



CIRCULAR

F. No. IFSCA-DMCOMSD/1/2024-Dept. of Metals and Commodities/01

April 22, 2025

To,

Vault Managers in the International Financial Services Centre (IFSC)

Bullion MIIs in the IFSC

All market participants on the Bullion Exchange in the IFSC

Dear Sir/Madam

Subject: Clarification on conducting Customer Due Diligence (CDD) and Maintenance of Supply Chain Integrity by the Vault Managers

1. This has reference to the following:

- a. Conducting CDD by the regulated entities under the IFSCA (Anti Money Laundering, Counter Terrorist-Financing and Know Your Customer) Guidelines, 2022 (hereinafter referred to as 'IFSCA (KYC/AML-CFT) Guidelines') dated October 31, 2022; and
- b. Maintenance of Supply Chain Integrity as referenced in the IFSCA Circular on *Operating Guidelines on Bullion Exchange, Bullion Clearing Corporation, Bullion Depository and Vault Manager* dated August 25, 2021 (hereinafter referred to as 'Bullion Guidelines').

2. In this regard, the clarification on the aforementioned aspects is as follows:

A. Conducting CDD by the Vault Manager under the IFSCA (KYC/AML-CFT) Guidelines-

- a. Vault Manager is a 'regulated entity' under the IFSCA KYC/AML-CFT Guidelines, thus, in accordance with the said guidelines, they shall conduct appropriate due diligence of customers who are the ultimate beneficial owners of the Bullion Depository Receipts (BDRs).

Explanation: For removal of doubts, it is hereby clarified that, the above requirement shall be applicable for all customers such as suppliers or buyers located overseas, within the GIFT-IFSC, or in the domestic territory (such as Qualified Jewellers/valid India- UAE CEPA TRQ holder), or members of the Bullion Exchange.

- b. The Vault Manager may coordinate with the bullion depository to ensure that the complete records of all the customers including duly verified due diligence documents are made available as and when requested.
- c. Notwithstanding anything contained above, the Vault Manager may place reliance on the CDD conducted by the Bullion Depository, subject to the provisions of IFSCA KYC/AML-CFT Guidelines. However, such reliance shall not absolve the Vault Manager

from its regulatory obligation to undertake an independent due diligence and assessment of all customers being onboarded for the purpose of engaging in transactions on the Bullion Exchange.

- d. The Vault Manager shall enter into agreements with partner logistics service providers located overseas, the terms of such agreements shall expressly stipulate that the said logistics service providers shall be obligated to undertake CDD in respect of the suppliers of the Bullion being transported, in accordance with the applicable guidelines issued by the Financial Action Task Force (FATF) or the regulatory framework of the jurisdiction from where the supplier is transacting, whichever is stringent.

B. Maintenance of Supply Chain Integrity during the Supply of Bullion by Vault Manager:

The compliance of the following requirements shall be deemed/treated as Maintenance of Supply Chain Integrity under the Bullion Guidelines: -

- a. *The Vault Manager shall ensure the integrity of the supply chain in respect of Bullion sourced from the jurisdiction of origin. At no stage the Bullion shall exit the custody of the Vault Manager or its authorised partner logistics service provider; and the Vault Manager shall incorporate such requirement in their formal contractual arrangements.*
 - b. *Such contractual arrangements shall ensure that the Bullion once procured by the supplier from the overseas refinery, remains continuously within the custody of either the authorised partner logistics entity or any other authorised entity engaged in the collection, storage, transportation, and delivery of the said Bullion. This custodial chain shall remain intact throughout the entire delivery lifecycle until the Bullion is duly received and vaulted by the Vault Manager.*
3. The responsibility of compliance of clause (2) of this circular, by the Vault Manager, shall be ensured by the Bullion Depository.
 4. This Circular has been issued in exercise of the powers conferred under section 12 and 13 of the International Financial Services Centres Authority Act, 2019 r/w Regulation 76 of the International Financial Services Centres Authority (Bullion Market) Regulations, 2025 and this Circular shall come into immediate effect.
 5. A copy of this circular is available on the website of the International Financial Services Centres Authority at www.ifsc.gov.in at "Legal->Circulars".

Yours faithfully

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