

APPMC- 2023

Special Session on India

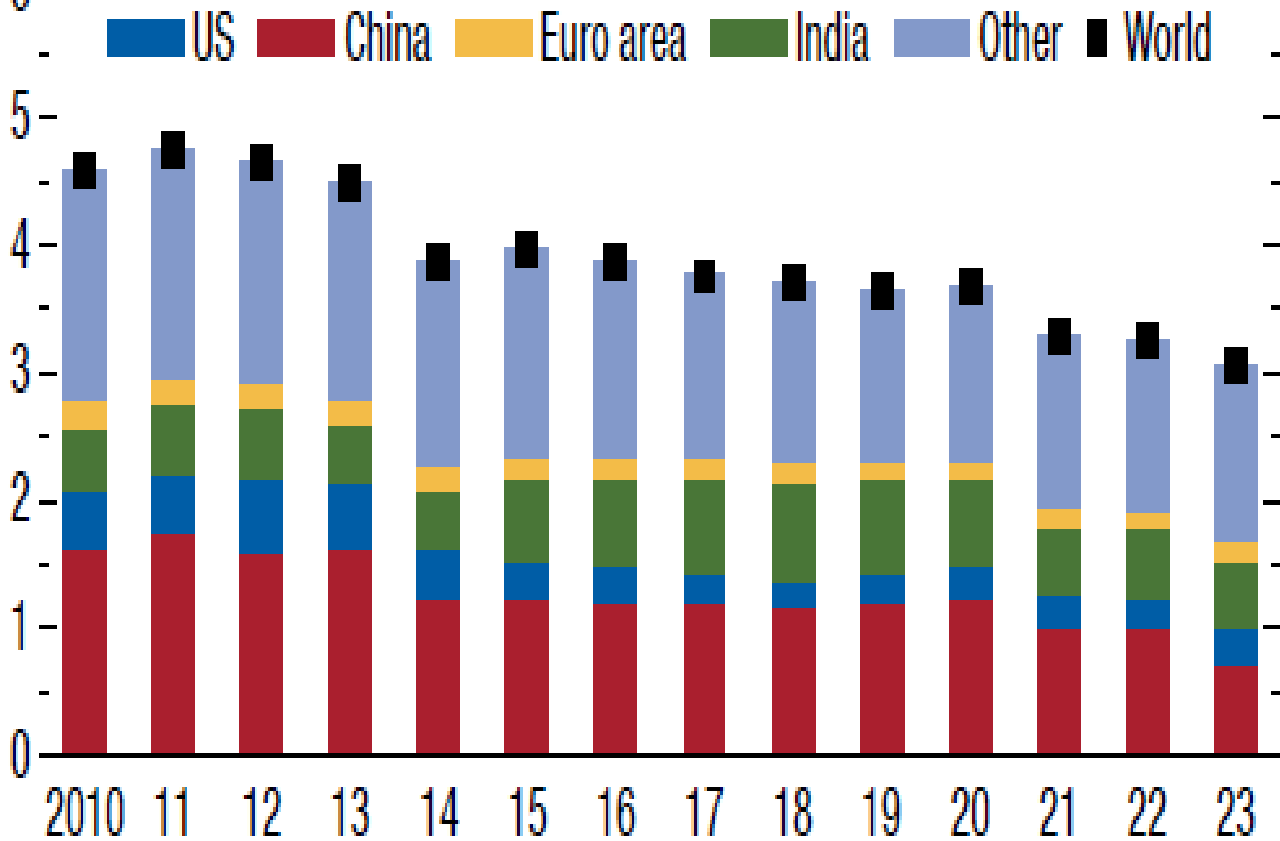
Development of a Precious Metals Ecosystem at GIFT-IFSC



**International Financial Services Centres Authority
(IFSCA)**

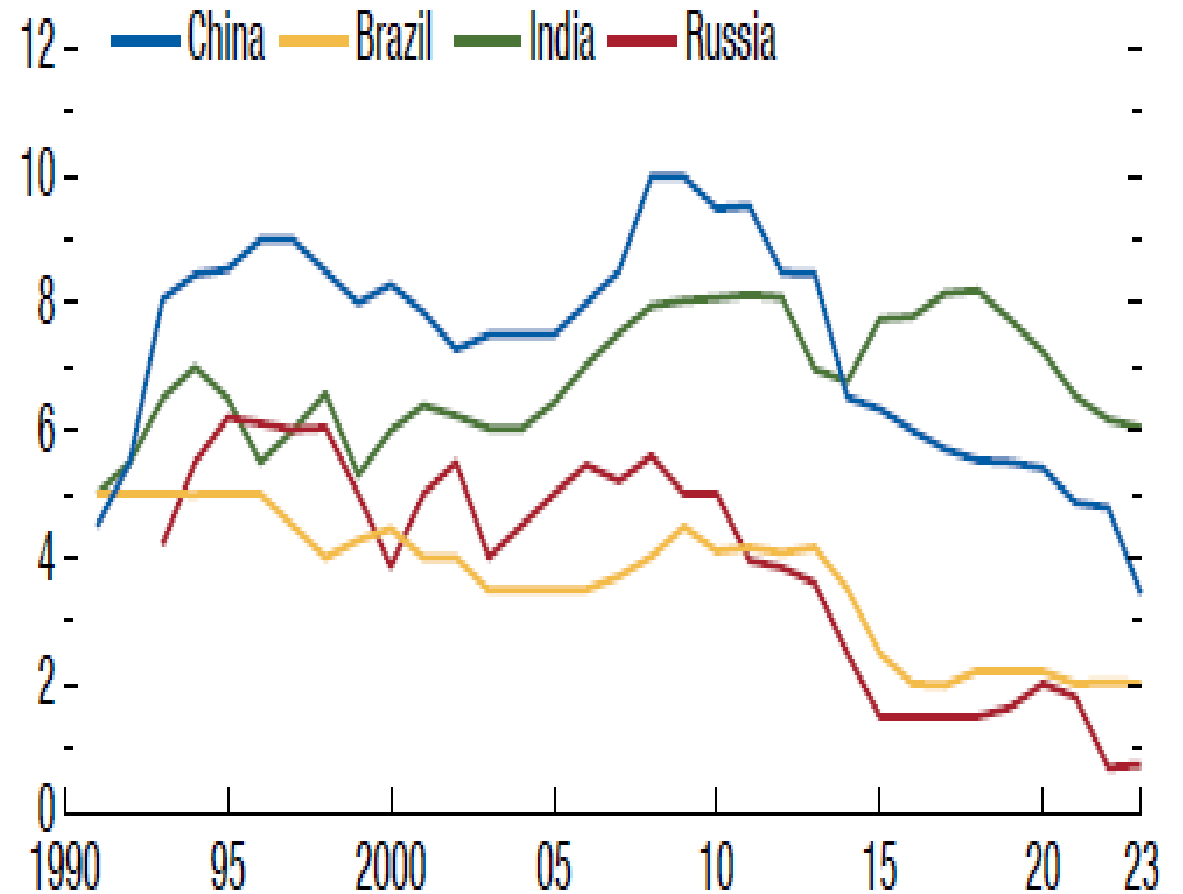
India as a bright spot for the global growth

7 – 1. Economy Contributions to Five-Year-Ahead World Growth
(PPP-weighted contributions; percentage points)



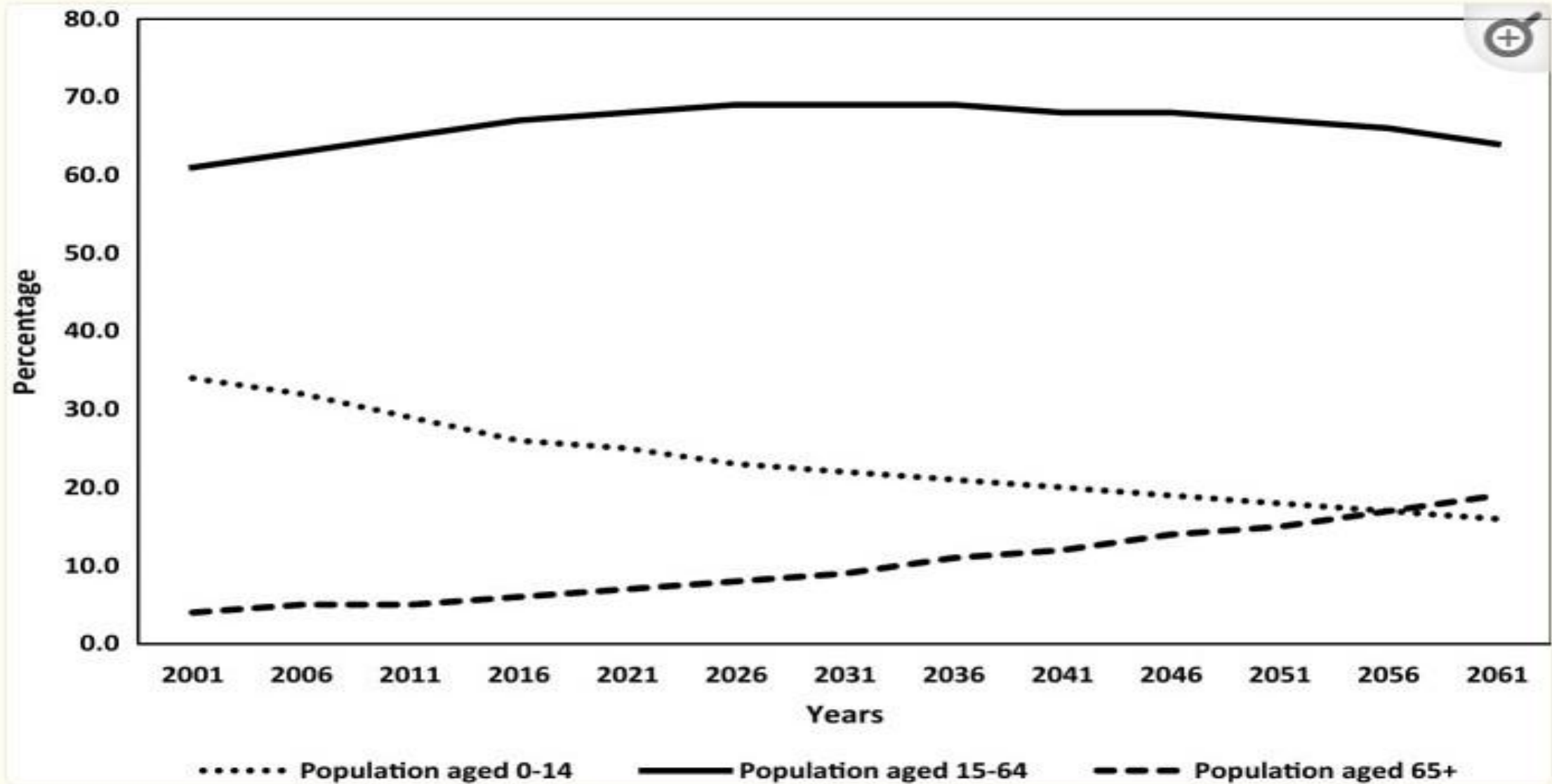
Five-Year-Ahead Real Growth Projections by
World Economic Outlook Forecast Vintage

14 – 3. Selected Emerging Market Economies



Source: IMF staff calculations

India – Demographic Dividend



Gold & India



Historically strong place of gold in India's socio-cultural-economic life.

India is the second-largest gold importing country in the world - around 25% of global gold demand.

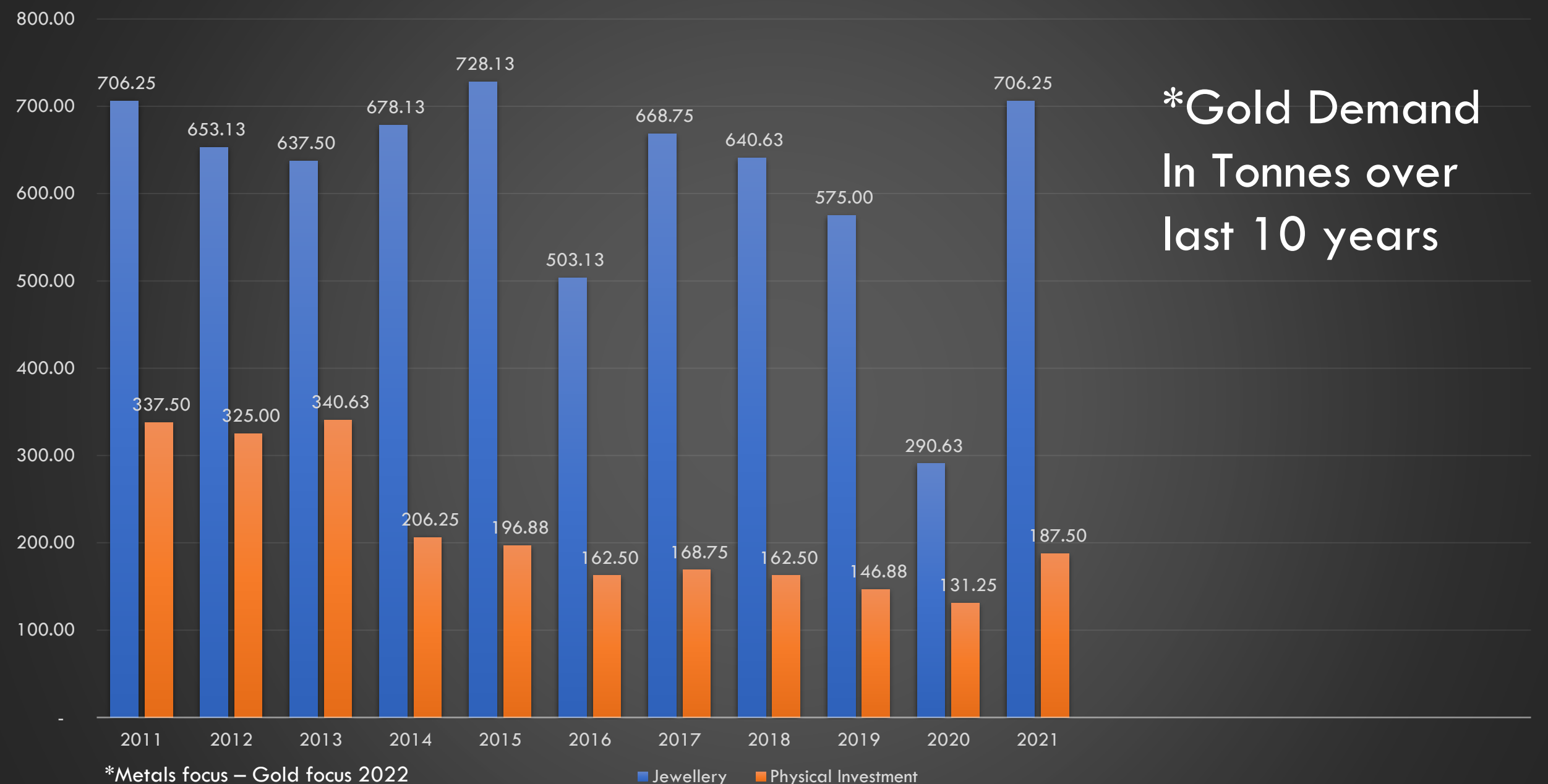
More than 25,000 tonnes of gold estimated be held aboveground - significant investment demand along with jewellery and other uses.

The Gems & Jewellery sector employs nearly 5 Mn people and contributes around 3% to India's GDP and around 10 % of merchandise exports.

Reserve Bank of India owns more than 790 tonnes as of March 2023.

IMF Rules on Gold depository includes India as one of the depositories for Gold

Gold Demand Trends – India over the years



Challenges in Gold Market in India

- Financial markets in India have evolved rapidly in 3 decades.
- The gold market is still fragmented/unorganised in India.
- Need for greater financialization & integration of India's gold markets.
 - Limited impact of Gold Monetisation Scheme & Sovereign Gold Bonds.
- Need for a transparent, single reference price for India.
- Review of regulatory & policy approaches.

Responsible sourcing standards of domestic gold/bullion delivery need to be brought up to global standards & principles.

India's International Financial Centre : GIFT-IFSC



- GIFT City houses India's first International Financial Services Centre (IFSC), which operates as a separate jurisdiction with its own set of regulations.
- The IFSC offers various advantages, such as liberalized exchange control regulations, tax benefits, and a conducive business environment for global financial institutions.
- GIFT City aims to become a major financial services hub, catering to both domestic & international markets.
- Offers a wide range of financial services, including banking, insurance, asset management, & capital markets, attracting leading global players in these sectors.

Entities in IFSC



BANKING

- Trade Finance
- External Commercial Borrowings
- Treasury Operations
- Current Accounts



CAPITAL MARKET

- Stock Exchanges
- Listing equities and bonds
- Custody Services
- Broking Services
- Alternate Investment Funds
- Family Offices
- Alternate Investment Fund
- Investment Advisers
- Wealth Management
- Portfolio Manager



METALS & COMMODITIES

- Bullion Exchange
- Depository
- Vault Managers
- Global OTC Commodity Trading



INSURANCE

- Indian and Foreign Insurer
- Indian and Foreign Reinsurer
- a Society of Lloyd's on behalf of Members of Lloyd's
- Insurance Cooperative Societies
- Managerial General Agents



OTHER ACTIVITIES

- Fintech Hub
- Global Inhouse Centres
- Global Corporate Treasury Centre
- International Trade Finance Services Platform
- Aircraft Leasing & Financing
- Ship Leasing & Financing
- Sustainable Finance
- Professional Service Providers



COMPETITIVE TAX REGIME

Overview - IFSC

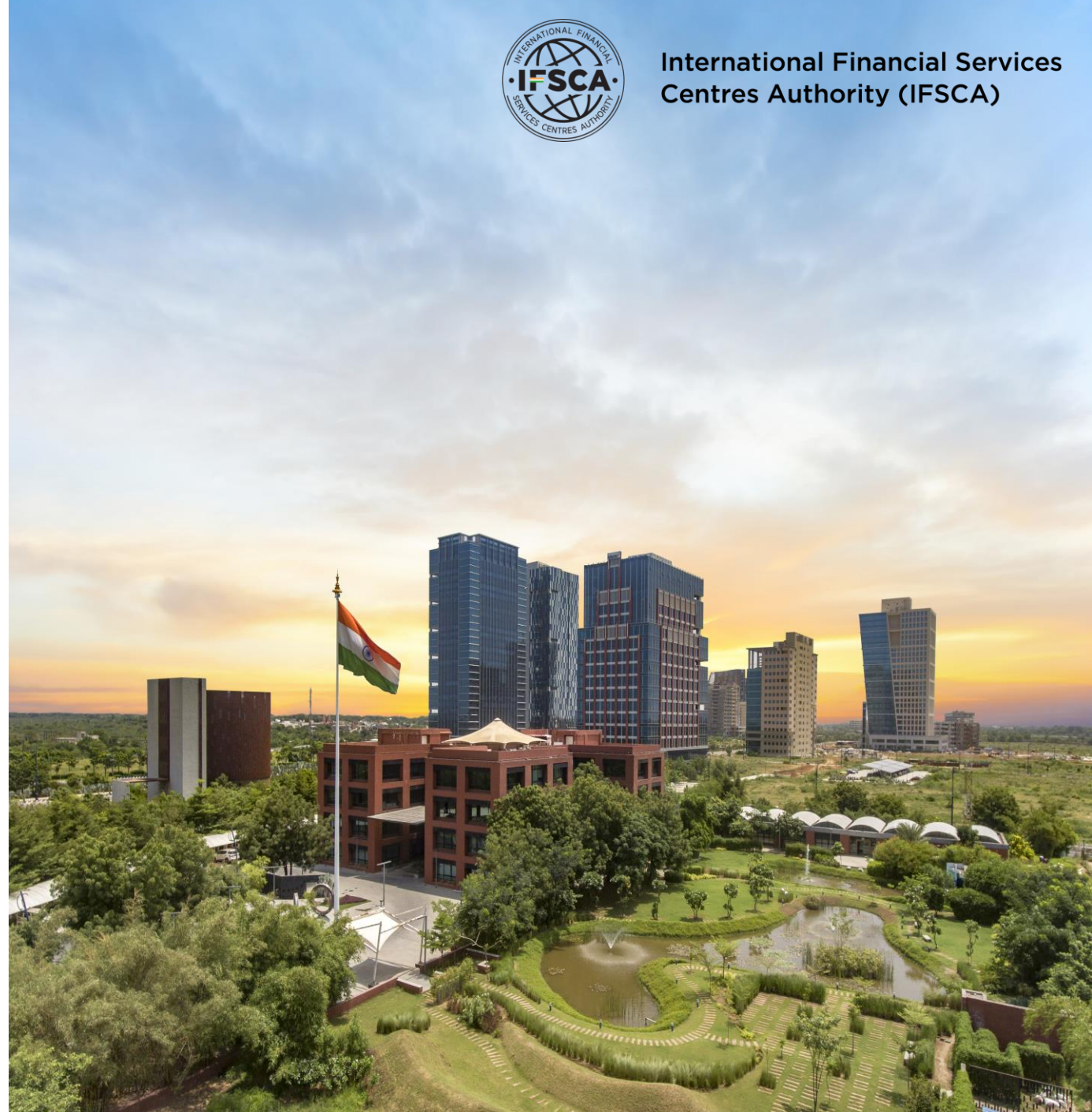
- 100% Tax holiday on Business Income (for any 10 years out of the first 15 years)
- Minimum Alternate Tax* @ 9%
- No CTT**/STT**/GST**/Stamp Duty
- Withholding tax @4% on interest paid on Debt Instruments
- Competitive Tax Regime for Funds
- Incentives under Gujarat IT/ITes Policy (2022-27)

* MAT provisions not applicable for companies opting for concessional tax rate under Sec. 115 BAA of Income Tax Act, 1961

**CTT- Commodity Transaction Tax, STT- Securities Transaction Tax, GST- Goods and Service Tax



International Financial Services
Centres Authority (IFSCA)



International Financial Services Centres Authority

IFSCA has been established as a unified financial regulator by the Government of India under the IFSCA Act, 2019

IFSCA mandated to develop and regulate Financial Institutions, Financial Services and Financial Products in the International Financial Services Centres (IFSCs) in India

IFSCA has been vested with powers of four sectoral regulators namely- RBI*, SEBI*, IRDAI* & PFRDA* under 16 Central Statutes – with in built flexibilities to develop and regulate IFSCs in India,

Business Highlights: GIFT IFSC

\$ 23.5 Bn

Monthly turnover on IFSC **International Stock Exchanges** in **March 2023**

\$ 15.6 Bn

Total amount committed by **Alternative Investment Funds (AIFs)** till **March 2023**

\$ 37 Bn

Total Banking Asset Size in **March 2023** compared to **\$ 14 Bn** in **Sept. 2020**

\$ 440 Bn

Cumulative Banking transactions till **March 2023** compared to **\$ 45 Bn** in **Sept. 2020**

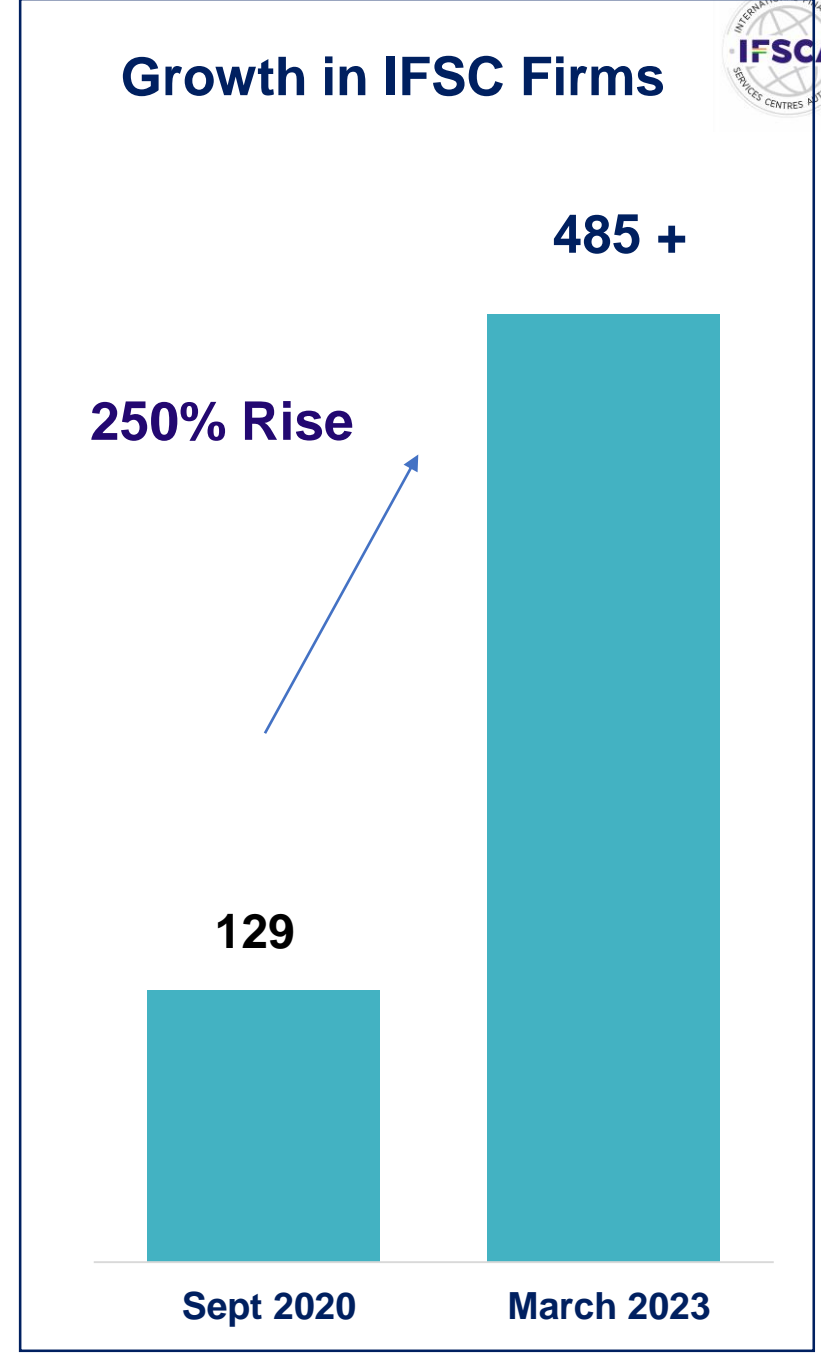
\$ 550 Bn

Cumulative Derivative transactions by Banks till **March 2023** compared to **\$ 22 Bn** in **Sept. 2020**

5000+



Employment in GIFT SEZ in **Feb. 2023** compared to **2500 +** employment in **Sept. 2020**



IFSCA's Objective to create precious metals ecosystem



IFSCA brought together 5 MIs - NSE, INX (Subsidiary of BSE), MCX,, NSDL & CDSL to create India International Bullion Exchange – IIBX.

Efficient price discovery by channeling demand-supply information into a central mechanism.

Bring assurance in the quality of precious metals for market participants (individual & institutional buyers) through standardization of quality.

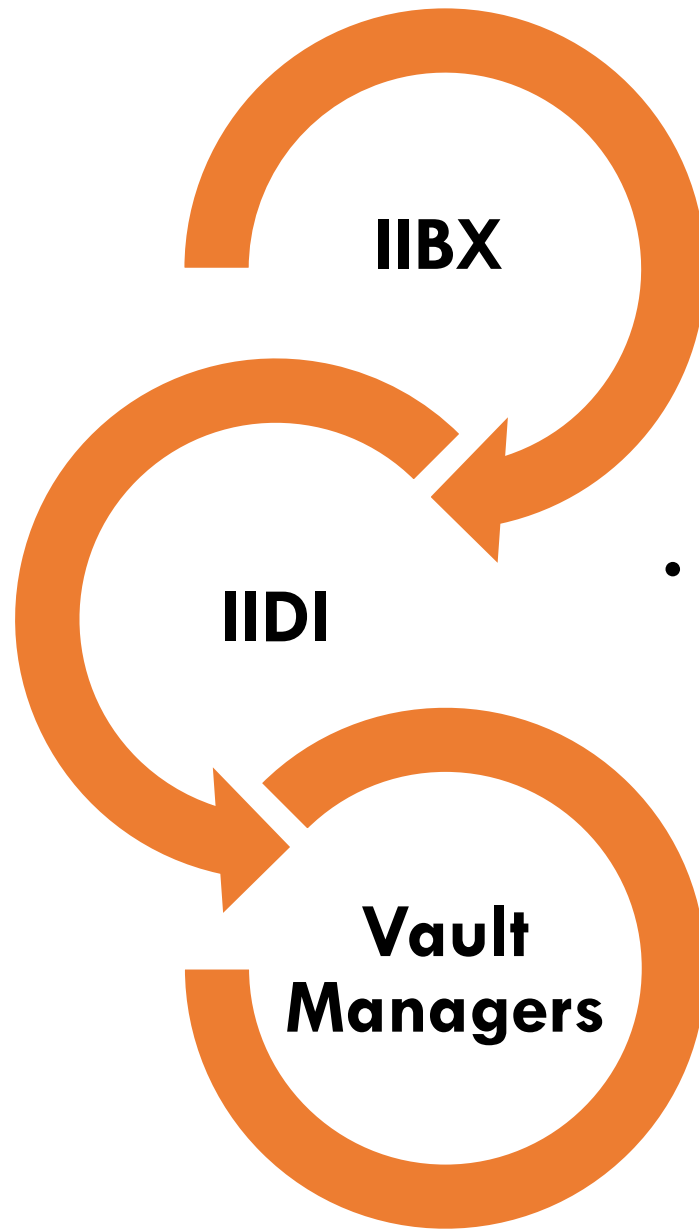
Greater integration of precious metals with other segments of financial markets like banking, funds & investment products, collateral management, loans & leasing etc., ensuring financialization.

Aspire to become a preferred platform for trading in precious metals.

Creating vaulting infrastructure in IFSC for precious metals that adhere to standards.

Aspire to become a center that influences prices of global precious metals trading.

A Novel Approach to Bullion Trading - BDR



- Exchange & Clearing Corporation.
- Net Worth of Exchange to be \$60 million by June 2025.

- India International Depository IFSC Ltd (**IIDI**), responsible for issuance/custody of BDRs.

- Vaults are empanelled with IIDl

Bullion Depository Receipt - Demat Accounts



Each Bullion bar deposited in IFSC Vaults is converted into BDR – capturing the quantity / quality / identification details - ensuring a one-to-one congruence.

BDRs notified as securities are traded on IIBX trading platform in Unit form.

IIBX – IIDIL systems provide for multiple settlement cycles for BDRs and ensure credit to the beneficiary within 30 mins of trading.

Policy changes to support IFSCA's objective



Trading in BDRs, Vaulting, bullion financing, bullion loans, clearing & settlement of BDRs and spot contracts - notified as financial services.

Additional channel for import of gold in the form of bullion through IIBX - for resident 'Qualified Jewellers' (QJs) notified by IFSCA.

Remit of IFSCA extended to authorise vault managers/vaults in other Special Economic Zones across India.

Regulations to enable the operationalisation of India-UAE CEPA through IIBX, at 1% concessional duty.

Exemption from Long Term Capital Gains Tax (LTCG) on holding BDR as a security for Non-residents.

Migration to ICEGATE customs systems – Use of duty scrips.

Permission to resident entities to hedge their price risk on gold on IFSC exchanges.

Regulatory Initiatives



Regulations & Operating guidelines for exchange, clearing corporation , depository managers.

Grandfathering of members of existing stock exchanges at IFSC - for quicker onboarding of market participants.

Operating guidelines for QJs to import gold through IIBX – as clients or as Limited Purpose Trading Members (LPTMs).

Qualified Suppliers(QS) as a client or as a Limited Purpose Trading Member (LPTM) – remote membership.

Tariff Rate Quota(TRQ) holders enabled to import through IIBX under CEPA.

Block Trade mechanism.

Opportunities for Global Entities in GIFT-IFSC

- Banks for trading, supplying, custody & storage of bullion.
- Broking / Trading Houses / Bullion Dealers in Precious Metals.
- Bullion Refineries.
- Vaulting & Logistics Partners.
- Fund Managers / Family offices / AIFs / Insurers.

Additional facility for supplying entities including banks to undertake transfer of ownership from the SEZ vaults to IFSC vaults.

Ease of transfer of metal from IFSC to SEZ vaults for re-export outside India.

Opportunities for Global Entities in GIFT-IFSC

Trading Member(TM)

- Minimum NW- \$135000
- Foreign entities can setup a branch or subsidiary at GIFT-IFSC for this purpose.

Clearing Member(CM)

- Minimum NW- \$10 Million
- Foreign entities can setup a branch or subsidiary at GIFT-IFSC for this purpose.
- Can be a Trading-Clearing Member (TCM), Trading Self Clearing Member (TSM) or Professional Clearing Member (PCM).

Qualified Supplier(QS)

- QS can participate as clients trading through TMs/TCMs.
- QS-LPTMs (Only sell gold) on remote basis without having establishment at IFSC.
- Minimum NW for QS-LPTM is \$10 Million.
- A member of either LBMA/CME group/ SGE/ DMCC / Borsa Istanbul for at least 5 years.

Vault Managers

- Minimum NW- \$ 7 Million
- Vault Manager can either setup a branch or a subsidiary in GIFT-IFSC.

Focus Areas

Participation of Foreign Banks as TM/TCM/PCM/QS-Client/QS-LPTM.

Participation of Indian Banks as Trading/Trading cum Clearing Members / LPTM.

Silver and other precious metals to be operationalised.

Enhancing Vaulting capacity by adding additional vaulting locations in other locations in India.

Trading in Derivatives products on IIBX to be launched soon.

Introduction of Gold Loans/Leasing through IIBX.

BDR as collateral/lending against BDR.

Precious Metals OTC Trading.

Gold Savings Accounts / Gold Accumulation Plans/ETFs/Digital Gold.

Potential for Refining & Exports of Bullion



India has around 41 refiners in gold, only 1 refiner being LBMA accredited.

Total installed gold refining capacity in India around 1 200 tonnes of gold (around 30% utilisation).

IFSCA encouraging refiners to acquire LBMA or other globally acceptable accreditation.

Gold refining to be enabled as a financial activity at GIFT-IFSC offering flexibility of free movement of dore/scrap & delivery of refined bars on IIBX.

IFSCA is engaged with the Govt of India for policy changes for export of bullion including responsible sourcing for India Good Delivery Standards.

Thank You