

Regulatory changes in the Indian Gold Market

Presentation by Somasundaram PR, Managing Director, India

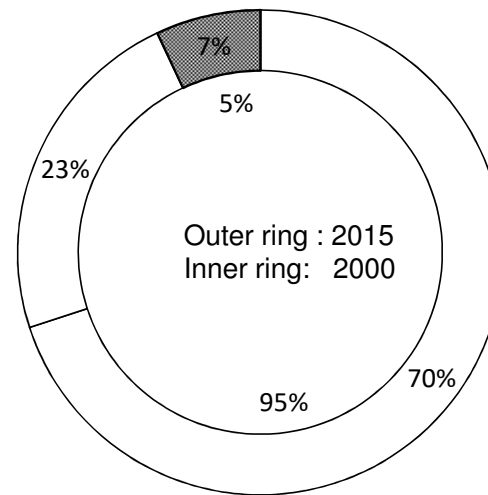
11th June 2019



2nd largest gold consuming market ..but facing challenges

- 90% of gold imported - CAD impact continue to pose a risk to policy
- Unorganised and fragmented industry -barriers to innovation, value addition and skill development
- Gold policies and regulations distributed without a central body
- Legacies : grey market and tool for tax evasion
- Lack of standards and enforcement affecting integrity
- Lack of price transparency, fair and effective trading market
- Industry transition to align with broader economic reforms
 - Transparency
 - Tax compliance
 - Financial inclusion
 - Digitalisation forcing transformation

Jewellery market landscape in India



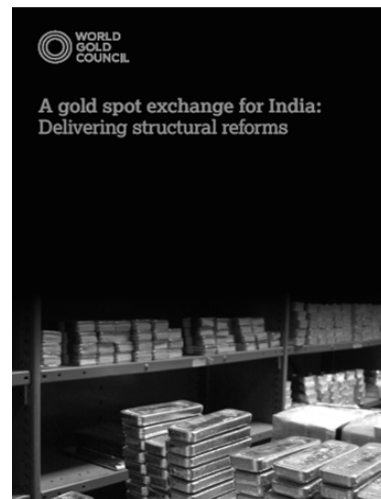
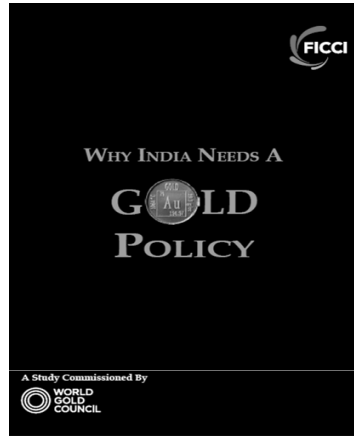
Stand alone jewellers & medium sized retailers

Regional chains

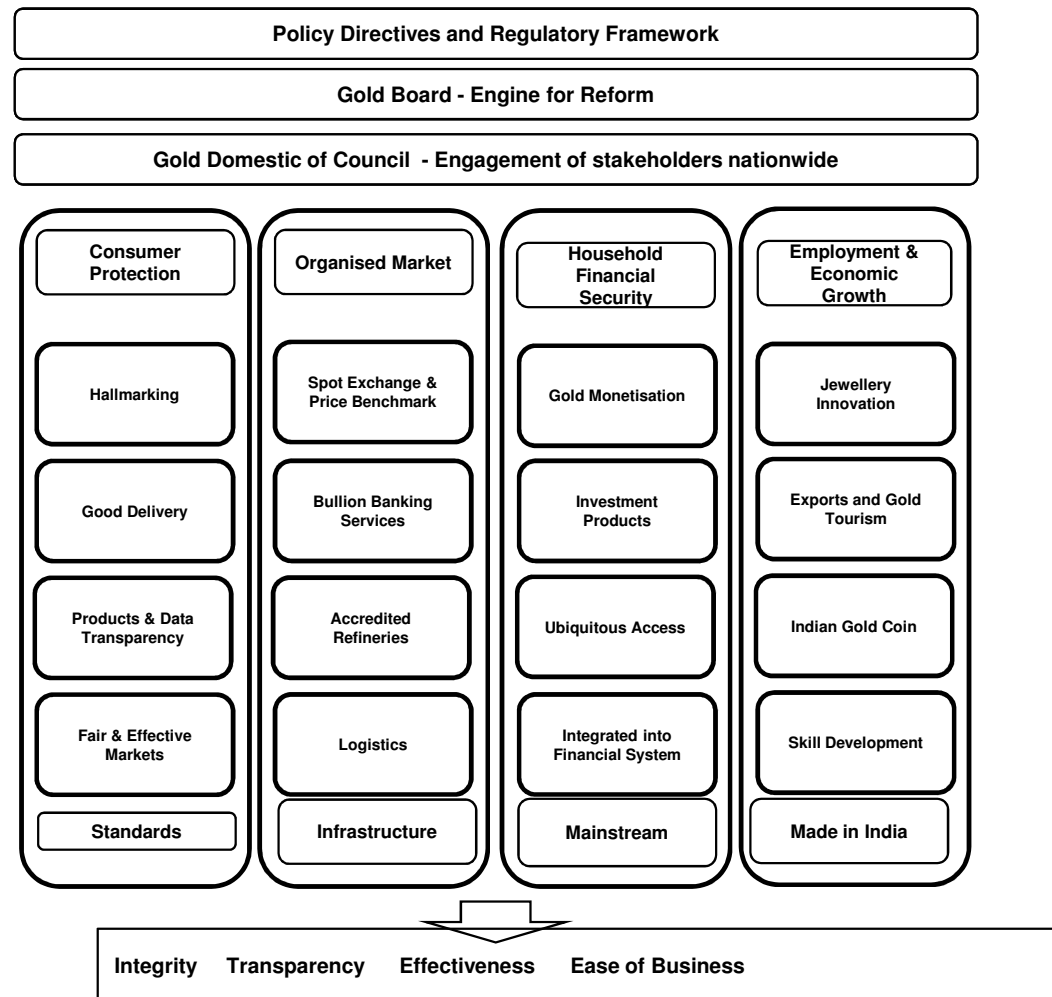
■ National chains

Source: Metals Focus; World Gold Council

Our Policy Recommendations



Gold a mainstream asset class



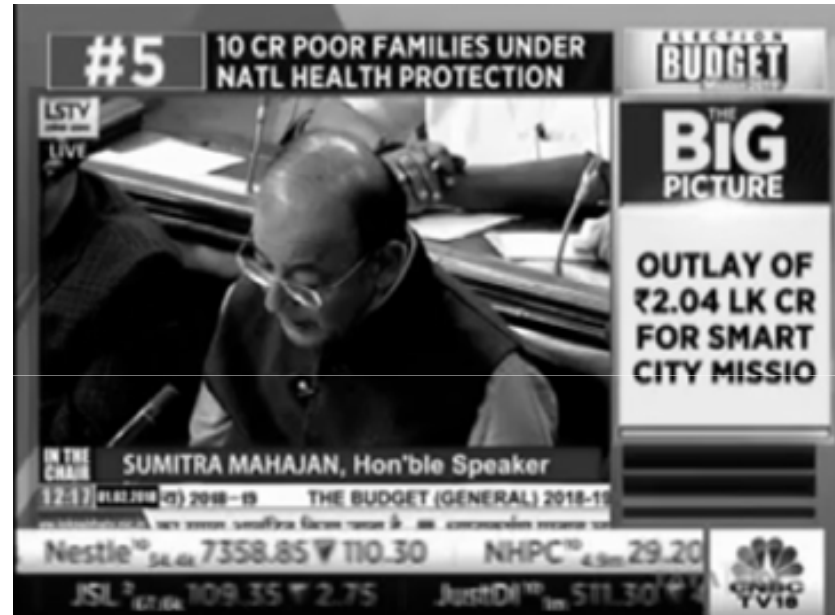
Policy / Regulatory changes since 2015

- 80:20 rule revoked but high taxes remain
- Launch of Indian Gold Coin, Gold Monetisation scheme and Sovereign Gold bond with interest
- Introduction of excise duty at jeweler level in 2016 to establish transaction traceability
- Tax number for purchases above USD 3K in 2016
- Demonetisation of high value currencies in 2016
- Roll out of a national Goods and Services Tax to replace 17 types of taxes across 29 states and 7 Union territories. Special rate for gold, though.
- AML guidelines for jewelry purchases
- Draft India good delivery standards
- Hallmarking restricted to 3 categories 14,18 and 22 K



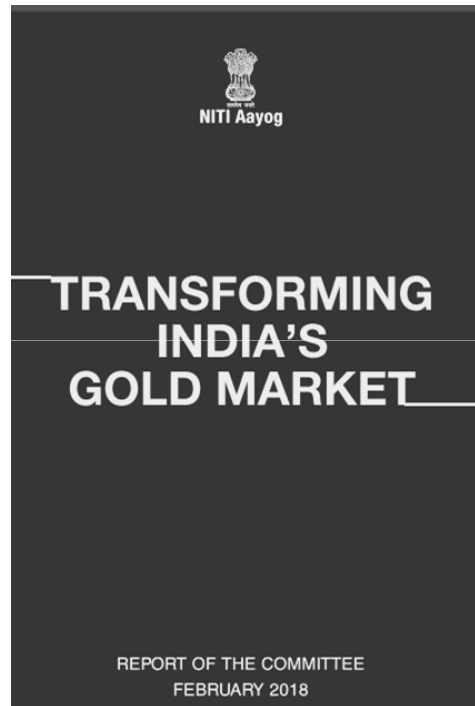
.. topped by 3 key announcements in 2018

- The government will formulate a comprehensive Gold Policy to develop gold as an asset class.
- The government will also establish a system of consumer friendly and trade efficient system of regulated gold exchanges in the country.
- Gold Monetization Scheme will be revamped to enable people to open a hassle-free Gold Deposit Account.



Government think tank report on gold



*Final NITI Aayog recommendations **published**
Government to push ahead with reforms*



February 2018
Released in August 2018

Recommendations in the NITI Aayog report

The recommendations cover the entire spectrum of changes required in gold policy for Transforming the Indian Gold Market

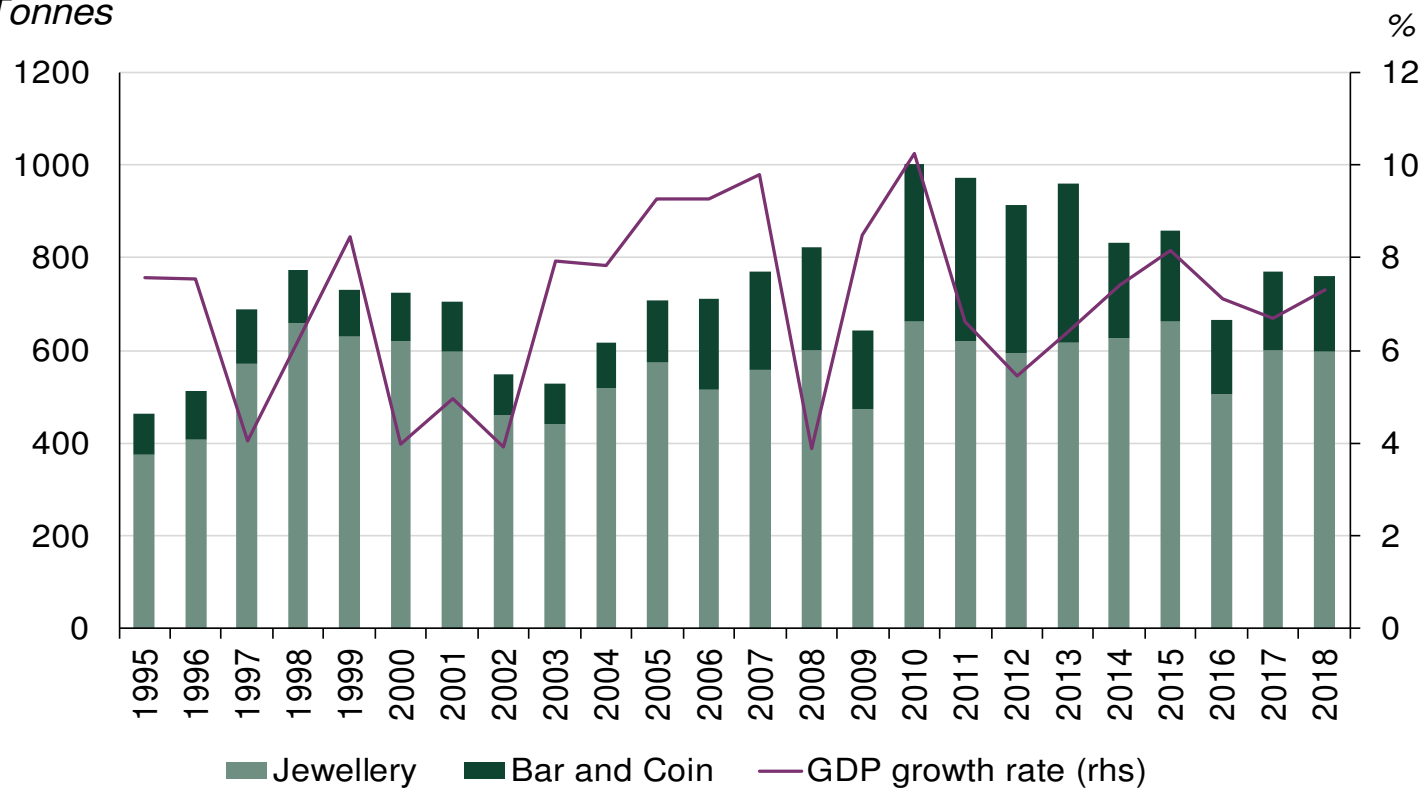
<p>1. PROMOTE “MAKE IN INDIA” IN GOLD</p>	<p>2. FINANCIALISATION OF GOLD</p>	<p>3. TAX REFORMS</p>	<p> 4. REGULATORY REFORMS</p>	<p> 5. SKILL DEVELOPMENT</p>
<ol style="list-style-type: none"> 1. Creation of Jewellery Parks 2. Boost Exports through Value Addition 3. Set up World Class Gold Industry through Ease of Doing Business 4. Revisiting Mining policy for augmenting Domestic Supply 5. Create India Good Delivery Standard to boost Refining 6. Revisiting the provisions under BIS Hallmarking Act, 2016 7. Promote the low interest rate bearing GML; Incentivise Digital Transactions 	<ol style="list-style-type: none"> 8. One-time tax exemption for building buffer gold 9. Ensure greater participation by banks in the GMS and GML 10. Increase Point of Contact for Collection of Gold Deposits by involving the Jewellers 11. Introduce Revamped Gold Savings Account 	<ol style="list-style-type: none"> 12. Rationalize the Import Duty on Gold for making gold available at Competitive Price 13. Rationalize the Import Duty on Gold Dore 14. Review provisions of GST to support the MSME sector 	<ol style="list-style-type: none"> 15. Creation of the Gold Board of India 16. Creation of The Domestic Council 17. Creation of The Bullion Exchange(s) 	<ol style="list-style-type: none"> 18. Encourage MSMEs to shift to the Cluster Development by offering incentives 19. Integration of institutes of repute such as NID and NIFT to provide courses on innovation, creativity and new ways of marketing 20. Identify and tie up with leading international jewellery designing and training centres 21. Provide a 50 percent grant for obtaining technology and machines from the international markets

Demand facing transitional challenges as transparency measures take effect

A buoyant economy and focus on rural incomes sustain India's gold affinity supported by socio-cultural factors

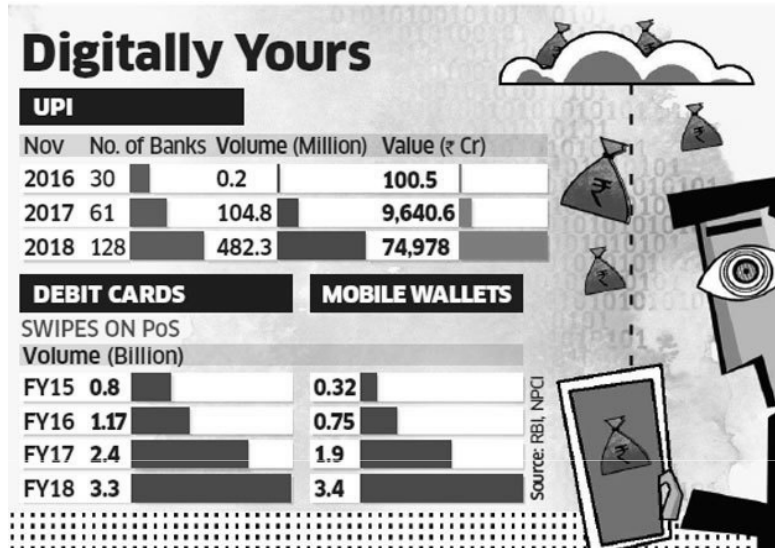
Indian gold demand and GDP growth rate

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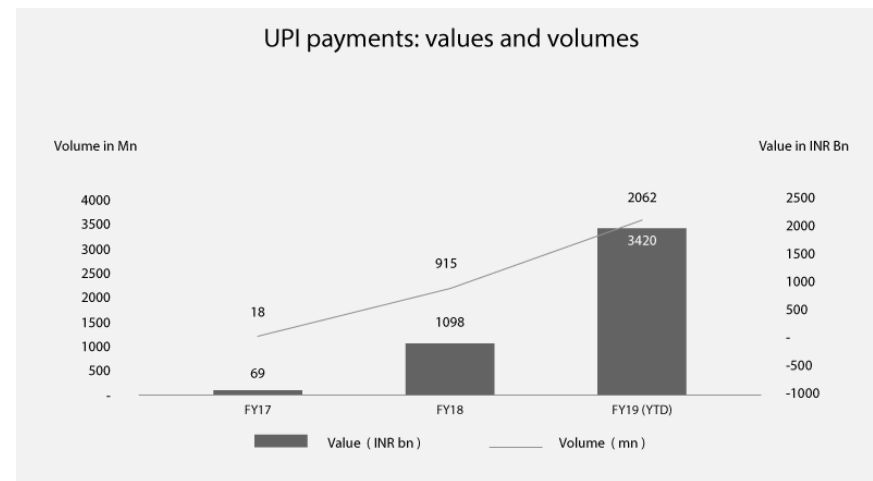


Source: Metals Focus; Refinitiv Eikon; IMF; World Gold Council

Digital transactions are growing phenomenally post demonetisation



In 2017-18, after the adoption of Unified Payment Interface by private players like Phonepe, Google, Paytm and others, the total number of transactions skyrocketed by more than 5,000 percent.



Digital platforms emerging as a strong influencer of gold demand



Introducing Digital Gold
Buy & Store Gold Online

Flat ₹101 Cashback on Your 1st Purchase

Delivery on Demand

Buy Now

paytm
GOLD

VERIFIED ACCOUNT ©
DIGITAL GOLD BALANCE:
7.35 Grams

T&C Apply

Now, PhonePe joins hands with SafeGold for digital gold product

By Pratik Bhakta, ET Bureau | Dec 13, 2017, 12:33 AM IST



Company will allow consumers to buy 24-karat gold worth any amount. The price will be linked to that in the bullion market.

Ecommerce major Flipkart's digital payments arm, Phone-Pe, has launched a digital gold product in partnership with SafeGold.

Paytm, the country's largest digital payments company, already offers a similar product.

As the battle in the digital payments space heats up, companies are not restricting themselves to cash-back schemes and incentives, but are also making other attractive offers like this savings product to entice users.

"We are focused on creating multiple use cases for consumers. We did credit card payments on PhonePe app and now digital gold is an addition in that direction," said Hemant Gala, head of banking relations and strategic partnerships at PhonePe.

Digital gold platforms growing exponentially

India's 1st Assay Training Institute launched in November 2018

A unique initiative supported by the industry bodies even as mandatory hallmarking is debated

Industry Partners

- Indian Bullion and Jewellery Association
- Gems and Jewellery Export Promotion Council
- Bullion Federation of India
- Gems & Jewellery Council
- Indian Association of Hallmarking Centres
- Association of Gold Refiners and Mints



Precious Metals
Assay and Training
Institute

Assay Technology Syllabus Partners

- Indian Institute of Technology, Bombay (IIT, Bombay)
- College of Engineering, Pune (COEP)

Looking ahead – leveraging the trust in gold

Policy

- A comprehensive gold policy and a central body for policy coordination to make gold an asset class
- Favorable taxes and ease of business but underpinned by transparency
- New gold based financial products in the mainstream

Standards

- India Good Delivery Standards
- Mandatory Hallmarking and integrity of gold
- Responsible sourcing framework

Infrastructure

- Trading infrastructure with India Gold Spot Exchange and domestic bullion banking.
- Digital gold eco-system to improve access to gold for micro savers and value added features for others.
- Skill development and innovation.
- Significantly developed refining and recycling market.

Thank you

World Gold Council

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