

Speech of Chairperson IFSCA at the India Gold Conference held in Jaipur on

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2. Distinguished delegates, ladies and gentlemen, I am happy to be here today, even though virtually, at the India Gold Conference organized by IBCA and Eventell Global. I understand that over 400 delegates are participating in this event (majority in person and around 30 percent in virtual mode). It is encouraging to note that a large number of technical sessions have been planned with more than 40 speakers. Moreover, with the presence of all prominent stakeholders, such as bullion banks, non-banking overseas entities, refineries, bullion dealers and jewelers, Indian banks and exchanges, it provides an ideal platform to discuss and come up with recommendations on various issues relating to the industry, as well as the larger ecosystem, including the policy and regulatory landscape.

3. In India when you refer to gold you are not really referring to a commodity or even a precious metal. In India gold means many things. For the people and society at large, gold is closely associated with their customs, rituals, culture, tradition and financial security. In short, gold is an important part of the way of life of every ordinary Indian.

4. Gold is also an important part of our economy. The gold industry size is estimated at around 6.5 lakh crore (90 billion dollar). It gives employment to over 6 million people and contributes to around 15% of merchandise export from India. Being a gold centric country, the industry is growing at over 15% CAGR for the last 5 decades. India accounts for 25% of global consumption of gold. We have 25,000 tonnes of above ground stock, which is held by household and institutions. This is more than what central banks of the USA, Europe, China and Japan together hold.

5. Hence there are enough reasons why India should play a major role in the international gold market. All this while we have played a relatively passive role and have been price takers for a variety of reasons, but I can now state with

confidence that this would soon be a matter of past, as we are poised to move towards the centre stage.

6. Of course, there are a number of issues which have to be looked at and addressed. It is encouraging to know that the Government has been taking a lot of measures in the last 5 - 6 years to address some of the issues. When it comes to gold policy, it is a very complex matter. There is not only a macro-economic dimension, but also a high degree of public sensitivity. Therefore, the Government has to have a very comprehensive and yet calibrated approach while dealing with gold. Ever since independence there have been restrictions around gold starting with the Foreign Exchange Regulation Act restrictions on import and export of gold coins and bullion through to Gold Control Acts of 1962 and 1968 and post financial crises (2007-08) restrictions by way of import canalization, tariff hikes etc., We have been trying to control import of gold because it is second largest item of import (next to oil) amounting to USD 50 billion plus annually. The current account deficit on account of gold raises several risks such as exchange risks, inflation risk etc., which has led to such policies.

7. Given the huge above ground stock of gold (around 25,000 tonnes) there is a potential to leverage it to transform the gold sector and contribute to economic

growth, employment and financial stability. We still cannot forget the 1990 crisis when 40 tonnes of gold to be pledged to England to raise money to repay external debt. So gold can also act as a Hedge against crises. Today, it contributes to 1.5% of the GDP, which can be doubled with Make in India and other initiatives.

8. When we look at our gold sector, bulk of it in the unorganized sector, the challenge is to bring it to organized sector by building up the necessary ecosystem. The Ratan Watal committee in its 2018 report made several recommendations, including Make in India, financialization of gold, tax and duty rationalization, robust regulatory architecture, and skill development and technology upgradation.

9. Today, our sources of gold are essentially imports (89%) with recycled gold accounting for hardly 10% and mining 1%. With respect demand side, 73% goes to Jewelry and 7% to gold coins, ETF accounts hardly 3%. The bulk of demand comes from rural areas, around 60%. In 2015, the Government came up with a gold monetization scheme, which includes gold deposit scheme and gold metal loan scheme. It also introduced India gold coin scheme. However, these didn't meet with much success because of several issues; one of the major issues is the reluctance of the Indian household to part with the family jewelry because of sentimental attachment.

10. We are hopeful that the household behavior in this regard can be changed by promoting financialization of gold, especially among young generation by promoting ETF, gold saving account etc.,

11. We are also very much cognizant of fact that gold can be abused to carry out illicit activities and therefore the Government attaches highest importance to Anti-Money Laundering measures and countering terrorist financing. We are a full member of FATF and are fully committed to responsible sourcing of gold irrespective of whether it is mined gold or recycled gold, both upstream and downstream. In fact, sometime back, Bureau of Indian Standard came up with the India Good Delivery standard for gold and we are confident that shortly they would also introduce OECD recognized responsible sourcing accreditation programme. I would also like to mention that India is fully committed to UN principle for Business and Human Rights and UN Sustainable Development Goals and in 2019, our Prime Minister released the National Guidelines for Responsible Business Conduct, which among others, emphasizes on business to be conducted with integrity and in a manner that is ethical, transparent and accountable.

12. Finally coming to International Bullion Exchange, we are happy that a consortium of reputed Market Infrastructure Institutions have established the International Bullion Exchange at GIFT IFSC and we are in readiness to commence operations very soon. I am confident that this exchange will trigger large scale reforms in the gold sector and enable India to play a pivotal role in the international bullion market. I see it as a means to better price discovery, which will make India price influencer. It will also address issue of supply chain integrity, quality assurance, standards, and financialization of gold. In due course, it is expected to also led to rationalization of duties, two way trade and the GIFT IFSC to emerge as a global hub for refineries and vaults as well.

13. With these words, I thank the organisers for giving me this opportunity and wish the conference all success.
