



Daily News Analysis

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INDIA INTERNATIONAL BULLION EXCHANGE (IIBX)

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Context

- Prime Minister Narendra Modi launched the India International Bullion Exchange (IIBX), a first in the country at Gandhinagar's GIFT city.

About IIBX

- The exchange, which was announced in Budget 2020, will sell physical gold and silver.
- For the first time in India, since the liberalization of gold imports through nominated banks and agencies in the 1990s, the eligible qualified jewellers in India, as notified by International Financial Services Centres Authority (IFSCA), have been allowed to directly import gold through IIBX.
- This reform permits direct participation of qualified jewellers on IIBX for the purpose of importing gold.
- Infrastructural arrangements to store these precious metals have already been made.

Eligibility

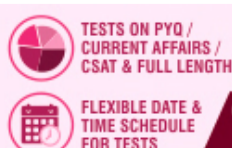
- The exchange will be open for jewellers with a net worth of Rs 25 crore and above to participate.
- NRIs and institutes will also be eligible to participate in the exchange after registering with the International Financial Services Centre Association (IFSCA).



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How will IIBX work?

- Registered jewellers and traders will be able to sell and buy physical gold and silver in the exchange. For this, they will **have to become a trading partner or a client of an existing trading member.**
- A branch or a subsidiary needs to be opened with IFSC for the same. The jewellers who do not have a physical presence in India will also be able to transact the metals, but they will not be allowed to connect with a client under them.
- The exchange is expected to bring transparency to the price-setting mechanism and provide standardization to the financialisation of the bullion in India. It shall also work as a standard-setting tool for the quality of the bullion.

What will be traded at the exchange initially?

- In the early stage, gold 1 kg with 995 purity and gold 100 grams with 999 purity will be traded with a settlement period of T+0. Further, the exchange is expected to extend the settlement period to T+2 days.

Significance of IIBX

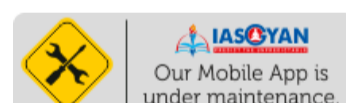
- India is a leading importer of the metal and imported 1,069 tonnes of gold in 2021, up from 430 tonnes a year ago. The yellow metal is tightly regulated in the country and currently only nominated banks and agencies approved by the Reserve Bank of India can import gold and sell to dealers and jewellers across the country.
- India is the **world's second biggest consumer of gold** and the **move to set up the IIBX is seen as India's effort to bring transparency to the market for the precious metal.** Moreover, setting up of IIBX could lead to standard gold pricing in the country and make it easier for small bullion dealers and jewellers to trade in the precious metal.
- IIBX **will facilitate efficient price discovery with the assurance of responsible sourcing and quality,** apart from giving impetus to the financialisation of gold in India. It will **empower India to gain its rightful place in the global bullion market and serve the global value chain with integrity and quality.**

GIFT CITY

Gujarat International Finance Tec-City (GIFT City) is **India's first operational greenfield smart city and international financial services center,** which the Government of Gujarat promoted as a greenfield project. The city is **located on the banks of the Sabarmati River.**

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