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**CIRCULAR**

**415/IFSCA/Consolidated Operating Guidelines/2021-22**

**August 18, 2022**

**To,**

**India International Bullion Exchange IFSC Ltd (IIBX)**

**India International Depository IFSC Ltd (IIDIL)**

**Vault Managers in the IFSC**

**All Market Participants on IIBX**

Dear Sir/Madam,

**Sub: 'Qualified Suppliers' for supply of bullion on India International Bullion Exchange**

1. The Directorate General of Foreign Trade (DGFT), Ministry of Commerce & Industry, Government of India, vide Notification No.49/2015-2020 dated January 05, 2022, had *inter alia* specified that Qualified Jewellers notified by IFSCA shall be permitted to import gold under Indian Trade Clarification based on Harmonized System of Coding {"ITC(HS)"} Codes 71081200 and 71189000, through India International Bullion Exchange ("IIBX").
2. Subsequently, IFSCA had issued a circular (no. 329/IFSCA/DPM/TS/QJ/2021-22/1 dated January 19, 2022), enabling Qualified Jewellers to import gold under ITC(HS) codes 7108, 7113, 7114 and 7118 under Chapter 71 of ITC(HS), through IIBX, subject to terms and conditions specified therein. This was further supplemented with detailed guidelines (circular no. 329/IFSCA/DPM/TS/QJ/2022-23/2 dated August 5, 2022) for ensuring alignment with the directions issued by the Reserve Bank of India to the Authorised Dealer - Category I banks in India for facilitating advance payments by the Qualified Jewellers for import of gold through IIBX.

3. As part of steps to encourage import by Qualified Jewellers through IIBX, it has been decided to facilitate supply of bullion at IIBX by enabling eligible overseas supplier entities to participate on IIBX - including through a remote access mode. Thus, eligible overseas supplier entities are being enabled to participate on IIBX for the limited purpose of 'selling' - without having to set up an establishment, office or a unit - as a branch or subsidiary at International Financial Services Centre (IFSC).

### **Qualified Suppliers on IIBX**

4. Any entity being a body corporate, i.e. a company, a Limited Liability Company (LLC) or a limited liability partnership (LLP), incorporated as per the applicable laws in the home jurisdiction shall be eligible to apply to become a designated "Qualified Supplier" (QS) on IIBX.
5. QS-LPTM shall comply with the 'fit and proper criteria' specified under regulation 52(2) of the International Financial Services Centres Authority (Bullion Exchange) Regulations, 2020, at all times.
6. QS shall be permitted to transact on IIBX either as a client (QS-Client) of a Bullion Trading Member or as a Qualified Supplier - Limited Purpose Trading Members (QS-LPTM).
7. QS- Client shall participate on IIBX through a Bullion Trading Member (TM / TCM) and may undertake 'sell' as well as 'buy' transactions on IIBX. The onboarding of QS-Client shall be as per the process prescribed by the IIBX and IIDL. QS-Client may approach a Bullion Trading Member for opening a client account for the purpose of supplying bullion for selling as well as for trading in Bullion Depository Receipts (BDRs) on IIBX.
8. QS-LPTM shall be permitted to participate directly on IIBX for the limited purpose of undertaking only 'sell' transactions, subject to the additional eligibility criteria and the conditions mentioned in this circular.

### **Additional eligibility conditions for becoming a QS-LPTM on IIBX**

9. An applicant entity wishing to participate as a QS-LPTM on IIBX shall have to satisfy the following conditions, in addition to those mentioned at para 4 and 5 above:
  - (i) The entity must be engaged in the business of supplying precious metals for at least five years.



- (ii) The entity must have a minimum net worth equivalent to US\$ 10 Million or equivalent amount as per the latest audited statement.
- a. "Net worth" for the purpose means the aggregate value of the paid-up share capital (or capital contribution) and all reserves created out of the profits, securities premium account and debit or credit balance of profit and loss account, after deducting the aggregate value of the accumulated losses, deferred expenditure and miscellaneous expenditure not written off, as per the balance sheet, but does not include reserves created out of revaluation of assets, write-back of depreciation and amalgamation.
  - b. The entity shall provide the details of net worth duly certified by a Chartered Accountant / Certified Public Accountant / Cost Accountant / Management Accountant or a Company Secretary or a member of equivalent profession recognised for the purpose in the jurisdiction of the applicant entity. In case the applicant entity is not unable to provide a net worth certificate, a copy of the audited balance sheet which mentions the details of the net worth shall be provided by the applicant entity.
  - c. The net worth specified above shall be maintained by the entity at all times and shall be reviewed on a quarterly basis. In case of shortfall in the net worth, IIBX shall suspend the participation of a Qualified Supplier -LPTM from transacting on IIBX till the net worth is restored to the minimum required level.
- (iii) The entity shall be a member of at least one of the below-mentioned associations / exchanges, for a cumulative and contiguous period of five years:
- a. London Bullion Market Association (LBMA)
  - b. CME Group (COMEX)
  - c. Shanghai Gold Exchange International (SGEI)
  - d. Dubai Multi Commodities Centre (DMCC)
  - e. Borsa Istanbul (BIST)
  - f. Or any other association / exchange as may be specified by the Authority from time-to-time.
- (iv) QS-LPTM shall maintain a minimum interest-free security deposit as may be specified by IIBX for the purpose.
- (v) IIDIL and / or IIBX may seek additional documents wherever considered necessary, including clarifications from the applicant entity.

### **Process for onboarding of QS-LPTM on IIBX**

10. An entity seeking to become a Qualified Supplier -LPTM on IIBX shall submit duly filled common application form prescribed by IIBX and India International Depository IFSC Limited (IIDIL), along with the supporting documents and applicable fees, if any, to IIBX.
11. IIBX, in coordination with IIDIL, shall prescribe the Standard Operating Procedures (SOP) for the process of onboarding of the applicants for QS-LPTM status.
12. IIDIL, in coordination with IIBX, shall carry out the due diligence on the applicant for opening an account for maintaining BDRs, in respect of the bullion to be brought in one of the IFSCA registered Vault Managers that are linked with IIDIL.
13. The KYC/AML/CFT guidelines specified by the IFSCA from time to time shall be applicable on Qualified Supplier-LPTM.

### **Mode of participation by Qualified Supplier on IIBX**

14. Qualified Supplier participating as QS-LPTM shall be enabled by IIBX to directly access the IIBX trading system, as per the guidelines issued by IIBX.
15. QS-LPTM shall have to associate itself with a clearing member for clearing of its transactions, in the manner specified by IIBX.
16. The responsibility of surveillance of the Bullion ecosystem in IFSC shall be with IIBX. In order to maintain the market integrity, IIBX shall put in place the necessary infrastructure, mechanisms, safeguards and controls for conducting live surveillance of the activities of Bullion market participants including the QS-LPTMs.
17. QS-LPTM shall comply with the code of conduct and any other operational guidelines that may be issued by IIBX.

### **Movement of bullion by QS-LPTM to and from IFSCA registered Vault Managers**

18. QS-LPTMs may bring their bullion into any of the IIDIL empanelled Vault operated by IFSCA registered Vault Managers - in GIFT-IFSC or in other SEZs, after completing the customs procedures.
19. The IFSCA registered Vault Managers shall ensure a physically separate and segregated vault space for storing bullion in the IIDIL empanelled Vaults for the purpose of selling or trading on IIBX after creating BDRs.
20. QS-LPTM- shall intimate IIDIL and the IFSCA registered Vault Manager about the supply of the bullion in the IIDIL empanelled Vaults adhering to the good delivery standards prescribed by IIBX for the creation of BDR.
21. The IFSCA registered Vault Manager shall provide the following details of the bullion held in its IIDIL empanelled vault to initiate the process of creation of BDRs in electronic form, to IIDIL:
  - a. Name & address of the beneficial owner
  - b. Details of the IIDIL empanelled vault of IFSCA registered Vault Managers
  - c. Details of the refiner whose markings are engraved on the physical bars
  - d. The serial numbers provided by the refiner and engraved on the physical bars.
  - e. The purity of the bar in parts per 1000 viz. 995/1000, 999/1000, 999.9/1000 etc.
  - f. Weight of the physical bar denominated in grams, kilograms or ounces, as the case may be.
22. IIDIL shall issue a BDR in electronic form with underlying bullion, subject to the fulfilment of the above conditions, within the prescribed time limit after the confirmation of allocation of bars towards creation of BDRs, as provided in the detailed SOP by IIBX and IIDIL.
23. IIDIL shall put in place necessary systems and processes to keep track of the beneficial owner of each BDR created, at all times, till it is extinguished.
24. The QS-LPTMs shall be permitted to only sell BDR on IIBX in respect of bullion brought by them. The QS-LPTMs may be permitted to cancel or modify the 'sell' order previously entered.



25. Upon execution of the 'sell' trade, the transaction shall be cleared and settled through the clearing member, as per the settlement mechanism of IIBX.
26. IIBX, IIDIL and Vault Managers shall ensure that a statement of accounts is issued by the Bullion Trading Members / Bullion Clearing Members, as the case may be, to the beneficial owners of BDRs, on a daily basis.
27. A QS-LPTM intending to obtain physical bullion against the BDRs lying in credit to its account with IIDIL, before it is sold on IIBX, shall be required to surrender the BDRs to IIDIL. On receipt of the request for surrender of BDRs, IIDIL shall extinguish for re-materialisation into physical bullion of the corresponding specifications through the integrated system of IIDIL and the Vault Managers.
28. The Vault Manager and QS-LPTM shall ensure the removal of bullion from the IFSC designated vaults post such extinguishment of BDRs.

This Circular has been issued in exercise of the power conferred under section 12 of the International Financial Services Centres Authority Act, 2019 r/w Regulation 58 of the International Financial Services Centres Authority (Bullion Exchange) Regulations, 2020.

A copy of this Circular is available on the website of International Financial Services Centres Authority at [www.ifsc.gov.in](http://www.ifsc.gov.in) at "Legal →Circulars".

Yours faithfully,

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