

ASIA PACIFIC
PRECIOUS METALS
C O N F E R E N C E

3-5 June 2018

PARKROYAL on Beach Road, Singapore

Update on Indian Market

By

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3-5 JUNE 2018

PARKROYAL on Beach Road, Singapore

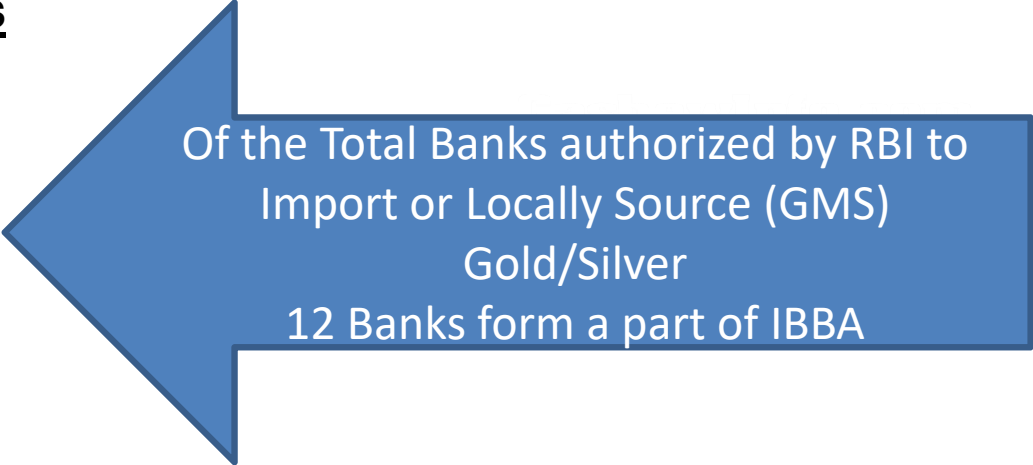
Composition of IBBA

Founding members

Bank of Nova Scotia
HDFC Bank
Indusind Bank
ICICI Bank
Corporation Bank
Punjab National Bank
Union Bank of India

New members

Axis Bank
State Bank of India
YES Bank
RBL Bank
ICBC



Of the Total Banks authorized by RBI to
Import or Locally Source (GMS)
Gold/Silver
12 Banks form a part of IBBA

Core Committee Members

Chairman – State Bank of India
Secretary – HDFC Bank Limited
Treasurer – ICICI Bank Limited

Role of Banks in Bullion Business

- Since 1997 where Nominated agencies were allowed to import gold/silver, banks have acted as canalizing agencies.
- Ensured that Gold and Silver is provided to the Jewellery industry in an orderly manner.
- Ensured compliance of KYC and AML standards.
- Major market player and conducting the business in transparent and efficient manner.
- It is imperative that Bullion banks communicate with the Government and Regulators their insights on the market and the important role banks can play towards the development of the Indian Bullion and Jewellery Industry.
- IBBA was formed in December 2005.
- Over the last few years saw the emergence of many more bullion banks.
- Market has evolved, yet also faced multiple challenges in terms of changing regulations, tax structures and market structures.
- These changes warranted joint representations to various regulators.
- IBBA represents the collective thoughts and ideas from the Bullion banking fraternity which are being presented to the regulators and government representatives from time to time.

Role of IBBA in recent times

- IBBA had played a major part in requesting the Government of India through the IBA (Indian Banks Association) to exempt Banks from IGST at the time of import of Gold & Silver.
- GST council provided relief to Gold w.r.t IGST at time of imports.
- IBBA is playing a major part in enabling the Transformation in the Gold Policy Framework by being part of Steering Committee on Spot Exchange.
- IBBA is also one of the stakeholders and in an advisory role in the Indian Responsible Mineral Sourcing.
- Members of IBBA are bankers with vast experience in the roles thereby providing a neutral view on the markets and engaging with regulators for development of the markets.
- Bankers have clamored for long to develop the markets by enabling the local sourcing of bullion thereby reducing the dependence only on imports.

The Changing landscape of Indian Bullion market

India gold discounts widen the most between months....

Reasons for Discounts

- Tariff rate changes in Duty and Exchange.
- Large Scale Imports of Dore from unknown sources possibly. No policy on responsible sourcing.
- Smuggling of Gold through porous borders.

The Great Indian Gold rush – is it coming to an end?...

- Has the younger population moved on from Gold to other products such as cellphones, watches and I-pads.
- Is there a lack of marketing from the Jewellery segment to provide niche products and market them differently.
- Is Digital Gold like PayTM , Sovereign Gold Bonds having an effect on physical purchases.

IBBA – Member Steering Committee on Spot Exchange

Framework on which the Spot Exchange must develop

TRANSPARENCY - Price Discovery.

- Currently there is no mechanism of price discovery in India due to location-wise pricing.
- Spot Exchange may change the pricing mechanism and provide transparent prices to market participants both buyers & sellers.
- Banks if allowed to purchase the metal through the exchange will enable recycled gold business to flourish.
- Tracking of the metal purchase and sales through the exchange may reduce the un-organised imports and sales to a large extent.

UNIFORMITY - India Gold/Silver Price.

- India Gold/Silver price will lead to transparent pricing wherein actual demand and supply shall determine a single price for the Metals
- Similar to the Stock Exchanges wherein the pricing is available even to the common public to see

ELIMINATE's Counter Party Risk.

- Banks will be engaging with their customers, yet it will not be direct, therefore the element of settlement risk is largely covered by the Exchange.
- There could be new market participants entering the exchange mechanism thereby enabling competition and better compliance.
- Getting the industry organized helps in restoring the credibility of the Industry which has been embroiled in a lot of issues of late.

ELIMINATE Quality Issues.

- The Exchange shall be providing the Good Delivery Standards of the metal.
- It's assumed that the Good Delivery Standard Specified shall be on the basis of World Class Sourcing Norms.
- Good Delivery Specifications will largely address any quality issues in the Gold or Silver Bars.

THANK YOU