोल्ड का आयात करते हैं।

दूसरी श्रेणी के सप्लायरों में ज्वैलरी उद्योग (जिसमें निर्माता तथा रिटेलर शामिल हैं) आते हैं जो कि ज्वैलरी स्क्रेप की सप्लाई के लिये सुदूर क्षेत्र के दूसरे बड़े क्षेत्र हैं।

तीसरी श्रेणी में गोल्ड मेटल लोन की कंपनियाँ आती हैं जो कि लोन डिफाल्टर का गोल्ड नीलाम करती हैं।

चौथी श्रेणी बड़ी तो नहीं लेकिन महत्वपूर्ण है जिसमें गिरवी रखने वाले तथा स्क्रेप का व्यवसाय करने वाले आते हैं।

पहली श्रेणी के आयातक जिसमें बैंक तथा नामित संस्थाएँ आती हैं ने निर्यात के उद्देश्य के अलावा अन्य के लिये आयात पिछले बजट से बंद कर दिया है क्योंकि देश में अधिकारिक मांग में कमी आयी क्योंकि पूरा बाजार 1% एक्साइज लगाने के विरोध में बंद रहा था। गोल्ड रिफायनरियाँ एक्साइज मुक्त जोन तथा घरेलु टैरिफ क्षेत्र (मुख्यतः एमएमटीसी पैम्प) में स्थित हैं जहाँ देश में पिछले वर्ष हुये कुल आयातित गोल्ड का 25% खपत हुआ था लेकिन इस वर्ष यहाँ भी आयात (मुख्य रूप से एमएमटीसी पैम्प) कम हुआ है। इस तरह से कुल सप्लाई एसईजेड क्षेत्र से आयी थी जो कि अब भी घरेलु क्षेत्र की रिफायनरी के मुकाबले दिये गये लाभ का फायदा उठा रही है।

अधिकारिक गोल्ड के आयात में कमी तथा ज्वैलरों द्वारा एक्साइज ड्युटी की अवहेलना से देश में गोल्ड बाजार के समान्तर अवैध गोल्ड आयात का कारोबार चल रहा है। 11% ड्युटी में अंतर (कस्टम तथा एलएसटी) के चलते गोल्ड बड़े डिस्काउन्ट पर चल रहा है। इसी तरह से घरेलु क्षेत्र की रिफायनरियों से आने वाले गोल्ड को

गुणवत्ता की कठिनाइयों के चलते बाजार में पहचान नहीं मिल रही है जिसके चलते उन्हें एलएमई भाव से कम दर पर गोल्ड बेचना पड़ रहा है ताकि वे आगे के आयात के लिये लिक्विडिटी जुटा सकें।

गोल्ड मेटल लोन कंपनियां बाजार में उतनी महत्वपूर्ण सप्लायर कंपनी नहीं है, साथ ही लिक्विडिटी पैदा करने के लिये प्रीमियम गोल्ड बाजार में कोई प्रभाव नहीं दिखा पायी है लेकिन इन्हें अनाधिकारिक सप्लाई के बजाय संगठित क्षेत्र में कारोबार से ज्यादा लाभ मिला है।

चौथी श्रेणी में असंगठित सप्लायर तथा व्यापारी आते हैं जो कि कुल स्कैप गोल्ड (300 टन) का 70-80% हैंडल करते हैं साथ गोल्ड ज्वैलरी स्कैप तथा छोटे रिफायनरियों के गोल्ड में भी बड़ा योगदान करते हैं। एक्साइज के क्रियान्वयन के डर से सभी माध्यम व छोटे ज्वैलरी निर्माताओं पेपरलेस लेनदेन का सहारा लिया तथा स्कैप गोल्ड को बाहर करने के लिये अवैध आयातकों द्वारा तय किये गये बड़े डिस्काउंट दर पर बेचा था।

परिस्थिति अभी भी नहीं बदली है क्योंकि एक्साइज का क्रियान्वयन जूलाई अंत तक टाल दिया गया है। ज्वैलर अभी भी सेन्ट्रल एक्साइज में पंजीकृत होने से डर रहे हैं क्योंकि

उन्हे विभाग के अधिकारियों द्वारा शोषित किये जाने तथा पिछले लेनदेन के परीक्षण का डर सता रहा है।

इस तरह से गोल्ड बाजार में इसके डिस्काउंट पर होने का वरीयता के आधार पर चार बड़े कारण हैं, 1) अवैध आयात, 2) एक्साइज ड्युटी से बचने के लिये बिना कागज के लेनदेन, 3) असंगठित रिफायनरियां तथा 4) ईएफजेड में स्थित रिफायनरियों द्वारा ड्युटी में अंतर तथा गुणवत्ता संबंधी लाभ उठाया जाना।

आने वाले समय में हॉलमार्किंग की अनिवार्यता के चलते आपके अनुसार बाजार किस तरह से परिवर्तित हो सकता है?

नया हॉलमार्किंग एक्ट 2016 को संसद के दोनों सदनों से पास कर दिया है तथा इसे राष्ट्रपति की मुहर भी मिल गयी है और 21 मार्च 2016 को यह ब्यूरो ऑफ इन्डियन स्टैंडर्ड एक्ट 2016 के रूप में प्रकाशित भी कर दिया गया है।

यह एक्ट ब्यूरो को कई प्रकार की शक्तियां प्रदान करता है जिसमें भारत में गोल्ड, सिल्वर तथा प्लेटिनम पर हॉलमार्क अनिवार्य किया जाना भी शामिल है। इसके अलावा यह एक्ट बीआईएस को अर्थदंड, ज्वैलरी जब्ती तथा कैद जैसे दंड प्रदान करने की शक्ति भी देता है यदि कोई हॉलमार्किंग

एक्ट का उल्लंघन करता हुआ पाया जाये।

इसमें यह प्रस्तावित किया गया है कि पहले दौर में सभी मेट्रो शहरों तथा 2 श्रेणी की शहरों जैसे कि राज्य की राजधानियों या 10 लाख की जनसंख्या वाले शहरों में हॉलमार्किंग अनिवार्य किया जाये जहां पर पर्याप्त मात्रा में हॉलमार्किंग केन्द्र उपलब्ध हों। ज्वैलरी पर हॉलमार्किंग का कानून हालांकि वर्ष 2000 में ही लाया गया था लेकिन कुछ कारणों की वजह से इसका क्रियान्वयन नहीं पोया जैसे कि हॉलमार्किंग केन्द्रों की अपर्याप्त संख्या, इनके कार्यप्रणाली में विश्वास की कमी, परिवहन के साथ इसके केन्द्र में भंडारण के समय सुरक्षा व्यवस्था में कमी।

शुरुआती चरण में महज पांच हॉलमार्किंग केन्द्र देश में उपलब्ध थे जो बढ़कर अभी 400 के आसपास हो गये हैं। इनमें से ज्यादातर केन्द्र अपनी क्षमता का महज 30 से 40% ही उपयोग कर पा रहे हैं। इस परिचालन स्तर पर भी, बीआईएस के पास उपलब्ध रॉयल्टी आंकड़ों के अनुसार, 500 टन ज्वैलरी का सालाना हॉलमार्किंग होता है। इसे अनिवार्य किये जाने की दशा में यह आंकड़ा बढ़कर 1000 टन हो सकता है। इसके साथ ही यह रिटेल तथा थोक दोनों कारोबारों में ज्यादा पारदर्शिता लायेगा।

वास्तव में इसके एक्साइज कानून को लाभ मिलेगा तथा केन्द्र व राज्य दोनों को ही राजस्व बढ़ाने में सहायता मिलेगी। बीआईएस द्वारा बनाये कड़े नियमों से अवैध रूप से की जाने वाली हॉलमार्किंग को रोकने में मदद मिलेगी।

इन सब का परिणाम यह होगा कि गुणवत्ता मात्रा पर भारी पड़ेगी तथा इससे सबसे ज्यादा लाभान्वित होंगे। कारोबार इससे और अधिक पारदर्शी तथा नैतिक बनेगा। इससे होने वाले अप्रत्यक्ष लाभों में, रॉयल्टी के रूप में बीआईएस के राजस्व में वृद्धि, राज्य को बिक्री कर तथा केन्द्र को एक्साइज ड्युटी के रूप में राजस्व प्राप्त होगा।

क्या रिफायनों को सैपलिंग तथा इन्सपैक्शन में कोई समस्या आ रही है?
हां, आयातित डोरे बार को लेकर कस्टम हाउस में सैपलिंग की विधि को लेकर समस्या है। समुचित सैपलिंग नियम तथा उपकरणों की कमी, प्रक्रियात्मक अड़चनों के चलते सैपलिंग की क्रियान्वयन में देरी से रिफायनर तक कार्गो पहुंचने में देरी हो रही है। जैसा गोल्ड रिफायनर के लिये एक महंगा कार्गो तथा कच्चा माल है इसकी डिलीवरी में होने वाली देरी का आर्थिक परिणाम भुगतना पड़ता है। साथ ही, कई रिफायनर सीधे माइनों से बड़ी मात्रा में डोरे का आयात करते हैं जिसे कि गहन जांच के लिये थर्ड

पार्टी लैब में भेजना पड़ता है। डोरे पर एक्साइज रिफायनिंग के बाद तय होता है, पिघली धातु से सैंपल निकालने की प्रक्रिया तथा विधि एक्साइज रिकार्ड तथा निर्यात प्रक्रिया दोनों के लिहाज से काफी मुश्किल है। हस्तचलित एक्स आरएफ यंत्र जो कि रेफरेन्स सैंपल की क्षमता का हो प्रत्येक एयरपोर्ट में सक्षम संचालक के साथ उपलब्ध होना चाहिये जो कि 95% से कम शुद्धता के गोल्ड को प्रमाणित कर सकता है, जो कि डोरे आयात की एक महत्वपूर्ण शर्त है। इससे कस्टम क्लीयरेंस में प्रक्रिया में तेजी आयेगी।

रिफायनर के लिये बेहतर गुणवत्ता के उत्पाद के लिये बेहतर तकनीक का इस्तेमाल कितना महत्वपूर्ण है?

श्रेष्ठ उपकरणों से युक्त रिफायनरियां भी गुणवत्ता का उत्पाद नहीं बना सकती यदि वह मानक उत्पादन प्रक्रिया तथा परीक्षण विधि नहीं अपनाती है। गोल्ड बार की गुणवत्ता उसके आकर्षक दिखने में नहीं होती है लेकिन इसकी निहित वैल्यू वजन तथा शुद्धता में होती है। परख, जांच, रिफायनिंग की तकनीक वर्षों से उपलब्ध है। इनमें अभी काफी अधिक आटोमेशन हो चुका है जो कि पहले मानव पर निर्भर रहती थी। हालांकि गुणवत्ता वाले उत्पाद बनाने का सिद्धांत वही रहता है। सभी को परिवर्तन को स्वीकार करने के लिये तैयार रहना चाहिये वरना वह खतरे में पड़ जायेगा।

क्या भारत में रिफायनर रिस्पॉन्सिबल सोर्सिंग दिशा-निर्देश का पालन करते हैं?

रिस्पॉन्सिबल गोल्ड दिशा-निर्देश मुख्य रूप से विवादित गोल्ड, मानवाधिकार उल्लंघन, आंतकी गतिविधियों को समर्थन, अवैध माइनिंग के जरिये पर्यावरण को नुकसान पहुंचाने तथा अनैतिक व्यावसायिक गतिविधियों से परे रहने के लिये बनाया गया है। ऐसा माना गया है कि भारत में पिछले वर्ष 200 टन गोल्ड तस्करी से आया है और यह इस वर्ष भी जारी है। इस समस्या की जड़ उन छोटे माइनिंग से शुरू होती है जो कि वित्तीय अड़चनों के चलते पर्यावरण को नुकसान पहुंचाने वाली गतिविधियों में लिप्त रहते हैं। तस्कर गोल्ड या अफ्रीका तथा लैटिन अमेरिका जैसे देशों से डोरे गोल्ड का आयात करते समय, हम अनजाने रूप से शायद रिस्पॉन्सिबल गोल्ड दिशा-निर्देश का पूर्णतः पालन शायद नहीं कर पा रहे होंगे। जहां तक घरेलू स्क्रेप रिफायनिंग का प्रश्न है, 80% कारोबार असंगठित रिफायनिंग क्षेत्र में होता है जो कि हर समय अनैतिक कारोबारी प्रक्रिया में लिप्त हो सकता है और हम यह भी नहीं जानते होंगे कि "रिस्पॉन्सिबल गोल्ड सोर्सिंग दिशा-निर्देश" का क्या मतलब होता है।



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Bullion - Data & Statistics

Gold Spot Market, International (Per Troy Ounce)			
Spot gold	01 st July	27 th July	% Change
Australia (AUD)	1787.20	1781.47	-0.32
Britain (GBP)	1012.42	1012.51	0.01
Canada (CAD)	1729.59	1760.05	1.75
Europe (Euro)	1206.52	1210.27	0.31
Japan (Yen)	137769.80	140536.30	1.99
Switzerland (CHF)	1290.78	1319.25	2.18
USA (USD)	1340.62	1339.63	-0.07

Silver Spot Market, International (Per Troy Ounce)			
Spot Silver	01 st July	27 th July	% Change
Australia (AUD)	26.34	26.96	2.34
Britain (GBP)	14.88	15.32	2.89
Canada (CAD)	25.49	26.64	4.41
Europe (Euro)	17.735	18.31	3.19
Japan (Yen)	1746.86	1806.51	3.36
Switzerland (CHF)	19.23	19.96	3.74
USA (USD)	19.759	20.272	2.56

Monthly Exchange Data (Gold) (From July 01-27)						
Exchange	Commodity	Open	High	Low	Close	% Ch.
COMEX ²	Gold Oct'16	1329.10	1380.90	1314.70	1330.40	0.48
MCX ¹	Gold Oct'16	31694.00	32839.00	31015.00	31288.00	-0.70
NCDEX HEDGE ¹	Gold Sep'16	29469.00	30165.00	28880.00	29025.00	-0.47
TOCOM ³	Gold Oct'16	4336.00	4532.00	4336.00	4456.00	2.82

1- Rs/10 gms, 2- \$/oz, 3- Jpy/gm

Monthly Exchange Data (Silver) (From July 01-27)						
Exchange	Commodity	Open	High	Low	Close	% Ch.
COMEX ²	Silver Sep'16	18.82	21.23	18.80	20.00	0.07
MCX ¹	Silver Sep'16	44590.00	48932.00	44590.00	47019.00	0.06
NCDEX NEW ¹	Silver Sep'16	43892.00	45572.00	43564.00	44460.00	0.06
TOCOM ³	Silver Aug'16	60.20	68.50	60.20	66.90	0.11

1- Rs/kg, 2- \$/oz, 3- Jpy 0.1/gm

Gold Spot Market, India			Rs/10gm
Spot Gold	01 st July	27 th July	% chg
Ahmedabad	30539.00	30777.00	0.78
Bangalore	31280.00	30860.00	-1.35
Chennai	31050.00	31430.00	1.22
Delhi	30550.00	30650.00	0.33
Mumbai	32600.00	32780.00	0.55
Hyderabad	31180.00	31330.00	0.48
Kolkata	32290.00	32510.00	0.68

Currency Change (Monthly)		
	01 st July	27 th July
EUR/USD	1.1156	1.1058
USD/AUD	1.3335	1.335
USD/GBP	1.3262	1.3221
USD/INR	67.315	67.14
USD/JPY	102.53	105.4

Silver Spot Market, India			Rs/kg
Spot Silver	01 st July	27 th July	% chg
Mumbai	44730.00	47610.00	6.24

Bullion - Data & Statistics

LBMA Gold & Silver Price (Per Troy Ounce)										
GOLD AM			GOLD PM				SILVER			
DATE	USDAM	GBPAM	EURAM	USDPM	GBPPM	EURPM	DATE	USDPM	GBPPM	EURAM
07-01-2016	1331.75	1001.34	1199.51	1340.00	1005.80	1202.92	07-01-2016	19.24	14.4825	1729280
07-04-2016	1348.75	1016.42	1213.07	1350.75	1018.20	1212.97	07-04-2016	20.36	15.3614	18.3061
07-05-2016	1344.75	1023.89	1207.05	1350.75	1032.38	1212.03	07-05-2016	19.73	14.989	17.6887
07-06-2016	1370.00	1059.01	1239.71	1366.25	1056.79	1235.36	07-06-2016	20.43	15.7457	18.462
07-07-2016	1367.10	1052.80	1233.40	1356.70	1045.34	1223.61	07-07-2016	19.95	15.3085	18.0038
07-08-2016	1356.10	1047.45	1224.83	1354.25	1045.62	1225.60	07-08-2016	19.72	15.1961	17.8187
07-11-2016	1358.25	1054.95	1231.66	1357.10	1045.51	1226.68	07-11-2016	20.47	15.7801	18.5266
07-12-2016	1352.85	1029.11	1217.84	1342.40	1019.69	1210.31	07-12-2016	20.35	15.4718	18.3532
07-13-2016	1340.25	1009.74	1211.45	1342.75	1014.99	1211.03	07-13-2016	20.29	15.2522	18.3073
07-14-2016	1325.70	1001.96	1193.00	1323.60	995.22	1191.24	07-14-2016	20.25	15.1538	18.2301
07-15-2016	1330.50	994.15	1194.79	1327.00	998.17	1197.22	07-15-2016	20.14	15.0636	18.0839
07-18-2016	1326.15	1000.05	1200.30	1334.70	1006.76	1205.90	07-18-2016	19.72	14.8999	17.8397
07-19-2016	1332.20	1009.14	1203.38	1330.90	1013.61	1207.39	07-19-2016	19.99	15.183	18.0774
07-20-2016	1325.60	1005.87	1204.31	1315.90	999.16	1196.02	07-20-2016	19.7	14.9582	17.8898
07-21-2016	1322.00	1000.75	1199.32	1321.15	1001.30	1200.40	07-21-2016	19.34	14.6615	17.5547
07-22-2016	1323.20	1005.10	1199.22	1320.75	1008.66	1199.24	07-22-2016	19.7	15.0324	17.8798
07-25-2016	1315.00	1000.32	1196.91	1313.15	1001.15	1196.41	07-25-2016	19.41	14.7796	17.8663
07-26-2016	1321.25	1006.40	1199.56	1323.00	1006.41	1203.67	07-26-2016	19.68	15.0069	17.8925
07-27-2016	1320.80	1007.77	1200.21	1329.00	1011.64	1207.93	07-27-2016	19.58	14.9546	17.8081

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