

India International Bullion Exchange (IIBX)

Lesson 8

KEY CONCEPTS

- Bullion ■ Bullion Exchange ■ Vault Manager ■ BDR (Bullion Depository Receipt) ■ Qualified Jeweller
- Qualified Supplier ■ Trading Member ■ Clearing Member ■ IIBX (India International Bullion Exchange)

Learning Objectives

To understand:

- the purpose and structure of the India International Bullion Exchange (IIBX) within the IFSC framework.
- the major roles and responsibilities of IIBX, including trading, regulation, supervision, and market development.
- the various market participants involved in the bullion exchange ecosystem.
- the prescribed norms and eligibility criteria for Qualified Jewellers to trade on IIBX.
- the process flow for Qualified Suppliers (QS and QS-LPTM) for supplying bullion and creating BDRs.
- the key components of the IIBX ecosystem, including vault managers, clearing corporations, and depositories.
- the players and regulatory mechanisms governing the bullion exchange under IFSCA.

Lesson Outline

- Introduction
- Role of IIBX
- Market Participants
- Prescribed Norms for Jeweller
- Qualified Supplier Process Flow
- Eco system
- Players of Bullion Exchange
- Regulation of Bullion Exchange
- Lesson Round-up
- Glossary
- Test Yourself
- List of Further Readings

INTRODUCTION

The International Financial Services Centres Authority (IFSCA) introduced the Bullion Market Regulations, 2025 with the objective of establishing a transparent, efficient and globally competitive bullion ecosystem within India's International Financial Services Centres (IFSCs). These regulations provide a comprehensive framework for the recognition, governance, and functioning of key market infrastructure institutions involved in bullion trading including Bullion Exchanges, Bullion Clearing Corporations, Bullion Depositories and Vault Managers. They set out the eligibility criteria, operational responsibilities, risk-management standards, and investor-protection mechanisms necessary to support a robust bullion market structure.

Formulated under the powers granted to IFSCA by the IFSCA Act, 2019 and relevant provisions of the Securities Contracts (Regulation) Act, 1956 and Depositories Act, 1996, the regulations aim to facilitate orderly growth of bullion trading, promote fair price discovery, and strengthen India's position in the global precious metals market. By introducing high standards for market governance, ownership norms, clearing and settlement, vaulting, and custody arrangements, these regulations not only enhance regulatory oversight but also foster market integrity, financial stability, and international participation.

ROLE OF INDIA INTERNATIONAL BULLION EXCHANGE (IIBX)

IIBX operates as the primary market infrastructure institution for bullion trading in the IFSC, and its functions and duties are extensively defined under Chapter III and Schedule I of the Bullion Market Regulations, 2025.

1. Consumer Protection & Market Development

It is the duty of the bullion exchange to protect the interests of consumers in the bullion market, to regulate bullion contracts, and work with associations, global agencies or institutions in the bullion industry to promote growth, transparency and orderly development of the bullion market by such measures as the bullion exchange may deem fit including such measures, as the IFSCA may direct, from time to time.

2. Trading Infrastructure & Market Operations

It provides and operates trading facilities, maintains IT infrastructure for core and critical functions, keep record and disclosure of trade related information, and supports business continuity plans and disaster recovery operations, and cyber security and cyber resilience framework measures for the market.

3. Regulatory and Supervisory Functions

IIBX performs key regulatory functions such as member registration, surveillance and investigation, risk management, compliance monitoring, enforcement actions, handling of member defaults, admission of issuers of financial products and ensuring effective arbitration and grievance redressal, legal compliance and listing mechanisms, consumer protection and services.

4. Post-Trade and Regulatory Responsibilities

IIBX must manage the clearing and settlement of trades, ensure accurate record keeping related to clearing and settlement of trades, and maintain robust IT infrastructure for core and critical functions, establish a strong business continuity plan and disaster recovery operations, along with comprehensive cyber security and cyber resilience framework.

It also performs key duties such as risk management, member registration, compliance monitoring, inspections, enforcement actions, handling of member defaults, legal oversight, and customer protection and services, supports business development and administrative functions, including sales, marketing, product development, and finance.

5. Dissemination of Market Information

The exchange must publish all information required under the Bullion Market regulations, 2025, host on its website all rules, regulations, byelaws and guidance issued by it, including all amendments, provide clear information regarding the process for applying for its membership or association, along with other material information relating to its functions.

6. Consumer Education & Protection Fund

IIBX must establish a consumer education and protection fund to promote consumer education and provide compensation to consumers in case of defaults by the bullion trading members, in a manner as may be specified by the IFSCA.

7. Governance & Compliance Accountability

IIBX must adopt the broader principles of governance prescribed by International Organization of Securities Commissions (IOSCO) and Principles for Financial Market Infrastructures (PFMIs) and such other governance norms as may be specified by the IFSCA.

MARKET PARTICIPANTS

Market participants are the various individuals, institutions, and organisations that play a role in the operation, support, and regulation of a bullion exchange. Together, they form the complete ecosystem that allows the exchange to function efficiently, transparently, and securely.

These participants contribute to different aspects such as trading, settlement, storage, compliance, technology, and governance ensuring that the bullion market operates smoothly and in accordance with regulatory standards.

Role in the Ecosystem

The bullion exchange ecosystem is complex and requires the coordinated efforts of multiple entities. Market participants fulfil roles such as:

- **Trading:** Buying and selling bullion on the exchange.
- **Clearing and Settlement:** Ensuring that trades are successfully completed and obligations are fulfilled.
- **Storing and Delivering Bullion:** Maintaining secure vaults and handling physical delivery.
- **Regulating and Supervising:** Ensuring that trading is transparent, fair, and compliant with laws.
- **Providing Essential Services:** Offering technology, legal support, risk management, cybersecurity, and audit services to keep the market reliable and efficient.

Importantly, not every market participant trades bullion. Many support the exchange indirectly through specialised services.

Types of Market Participants

a. Trading and Clearing Members

These are entities formally authorised to participate in trading or to handle the clearing of trades.

- **Trading members** can place buy/sell orders on the exchange.
- **Clearing members** ensure that trades are settled and financial obligations are met.

They are at the core of the exchange's trading activity.

b. Qualified Jewellers

These are jewellers who meet specific regulatory criteria such as net worth, GST registration, and business track record and are allowed to buy or sell bullion through the exchange.

Their participation represents the retail and jewellery industry's demand for bullion.

c. Banks and Financial Institutions

Banks may serve as settlement banks, liquidity providers, or intermediaries for clients. They facilitate payments, provide credit lines, and help maintain liquidity in the bullion market.

d. Clearing Corporations

Clearing corporations manage the clearing and settlement of trades. Their functions include:

- guaranteeing settlement,
- managing counterparty risk, and
- maintaining risk management systems.

They provide stability and reduce systemic risk in the bullion trading process.

e. Vault Managers

Vault managers store physical bullion in high-security vaults. They handle:

- safe custody of gold and silver,
- verification of purity and weight, and
- facilitating physical delivery when required.

f. Depositories

Depositories maintain electronic records of bullion ownership. They ensure that ownership transfers take place securely without needing to handle the physical metal every time.

g. Regulators and Authorities

Regulatory bodies oversee the functioning of the bullion market. Their responsibilities include:

- ensuring compliance,
- monitoring trading behavior,
- preventing market manipulation, and
- protecting investor interests.

They provide the legal and ethical framework within which the market operates.

h. Service Providers

These include specialised professionals and organisations that offer essential support services, such as:

- technology and IT infrastructure,
- cybersecurity services,
- legal and compliance support,

- auditing and accounting expertise,
- risk assessment and management.

Without these services, the exchange cannot maintain modern, secure, and efficient operations.

Key Characteristics of Market Participants

- **Broad and Inclusive Category:**

Market participants encompass every entity involved in the bullion exchange system, whether directly or indirectly.

- **Not Limited to Traders:**

Many participants, such as regulators, vault managers, or service providers, do not trade bullion themselves but are still essential for the system's operation.

- **Essential for Market Integrity and Functioning:**

They collectively ensure that the bullion exchange operates reliably, maintains transparency, and protects the interests of all users.

PRESCRIBED NORMS FOR JEWELLER

The entities fulfilling the following conditions are considered as 'Qualified Jewellers' and shall be permitted to transact as trading members / clients of trading members, on IIBX, for the purpose of import of gold:

i) Business Activity Requirement

The entity must be actively involved in dealing with goods that fall under specific ITC(HS) codes—7108, 7113, 7114 and 7118.

These codes relate to products under Chapter 71, which includes:

- Gold (including gold plated with platinum) unwrought or in semi-manufactured forms, or in powder form
- Articles of jewellery and of precious metal or of metal clad with precious metal
- Articles of goldsmiths' or silversmiths' wares and of precious metal or of metal clad with precious metal
- Coin (other than gold coin) and other similar items

The business must primarily deal in gold, gold jewellery, or other precious metal products. Only businesses already operating in the precious metals sector are eligible.

ii) GST Compliance and Turnover Requirement

The entity must have:

1. Filed all GST returns up to the preceding month prior to making an application to the IIBX
2. It must submit a certificate, duly attested by a practising Chartered Accountant, Company Secretary or Cost Accountant, stating that at least 90% of the average turnover in the last 3 financial years is through dealing in goods under precious metals.

The business should be a regular GST-compliant entity, and almost all its revenue (90%) over the past 3 years must come from the gold/precious-metals industry. This proves that the applicant is a genuine and experienced participant in the bullion sector.

iii) Minimum Net Worth Requirement

The entity must have a minimum net worth of ₹ 15 crore, based on its latest audited financial statements.

The business must be financially strong, with assets that clearly show a net worth of at least ₹ 15 crore. This requirement ensures that only reputable and stable companies participate in the bullion market, given the high-value nature of gold and precious metals.

“Net Worth” 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.

The entity shall provide the net worth certificate from a **practising company secretary** or practising chartered accountant or a practising cost accountant.

The entity must maintain the net worth specified above at all times.

Fit and Proper criteria

The Qualified Jewellers must comply with the ‘fit and proper criteria’ specified under the Bullion Market Regulations, 2025, at all times.

A person shall be deemed to be a fit and proper person if:

- (a) such person has a general reputation and record of fairness and integrity, including but not limited to –
 - (i) financial integrity;
 - (ii) good reputation and character; and
 - (iii) honesty;
- (b) such person has not incurred any of the following disqualifications –
 - (i) has been convicted by a court for any offence involving moral turpitude or any economic offence or any offence of the securities laws;
 - (ii) an order for winding up has been passed against the person;
 - (iii) the person, or any of its whole-time directors or managing partners, has been declared insolvent and has not been discharged;
 - (iv) an order, restraining, prohibiting or debarring the person from dealing in securities or from accessing the securities market or the bullion market, has been passed by the Authority or any other regulatory authority and a period of three years from the date of the expiry of the period specified in the order has not elapsed;
 - (v) any order against the person which has a bearing on the bullion market, has been passed by the Authority or any other regulatory authority and a period of three years from the date of the order has not elapsed;
 - (vi) a recovery proceeding has been initiated against the person by a financial sector regulatory authority that is pending;
 - (vii) has been found to be of unsound mind by a court of competent jurisdiction;

- (viii) is not financially sound or has been categorized as a wilful defaulter;
- (ix) has been declared a fugitive economic offender; or
- (x) any other disqualification, as may be specified by the IFSCA.

Trading Member / Client of a Trading Member

Qualified Jewellers who meet the eligibility requirements must approach the exchange for obtaining authorisation from the exchange for transacting on IIBX as a trading member or as a client of a trading member.

Before registering a jeweller as a 'Qualified Jeweller', the exchange will verify the entity's "Dealing in Goods and Services" eligibility norms through the GST portal to ensure it meets the eligibility criteria. This verification is part of the Know Your Customer (KYC) process.

The exchange will also develop Standard Operating Procedures (SOPs) for onboarding jewellers as trading members or clients. These SOPs will outline all necessary steps, including the required KYC procedures.

A Qualified Jeweller onboarded by IIBX may transact on the exchange platform in the following manner:

- a. Client: Pursuant to onboarding by the exchange as a Qualified Jeweller, the entity may register as a client with a registered bullion trading member in accordance with the applicable norms.
- b. Trading member: A Qualified Jeweller may establish a branch or a subsidiary in IFSC and apply for becoming a trading member of IIBX in accordance with the IFSCA (Bullion Market) Regulations, 2025, Operating Guidelines specified by IFSCA and regulatory requirements as may be specified by IFSCA and IIBX from time to time.
- c. Limited purpose trading membership: A Qualified Jeweller based in India and not having a physical presence in IFSC, may apply for a limited purpose trading membership, wherein the entity can only trade on its own account (proprietary trading). No client onboarding shall be permitted for such a trading member. The entity shall comply with all the other applicable norms specified in IFSCA (Bullion Market) Regulations, 2025, Operating Guidelines specified by IFSCA and regulatory requirements as may be specified by IFSCA and IIBX from time to time.

Periodic Reporting

IIBX shall submit a report to IFSCA, on a monthly basis, providing details relating to transaction in bullion by Qualified Jewellers, including details of products traded, quantity, value, quantity of gold imported, etc.

QUALIFIED SUPPLIER PROCESS FLOW

To facilitate supply of bullion at IIBX, eligible 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 have been enabled to become a Qualified Supplier (QS) on the IIBX, either as a client (QS Client) of a Bullion Trading Member or as a Qualified Supplier - Limited Purpose Trading Members (QS-LPTM).

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.

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.

Additional eligibility conditions for becoming a QS-LPTM on IIBX

An applicant entity wishing to participate as a QS-LPTM on IIBX shall have to satisfy the following conditions:

- The entity must be engaged in the business of supplying precious metals for at least five years.
- The entity must have a minimum net worth equivalent to US\$ 10 Million or equivalent amount as per the latest audited statement.
- The entity must 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.
- QS-LPTM must maintain a minimum interest-free security deposit as may be specified by IIBX for the purpose.
- 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

1. 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.
2. IIBX, in coordination with IIDIL, will prescribe the Standard Operating Procedures (SOP) for the process of onboarding of the applicants for QS-LPTM status.
3. IIDIL, in coordination with IIBX, 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.
4. 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

1. Qualified Supplier participating as QS-LPTM must be enabled by IIBX to directly access the IIBX trading system, as per the guidelines issued by IIBX.
2. QS-LPTM have to associate itself with a clearing member for clearing of its transactions, in the manner specified by IIBX.
3. The responsibility of surveillance of the Bullion ecosystem in IFSC must 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.

4. QS-LPTM must 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

- 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.
- The IFSCA registered Vault Managers must ensure a physically separate and segregated vault space for storing bullion in the IIDIL empaneled Vaults for the purpose of selling or trading on IIBX after creating Bullion Depository Receipts (BDRs).
- QS-LPTM must intimate IIDIL and the IFSCA registered Vault Manager about the supply of the bullion in the IIDIL empaneled Vaults adhering to the good delivery standards prescribed by IIBX for the creation of BDR.
- The IFSCA registered Vault Manager shall provide the following details of the bullion held in its IIDIL empaneled 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.
- IIDIL issues 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.
- IIDIL puts in place necessary systems and processes to keep track of the beneficial owner of each BDR created, at all times, till it is extinguished.
- The QS-LPTMs must be permitted to only sell BDR on IIBX in respect of bullion brought by them. The QS-LPTMs must be permitted to cancel or modify the 'sell' order previously entered.
- Upon execution of the 'sell' trade, the transaction shall be cleared and settled through the clearing member, as per the settlement mechanism of IIBX.
- IIBX, IIDIL and Vault Managers 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.
- 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, must 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.
- The Vault Manager and QS-LPTM ensure the removal of bullion from the IFSC designated vaults post such extinguishment of BDRs.

ECO SYSTEM

Ecosystem is designed to integrate global bullion suppliers, domestic jewellers, banks, vaulting infrastructure, regulatory oversight, and technology-backed clearing and settlement systems into a single, efficient framework.

The IIBX ecosystem comprises all institutions, entities, processes, and support systems that enable the safe, transparent, and smooth functioning of bullion trading. This ecosystem ensures that every gram of bullion traded is verified, securely stored, transparently priced, and properly settled.

1. Bullion Exchange – The Core Trading Platform

At the centre of the ecosystem is the India International Bullion Exchange (IIBX) itself. Following are the main functions of the Bullion Exchange

- Provides a transparent and regulated platform for trading gold and silver.
- Ensures international-standard price discovery.
- Defines rules, membership criteria, and operational workflows.
- Facilitates both spot trading and physical delivery of bullion.

The exchange is the heart of the ecosystem, connecting suppliers with buyers in a secure digital environment.

2. Bullion Clearing Corporation – Ensuring Financial Integrity

Complementing the exchange is the Bullion Clearing Corporation, which performs the crucial role of clearing and settling trades. Following are the main functions of the Bullion Clearing Corporation

- Acts as a Central Counterparty (CCP) to all trades.
- Guarantees timely settlement of funds and bullion.
- Manages risk through margins, collateral, and monitoring.
- Provides a secure financial backbone to the trading system.

This ensures that even high-value bullion transactions are completed safely and reliably.

3. Vault Managers – Secure Storage and Delivery Infrastructure

For a bullion market, secure physical handling is essential. Vault Managers form the backbone of the ecosystem's storage and logistics. Following are the main functions of the Vault Managers:

- Receive bullion from Qualified Suppliers.
- Store gold and silver in high-security vaults within the IFSC.
- Conduct purity verification through accredited assayers.
- Enable physical delivery to buyers after successful trades.
- Maintain audit trails and strict security protocols.

Their role guarantees that the bullion traded is authentic, secure, and deliverable.

4. Bullion Depository – Electronic Recordkeeping System

The Bullion Depository supports the dematerialized (electronic) holding of bullion. Following are the main functions of the Bullion Depository

- Maintains electronic records of ownership of bullion units.

- Allows easy transfer of ownership without physical movement.
- Ensures accuracy, transparency, and traceability of holdings.
- Integrates with the clearing corporation and vault managers.

This system reduces operational risks and brings bullion trading closer to securities-style efficiency.

5. Qualified Suppliers (QS) – The Source of Bullion

Qualified Suppliers are approved entities that bring internationally compliant bullion into the IIBX ecosystem.

Who can be a Qualified Suppliers

- Overseas bullion banks
- International precious metals refiners
- Global bullion traders
- IFSC-based suppliers (QS-IFSC)

Following are the main functions of the Qualified Suppliers

- Supply gold and silver of globally accepted purity (e.g., LBMA standards).
- Ensure continuous availability of bullion for trading.
- Link India's bullion market with global suppliers.

They form the supply-side pillar of the ecosystem.

6. Qualified Jewellers (QJs) – The Retail and Manufacturing Demand Segment

Qualified Jewellers participate in IIBX to procure bullion for jewellery manufacturing.

Eligibility

- Must meet net worth, turnover, and compliance norms prescribed by IFSCA.

Following are the main functions of the Qualified Jewellers

- Purchase bullion directly through the exchange.
- Ensure transparent procurement and standardized quality.
- Support downstream industries like jewellery manufacturing and export.

They represent a large share of India's domestic bullion demand.

7. Trading and Clearing Members – Market Intermediaries

These entities enable access to the exchange and settlement system.

Types

- Trading Members (TMs)
- Clearing Members (CMs)
- Trading-cum-Clearing Members (TCMs)
- Professional Clearing Members (PCMs)

Following are the main functions of the Trading and Clearing Members

- Execute buy and sell orders on behalf of clients.
- Provide liquidity to the market.
- Manage settlement obligations and collateral.
- Support risk management activities.

They act as the connective tissue linking users with the exchange.

8. Special Category Client Banks (SCC Banks) – Key Import Channel

SCC Banks are approved domestic and foreign banks permitted to import bullion through IIBX. Following are the main functions of the Special Category Client Banks:

- Act as major buyers of bullion for industrial and retail distribution.
- Enable efficient bullion imports through the IFSC.
- Support financing, clearing, and settlement of bullion deals.

Their involvement strengthens India's formal gold import ecosystem.

9. Assayers and Refineries – Ensuring Quality Standards

Assayers and refineries ensure that bullion supplied or delivered meets strict quality standards. Following are its main functions

- Certify purity and weight of bullion.
- Perform melting, assaying, and re-refining where required.
- Support vault managers and Qualified Suppliers.
- Ensure exchange-standard gold and silver bars.

They maintain the technical quality of all bullion circulating through the IIBX.

10. Regulator – International Financial Services Centres Authority (IFSCA)

IFSCA is the unified regulator responsible for the entire bullion ecosystem within the IFSC.

Functions

- Issues regulations, circulars, and guidelines for the bullion market.
- Approves exchange, clearing corporations, and intermediaries.
- Ensures investor protection, compliance, and transparency.
- Aligns Indian bullion markets with global best practices.

IFSCA's role ensures that the IIBX ecosystem is credible, global, and well-regulated.

11. Technology and Infrastructure Providers

The IIBX ecosystem also includes backend technology and infrastructure systems. Following are its main functions:

- Provide the trading platform and matching engine.
- Support depository, clearing, and risk management software.
- Ensure cybersecurity and real-time data flow.
- Enable efficient connectivity for members and clients.

Technology ensures speed, accuracy, and security in all transactions.

12. Logistics & Support Services

The ecosystem additionally relies on:

- Transport and security services for bullion movement
- Compliance and audit professionals
- Insurance providers
- Market data providers
- Banking and payment gateways

These entities complete the operational chain.

PLAYERS OF BULLION EXCHANGE

Players are the core trading participants of the bullion market. They are directly involved in the purchase, sale, and price formation of bullion such as gold and silver. Their activities generate liquidity, influence market trends, and enable the smooth functioning of the bullion exchange. Players in a bullion exchange are entities or individuals who actively engage in trading bullion.

Unlike other market participants who may support the system indirectly (such as vault managers, regulators, or service providers), players participate directly in time-to-time trading on the exchange. They place buy and sell orders, respond to market movements, and contribute to the continuous price discovery process, which determines the fair market price of bullion.

Role in the Market

Players perform several critical functions that keep the bullion market active and efficient:

a. Creating Market Liquidity

By regularly buying and selling bullion, players ensure the market has enough trading volume.

High liquidity makes the market more stable and allows trades to occur quickly without major price distortions.

b. Influencing Price Movements

Since players actively respond to global prices, demand conditions, and market sentiment, their trades directly impact:

- the day's bullion price levels,
- price trends, and
- short-term volatility.

c. Supporting Price Discovery

Through their continuous trading activity, players help determine the true, competitive market price of bullion based on real supply and demand.

d. Driving Market Efficiency

Active players help the exchange operate smoothly by:

- narrowing bid-ask spreads,
- enabling quick order execution,

- reducing arbitrage gaps, and
- stabilizing prices during high trading periods.

Examples of Players

Players include several categories of entities that trade bullion for business, investment, or market-making purposes. Key players include the following:

a. Traders and Brokers

These are professionals or firms that trade bullion either on their own behalf or on behalf of clients.

They aim to profit from price movements or to provide execution services.

b. Qualified Jewellers (Active Traders)

Jewellers who meet eligibility norms and participate directly in bullion buying and selling for:

- manufacturing jewellery,
- inventory management, or
- hedging price risks.

Their participation connects the exchange to the real economy of jewellery demand.

c. Bullion Dealers

Specialized merchants dealing exclusively in gold, silver, or other precious metals. They often trade in larger quantities and play a vital role in wholesale market operations.

d. Banks or Institutions That Trade

Some banks or financial institutions engage in bullion trading to:

- meet customer demands,
- maintain bullion accounts,
- offer gold products, or
- participate in international gold flow.

They increase market depth and support institutional-level liquidity.

e. Market Makers

These players commit to offering continuous buy (bid) and sell (ask) prices.

Their role includes:

- ensuring there is always a counterparty for a trade,
- reducing price gaps,
- stabilizing markets during low-activity periods.

They are crucial for maintaining trading momentum and reducing volatility.

Key Characteristics of Players

a. Subset of Market Participants

While all players are market participants, not all market participants are players. Players constitute the active trading subset of the larger market ecosystem.

b. Direct Involvement in Trading

Players always engage directly in:

- placing orders,
- executing trades,
- holding or delivering bullion.

Their core activity depends on trading, unlike regulators, vault managers, or technology providers.

c. Influence on Volumes and Liquidity

High participation from players leads to:

- better liquidity,
- narrower spreads, and
- smoother trading operations.

Their presence is essential for a healthy and efficient bullion exchange.

d. Key Role in Price Discovery

Since players respond instantly to changes in supply, demand, global gold prices, and economic events, their trades collectively determine the real-time market price of bullion.

IFSCA (BULLION MARKET) REGULATIONS 2025**Recognition of Bullion Exchange****STEP 1: Application for recognition of Bullion Exchange**

Submission of application along with the applicable fee. Every application must contain such particulars as may be specified by the IFSCA and shall be accompanied by the copy of the memorandum of association, articles of association, bye-laws and such other documents for the regulation and control of bullion contracts.

STEP 2: Conditions for grant of recognition as a Bullion Exchange

- a) the applicant is a company limited by shares;
- b) the applicant is demutualised;
- c) the applicant, its directors and shareholders who hold or intend to hold shares, are fit and proper persons, as specified in these regulations;
- d) the applicant satisfies the conditions relating to ownership and governance structure, as specified in these regulations;
- e) the applicant satisfies the net worth requirements, as specified in these regulations;
- f) the applicant has the requisite capability including financial capacity, functional expertise and infrastructure.

In addition to these conditions, the applicant must comply with following conditions:

- a) the applicant has necessary infrastructure for the orderly execution of trades;
- b) the applicant has an online screen-based trading system;

- c) the applicant has an online surveillance capability which monitors positions, prices and volumes in real time so as to ensure market integrity;
- d) the applicant has adequate infrastructure to list bullion depository receipts for trading on its platform, wherever applicable;
- e) the applicant has necessary capability to have a comprehensive network of bullion trading members and has adequate facility to admit and regulate its members;
- f) the applicant has made necessary arrangements to establish connectivity with its bullion trading members and bullion clearing corporation;
- g) the applicant has adequate consumer grievance redressal mechanism and arbitration mechanism to resolve disputes arising out of trades and their settlement;
- h) the applicant has the facility to disseminate information about trades, quantities and quotes in real time to at least two information vending networks which are accessible to consumers;
- i) the applicant has adequate systems' capacity supported by a business continuity plan including a disaster recovery site;
- j) the applicant has in its employment, sufficient number of persons having adequate professional and other relevant experience; and
- k) any other conditions as may be specified by the IFSCA.

STEP 3: Grant of recognition as a Bullion Exchange

The IFSCA may, after considering the application and on being satisfied that the applicant has complied with the conditions and is eligible to be recognised as a bullion exchange, grant recognition to the applicant in terms of section 4 of the Securities Contracts (Regulation) Act, 1956 and may impose such additional conditions as it may deem fit.

STEP 4: Renewal of recognition

The provisions of Bullion Market Regulations, 2025, as applicable to the grant of recognition, shall also apply in relation to an application for renewal of recognition of a bullion exchange.

STEP 5: Withdrawal of recognition

The recognition granted to a bullion exchange may be withdrawn by the IFSCA, after being given an opportunity of being heard, in the manner provided under Section 5 of the Securities Contracts (Regulation) Act, 1956.

Operational Framework of Bullion Exchange

Every bullion exchange shall, with effect from the date of the commencement of its operations, use the services of Bullion Clearing Corporation for clearing and settlement of its trades.

Functions of the Bullion Exchange

It shall be the duty of the bullion exchange to protect the interests of consumers in the bullion market, to regulate bullion contracts, and work with associations, global agencies or institutions in the bullion industry to promote growth, transparency and orderly development of the bullion market by such measures as the bullion exchange may deem fit including such measures, as the IFSCA may direct, from time to time.

The measures referred above may provide for:

- a) regulating the bullion contracts;
- b) regulating the working of the bullion trading members, and such other intermediaries who may be associated with the bullion exchange;
- c) establishing and enforcing good delivery standards;
- d) prohibiting fraudulent and unfair trade practices in the bullion market;
- e) promoting consumers' education and training of intermediaries of bullion market;
- f) calling for information from, undertaking inspection, conducting inquiries and audits of the bullion trading members, intermediaries and other persons associated with the bullion exchange;
- g) levying fees or other charges for carrying out the purposes of these regulations;
- h) setting standards of quality, quantity and other parameters and means of verification of such standards;
- i) setting standards for vaulting and transport of bullion in consultation with the bullion depository; and
- j) performing such other functions as may be specified by the IFSCA.

Net Worth of Bullion Exchange

Net worth requirements

- a) A bullion exchange shall have a minimum net worth of USD 10 million at all times.
- b) If required, as a risk management measure, the IFSCA may specify higher net worth for a bullion exchange based on the nature and scale of their respective business.
- c) A bullion exchange shall not distribute profits in any manner to its shareholders until the net worth specified in this regulation is achieved.
- d) Every bullion exchange shall submit an audited net worth certificate to the IFSCA issued by statutory auditor on a yearly basis by the thirtieth day of September of every year for the preceding financial year.

Ownership of Bullion Exchange

Shareholding in a bullion exchange

The shareholding in a bullion exchange shall be held by:

- a) A bullion exchange or stock exchange recognised in India or a Foreign Jurisdiction with a minimum of twenty-six per cent of the paid-up equity share capital of the bullion exchange;
- b) a joint venture of market infrastructure institutions recognised in India, an International Financial Services Centre or a Foreign Jurisdiction with a minimum of fifty-one per cent of the paid-up equity share capital of the bullion exchange held by such joint venture.

Any other person in India, an International Financial Services Centre or a Foreign Jurisdiction shall not at any time, directly or indirectly, either individually or together with persons acting in concert, acquire or hold more than twenty-five per cent of the paid-up equity share capital in the bullion exchange.

Governance of Bullion Exchange

Composition of the Governing Board

(1) Adoption of Global Best Practices

Every bullion exchange must follow the key governance standards set by:

- the International Organisation of Securities Commissions (IOSCO),
- the Principles for Financial Market Infrastructures (PFMIs), and
- any additional governance norms specified by the IFSCA.

(2) Members of the Governing Board

Each governing board must include:

1. Non-independent directors,
2. Public interest directors, and
3. Managing Director (MD).

(3) Chairperson

The chairperson of the board must be elected by the governed board from amongst the public interest directors, and this election requires the IFSCA's prior approval.

(4) Majority of Public Interest Directors

The number of public interest directors must always be equal to or greater than the number of non-independent directors on the governing board.

(5) Managing Director's Category

The Managing Director shall be included in the category of non-independent director.

(6) Employee Directors

Employees of the bullion exchange may also be appointed as a director on the governing board in addition to the managing director. Such directors are treated as non-independent directors.

(7) Restrictions on Membership

No trading member, clearing member, or their associates and agents in an International Financial Services Centre (IFSC) may serve on the governing board regardless of the exchange or clearing corporation they belong to.

(8) Definition of Trading Member for Governance

A person is considered a trading member if they serve as a director in an entity that is itself a trading member, or have associates who are trading members.

Exceptions:

- A person serving on the board of a public financial institution or a scheduled commercial bank will not be treated as a trading member even if that institution is one.
- Independent directors of associates of such banks or institutions (where the majority shareholding lies with them) are also not treated as trading members.

(9) Additional Conditions

The appointment of directors must meet any other conditions specified by the IFSCA.

(10) Continuous Monitoring

The exchange must continuously ensure that none of its directors become associated with any trading member.

(11) Quorum Requirement

For board meetings, the number of public interest directors present must be at least equal to the number of non-independent directors for the meeting to proceed.

(12) Voting Requirement

A board decision is valid only when the public interest directors cast their votes on the resolution are equal to or more than the number of non-independent directors who have cast their votes on that resolution.

(13) Casting Vote

If there is a tie in voting, the chairperson has the casting (decisive) vote.

(14) Qualifications and Expertise

The governing board of the bullion exchange must include directors with appropriate knowledge and experience in areas such as:

- bullion markets
- securities markets
- finance and accountancy
- legal and regulatory practice
- technology
- risk management
- management/administration

At least one public interest director must be qualified in each of the following key areas:

- bullion markets
- securities markets
- finance & accountancy
- legal and regulatory practice
- technology

Appointment of Key Officers in a Bullion Exchange and Bullion Clearing Corporation**1. Appointment of Compliance Officer****a. Role and Responsibilities**

Every bullion exchange must appoint a Compliance Officer who is responsible for monitoring the compliance of the provisions of the Act or relevant rules, regulations and circulars, guidelines or

directions issued thereunder by the IFSCA or any other regulatory Authority, and also for the redressal of customers' grievances.

b. Reporting Duties

The Compliance Officer must:

- Immediately and independently report any non-compliance to the IFSCA.
- Submit a quarterly compliance report, within 45 days of the end of each quarter, in the format prescribed by the IFSCA.

2. Appointment of Chief Risk Officer

a. Role and Responsibilities

A bullion exchange must appoint a Chief Risk Officer (CRO). The CRO is responsible for:

- Identifying risks associated with the functioning of a bullion exchange.
- Monitoring these risks.
- Initiating necessary steps to reduce or mitigate them.

b. Reporting Duties

The CRO must:

- Oversee the organization's entire risk management framework.
- Submit a half-yearly risk report to the Authority, within 90 days from the end of each half-year.

3. Appointment of Chief Legal Officer

a. Mandatory Appointment

A bullion exchange must appoint a Chief Legal Officer if it is not:

- a subsidiary of a Market Infrastructure Institution (MII)
- a joint venture of MIIs

b. Use of Parent Entity's Legal Resources

If the exchange is a subsidiary or joint venture of an MII, it may use the legal assistance of its parent institution.

However:

- If the parent entity does not provide the required legal support, the entity must appoint a Chief Legal Officer.
- The Authority may also require any bullion exchange with a large scale of operations in an IFSC to appoint a Chief Legal Officer.

c. Responsibilities of the Chief Legal Officer

The Chief Legal Officer is responsible for managing all legal risks and must carry out tasks such as:

- Drafting and vetting of the bye-laws, and checking any amendments before submission of documents to the Authority for approval.

- Vetting of legal documents related to cross-border arrangements proposed to be entered into by a bullion exchange.
- Performing any additional legal functions specified by:
 - the governing board
 - the IFSCA

4. Appointment of Chief Information Security Officer

a. Separate Appointment

Every bullion exchange must appoint a Chief Information Security Officer (CISO).

This position is separate from and in addition to the role of the Chief Technology Officer (CTO).

b. Responsibilities and Reporting

The CISO is responsible for overseeing the cyber security posture of bullion exchange. It must report directly to the Managing Director (MD) or Chief Executive Officer (CEO).

General Obligations of Bullion Exchange

1. Consumer Education and Protection Fund

Every bullion exchange shall establish a consumer education and protection fund to promote consumer education and provide compensation to consumers in case of defaults by the bullion trading members, in a manner as may be specified by the IFSCA.

2. Utilization of Profits and Investments

The utilization of profits and investments by the bullion exchange shall be in accordance with the norms as specified by the IFSCA. It must not carry out any other activity involving the deployment of funds or otherwise without prior approval of the IFSCA.

The prior approval of the IFSCA may not be required in case of treasury investments if such investments are as per the investment policy approved by the governing board of Bullion Exchange. Also, bullion exchange may engage in activities involving deployment of funds or otherwise that are unrelated or not incidental to its activity as a bullion exchange, as the case may be, through a separate legal entity and subject to approval of the IFSCA.

3. Equal, fair and transparent access

The bullion exchange must ensure equal, unrestricted, transparent and fair access to all persons without any bias towards their associates and related entities.

4. Information and Data Sharing Policy

Every bullion exchange shall lay down a framework for the sharing and monitoring of data, including confidential and sensitive data. Such a framework shall contain:

- (a) means and manner of data sharing;
- (b) types of data that can be shared;
- (c) escalation matrix for data sharing;
- (d) provisions to have a digital database for recording details of information shared along with recipients and reasons for sharing, etc.;

- (e) mechanism to monitor the data shared, utilizing technology, conducting periodic audits to ensure compliance with the policy framework; and
- (f) accountability mechanism, including assigning individual accountabilities for any breach of the data sharing policy.

Qualification for Membership of the Bullion Exchange

Qualification Criteria

The bye-laws of the bullion exchange shall lay down the qualification criteria for the grant of membership to the bullion exchange, including-

- (i) form of the organisation structure, minimum qualifications and experience of the professional employees
- (ii) the financial strength in terms of the threshold of key financial ratios, disqualifications, categories of the members and minimum net worth requirements that such a member can perform in the bullion exchange
- (iii) the manner in which the applications for membership shall be processed by the bullion exchange
- (iv) the provisions for avoiding conflicts of interest, ethical behaviour and conduct of the applicants and the members

Contracts between Member of a Bullion Exchange and Consumer

A contract between members of a bullion exchange or a consumer shall be in writing and shall be enforced in accordance with the rules and bye-laws of the Bullion Exchange of which they are members.

LESSON ROUNDUP

- The India International Bullion Exchange (IIBX) is India's first global-standard platform for trading gold and silver within the International Financial Services Centre (IFSC). Established under the IFSCA Bullion Market Regulations, 2025, it aims to promote transparent pricing, secure trading, and international participation in the Indian bullion market.
- IIBX performs several key functions: providing a regulated trading system, ensuring proper clearing and settlement, maintaining strong risk management, supervising member activities, and protecting consumers through grievance mechanisms and a consumer protection fund. It also follows global governance norms such as IOSCO and PFMI principles.
- The bullion ecosystem includes multiple market participants—trading and clearing members, qualified jewellers, banks, vault managers, depositories, and regulators—all working together to ensure secure storage, accurate records, transparent pricing, and smooth settlement processes.
- Only jewellers that meet strict norms relating to turnover, GST compliance, and net worth are recognised as Qualified Jewellers and allowed to import gold through IIBX. International suppliers can also participate if they meet global industry standards, follow due diligence, and keep bullion in IFSCA-registered vaults, where it is converted into electronic Bullion Depository Receipts (BDRs) before trading.
- Overall, IIBX has strengthened India's bullion market by integrating global suppliers, domestic jewellers, robust regulations, advanced technology, and secure vaulting systems into a single platform. It supports fair price discovery, boosts transparency, and enhances India's role in the global precious metals market.

GLOSSARY

- 1. IIBX (India International Bullion Exchange)**

A regulated international platform in GIFT-IFSC where gold and silver are traded.
- 2. Bullion Exchange**

A marketplace where trading of gold and silver takes place under strict rules and transparency.
- 3. Clearing Corporation**

An institution that ensures trades are settled safely, manages risk, and guarantees that both parties fulfil their obligations.
- 4. Settlement**

The process of completing a trade transferring money to the seller and bullion/BDR to the buyer.
- 5. Vault Manager**

An approved entity that stores physical gold and silver in high-security vaults and verifies purity and weight.
- 6. BDR (Bullion Depository Receipt)**

A digital certificate issued by the depository representing ownership of physical gold or silver stored in a vault.
- 7. Qualified Jeweller**

A jeweller who meets strict eligibility criteria (GST compliance, turnover, net worth) and is allowed to import gold through IIBX.
- 8. Trading Member**

An entity authorised to place buy/sell orders directly on the exchange.
- 9. Clearing Member**

A member responsible for clearing and settling trades on behalf of traders.
- 10. QS (Qualified Supplier)**

A foreign company allowed to supply bullion to IIBX after meeting specific global standards.
- 11. QS-LPTM (Qualified Supplier – Limited Purpose Trading Member)**

A global bullion supplier allowed to participate directly in the exchange only for **selling** bullion.
- 12. KYC/AML/CFT**

Regulatory checks to prevent:

 - **KYC:** Know Your Customer
 - **AML:** Anti-Money Laundering
 - **CFT:** Combating Financing of Terrorism

TEST YOURSELF**A. Very Short Answer Questions**

1. What is the main objective of establishing the India International Bullion Exchange (IIBX)?
2. Define “Qualified Jeweller” under the Bullion Market Regulations, 2025.
3. Who regulates the bullion market operations at IFSCA?
4. What is the minimum net worth required for a Qualified Jeweller?
5. State one key responsibility of a Vault Manager.
6. What is the meaning of QS-LPTM?
7. Mention any two ITC(HS) codes relevant for jewellers under eligibility norms.
8. Name any two global bullion associations recognised for Qualified Supplier eligibility.

B. Short Answer Questions

1. Explain the role of IIBX in ensuring consumer protection and market development.
2. Describe the key trading and post-trade functions performed by IIBX.
3. Who are the major market participants in the bullion ecosystem?
4. Explain the GST and turnover requirements for a jeweller to become a Qualified Jeweller.
5. Write a short note on the role of Clearing Corporations in the bullion market.
6. What is the process of onboarding a Qualified Supplier (QS-Client) on IIBX?
7. Briefly explain the role of Depositories in the bullion exchange ecosystem.

C. Long Answer Questions

1. Discuss in detail the functions, duties, and governance responsibilities of IIBX as laid down in the Bullion Market Regulations, 2025.
2. Explain the eligibility criteria, net worth requirements, and onboarding process for Qualified Jewellers on IIBX.
3. Describe the complete process flow for a Qualified Supplier–LPTM (QS-LPTM), from application to creation and sale of BDRs.
4. Elaborate the structure and components of the IIBX ecosystem. How do these components ensure transparent and secure bullion trading?
5. Discuss the regulatory framework governing the bullion exchange, highlighting the role of IFSCA, IIBX, IIDIL, Vault Managers, and Clearing Corporations.

LIST OF FURTHER READING

- www.ifsc.gov.in