

Bullion Bulletin in partnership with World Gold Council (WGC) and MMTC-PAMP India organized "India Gold Forum" at The Leela Palace, Chennai on January 23, 2016. Association of Gold Refineries and Mints, Indian Association of Hallmarking Centre and the Madras Jewellers and Diamond Merchant's Association supported the forum. Senior executives from BIS, India Government Mint, WGC, SBI, IOB, ICICI Bank, Scotia Bank, Edelweiss Metals, Shirpur Refinery, Gujarat Gold Centre, J J House, India Gold Policy Centre IIM(Ahmedabad) and GJF (complete list of speakers and panellists in the annexure) participated in the brainstorming, the outcome of which is presented in the subsequent pages.

The challenges and solutions were presented in three groups- Technical Challenges, Operational Challenges and Growth / Business Challenges.

We humbly request you to go through the suggestions and consider them for necessary actions.

### A. Technical challenge

#### Statement of the problem

Gold jewellery, and to some extent gold coins, have a propensity for gold purity dilution / contamination with PGM elements such as Ruthenium, Iridium and Osmium. Unlike gold that melts at 1064°C, these trace elements have very high melting point (over 2000°C), hence are distributed randomly in the article. Sampling for fire assay can easily miss the PGM content; also operator skills are critical to establish presence of such elements in the fortuitous event the sample does contain PGM. However, high end XRF can detect the presence of PGM trace elements, provided a set pattern of XRF positioning is established through field trials for such random detection. Once detected, the only way to eliminate such elements is through initial aqua regia process, followed by electro-refining to achieve 9999 gold purity

BIS specifies IS 1418 (2009) -*Determination of gold in gold bullion, gold alloys and gold jewellery /artefacts - cupellation(fire assay) method*-states that if the sample contains PGM, the accuracy and precision cannot be achieved.

(refer <https://law.resource.org/pub/in/bis/S10/is.1418.2009.pdf>).

#### Impact:

Where jewellery contains PGM elements, its gold content measured using fire assay at CPTCs gets overstated (to the extent of PGM trace elements). Final recovery at the refinery would be lower. Hence refiners assay must be treated as final, which is also the global practice.

### Solutions proposed:

#### Short-term:

1. The gold content in the gold deposited by a customer should be based on the final recoveries achieved at the refinery (globally accepted practice) and not based on fire assay results of CPTCs.
2. Alternatively, CPTCs should be equipped with high-end XRFs (each would cost upwards of Rs. Fifty lakhs), have a set of Calibrated Reference Materials (CRMs), establish proficiency and develop the competency to detect and quantify these trace elements, and make suitable adjustments. Even then such result can only be treated as a provisional result.

#### Medium to Long-term:

3. BIS should develop guidance and standards for dealing with it, not only for GMS but also for its current hallmarking programmes. There is a widespread usage of these elements even in locally produced bullion bars.
5. Expertise of international organisations and institutions can be sought for hastening the process.

### B. Operational challenges

Statement of problem:

1. The cost of moving gold from collection point to refineries can be economical for a certain minimum quantity. Whereas such costs are part of the 1.5% allocated by RBI to Banks, they can vary dramatically, depending on location.

Solution: Centers be permitted to accumulate a minimum quantity of say 500 gm before moving to refineries, or quantity accumulated up to 15 days, whichever is earlier.

2. While tri-partite agreement or bi-partite agreements have been conceptualized, Banks have to address risk exposure to CPTCs and/or Refineries. The scheme also provides for both refiners and CPTCs to work with multiple banks. This poses additional challenge to bank in assessing cumulative risk exposure for a single party.

Solution: An online system that tracks the cumulative exposure of CPTCs and Refiners should be created. Banks need to issue guideline on security requirement based on the size of exposure and entity specific risks.

3. Temples are eager to deposit gold under GMS. However, most of them want their gold back, which is feasible only under a Short-term Gold Deposit option (less than 3 years). However, the interest rate in the STGD is a Bank prerogative, and has yet to be announced. This is limiting ability of temple trusts to participate in the GMS..

Solution: Repayment option in gold for any deposit made by a temple trust, irrespective of tenure of deposit, needs to be permitted.

## Gold Monetisation Scheme- Outcome of the brainstorming session

4. Inter-state movement of deposited gold for refining and subsequent vaulting may attract VAT or other local levies. Movement of gold under GMS needs to be treated on par with movement of currency for taxation purposes.

Solution: Movement of gold deposited under GMS from CPTCs to Refineries and from Refineries to Bank or custodian's vaults should be on par with movement of currency.

### C. Growth / Business challenges

#### Problem statement

1.The scheme does not envisage a role for BIS approved jewellers in mobilisation of deposits from customers. There are about 13,000 BIS certified jewellers in the country.

#### Solution:

In the first phase, permit all 13,000 BIS certified jewellers to mobilise their own hallmarked jewellery for deposits. The jeweler can deposit pure gold (based on the fine weight) equivalent to the fine gold content in the jewellery and Bank can credit the charges it would otherwise pay the refiner. GJF has proposed the scheme and has taken the responsibility of educating its eligible association members and integrating them into the process, if provided with an opportunity. The Federation would also carry out the KYC of all customers that deposit gold under the scheme.

## Gold Monetisation Scheme- Outcome of the brainstorming session

2. The capacity of banks to deal with metal needs to be enhanced and incentivised.

Solutions proposed:

Direct incentive such as priority financing benefits to the extent of value of gold deposits mobilised should be extended to Banks.

3. Gold Monetisation Scheme is a very new concept for the country. There are at least four stakeholders in the system besides government and the customer. Awareness level needs to be created at various levels. Awareness at Banks, Refiners and CPTCs level could be created through workshops, associations, newsletters and so on. The biggest challenge would be to win the confidence of the customer who would deposit his / her gold.

Solution:

Government should run a series of awareness campaign using mass media to mobilise positive opinion about the GMS. This would infuse highest level of trust among the customers and would motivate them to deposit their gold. Mass-media campaign for Sovereign Gold Bond Scheme is a classic example of government promoting the scheme. Similar initiative from the Government at least in the initial years is needed for GMS.

## **Gold Monetisation Scheme- Outcome of the brainstorming session**

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### **Annexure: List of Speakers at India Gold Forum, The Leela Palace, Chennai, 22-23 January, 2016**

**Mr P R Somasundaram, MD- India, World Gold Council**

**Prof Arvind Sahay, Dean (Alumni and External Relations) and Member, India Gold Policy Centre-IIMA**

**Mr Rahul Kumar, DDG (Hallmarking), BIS**

**Mr Harshad Ajmera, President, Indian Association of Hallmarking Centre (IAHC)**

**Mr Anil Kansara, Director, Gujarat Gold Centre**

**Mr Rajesh Khosla, MD, MMTc PAMP**

**Mr James Jose, MD, Chemmanur Gold Refinery Pvt. Ltd.**

**Mr V K Agarawal, Director, Shirpur Gold Refinery**

**Mr Pradeep Nagori, Senior VP, Precious Metals, Edelweiss Metals Ltd.**

**Mr Bhargava Vaidya, BN Vaidya & Associates**

**Mr Sreedhar G V, Chairman, GJF**

**Mr. Chirag Seth, Head, Asia, Metal Focus**

**Ms Neerja Nigam, DGM-Precious Metals, State Bank of India**

**Mr K Parthasarathy, GM- (Treasury & International), Indian Overseas Bank**

**Mr Johnson Lewis, MD- Head of Sales & Trading, Scotia Bank**

**Mr Raghav Singhal, GM- Global Markets Group, ICICI Bank**

**Mr Sanjiv S Patil, Siddhivinayak Temple, Mumbai**

**Mr. Babu Emmanuel, Original Kerala Jewellery**

**Mr. Gorakh Nath Yadav, Manager, Technical, India Government Mint- Mumbai**