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INDIA INTERNATIONAL BULLION EXCHANGE IFSC LTD.

To,
Qualified Suppliers, Members, India International Depository IFSC Limited (IIDIL), Vault Managers in the IFSC

Subject: Standard Operating Procedures (SOP) for entities to Register as Qualified Suppliers

Pursuant to Consolidated Operating Guidelines for 'Qualified Suppliers' issued by International Financial Services Centres Authority (IFSCA) vide circular no. 415/IFSCA/Consolidated Operating Guidelines/2021-22 dated August 18, 2022, the following Standard Operating Procedures (SOP) are proposed by India International Bullion Exchange IFSC Limited (IIBX) for entities to register as 'Qualified Suppliers'

- a. Any entity who wants to supply bullion on IIBX and who being a body Corporate, i.e. a company, or 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 subject to submitting requisite documentation including Know Your Bullion Depositor (KYBD) form.
 1. A Qualified Supplier can either participate as a Bullion Trading Member by submitting the Know Your Bullion Depositor (KYBD) form.
 2. Qualified Supplier can also participate as a client of a Bullion Trading Member (Qualified Supplier [QS]- Client). QS-Client shall approach a Bullion Trading Member (TM/TCM) for opening a client account by submitting the Know Your Bullion Depositor (KYBD) form to IIBX and requisite Know Your Customer (KYC) and the application forms as specified by the Bullion Trading Member and the India International Depository IFSC Limited (IIDIL). QS-Client can supply bullion as well as trade in Bullion Depository Receipts (BDRs) on IIBX. QS-Client must have a minimum net worth equivalent to US\$ 3 Million as per the latest audited statement.
 3. Further, for the purpose of facilitating the supply of Bullion at India International Bullion Exchange (IIBX), another category of Qualified Supplier has been enabled i.e., Qualified Supplier - Limited Purpose Trading Member (QS-LPTM). QS-LPTM can participate on IIBX without having to set up an establishment, office or a unit – as a branch or subsidiary at International Financial Services Centre (IFSC) subject to meeting the eligibility criteria as specified below. QS-LPTM can only participate on the 'sell' side and are not allowed to buy BDRs on IIBX.

Eligibility Criteria for QS-LPTM:

- b. An entity (the Applicant) seeking QS-LPTM status, shall be required to submit duly filled application form to IIBX in the specified format and opt for QS-LPTM category. This set of QS-LPTM forms and documents along with the supporting documents including Know Your Bullion Depositor (KYBD) form can be obtained through IIBX website (www.iibx.co.in) and can also be obtained by sending an email to membership@iibx.co.in.
- c. QS-LPTM shall also submit requisite documents to India International Depository IFSC Limited to open a demat account for dealing in Bullion Depository Receipts (BDRs).
- d. QS-LPTM shall comply with the 'fit and proper criteria' specified under regulation 52 (2) of the International Financial Services Authority (Bullion Exchange) Regulations, 2020, at all times.
- e. The entity must be engaged in the business of supplying precious metals for at least five years.
- f. The entity must have a minimum net worth equivalent to US\$ 10 Million or equivalent amount as per the latest audited statement. Entity should provide an undertaking on the entity's letterhead to maintain Net worth of \$10 Million at all times.
 - i. "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.
 - ii. 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 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.
 - iii. It may further be noted that net worth of US\$ 10 Million as per its latest audited statement shall be maintained by QS-LPTM at all times and it shall be the responsibility of the 'Qualified Supplier' to report immediately to the Exchange of any shortfall/ non-compliance of minimum net worth requirements. IIBX will suspend the participation of a Qualified Supplier from transacting on IIBX in the event the net worth falls below US\$ 10 Million.
 - iv. Networth certificate for QS-LPTM should be submitted within two months of end of each calendar quarter viz. March, June, September & December every year.

- g. The entity being onboarded as QS-LPTM shall be a member of at least one of the below-mentioned associations / exchanges, for a cumulative and contiguous period of five years:
- London Bullion Market Association (LBMA)
 - CME Group (COMEX)
 - Shanghai Gold Exchange International (SGEI)
 - Dubai Multi Commodities Centre (DMCC)
 - Borsa Istanbul (BIST)
 - Or any other association / exchange as may be specified by International Financial Services Centres Authority (IFSCA) from time-to-time.
- h. QS-LPTM shall maintain a minimum interest-free security deposit of US\$ 100,000.
- i. Based on the documents provided by the applicant, IIBX will scrutinise the application to verify the fulfillment of the eligibility criteria of the applicant. IIBX may seek additional documents wherever considered necessary, including clarifications from the applicant.
- j. QS-LPTM shall have to associate itself with a clearing member for clearing of its transactions. List of clearing members are uploaded under Membership tab on the website of IIBX.
- k. Once the application is approved, an intimation will be sent to QS-LPTM, registering the entity as QS-LPTM of IIBX. QS-LPTM can coordinate with the exchange operations teams at trading.operations@iibx.co.in for setting up the Unique Client Code (UCC) and to understand the IIBX trading system.
- l. The notification of the entities as QS-LPTM and QS-Client of Bullion Trading Members shall be valid unless revoked, subject to the adherence to the conditions mentioned in the August circular (415/IFSCA/Consolidated Operating Guidelines/2021-22) of IFSCA and the above Standard Operating Procedures (SOP) as prescribed by IIBX.
- m. The KYC/AML guidelines or any other guidelines specified by IFSCA and / or IIBX from time to time shall be applicable for Qualified Suppliers.

Process of BDR creation and withdrawal:

- n. Qualified Suppliers may bring their bullion into any of the IIDIL empanelled Vaults operated by IFSCA registered Vault Managers, after completing the customs procedures.
- o. 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.
- p. 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 as prescribed by IIBX from time to time for the creation of BDR.
- q. 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:
 - o Name & address of the beneficial owner.
 - o Details of the IIDIL empanelled vault of IFSCA registered Vault Managers.
 - o Details of the refiner whose markings are engraved on the physical bars.
 - o The serial numbers provided by the refiner and engraved on the physical bars.
 - o The purity of the bar in parts per 1000 viz. 995/1000, 999/1000, 999.9/1000 etc. (as per the purity engraved on the bar).
 - o Weight of the physical bar denominated in grams, kilograms or ounces, as the case may be.
- r. 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.
- s. 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.
- t. The QS-Client can undertake 'buy' as well as 'sell' transactions on IIBX. 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.
- u. Upon execution of the 'sell' trade, the transaction shall be cleared and settled through the Bullion Clearing Member. Bullion Trading Members and / or Bullion Clearing Members as the case may be to ensure that the equivalent US Dollars of Qualified Suppliers are remitted back to their respective bank accounts.
- v. The Bullion Trading Members and / or Bullion Clearing Members, as the case may be, of India International Bullion Exchange IFSC Limited (IIBX) should ensure that daily Statement of Accounts is issued to beneficial owners of BDRs, IIBX and India International Depository IFSC Limited on a daily basis.

w. 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 the BDR and re-materialise BDR into physical bullion of the corresponding specifications through the integrated system of IIDIL and the Vault Managers. The Vault Manager and QS-LPTM shall ensure the removal of bullion from the IFSC designated vaults post such extinguishment of BDRs.

India International Bullion Depository IFSC Limited along with the Vault Managers in the IFSC may further issue Standard Operating Procedure in this regard.

* IIDIL is also written as IIDI (<https://www.iidi.co.in/>)

* Bullion Trading Member and Trading Member are used inter-changeably

* Bullion Clearing Member and Clearing Member are used inter-changeably

For and on behalf of

India International Bullion Exchange IFSC Limited

Authorised Signatory