



CONSULTATION PAPER ON PROPOSED IFSCA (BULLION MARKET) REGULATIONS, 2024

Objective

1. The objective of this paper is to seek comments from the public on the draft IFSCA (Bullion Market) Regulations, 2024.

Statement of Object and Reasons

2. The purpose of the proposed IFSCA Bullion Market Regulations, 2024 (**Bullion Market Regulations**) is to provide the revised regulatory framework for the bullion market ecosystem in the international financial services centres ("IFSC") in India and to ensure the growth and development of the bullion market ecosystem in IFSC and in India at large.

Background

3. The IFSCA (Bullion Exchange) Regulations, 2020 (**Bullion Regulations**) were notified on December 04, 2020. Further, the amendments to the IFSCA (Bullion Exchange) Regulations were notified on July 05, 2021, which, among other things, introduced Regulation 59 to make applicable the IFSCA (Market Infrastructure Institutions) Regulations, 2021 (**MII Regulations**), in case of any conflict or inconsistency on the same subject matter, with the Bullion Regulations.
4. Thus, regulation 59 has created a need for cross-reference to the MII Regulations for the necessary regulations related to Bullion market in IFSC.

Review of Bullion Regulations



5. Previously, IFSCA has initiated the process of review of the Bullion Regulations by seeking suggestions from public and regulated entities, as part of public consultation. A press release in this regard was issued on October 30, 2023. The various comments received from the public consultation have been reviewed and suitably incorporated, to the extent possible, in the proposed Bullion Market Regulations.
6. Over and above the comments of the public consultation, the proposed Bullion Market Regulations have been drafted drawing necessary reference from the existing MII Regulations and relevant Committee reports and regulations of SEBI.
7. Based on the review of the existing Bullion Regulations and the various amendments that are required to bring in consistencies with the other equivalent regulations in IFSC, it is being considered that the extant Bullion Regulations may be replaced by the proposed Bullion Market Regulations.

Regulatory Objective and expected impact

8. In the Union Budget for FY 2023-24, the Hon'ble Union Finance Minister announced that:
“To simplify, ease and reduce cost of compliance, financial sector regulators will be requested to carry out a comprehensive review of existing regulations. For this, they will consider suggestions from public and regulated entities....”
9. The proposed Bullion Market Regulations aims to provide a comprehensive set of regulations for the growth and development of the bullion market ecosystem in IFSC. It is also expected to promote ease of doing business for the market players.
10. The regulatory objective is to ensure that the bullion market ecosystem in IFSC is regulated and governed in an orderly and efficient manner. The aim is to bring out a comprehensive and detailed set of regulations for a more transparent ecosystem in IFSC.



Public Comments

11. In view of the above, comments and suggestions from the public are invited on the proposed IFSCA Bullion Market Regulations, 2024 contained in **Annexure-I**. The comments may be sent by email to **Shri Ramaneesh Goyal**, Deputy General Manager at ramaneesh.goyal@ifsc.gov.in with subject line “**Comments on draft IFSCA (Bullion Market) Regulations, 2024**” latest by **September 20, 2024**.

12. The comments should be provided in the following format:

Name and Designation					
Contact no. and Email Address					
Name of Organization					
S No.	Regulation No./ Sub-Regulation No.	Text of Regulation/ Sub-Regulation	Suggestion	Detailed Rationale	Other supporting information*



Annexure - I

INTERNATIONAL FINANCIAL SERVICES CENTRES AUTHORITY NOTIFICATION

Gandhinagar, _____

INTERNATIONAL FINANCIAL SERVICES CENTRES AUTHORITY (BULLION MARKET) REGULATIONS, 2024

No. _____.—*In exercise of the powers conferred by sub-section (1) of section 28 read with sub-section (1) of section 12 and sub-section (1) of section 13 of the International Financial Services Centres Authority Act, 2019, the International Financial Services Centres Authority hereby makes the following regulations to provide a framework for recognition of bullion exchanges, bullion clearing corporations, bullion depositories and vaults and matters connected therewith or incidental thereto, namely: —*

CHAPTER I PRELIMINARY

Short title and commencement

1. (1) These regulations may be called the International Financial Services Centres Authority (Bullion Market) Regulations, 2024.
(2) They shall come into force on the date of their notification in the Official Gazette.

Definitions

2. (1) In these regulations, unless the context otherwise requires, the terms defined herein shall bear the meanings assigned to them below, and their cognate expressions shall be construed accordingly:—
 - (a) “Act” means the International Financial Services Centres Authority Act, 2019 (50 of 2019);
 - (b) “associate” in relation to a person shall include another person:
 - (i) who, directly or indirectly, by himself, or in combination with other persons, exercises control over the first person;
 - (ii) who holds control of at least twenty percent of the total voting power of the first person;



- (iii) who is a holding company or a subsidiary company of the first person;
 - (iv) who is a relative of the first person;
 - (v) who is a member of a Hindu Undivided Family wherein the first person is also a member;
 - (vi) such other cases where the Authority is of the view that a person shall be considered as an associate based on the facts and factors including the extent of control, independence and conflict of interest
- (c) “Authority” means the International Financial Services Centres Authority established under sub- section (1) of section 4 of the Act;
- (d) “banking company” shall have the same meaning as assigned to it in clause (c) of section 5 of the Banking Regulation Act, 1949 (10 of 1949) or a banking company incorporated under a foreign jurisdiction;
- (e) “beneficial owner” in relation to a bullion depository receipt means a person whose name is recorded as such with a bullion depository;
- (f) “bullion” shall mean precious metals including gold, silver or any other precious metal in the form of bars or unallocated gold, silver, or such other precious metals, as the Authority may consider relevant in this regard, relating to good delivery, quality, quantity, and any other aspect in relation to bullion trading, from time to time;
- (g) “bullion clearing corporation” means a Financial Institution under clause (c) of sub-section (1) of section 3 of the Act, recognised by the Authority under these regulations, to undertake the activity of clearing and settlement of trades on a recognized bullion exchange and includes a clearing house
- (h) “bullion clearing member” means a person having clearing rights in any recognised bullion clearing corporation and as such registered by the Authority;
- (i) “bullion contract” means a contract for the purchase and sale of bullion, bullion depository receipts or such other bullion products, including derivatives on bullion, bullion spot delivery contracts, and such other contracts as may be permitted by the Authority;
- (j) “bullion depository” means a Financial Institution under clause (c) of sub-section (1) of section 3 of the Act, recognised by the Authority under these regulations, to carry on depository business in bullion in an International Financial Services Centre;
- (k) “bullion depository receipt” means a receipt issued in electronic form with underlying bullion by a bullion depository, under these regulations, to a



depositor on receipt of bullion for storage by an empanelled vault, which can be traded on any recognised bullion exchange;

- (l) “bullion exchange” means a Financial Institution under clause (c) of sub-section (1) of section 3 of the Act, established and recognised for the purpose of assisting, regulating and controlling bullion contracts in an International Financial Services Centre;
- (m) “bullion market” includes the bullion exchanges, bullion clearing corporations, bullion depositories, vaults, bullion contracts dealt therein, and any other persons involved therein;
- (n) “bullion trading member” means a person having trading rights in any bullion exchange;
- (o) “company” means a company as defined in section 2 of the Companies Act, 2013 and shall include a company incorporated in a foreign jurisdiction;
- (p) “consumer” means a constituent of a bullion trading member or a special category client as mentioned in the circulars issued by the Authority from time to time.’
- (q) “control” includes the right to appoint majority of the directors or to control the management or policy decisions exercisable by a person or persons acting individually or in concert, directly or indirectly, including by virtue of their shareholding or management rights or shareholders agreements or voting agreements or in any other manner.

Provided that a director or officer of a target company shall not be considered to be in control over such target company, merely by virtue of holding such position;
- (r) “depositor” means a consumer who delivers bullion to the vaults empanelled with any bullion depository for storage;
- (s) “good delivery standard” means the quality or standard of bullion as notified by the Bureau of Indian Standards or any other entity as may be determined by the bullion exchange;
- (t) “governing body” means the board of directors of a recognised bullion exchange or a recognized bullion clearing corporation or a bullion depository;
- (u) “insurance company” shall have the same meaning as assigned to it in sub-section (8) of section 2 of the Insurance Act, 1938 (4 of 1938) or an insurance company incorporated under a foreign jurisdiction;
- (v) “key management personnel” shall include
 - (i) any person appointed as the managing director or executive director; or



- (ii) a person serving as the head of a department or vertical and directly reporting to the managing director or to the directors on the governing board of the recognised bullion exchange or recognised bullion clearing corporation or bullion depository; or
 - (iii) a person serving as the head of a core function as specified under Part C of Schedule-I of these regulations; or
 - (iv) a person who stands higher in hierarchy to the head of any department(s) handling core function(s) in the recognised bullion exchange or recognised bullion clearing corporation or depository; or
 - (v) reporting officials of key management personnel; or
 - (vi) any person defined as “key managerial personnel” under the Companies Act, 2013; or
 - (vii) any other person who is a key decision-making authority at the level of the recognised bullion exchange or recognised bullion clearing corporation or bullion depository or its direct or indirect material subsidiaries, as identified by the managing director or its Nomination and Remuneration Committee.
- (w) “netting” means the determination by bullion clearing corporation of net payment or delivery obligations of the bullion clearing members of a bullion clearing corporation by setting off or adjustment of the inter- se obligations or claims arising out of buying and selling of securities traded on bullion exchange, including the claims and obligations arising out of the determination by the bullion clearing corporation or bullion exchange, on the insolvency, winding-up, liquidation or resolution of any bullion clearing member or bullion trading member or client or such other circumstances as the bullion clearing corporation may specify in its bye-laws, of the transactions admitted for settlement at a future date, so that only a net claim be demanded, or a net obligation be owed;
- (x) “net worth” means the aggregate value of paid up equity share capital plus share premium account and free reserves (excluding statutory funds, benefit funds and reserves created out of revaluation) reduced by the investments in businesses, whether related or unrelated, aggregate value of accumulated losses and deferred expenditure not written off, including miscellaneous expenses not written off;
- (y) “non-independent director” means a director elected or nominated by the shareholders who are neither bullion trading members nor bullion clearing members, as the case may be, or their associates and agents;
- (z) “novation” means the act of one or more bullion clearing corporations



interposing between the parties of every trade, so as to be a legal counterparty;

- (aa) “participant” means a bullion depository participant registered as such under these regulations;
- (bb) “public” includes any member or section of the public but does not include any bullion trading member or bullion clearing member or their associate and agents;
- (cc) “public financial institution” shall have the same meaning as assigned to it in sub-section (72) of section 2 of the Companies Act, 2013;
- (dd) “public interest director” means an independent director representing the interest of investors or traders or customers of securities traded on bullion exchange and who is not having any association, directly or indirectly, which in the opinion of the Authority, is in conflict with his role;
- (ee) “recognised bullion clearing corporation” means a bullion clearing corporation which is recognised by the Authority under section 4 read with section 8A of the Securities Contracts (Regulation) Act, 1956 (42 of 1956);
- (ff) “recognised bullion exchange” means a bullion exchange which is recognised by the Authority under section 4 of the Securities Contracts (Regulation) Act, 1956 (42 of 1956);
- (gg) “records” or “documents” include records or documents maintained in physical form or as an electronic record as defined under clause (t) of sub section (1) of section 2 of the Information Technology Act, 2002 or in such other form as may be specified by the Authority;
- (hh) “registered owner” in relation to bullion depository receipt means a bullion depository whose name is entered as such in the register of the vault manager;
- (ii) “regulations” means International Financial Services Centres Authority (Bullion Exchange) Regulations, 2020, as may be amended from time to time;
- (jj) “regulatory department” means a department of a bullion exchange or a bullion clearing corporation or a bullion depository which is entrusted with regulatory powers and duties and includes such department as may be specified by the Authority;
- (kk) “rules” means the Securities Contracts (Regulations) Rules, 1957;
- (ll) “vault” means any premises wherein the vault manager takes custody of the bullion deposited by the depositor and includes a place for storage as approved by Authority;
- (mm) “vaulting business” means the business of establishing and



maintaining vaults for storage of bullion;

(nn) “vault manager” means a person registered by the Authority who manages the vault empanelled by a bullion depository for carrying on the vaulting business.

3. Words and expressions used and not defined in these regulations but defined in the Act or Acts mentioned in the First Schedule to the Act or any rules or regulations made thereunder shall have the same meanings respectively assigned to them in those Acts, rules or regulations made thereunder or any statutory modification or re-enactment thereto, as the case may be.

CHAPTER II

RECOGNITION OF BULLION EXCHANGE AND BULLION CLEARING CORPORATION

Application for recognition of bullion exchange and bullion clearing corporation

4. (1) No person shall conduct, organise or assist in organising any bullion exchange or bullion clearing corporation unless such person has obtained recognition from the Authority in accordance with these regulations.
- (2) An applicant which is desirous of being recognised as a bullion exchange or bullion clearing corporation shall submit an application to the Authority in the form and manner, and shall be accompanied by the fee, as may be specified by the Authority.
- (3) Every application under sub-regulation (2) shall contain such particulars as may be specified, and shall be accompanied by the copy of the memorandum of association, articles of association, bye-laws and other documents for the regulation and control of bullion contracts and also a copy of the rules relating in general to the constitution of the bullion exchange or the bullion clearing corporation, and in particular, to:
- (a) the governing body of such bullion exchange or bullion clearing corporation, its constitution and powers of management and the manner in which its business is to be transacted;
 - (b) the powers and duties of the office bearers of the bullion exchange or bullion clearing corporation;
 - (c) the admission into the bullion exchange or bullion clearing corporation of various classes of members, the qualifications for membership, and the exclusion, suspension, expulsion and re-admission of such members;



(d) such other matter(s) as may be specified by the Authority.

Consideration of grant of recognition to a bullion exchange or bullion clearing corporation

5. (1) An applicant seeking recognition as a bullion exchange or bullion clearing corporation, as the case may be, shall comply with the following conditions, namely:-

- (a) the applicant is a company limited by shares;
- (b) the applicant is demutualized;
- (c) the applicant, its directors and its shareholders who hold or intend to hold shares, who are fit and proper persons as specified in these regulations;
- (d) the applicant satisfies the requirements relating to ownership and governance structure specified in these regulations;
- (e) the applicant satisfies the net worth requirements specified in these regulations;
- (f) the applicant has the requisite capability including its financial capacity, functional expertise and infrastructure.

Explanation: - For the purposes of the sub-clause (b) of this regulation, the term “demutualised” means that the ownership and management of the applicant is segregated from the trading rights or clearing rights, as the case may be, in terms of these regulations.

(2) An applicant seeking recognition as a bullion exchange shall, in addition to the conditions as specified in sub-regulation (1), comply with the following conditions, namely:-

- (a) the applicant has the necessary infrastructure for the orderly execution of trades;
- (b) the applicant has an online screen-based trading system;
- (c) the applicant has an online surveillance capability which monitors positions, prices and volumes in real time so as to ensure market integrity;
- (d) the applicant has adequate infrastructure to list bullion depository receipts for trading on its platform, wherever applicable;



- (e) the applicant has necessary capability to have a comprehensive network of bullion trading members and has adequate facility to admit and regulate its members;
- (f) the applicant has made necessary arrangements to establish connectivity with its bullion trading members and bullion clearing corporation;
- (g) the applicant has adequate consumer grievance redressal mechanism and arbitration mechanism to resolve disputes arising out of trades and its settlement;
- (h) the applicant has the facility to disseminate information about trades, quantities and quotes in real time to at least two information vending networks which are accessible to consumers;
- (i) the applicant has adequate systems' capacity supported by a business continuity plan including a disaster recovery site;
- (j) the applicant has in its employment, sufficient number of persons having adequate professional and other relevant experience; and
- (k) any other conditions as may be specified by the Authority.

(3) An applicant seeking recognition as a bullion clearing corporation shall, in addition to the conditions as specified in sub-regulation (1), comply with the following conditions, namely:-

- (a) the applicant has necessary infrastructure to ensure timely clearing and settlement of trades;
- (b) the applicant has an adequate risk management mechanism;
- (c) the applicant has a settlement procedure including netting, novation and guarantee for settlement of trades in place, which is in accordance with the manner specified by the Authority;
- (d) the applicant has the capacity to establish a fund to guarantee settlement of trades;
- (e) the applicant has necessary capability to have a wide network of bullion clearing members and adequate facility to admit and regulate its members;
- (f) the applicant has established connectivity with bullion depository, clearing banks, bullion exchange and bullion clearing members;
- (g) the applicant has adequate systems' capacity for on-line/real time risk management of trades cleared and settled and is supported by



- a suitably business continuity plan including a disaster recovery site;
- (h) the applicant has in its employment, sufficient number of persons having adequate professional and other relevant experience to the satisfaction of the Authority;
 - (i) the applicant has the necessary arrangements in place for resolving disputes and redressal of grievances arising out of clearing and settlement of trades;
 - (j) the applicant has an agreement with a bullion depository and with a recognised bullion exchange in respect of clearing and settlement of the trades; and
 - (k) any other conditions as may be specified by the Authority.

(4) The Authority may, on being satisfied with the capability of the applicant to comply with the conditions laid down in this regulation, grant in-principle approval to the applicant which shall be valid for a period of one year.

Provided that the Authority may, upon sufficient cause shown by the applicant, extend the validity of in-principle approval for a further period not exceeding six months or any other period as specified by the Authority.

Power to make inquiries and call for information

6. The Authority may, before granting recognition to a bullion exchange or bullion clearing corporation, make inquiries and require such further information or document to be furnished, as it may deem necessary.

Grant of recognition to a bullion exchange or bullion clearing corporation

7. (1) The Authority may, after considering the application and on being satisfied that the applicant has complied with the conditions laid down in regulation 5 and is eligible to act as a recognised bullion exchange or a recognised bullion clearing corporation, as the case may be, grant recognition to the applicant in terms of section 4 of the Securities Contracts (Regulation) Act, 1956 (42 of 1956).

(2) The recognised bullion exchange and the recognised bullion clearing corporation shall comply with such other conditions as may be imposed by the Authority from time to time.

Period of recognition



8. (1) The period of recognition granted to a bullion exchange shall be as per rule 6 of the rules.
- (2) The recognition granted to a bullion clearing corporation, unless granted on a permanent basis, shall be for such period not less than one year as may be specified by the Authority.

Renewal of recognition

9. (1) The provisions of these regulations, as applicable to the grant of recognition to a bullion exchange or bullion clearing corporation shall also apply to in relation to an application for renewal of recognition of a recognised bullion exchange and a recognised clearing corporation.
- (2) The recognised bullion exchange and a recognised bullion clearing corporation shall comply with the applicable conditions specified in sub-regulation (2) and sub-regulation (3) of regulation 5, as the case may be, on a continuous basis.

Withdrawal of recognition

10. The recognition granted to a bullion exchange or a bullion clearing corporation may be withdrawn in the manner provided under Section 5 of the Securities Contracts (Regulation) Act, 1956 (42 of 1956).

Code of conduct for recognised bullion exchange and recognised bullion clearing corporation

11. A recognised bullion exchange and recognised bullion clearing corporation shall abide by the Code of Conduct as specified under Part-A of Schedule-I of these regulations.

CHAPTER III

FUNCTIONS OF BULLION EXCHANGE

Clearing and settlement of trades

12. Every recognised bullion exchange shall, with effect from the date of the commencement of operations as a bullion exchange, use the services of recognised bullion clearing corporation for clearing and settlement of its trades.

Agreement between bullion exchange and bullion clearing corporation

13. (1) Subject to the provisions of sub-regulation (2), a recognised bullion



exchange shall avail the services of a recognised bullion clearing corporation pursuant to an agreement in writing between them stipulating their rights and obligations, the conditions for admission of securities for clearing and settlement, risk management measures, charges for clearing and settlement and other incidental and consequential matters.

(2) The recognised bullion exchange shall extend its arbitration mechanism for settlement of disputes or claims arising out of clearing and settlement of trades executed on such bullion exchange.

Functions of the bullion exchange

14. (1) Subject to the provisions of these regulations, it shall be the duty of the bullion exchange to protect the interests of consumers in the bullion market, to regulate bullion contracts, and work with global agencies or institutions in the bullion industry to promote growth, transparency and orderly development of the bullion market by such measures as the Authority may direct.
- (2) Without prejudice to the generality of the foregoing provisions, the measures referred to therein may provide for:
- (a) regulating the bullion contracts;
 - (b) regulating the working of the bullion trading members, and such other intermediaries who may be associated with the bullion exchange;
 - (c) establishing and enforcing good delivery standards;
 - (d) prohibiting fraudulent and unfair trade practices in the bullion market;
 - (e) promoting consumers' education and training of intermediaries of bullion market;
 - (f) calling for information from, undertaking inspection, conducting inquiries and audits of the bullion trading members, intermediaries and other persons associated with the bullion exchange;
 - (g) levying fees or other charges for carrying out the purposes of this regulation;
 - (h) setting standards of quality, quantity and other parameters and means of verification of such standards;
 - (i) setting standards for vaulting and transport of bullion; and
 - (j) performing such other functions as may be specified by the Authority.

CHAPTER IV

GENERAL OBLIGATIONS OF BULLION CLEARING CORPORATIONS

General Obligations



15. (1) A bullion clearing corporation shall comply with the requirements under these regulations and agreement with the concerned bullion exchange.
- (2) In addition to the obligations specified under sub-regulation (1), a bullion clearing corporation shall comply with such other requirements that the Authority may impose from time to time.

Settlement and Netting

16. (1) The payment and settlement in respect of a transaction in a recognised bullion exchange and recognised bullion clearing corporation shall be determined in accordance with the netting or grossing procedure as prescribed in the bye-laws of such recognised bullion exchange and recognised bullion clearing corporation.
- (2) Payment and settlement in respect of a transaction between parties referred to in sub-regulation (1), effected under the bye-laws of a recognised bullion exchange or recognised bullion clearing corporation, shall be final, irrevocable and binding on such parties.
- (3) When a settlement has become final and irrevocable, the right of the recognised bullion exchange or the recognised bullion clearing corporation, as the case may be, to appropriate any collaterals or deposits or margins contributed by the bullion trading member, bullion clearing member or consumer towards its settlement or other obligations in accordance with the bye-laws of the recognised bullion exchange or recognised bullion clearing corporation shall take priority over any other liability of or claim against the said bullion trading member, bullion clearing member or consumer, as the case may be.

Explanation- For removal of doubts, it is hereby declared that the settlement, whether gross or net, referred to in this regulation is final and irrevocable as soon as the money, securities or other transactions payable as a result of such settlement is determined, whether or not such money, securities or other transactions is actually paid.

Right of Bullion Clearing Corporation

17. The right of a bullion clearing corporation to recover the dues from its bullion clearing members, arising from the discharge of their clearing and settlement functions, from the collaterals, deposits and the assets of the bullion clearing members, shall have priority over any other liability of or claim against the bullion clearing members.

Orderly winding down

18. (1) Every bullion clearing corporation shall devise and maintain a framework for orderly winding down of its critical operations and



services covering both voluntary and involuntary scenarios.

- (2) Every bullion clearing corporation shall ensure the framework provides for:-
- (a) the timely and orderly settlement or cessation or transfer of position(s), and/or;
 - (b) the transfer of the collateral(s) or deposit(s) or margin(s) or any other asset(s) of the members to another recognised bullion clearing corporation that would take over the operations of the bullion clearing corporation, and/or;
 - (c) such other related matter.

CHAPTER V

NET WORTH OF BULLION EXCHANGE AND BULLION CLEARING CORPORATION

Net worth requirements

19. (1) A bullion exchange shall have a minimum net worth of USD 10 million at all times.
- (2) A bullion clearing corporation shall have a minimum net worth of USD 10 million at all times.
- (3) If required, as a risk management measure, the Authority may prescribe higher net worth for a recognised bullion exchange or a recognised bullion clearing corporation based on the nature and scale of business of the entity.
- (4) A recognised bullion exchange or a recognised bullion clearing corporation shall not distribute profits in any manner to its shareholders until the net worth specified in this regulation is achieved.
- (5) Every recognised bullion exchange or recognised bullion clearing corporation shall submit an audited net worth certificate from the statutory auditor on a yearly basis by the thirtieth day of September of every year for the preceding financial year.

CHAPTER VI

OWNERSHIP OF BULLION EXCHANGE AND BULLION CLEARING CORPORATION

General conditions

20. (1) Save as otherwise provided in these regulations, the shareholding or



voting rights of any person in a recognised bullion exchange or a recognised bullion clearing corporation shall not exceed the limits specified in this Chapter at any point of time.

(2) The shareholding as specified in this Chapter shall include any instrument owned or controlled, directly or indirectly, that provides for entitlement to equity or rights over equity at any future date.

Shareholding in a recognised bullion clearing corporation

21. (1) The shareholding in a recognised bullion exchange shall be held by: -

- (a) a bullion exchange or stock exchange recognised in India or a Foreign Jurisdiction with a minimum of twenty-six percent of the paid-up equity share capital of the recognised bullion exchange; or
- (b) a joint venture of market infrastructure institutions recognised in India, an IFSC or a Foreign Jurisdiction with a minimum of fifty-one per cent of the paid-up equity share capital of the recognised bullion exchange or bullion clearing corporation held by such joint venture.

Provided that the bullion exchange or stock exchange(s) recognised in India, an IFSC or a Foreign Jurisdiction shall, directly or indirectly, fifty-one percent or more shareholding within the joint venture.

(2) Any other person in India, an IFSC or a Foreign Jurisdiction shall not at any time, directly or indirectly, either individually or together with persons acting in concert, acquire or hold more than twenty-five percent of the paid-up equity share capital in the recognised bullion exchange or recognised bullion clearing corporation.

Shareholding in a recognised bullion clearing corporation

22. (1) The shareholding in a recognised bullion clearing corporation shall be held by: -

- (a) a bullion exchange or stock exchange or a clearing corporation recognised in India, an IFSC or a Foreign Jurisdiction with a minimum of twenty-six percent of the paid-up equity share capital of the recognised bullion clearing corporation; or
- (b) a joint venture of market infrastructure institutions recognised in India, an IFSC or a Foreign Jurisdiction with a minimum of fifty-one percent of the paid-up equity share capital of the recognised bullion clearing corporation held by such joint venture:

Provided that the bullion exchange or stock exchange(s) recognised in



India, an IFSC or a Foreign Jurisdiction shall have, directly or indirectly, fifty-one percent or more shareholding within the joint venture.

(2) Any other person in India, an IFSC or a Foreign Jurisdiction shall not at any time, directly or indirectly, either individually or together with persons acting in concert, acquire or hold more than twenty-five percent of the paid-up equity share capital in the recognised bullion clearing corporation.

Eligibility for acquiring or holding shares in bullion exchange or bullion clearing corporation

23. (1) No person shall, directly or indirectly, acquire or hold any equity shares or voting rights of a recognised bullion exchange or bullion clearing corporation unless it is a fit and proper person:

Provided that the onus shall be on the recognised bullion exchange or recognised bullion clearing corporation to ensure that all its shareholders are fit and proper persons:

Provided further that such a requirement to ensure that all its shareholders are fit and proper persons shall not be applicable to a recognised bullion exchange or recognised clearing corporation for shareholding of a person who, directly or indirectly, acquires or holds less than two percent equity shares or voting rights of such recognised bullion exchange or recognised clearing corporation.

(2) Any person eligible to acquire or hold more than five percent of the paid up equity shares or voting rights may acquire or hold more than five per cent of the paid up equity shares or voting rights in a bullion exchange or bullion clearing corporation only if it has obtained prior approval of the Authority.

(3) The application for seeking approval in terms of sub-regulation (2) of this regulation shall be made to the Authority through the concerned bullion exchange or bullion clearing corporation.

(4) The bullion exchange or bullion clearing corporation shall verify the declarations/undertakings given by the shareholders under sub-regulation (3) and forward the application along with its recommendation for approval to the Authority.

Monitoring of shareholding limits



24. The recognised bullion exchange or recognised bullion clearing corporation shall put in place an adequate monitoring mechanism to ensure compliance with the shareholding conditions specified in these regulations at all times.

Disclosure of shareholding

25. The recognised bullion exchange or the recognised bullion clearing corporation, as the case may be, shall disclose their shareholding pattern to the Authority on a quarterly basis within fifteen days from the end of each quarter, including the following:
- (a) the names of the ten largest shareholders along with the number and percentage of shares held by them; and
 - (b) the names of the shareholders who had acquired shares in that quarter.

Record keeping

26. In addition to the requirements under other laws in force, a recognised bullion exchange and recognised bullion clearing corporation shall maintain and preserve all the books, registers, other documents and records relating to the issue or transfer of its securities for a period of not less than eight years.

CHAPTER VII

GOVERNANCE OF BULLION EXCHANGE AND BULLION CLEARING CORPORATION

Composition of the governing board

27. (1) Every bullion exchange and bullion clearing corporation shall adopt the broader principles of governance prescribed by International Organization of Securities Commissions (IOSCO) and Principles for Financial Market Infrastructures (PFMIs) and such other governance norms as may be specified by the Authority, from time to time.
- (2) The governing board of every recognised bullion exchange and recognised bullion clearing corporation shall include:
- (i) non-independent directors;
 - (ii) public interest directors; and
 - (iii) managing director.
- (3) Subject to prior approval of the Authority, the chairperson shall be elected by the governing body from amongst the public interest directors.



(4) The number of public interest directors shall not be less than the number of non-independent directors on the governing board.

(5) The managing director shall be included in the category of non-independent directors.

(6) Any employee of a recognised bullion exchange or recognised clearing corporation may be appointed on the governing board in addition to the managing director and such director shall be deemed to be a non-independent director.

(7) No trading member or clearing member in an IFSC or their associates and agents, irrespective of the recognised bullion exchange or recognised stock exchange or recognised bullion clearing corporation or recognised clearing corporation of which they are members, shall be on the governing board.

(8) For the purposes of sub-regulation (7) above, a person who is a director in an entity, that itself is a trading member or clearing member or has associate(s) as trading member(s) or clearing member(s) shall be deemed to be a trading member or clearing member.

Provided a person shall not be deemed to be trading member and / or clearing member or their associate for the purpose of sub-regulation (7), if he/she is on the board of a public financial institution or scheduled commercial bank and such public financial institution or scheduled commercial bank or its associate is a trading member and / or clearing member:

Provided further that the independent directors of the associates of public financial institution or Scheduled Commercial Bank, who are trading member and/or clearing member and where the majority shareholding is that of such public Financial institution or scheduled commercial bank, shall not be deemed to be a trading member and / or clearing member for the purpose of sub-regulation (7).

(9) The appointment of director shall be subject to the fulfillment of other requirements and satisfaction of the Authority.

(10) A recognised bullion exchange and recognised bullion clearing corporation, shall monitor and ensure the compliance of sub-regulation (7) on continuous basis, to ensure that directors appointed, on their governing board, do not get associated with trading member or clearing member after approval of appointment.

(11) The number of public interest directors shall not be less than the number of non-independent directors to constitute the quorum for the meeting of the governing board.

(12) The voting on a resolution in the meeting of the governing board shall



be valid only when the number of public interest directors that have cast their vote on such resolution is equal to or more than the number of non-independent directors who have cast their vote on such resolution.

(13) The casting vote in the meetings of the governing board of a recognised bullion or a recognised bullion clearing corporation shall be with the chairperson of the governing board.

(14) The governing board of the recognised bullion exchange and the recognised bullion clearing corporation shall consist of directors having the requisite qualifications and experience in the areas of bullion markets, securities markets, finance and accountancy, legal and regulatory practice, technology, risk management and management or administration:

Provided that the governing board of the recognised bullion exchange and recognised bullion clearing corporation shall consist of at least one public interest director having the requisite qualification and experience in each of the areas of bullion markets, securities markets, finance and accountancy, legal and regulatory practice, and technology.

(15) The recognised bullion exchange and recognised bullion clearing corporation may also appoint directors having qualification and experience in other areas which may be specific to them:

Provided that the recognised bullion exchange and recognised bullion clearing corporation shall ensure that the governing board collectively consists of directors with qualifications and experience as specified at sub-regulation (14).

Nominees of the Authority on the governing board of a recognised bullion exchange and recognised bullion clearing corporation

28. The Authority may appoint one or more persons not exceeding three in number, as director(s) on the governing board of any recognised bullion exchange or recognised bullion clearing corporation and such director(s) shall enjoy the same status and power as the other directors of the governing board.

Conditions of appointment of directors

29. (1) The appointment and re-appointment of all non-independent directors on the governing board of every recognised bullion exchange or recognised bullion clearing corporation shall be with the prior approval of the Authority.
- (2) The public interest directors on the governing board of the



recognised bullion exchange and the recognised bullion clearing corporation shall be appointed with the prior approval of the Authority.

(3) Public interest directors shall be appointed for a term of three years, extendable by another term of three years, subject to performance review in the manner as may be specified by the Authority:

Provided that a person may be appointed as a public interest director subject to a maximum age limit of seventy five years.

(4) A public interest director on the board of a recognized bullion exchange or a recognized bullion clearing corporation shall not act simultaneously as director on the board of its subsidiary or on the board of any other Market Infrastructure Institution in an IFSC or on the board of subsidiary of such other Market Infrastructure Institution in an IFSC.

(5) A public interest director on the board of a recognized bullion exchange or a recognized bullion clearing corporation shall keep its governing board apprised of any conflict of interest, which may arise as a result of the public interest director providing services, either directly or indirectly, to any trading member or clearing member or their associates and agents.

(6) No public interest director shall become a non-independent director unless there is a cooling-off period of three years after ceasing to be a public interest director.

(7) No public interest director on the board of a recognized bullion exchange or a recognized bullion clearing corporation, shall become a director on the board of subsidiary of that recognized bullion exchange or recognized bullion clearing corporation, as the case may be, unless there is a cooling-off period of three years after ceasing to be a public interest director.

(8) If any issue arises as to whether an assignment or position of a public interest director is in conflict with his role, the Authority's decision shall be final.

(9) The application for appointment of Directors shall be made in the manner as specified under Part-D of Schedule – I of these regulations.

Appointment of Managing Director

30. (1) The appointment, renewal of appointment and termination of service of the managing director of a recognised bullion exchange or a recognised bullion clearing corporation shall be subject to the prior approval of the Authority.

(2) Every recognised bullion exchange or recognised bullion clearing



corporation shall, subject to the guidelines issued by the Authority from time to time, determine the qualification, manner of appointment, terms and conditions of appointment and other procedural formalities associated with the selection/ appointment of the managing director.

(3) The appointment of the managing director shall be for a term not exceeding five years:

Provided that post the completion of the first term, the recognized bullion exchange or the recognized bullion clearing corporation shall conduct the appointment process for appointment of the Managing Director afresh:

Provided further that a person may be appointed as the Managing Director by the recognized bullion exchange or recognized bullion clearing corporation for a maximum period of ten years, subject to a maximum age limit of sixty five years.

(4) The Managing director of a recognised bullion exchange or a recognised bullion clearing corporation shall not—

- (a) be a shareholder or an associate of a shareholder of a recognised bullion exchange or recognised bullion clearing corporation or shareholder of an associate of a recognised bullion exchange or recognised bullion clearing corporation, as the case may be;
- (b) be a bullion trading member or a bullion clearing member or his associate and agent or shareholder of a bullion trading member or bullion clearing member or shareholder of an associate and agent of a bullion trading member or a bullion clearing member; or
- (c) hold any position concurrently in the subsidiary of a recognised bullion exchange or a recognised bullion clearing corporation or in any other entity associated with a recognised bullion exchange or a recognised bullion clearing corporation:

Provided that the Managing Director of a recognised bullion exchange may be appointed on the governing board, but not as managing director, of the subsidiary of a recognised bullion exchange or a recognised bullion clearing corporation.

(5) The Managing Director shall be liable for removal or termination of services by the governing board of the recognised bullion exchange or recognised bullion clearing corporation with the prior approval of the Authority for failure to give effect to the directions, guidelines and other orders issued by the Authority or the rules, the articles of association, bye-laws and regulations of the recognised bullion exchange or the recognised bullion clearing corporation.



(6) The Board may *suo motu* remove or terminate the appointment of the managing director if deemed fit in the interest of securities market or bullion market:

Provided that no managing director shall be removed unless he has been given a reasonable opportunity of being heard.

(7) At the time of seeking approval of the Authority for the appointment of the managing director, the bullion exchange/ bullion clearing corporation shall seek approval for the compensation of the managing director from the Authority.

(8) The terms and conditions of the compensation of the managing director shall not be changed without prior approval of the Board.

Code of Conduct for the governing board, directors, committee members and key management personnel

31. (1) The governing board, directors, committee members and key management personnel of a recognised bullion exchange and a recognised bullion clearing corporation shall abide by the Code of Conduct specified under Part-B of Schedule I of these regulation.
- (2) Every director and key management personnel of a recognised bullion exchange and a recognised bullion clearing corporation shall be a fit and proper person as provided in Chapter XVI.
- (3) If any director or committee member or key management personnel is or becomes aware of any act of wrongdoing at the recognised bullion exchange or recognised bullion clearing corporation and fails to report about it to its governing board or to the Authority, such a person may be liable for action under these regulations, after providing him a reasonable opportunity of being heard.
32. The Authority may, for any failure by the directors, committee members or key management personnel to abide by these regulations or Code of Conduct or in case of any conflict of interest, either upon a reference from the recognised bullion exchange or the recognised bullion clearing corporation or *suo motu*, take appropriate action including removal or termination of the appointment of any director, committee member or key management personnel, after providing them with a reasonable opportunity of being heard.

Segregation of functions

33. (1) The recognised bullion exchange and recognised bullion clearing corporation shall identify its functions and segregate them into the following



verticals:

- (a) Critical operations;
- (b) Regulatory, Compliance, Risk Management and Customer Grievances; and
- (c) Other functions including business development.

(2) The functions of the verticals under sub-regulation (1) are provided at Part C of Schedule I of these regulations.

(3) The functions under the verticals as provided at clause (a) and (b) of sub-regulation (1) shall be given higher priority in terms of resource allocation by the recognised bullion exchange and recognised bullion clearing corporation over the functions under the vertical as provided at clause (c) of sub-regulation (1).

(4) The recognised bullion exchange and recognised bullion clearing corporation shall periodically and objectively assess the adequacy of resources allocated to the first two verticals as mentioned in sub-regulation (1).

Statutory committees

34. (1) A recognised bullion exchange or a recognized bullion clearing corporation shall constitute such committees as may be specified by the Authority from time to time.

(2) The composition, quorum and functions of the committees under sub-regulation (1) shall be in the manner as specified by the Authority from time to time.

Appointment of compliance officer

35. (1) A recognised bullion exchange and recognised bullion clearing corporation shall appoint a compliance officer who shall be responsible for monitoring the compliance of the Act, the Securities Contracts (Regulation) Act, 1956, rules, regulations, or circulars or guidelines or directions issued thereunder by the Authority or any other regulatory authority, and for the redressal of customers' grievances.

(2) The compliance officer shall immediately and independently report to the Authority any non-compliance of any provision stated in sub-regulation (1) observed by him/her.

(3) The compliance officer shall submit a report of any non-compliance of the the Act, the Securities Contracts (Regulation) Act, 1956, rules, regulations, or circulars or guidelines or directions issued thereunder by the Authority or any other regulatory authority, to the Authority on a quarterly basis in the manner



as may be specified by the Authority.

Appointment of Chief Risk Officer

36. (1) A recognised bullion exchange and recognised bullion clearing corporation shall appoint a chief risk officer to identify, monitor and initiate necessary steps to mitigate the risk associated with the functioning of a recognised bullion exchange or recognised bullion clearing corporation.
- (2) The chief risk officer shall be responsible for the overall risk management of the recognised bullion exchange or recognised bullion clearing corporation and submit a report to the Authority on a half-yearly basis.

CHAPTER VIII

GENERAL OBLIGATIONS OF BULLION EXCHANGE AND BULLION CLEARING CORPORATION

Consumer Education and Protection Fund

37. Every bullion exchange shall establish a consumer education and protection fund in the form of a trust, for the purpose of consumer education and providing compensation to consumers in case of defaults by the bullion trading members, in the manner as may be specified by the Authority.

Fund to guarantee settlement of trades

38. (1) Every bullion clearing corporation shall establish and maintain a Settlement Guarantee Fund to guarantee the settlement of trades executed on a bullion exchange.
- (2) The contribution to the Fund shall be made by the bullion exchange, the bullion clearing corporation, the bullion trading members and clearing members, in the manner as may be specified by the Authority.
- (3) In the event of a bullion clearing member failing to honour its settlement obligations, the Fund shall be utilized to complete the settlement.
- (4) The corpus of the Fund shall be adequate to meet the settlement obligations arising on account of failure of bullion clearing member(s).
- (5) The sufficiency of the corpus of the Fund shall be tested by way of periodic stress tests in the manner as may be specified by the Authority.
- (6) The Fund shall have a corpus equivalent to at least the minimum required corpus as arrived from the monthly stress test value or USD 1 million, whichever is higher.



(7) The utilization of the Fund shall be in accordance with the norms as may be specified by the Authority.

Utilization of profits and investments

39. (1) The utilization of profits and investments by bullion clearing corporation shall be in accordance with the norms specified by the Authority.

(2) The recognised bullion exchange or recognised bullion clearing corporation shall not carry on any other activity whether involving deployment of funds or otherwise without prior approval of the Authority;

Provided that prior approval of the Authority shall not be required in case of treasury investments if such investments are as per the investment policy approved by the governing body of recognised bullion exchange or recognised bullion clearing corporation;

Provided further, that the recognised bullion exchange or recognised bullion clearing corporation may engage in activities whether involving deployment of funds or otherwise that are unrelated or not incidental to its activity as a bullion exchange or bullion clearing corporation, as the case may be, through a separate legal entity and subject to approval of the Authority.

Equal, fair and transparent access

40. (1) The recognised bullion clearing corporation shall lay down a policy framework for ensuring that there is no discrimination while rendering clearing and settlement services in settlement of trades executed on shareholder bullion exchange(s) and executed on non-shareholder bullion exchange(s).

(2) The framework under sub-regulation (1) shall be made available on the website of the bullion clearing corporation and shall provide the basis on which access to clearing and settlement services of the bullion clearing corporation has been provided to shareholder bullion exchange(s) along with the manner in which the said requirements should be complied with by non-shareholder bullion exchange(s) to obtain access to clearing and settlement services.

(3) The recognised bullion exchange and recognised bullion clearing corporation shall ensure equal, unrestricted, transparent and fair access to all persons without any bias towards its associates and related entities.

(4) If any issue arises in rendering non-discriminatory access to services of a recognised bullion clearing corporation, the Authority's decision shall be final.

Information and Data Sharing Policy

41. (1) Every recognised bullion exchange and recognised bullion clearing



corporation and the company where the recognised bullion exchange or recognised bullion clearing corporation has invested shall lay down a framework for sharing and monitoring of data, including confidential and sensitive data.

(2) The policy framework shall contain: -

- (a) means and manner of data sharing;
- (b) types of data that can be shared;
- (c) escalation matrix for data sharing;
- (d) provisions to have a digital database for recording details of information shared along with recipients and reasons for sharing, etc.;
- (e) mechanism to monitor the data shared, through use of technology, including periodic audits to ensure compliance with the policy framework; and
- (f) accountability mechanism including fixing individual accountabilities for any breach of data sharing policy.

CHAPTER IX

MEMBERSHIP OF THE BULLION EXCHANGE OR BULLION CLEARING CORPORATION

Qualifications for membership of the bullion exchange or bullion clearing corporation

42. The qualification criteria for grant of membership to the bullion exchange or the bullion clearing corporation, including form of the organisation structure, minimum qualifications and experience of the professional employees, the minimum net worth and financial strength in terms of threshold of key financial ratios, disqualifications, categories of the members and the minimum net worth requirements and the limit, if any, of the volume of trades or clearing or settlement which such member can perform in the bullion exchange or the bullion clearing corporation, the manner in which the applications for the membership shall be processed by the bullion exchange or the bullion clearing corporation, the provisions on avoidance of conflicts, ethical behaviour and conduct of the applicants and the members in the business, shall be detailed in the bye-laws of the bullion exchange or the bullion clearing corporation.

Contracts between member of a bullion exchange and consumer

43. A contract between members of a bullion exchange or with a bullion clearing



member or consumer shall be in writing and shall be enforced in accordance with the rules and bye-laws of the bullion exchange or the bullion clearing corporation as the case may be, of which they are members.

CHAPTER X

BULLION DEPOSITORIES

44. The provisions relating to grant of certificate of registration, commencement of business, net worth, ownership and governance norms specified for a depository in the IFSCA (Market Infrastructure Institutions) Regulations, 2021 shall mutatis mutandis apply to a bullion depository.

Additional requirements for a bullion depository

45. (1) In addition to the requirements specified in the IFSCA (Market Infrastructure Institutions) Regulations, 2021, for considering grant of registration to a bullion depository, the Authority shall take into account the following, namely, whether bullion depository has —
- (a) bye-laws and legal documents are consistent with the objective of the bullion depository and for protection of the interest of consumers;
 - (b) entered into an agreement with a vault manager which has necessary infrastructure, standards, for safe storage of bullion and its security;
- (2) The Authority shall, before granting an approval to a bullion depository to commence its operations under these regulations, make a physical verification of the infrastructure facilities and systems established by the bullion depository and a vault.

CHAPTER XI

RIGHTS AND OBLIGATIONS OF BULLION DEPOSITORIES, PARTICIPANTS AND BENEFICIAL OWNERS

Agreement between a bullion depository and a participant

46. (1) A bullion depository shall enter into an agreement with one or more participants as its agent.
- (2) Every agreement under sub-regulation (1) shall be in such form as may be specified by the bye-laws of such bullion depository.



Services of a bullion depository

47. Any person, through a participant, may enter into an agreement, in such form as may be specified by the bye-laws, with any bullion depository for availing its services.

Registration of transfer of bullion depository receipt

48. Every bullion depository shall, on receipt of intimation from a participant, register the transfer of bullion depository receipt in the name of the transferee.

Bullion depository receipts to be in fungible form

49. All bullion depository receipts issued by a bullion depository shall be in dematerialised form.

Rights of bullion depositories and beneficial owners

50. (1) A bullion depository shall be deemed to be the registered owner of the bullion for the purposes of effecting transfer of ownership of bullion on behalf of a beneficial owner.
- (2) Save as otherwise provided in sub-regulation (1), the bullion depository as a registered owner of the bullion shall not have any other right in respect of the bullion held by it.
- (3) The beneficial owner shall be entitled to all the rights and benefits and be subjected to all the liabilities in respect of its bullion held by a bullion depository.

Register of beneficial owner

51. Every bullion depository shall maintain a register and an index of beneficial owners in such manner as may be prescribed by the Authority.

Pledge or hypothecation of bullion held in a bullion depository

52. (1) A beneficial owner may, with the previous approval of the bullion depository, create a pledge or hypothecation in respect of the bullion owned by such beneficial owner through a bullion depository.
- (2) Every beneficial owner shall give an intimation of such a pledge or hypothecation to the bullion depository and such bullion depository shall thereupon make entries in its records accordingly.



(3) Any entry in the records of a bullion depository under sub-regulation (2) shall be treated as an evidence of a pledge or hypothecation.

Furnishing of information and records by bullion depository and vault manager

53. (1) Every bullion depository shall furnish to the vault manager of bullion depository receipt information about the transfer of bullion in the name of beneficial owners at such intervals and in such manner as may be specified by the bye-laws.

(2) Every vault manager shall make available to the bullion depository copies of the relevant records in respect of bullion held by such depository, as may be specified.

(3) No bullion depository shall engage a vault manager unless such vault manager has obtained registration from the Authority.

Bullion depositories to indemnify loss in certain cases

54. (1) Without prejudice to the provisions of any other law for the time being in force, with respect to any loss caused to the beneficial owner due to the wrongful act, negligence or default of the bullion depository or the participant, the bullion depository shall indemnify such beneficial owner.

(2) Where the loss due to the negligence of the participant under sub-regulation (1) is indemnified by the bullion depository, the bullion depository shall have the right to recover the same from such a participant.

CHAPTER XII

VAULT MANAGERS

Registration of Vault Managers

55. (1) A vault manager shall make an application to the Authority in the form and manner specified by the Authority for obtaining registration. The vault manager shall also furnish an undertaking to the effect that it acknowledges and agrees to its liabilities under sub-regulation (1) of regulation 55.

(2) The Authority may specify the requirements, including net worth and infrastructure for operating as vault for storing bullion.

(3) The Authority after duly satisfying itself shall grant registration to the applicant.



(4) The Authority shall not reject any application of registration without giving due opportunity of being heard to the applicant.

(5) The registration shall be subject to annual renewal as per the procedure specified by the Authority.

Liabilities of Vault Managers

56. (1) A vault manager is liable for loss of, or any injury to, bullion stored in a vault managed by it, caused by its failure to exercise such care and diligence in regard to the bullion as a careful and vigilant owner of the bullion in their custody.

(2) In case the bullion is damaged or lost in spite of taking all care and precautions by the vault manager due to unavoidable circumstances, the compensation equal to the value of bullion at the time of deposit of the bullion shall be payable by the vault manager.

(3) In case the bullion is damaged or lost due to the negligence of the vault manager, then, the compensation shall be equal to value of the bullion shall be payable to the beneficial owner or the depositor, as the case may be.

(4) The vault manager shall not be responsible for any loss, destruction, damage or deterioration of the bullion attributable to circumstances such as force majeure, act of war, act of public enemies and the like.

(5) The vault manager shall keep adequate insurance to cover and mitigate various risks, as may be specified by the bullion depository or the Authority.

Vault manager to keep records and accounts of vaulting business

57. (1) Every vault manager shall keep in a place of safety a complete and accurate set of records and accounts of all transactions in electronic form pertaining to the operation of a vault including records and accounts of all bullion received in the vault and withdrawn there from, and of all bullion depository receipts issued in this respect through the bullion depository.

(2) Subject to the provisions of sub-regulation (1), the vault manager shall keep all the records and accounts of the vault business in numerical sequence separate and distinct from the records and accounts of any other business in such form and in such manner and for such period as the Authority or the bullion depository with which such vault or vaults are empaneled, may specify.

(3) The vault manager shall make available to the Authority, bullion exchange and bullion depository with which such vault or vaults is empaneled, for



inspection of the records and accounts of the vault business at any time as may be desired by them.

CHAPTER XIII

BULLION DEPOSITORY RECEIPTS

58. (1) No person shall issue bullion depository receipts except in accordance with these regulations.
- (2) Bullion depository receipts, which shall be in electronic form, shall be a document of title to bullion containing the following particulars, namely:
- (a) Bullion depository receipt number;
 - (b) vault registration number and date up to which it is valid;
 - (c) name of the vault and its complete postal address;
 - (d) name and address of the depositor;
 - (e) date of issue of the bullion depository receipt;
 - (f) statement that the bullion received shall be delivered to the beneficial owner thereof;
 - (g) description of the bullion with particulars of quantity and grade;
 - (h) private marks of depositor on the bullion, if any;
 - (i) date and signature of the vault manager or his authorised agent;
 - (j) and such other particulars as may be prescribed by the bullion exchange or the Authority.
- (3) In case a vault manager wilfully omits from a bullion depository receipt any of the particulars set out in sub-regulation (1), such vault manager shall be liable for damages caused by such omission.
- (4) No bullion depository receipt shall, by reason of the omission only of any of the particulars set-forth in sub-regulation (1), be deemed to be invalid for the purpose of settlement of disputes or claims.

Depositing bullion into vaults

59. (1) A depositor shall place a request for the deposit of the bullion, through a participant, with a vault empaneled with a bullion depository.
- (2) The vault manager, or any person authorised in this behalf, shall ensure the completion of all necessary documentation, at the time of deposit of bullion by the depositor.



(3) At the time of deposit of the bullion, the vault manager shall employ the services of an assayer, with the prior approval of the Authority, for the purposes of testing the good delivery standard of the bullion.

(4) The vault manager shall ensure that the bullion deposited into the vault meets the good delivery standard, as may be specified by the Authority.

Issue of bullion depository receipt

60. (1) On receipt of bullion from a depositor and after completion of all necessary documentation, the vault manager shall issue a bullion depository receipt in the name of such depositor in electronic form through a bullion depository, in such manner as may be specified.
- (2) Every depositor and beneficial owner shall have an account with the bullion depository.
- (3) The bullion depository shall manage the bullion depository receipts in electronic form, in such manner as may be specified.

Withdrawal of bullion

61. (1) On the receipt of a request for the withdrawal of bullion from a beneficial owner through a participant, the bullion depository shall grant an approval and intimate the same to the concerned vault manager.
- (2) On receipt of an approval under sub-regulation (1) above, the vault manager shall deliver the bullion represented by such bullion depository receipt to the beneficial owner, subject to the beneficial owner producing such documents as may be required and acknowledging in writing the receipt of the bullion.
- (3) If a vault manager refuses or fails to deliver the bullion in compliance with the provisions of this regulation, the burden of proof shall lie on the vault manager to establish the existence of a lawful excuse for the refusal or failure.
- (4) On the withdrawal of bullion from the vault, the vault manager shall intimate the same to the bullion depository.

Delivery of bullion to be made after due charges are paid

62. When a bullion depository receipt has been issued in respect of any bullion, the vault manager shall not deliver the bullion to the beneficial owner of bullion depository receipt until the due charges are paid to the vault manager and the bullion depository receipt is surrendered for cancellation.



CHAPTER XIV FIT AND PROPER REQUIREMENTS

Requirement of 'fit and proper'

63. (1) The bullion exchange, bullion clearing corporation, bullion depository and vault manager shall ensure that its shareholders, directors and key management personnel are fit and proper persons at all times.
- (2) For the purposes of sub-regulation (1), a person shall be deemed to be a fit and proper person if:
- (a) such person has a general reputation and record of fairness and integrity, including but not limited to -
 - (i) financial integrity;
 - (ii) good reputation and character; and
 - (iii) honesty;
 - (b) such person has not incurred any of the following disqualifications -
 - (i) the person has been convicted by a court for any offence involving moral turpitude or any economic offence or any offence of the securities laws;
 - (ii) an order for winding up has been passed against the person;
 - (iii) the person, or any of its whole-time directors or managing partners, has been declared insolvent and has not been discharged;
 - (iv) an order, restraining, prohibiting or debarring the person from dealing in securities or from accessing the securities market or the bullion market, has been passed by the Authority or any other regulatory authority and a period of three years from the date of the expiry of the period specified in the order has not elapsed;
 - (v) any other order against the person which has a bearing on the bullion market, has been passed by the Authority or any other regulatory authority and a period of three years from the date of the order has not elapsed;
 - (vi) a recovery proceeding has been initiated against the person by a financial regulatory authority that is pending;
 - (vii) the person has been found to be of unsound mind by a court of competent jurisdiction;



- (viii) the person is not financially sound or has been categorized as a wilful defaulter;
 - (ix) the person has been declared a fugitive economic offender; or
 - (x) any other disqualification as specified by the Authority from time to time.
64. If any director or key management personnel of a bullion exchange, bullion clearing corporation, bullion depository or vault manager is not deemed to be fit and proper under this regulation, the bullion exchange, bullion clearing corporation, bullion depository or vault manager shall replace such a person within thirty days from the date of such disqualification, failing which the fit and proper person criteria may be invoked against the bullion exchange, bullion clearing corporation, bullion depository or vault manager.
65. If any question arises on the decision of a bullion exchange, bullion clearing corporation, bullion depository or vault manager as to whether a person is a fit and proper person, the Authority's decision on such question shall be final.

CHAPTER XV

REGISTRATION OF INTERMEDIARIES AND OTHER PERSONS

Registration of intermediaries and persons associated with the bullion market

66. (1) No bullion trading member, bullion clearing member, participant, refiner, depositor, logistic provider, vault manager and such other intermediary who may be associated with the bullion market as the Authority may specify, shall participate in any activity relating to the bullion market except under, and in accordance with the conditions of a certificate of registration obtained from the Authority, subject to such requirements including net worth, infrastructure, relevant experience, as may be specified by the Authority.
- (2) Persons in sub-regulation (1) shall comply with the fit and proper criteria specified in regulation 63.
- (3) Every application for registration shall be in such form and manner and on payment of such fees as may be specified by the Authority.
- (4) The application shall be processed by the concerned bullion exchange, bullion clearing corporation, bullion depository, as the case may be, subject to fulfilment of conditions with regard to eligibility requirements as specified by the Authority and forwarded to the Authority with recommendation for granting registration.
- (5) The Authority may, by order, either suo motu or on the recommendation



of the concerned bullion exchange or bullion clearing corporation or bullion depository as the case may be, suspend or cancel a certificate of registration.

Provided that, except in the case of voluntary surrender of certificate of registration, no order under this sub-regulation shall be made unless the person concerned has been given a reasonable opportunity of being heard.

CHAPTER XVI

INSPECTION, ENQUIRIES AND ENFORCEMENT

Power to call for information

67. The Board may from time to time call for any information, documents or records from the recognised bullion exchange or the recognised bullion clearing corporation or the bullion depository or the vault manager, or their governing board or any shareholder thereof.

Power of inspection

68. (1) The Authority may at any time undertake inspection, conduct inquiries and audit of any recognised bullion exchange or recognised bullion clearing corporation or bullion depository or vault manager, their associates, their shareholders or associates and agents of such shareholders.

(2) Where an inspection under sub-regulation (1) is undertaken by the Authority, such recognised bullion exchange or recognised bullion clearing corporation or bullion depository or vault manager or shareholder or associate and every manager, director, managing director, chairperson or officer and other employee of such recognised bullion exchange or recognised bullion clearing corporation or bullion depository or vault manager or shareholder or associate shall cooperate with the Authority.

Power to issue directions and take action

69. Without prejudice to the exercise of its powers under the provisions of the IFSCA Act and rules and regulations made thereunder, the Authority may, either suo motu or on receipt of any information or during pendency of any inspection, inquiry or investigation or on completion thereof, in the interest of public or trade or investors or the securities market in an IFSC, issue such directions or take action, including levying of penalty, against recognised bullion exchange or recognised bullion clearing corporation or bullion



depository or vault manager or their director, committee member, key management personnel, employee or any other associated person, as it deems fit.

CHAPTER XVII

LISTING OF SECURITIES

Listing

70. (1) A recognised bullion exchange or recognised bullion clearing corporation or bullion depository, as the case may be, may apply for listing of its securities on any recognised stock exchange if it has completed three years of continuous operations immediately preceding the date of application and has obtained approval of the Authority.
- (2) The Authority may specify such conditions as it may deem fit in the interest of bullion or securities market including those in relation to transfer of shares held by any person.

CHAPTER XVIII

MISCELLANEOUS

Maintenance of website

71. Every bullion exchange, bullion clearing corporation, bullion depository and vault manager must maintain a website or any other universally accessible repository of electronic information to:
- (1) publish all information that it is obliged to publish under these regulations;
 - (2) provide a copy of all rules, regulations, bye-laws made and all guidance issued, including all amendments therein;
 - (3) provide information about the manner in which applications to be made for membership or association; and
 - (4) provide material information about its functions.

Annual net worth certificate

72. Every bullion exchange, bullion clearing corporation and bullion depository shall submit an audited net worth certificate from their respective statutory auditor on an annual basis by April of every year for the preceding financial



year.

Maintenance of books of accounts, records and other documents

73. (1) Every recognised bullion exchange shall maintain and preserve the books of account and documents referred to in rule 14 of the rules, and such others records as may be specified by the Authority from time to time, in electronic retrieval form for a minimum period of twenty years.
- (2) Every recognised bullion clearing corporation shall maintain and preserve the following books of account and documents in electronic retrieval form for a minimum period of twenty years, namely:-
- (a) Minute books of the meetings of:
 - (i) governing board;
 - (ii) any committees of the governing board;
 - (b) Record of bullion clearing members showing their full names, addresses and details of bank and depository accounts for settlement purposes;
 - (c) Transaction records;
 - (d) Record of security deposits;
 - (e) Margin deposits book;
 - (f) Client margin collection details;
 - (g) Ledgers;
 - (h) Journals;
 - (i) Cash book;
 - (j) Bank account statement;
 - (k) Such other books of accounts and documents as may be specified by the Authority from time to time.
- (3) Every bullion depository, vault and such other intermediaries mentioned in Chapter XV shall maintain and preserve such books of account and other documents as may be specified by the Authority.

Submission of Returns and reports

74. (1) Every bullion exchange, bullion clearing corporation, bullion depository and vault shall furnish to the Authority such returns, statements and particulars, in the manner as may be specified by the Authority.
- (2) A recognised bullion exchange and bullion clearing corporation shall include in their reports information as required in rule 17 and rule 17A of the



rules.

(3) The annual financial statements and records as per sub-regulation (1) and (2) with respect to the preceding financial year shall be furnished to the Authority by the thirtieth of September of every year.

Regulatory fee

75. (1) Every recognised bullion exchange, recognised bullion clearing corporation, bullion depository and other intermediaries shall pay the regulatory fee as may be specified by the Authority from time to time.

(2) Every recognised bullion exchange, recognised bullion clearing corporation, bullion depository and other intermediaries shall also be liable to furnish such information or explanations to the Authority as may be required in respect of the regulated functions and the fee paid or payable under this regulation.

Bye-laws and rules

76. (1) A recognised bullion exchange and recognised bullion clearing corporation shall, with the prior approval of the Authority, make bye-laws for the regulation of contracts and clearing and settlement, as the case may be, as per Section 9 of the Securities Contracts (Regulation) Act, 1956 (42 of 1956) and these regulations;

(2) No memorandum of association, articles of association or any other constitution document, in so far as they relate to matters specified in section 3 of the Securities Contracts (Regulation) Act, 1956 (42 of 1956) or under these regulations, and bye-laws of a recognised bullion exchange or a recognised bullion clearing corporation, shall be amended except with prior approval of the Authority.

(3) The amendments to the Memorandum/Articles of Association/Rules/Bye-laws, etc., of a recognised bullion exchange/ recognized bullion clearing corporation shall be submitted for approval of the Authority, subsequent to the following:

(a) The proposed amendment/s shall first be approved by the governing board of the bullion exchange/bullion clearing corporation, followed by shareholders' approval (wherever applicable), then shall be submitted to the Authority for approval and then published in the Gazette of India (wherever applicable) and the respective State.

(b) The proposal shall be accompanied by the minutes of the governing



board, the shareholders' resolution and public criticism. However, in case the amendments are pursuant to Regulations, circular, etc., issued by the Authority, the same shall not be subject to shareholder's approval and public criticism.

Power to remove difficulties

77. In order to remove any difficulties in the interpretation or application of the provisions of these regulations, the Authority shall have the power to issue directions through guidance notes or circulars.

Power to relax strict enforcement of the regulations

78. (1) The Authority may, suo motu or upon an application made, for reasons recorded in writing, grant relaxation from the strict compliance of any of these regulations in the interests of development and regulation of financial services in an IFSC

(2) For seeking relaxation under sub-regulation (1), an application, giving details and the grounds on which such relaxation has been sought, shall be filed with the Authority along with a non-refundable fee of USD 1500.

(3) The Authority shall process such application within thirty days of the date of receipt of the application complete in all respects and shall record reasons for acceptance or refusal of the relaxations sought by the applicant:

Provided that the reasons for rejection shall be communicated to the applicant.

Power to specify procedures and issue clarifications

79. For the purposes of implementation of these regulations and matters incidental thereto, the Authority may specify norms, procedures, processes, manners or guidelines as specified in these regulations, by way of circulars.

Repeal and Savings

80. (1) On and from the commencement of these regulations, the International Financial Services Centres Authority (Bullion Exchange) Regulations, 2020 and the following circulars shall stand rescinded:
- a. Circular No. F. No.286/IFSCA/CMD-DMIIT/PM/2021 dated September 13, 2021 – Code of Conduct and Code of Ethics for the Directors and Key Management Personnel (KMP) of recognized Market Infrastructure Institutions (MIIs) in GIFT- IFSC,



- b. Circular No. 286/IFSCA/CMD-DMIIT/PM/2021/001 dated November 30, 2021 – Clarification regarding disclosure of dealing in securities by Directors and Key Management Personnel of the all recognized MIIs in GIFT-IFSC, and
- c. Circular No. F. No.329/IFSCA/Bullion MIIs/2022-23 dated March 01, 2023 – Net worth requirements for a Bullion Exchange a Bullion Clearing Corporation.

(2) Notwithstanding such repeal, anything done or any action taken or purported to have been taken or contemplated under the repealed regulations and circulars referred to in sub-regulation (1) before the commencement of these regulations shall be deemed to have been done or taken or commenced or contemplated under the corresponding provisions of these regulations.

SCHEDULE – I

Part-A

[See Regulation 11]

Code of Conduct for Bullion Exchange and Bullion Clearing Corporation

A recognised bullion exchange and a recognised bullion clearing corporation shall:

- (a) always abide by the provisions of the Act, the Securities Contracts (Regulation) Act, 1956, rules, regulations, or circulars or guidelines or directions issued thereunder by the Authority or any other regulatory authority from time to time.
- (b) adopt appropriate due diligence measures.
- (c) take effective measures to ensure implementation of risk management framework and good governance practices.
- (d) take appropriate measures towards customer protection and education of customers.
- (e) treat all its applicants or members in a fair and transparent manner.
- (f) promptly inform the Authority of violations of the provisions of the Act, the Securities Contracts (Regulation) Act, 1956, rules, regulations, or circulars or guidelines or directions by any of its members or customers.
- (g) take a proactive and responsible attitude towards safeguarding the interests of customers, integrity of bullion exchange's or bullion



clearing corporation's systems, the bullion market and the securities market.

Code of Conduct for Bullion Depository

A bullion depository shall:

- (a) always abide by the provisions of the Act, the Securities Contracts (Regulation) Act, 1956, the Depositories Act, 1996, any Rules or Regulations framed thereunder, circulars, guidelines and any other directions issued by the Authority from time to time.
- (b) adopt appropriate due diligence measures.
- (c) take effective measures to ensure implementation of proper risk management framework and good governance practices.
- (d) take appropriate measures towards investor protection and education of investors.
- (e) treat all its applicants/members in a fair and transparent manner.
- (f) promptly inform the Authority of violations of the provisions of Act, the Securities Contracts (Regulation) Act, 1956, the Depositories Act, 1996, any Rules or Regulations framed thereunder, circulars, guidelines and any other directions issued by the Authority from time to time.
- (g) take a proactive and responsible attitude towards safeguarding the interests of investors, integrity of depository's systems and the securities market.

Part-B

[See Regulation 31]

Code of Conduct for governing board, directors, committee members and key management personnel

I. Governing Board

The governing board of the recognised bullion exchange and recognised bullion clearing corporation shall-

- (a) evaluate profitability margins of the bullion exchange or bullion clearing corporation.
- (b) ensure adequacy of resource allocation (both financial and human)



towards regulatory compliances.

- (c) focus on strategy, policy level issues and important matters and may review the day-to-day operational matters only in exceptional cases.
- (d) oversee the critical operations including technology as well as the regulatory, risk management, compliance and investor grievance redressal functions of the bullion exchange or bullion clearing corporation.
- (e) take the lead in succession planning for the managing director and other key positions.
- (f) play an active role in defining, establishing and documenting risk management framework, covering risk appetite or risk tolerance policy of the bullion exchange or bullion clearing corporation and ensure that the policy contains the following: -
 - (i) role of risk appetite in key processes
 - (ii) clear quantitative metrics and thresholds to monitor performance of the bullion exchange's or bullion clearing corporation's risk appetite
 - (iii) acceptability of breaches and trigger response(s), if any.
 - (iv) zero tolerance for areas such as cyber security, system stability, surveillance, fair access, fraud or corruption, compliance, etc.
- (g) make key stakeholders (executive and non-executive) aware of the use and value of risk appetite across the organization (including implications of breaches) and review and approve risk appetite metrics and thresholds periodically.
- (h) ensure adequate independence of key functions such as regulatory and control functions (risk management, compliance and audit functions) such that;
 - (i) regulatory and control functions have sufficient stature to perform their tasks effectively.
 - (ii) regulatory and control functions operate independently and have appropriate direct access to the governing board of the bullion exchange and bullion clearing corporation and senior management.
 - (iii) control functions are proactively involved in all relevant decisions and activities.
- (i) Provide for three lines of defense construct where:
 - (i) the first line of defense incorporates business units and



support functions as it has the responsibility to own and manage risks associated with day to day operational activities.

- (ii) the second line of defense consists of various oversight functions i.e., regulatory, risk management, compliance teams, and
- (iii) the third line of defense comprises the internal audit function.
- (j) ensure that the roles and responsibilities of management in relation to three lines of defense are clearly specified and understood and that all employees are responsible for the regulatory, risk management and compliance outcomes.
- (k) ensure a culture of effective communication and challenge (i.e., encourage alternate views or questions from individuals and groups) and value and respect it.
- (l) ensure that any new product, service, revenue stream is examined by the concerned department of the bullion exchange or bullion clearing corporation from the compliance and risk management perspectives in addition to normal viability issues before approving the same.
- (m) review periodically all existing products, services and revenue streams.
- (n) shall meet, without the presence of the managing director and any other executive director, the chief regulatory officer or compliance officer, the chief risk officer, the chief information security officer, the statutory auditor of the bullion exchange and bullion clearing corporation and any other person as determined by the public interest directors and non-independent directors to discuss important issues concerning the bullion exchange and bullion clearing corporation, on a periodic basis as specified by the Authority.
- (o) periodically review the frequency of meetings and agenda items of the governing board and statutory committees to ensure that the number of meetings is rationalized and all important issues are discussed.
- (p) ensure that the agenda papers are approved by the Chairman of the governing board.
- (q) ensure that members of the governing board can place agenda item during their meeting.
- (r) be responsible for monitoring compliance with the code of conduct by the directors of the bullion exchange and clearing corporation.
- (s) uphold a strong culture in the bullion exchange or bullion clearing



corporation and promote target culture from the top through behaviour, actions and effective communication.

- (t) communicate the guiding principles for institution's target regulatory, compliance, risk and conduct culture.
- (u) endeavor that the bullion exchange and bullion clearing corporation put in place key elements related to culture such as:
 - i. adequate training programs to help employees better understand expectations of behavior (for example, trainings on dilemmas);
 - ii. mechanisms to measure and track indicators related to culture at regular intervals;
 - iii. accountability mechanisms; and
 - iv. performance management mechanisms which take into account adherence to culture, conduct and behavior related dimensions.

II. Code of conduct for directors, committee members and key management personnel

A. Applicable to directors, committee members and key management personnel of bullion exchange and clearing corporation:

1. General Responsibility

Every director, committee members and key management personnel of the recognised bullion exchange or recognised bullion clearing corporations shall—

- (a) analyse and administer the bullion exchange's and bullion clearing corporation's issues with professional competence, fairness, impartiality, efficiency and effectiveness;
- (b) unless otherwise required by law, maintain confidentiality and not divulge or disclose any information obtained in the discharge of their duty and no such information is used for personal gains;
- (c) maintain the highest standards of personal integrity, truthfulness, honesty and fortitude in discharge of their duties in order to inspire public confidence and not engage in acts discreditable to their responsibilities;



- (d) perform their duties in an independent and objective manner and avoid activities that may impair, or may appear to impair, their independence or objectivity or official duties.
- (e) perform their duties with a positive attitude and constructively support open communication, creativity, dedication, and compassion;
- (f) not engage in any act involving moral turpitude, dishonesty, fraud, deceit, or misrepresentation or any other act prejudicial to the administration of the bullion exchange and clearing bullion corporations;
- (g) promote greater awareness and understanding of ethical responsibilities.
- (h) in the conduct of their business, observe high standards of commercial honour and just and equitable principles of trade.
- (i) be exemplary in their conduct in business life which may set a standard for others;
- (j) not use their position to give or receive favours to or from the executive or administrative staff of the bullion exchange or bullion clearing corporation, technology or service providers and vendors or suppliers of the bullion exchange and bullion clearing corporation;
- (k) not commit any act which will put the reputation of the bullion exchange or bullion clearing corporation in jeopardy;
- (l) comply with the provisions of all applicable laws pertaining to the bullion market and securities market;
- (m) directors and key management personnel shall at all points of time comply with all the internal policies of the bullion exchange and bullion clearing corporation including their code of conduct. If there is a conflict between the code of conduct policy of the bullion exchange or bullion clearing corporation with those provided by the Authority, then the policy issued by the Authority shall prevail.

2. Regulatory Compliances

Every director, committee member and key management personnel of the recognised bullion exchange or recognised bullion clearing corporation shall—

- (a) ensure that the bullion exchange or bullion clearing



corporation abides by all the applicable provisions of Act, the Securities Contracts (Regulation) Act, 1956, rules, regulations, or circulars or guidelines or directions issued thereunder by the Authority or any other regulatory authority from time to time;

- (b) ensure compliance at all levels so that the regulatory system does not suffer any breaches.
- (c) ensure that the bullion exchange or bullion clearing corporation takes steps commensurate to honour the time limit stipulated by Authority for corrective action.

3. Disclosures of Beneficial Interest

All directors, committee members and key management personnel shall disclose to the governing board of recognised bullion exchange or recognised bullion clearing corporation, upon assuming office and during their tenure in office, whenever the following arises: —

- (a) any fiduciary relationship of self and family members and directorship or partnership of self and family members in any trading member or clearing member
- (b) shareholding, in cases where the shareholding of the director or key management personnel, directly or through his family exceeds 5 percent in any listed company or in other entities related to the bullion markets or securities markets;
- (c) any other business interests.

4. Access to Information

- (a) There shall be prescribed channels through which information shall move and further there shall be audit trail of the same. Any retrieval of confidential documents or information shall be properly recorded.
- (b) All such information, especially which is non-public and price sensitive, shall be kept confidential and not be used for any personal consideration or gain.
- (c) Any information relating to the business or operations of the bullion exchange or bullion clearing corporation, which may come to the knowledge of directors or committee members or key management personnel during performance of their duties shall be held in strict confidence, shall not be divulged to



any third party and shall not be used in any manner except for the performance of their duties.

- (d) Directors shall call for information only as part of specific committees or as may be authorised by the governing board of bullion exchange or bullion clearing corporation.

5. Misuse of Position

Directors or committee members or key management personnel shall not use their position to obtain business or any pecuniary benefit in the organization for themselves or family members.

B. Applicable to the Directors and Committee Members

1. Meetings and Minutes

The directors and committee members of the recognised bullion exchange or recognised bullion clearing corporations shall—

- (a) not participate in discussions on any subject matter in which any conflict of interest exists or arises, whether pecuniary or otherwise and in such cases the same shall be disclosed and recorded in the minutes of the meeting;
- (b) not encourage the circulation of agenda papers during the meeting, unless circumstances so require;
- (c) ensure that minutes are recorded to capture all points of opinion comprehensively.
- (d) offer their comments on the draft minutes and ensure that the same are incorporated in the final minutes;
- (e) insist on the minutes of the previous meeting being placed for approval in subsequent meeting;
- (f) endeavor to have the date of next meeting fixed at each governing board meeting and committee meetings respectively in consultation with other respective members of the governing board and committees;
- (g) ensure that all important agendas placed before the governing board of bullion exchange and clearing corporation and committees are deliberated in a timely manner;
- (h) not support any decision in the meeting of the governing board of bullion exchange and clearing corporation and the committees respectively which may adversely affect the



interest of customers and shall report forthwith any such decision to the Authority.

2. Role of the directors and committee members in the day to day functioning of the recognised bullion exchange and recognised bullion clearing corporation

- (a) The directors and committee members shall not interfere in the day to day functioning of the bullion exchange or bullion clearing corporation and shall limit their role to decision making on policy issues and to issues as the governing board of bullion exchange and bullion clearing corporation may decide.
- (b) The directors and committee members shall abstain from influencing the employees of the bullion exchange and bullion clearing corporations in conducting their day to day activities.
- (c) The directors and committee members shall not be directly involved in the function of appointment and promotion of employees unless specifically so decided by the governing board of bullion exchange and clearing corporation.

3. Avoidance of Conflict of Interest

- (a) No director or committee member of the bullion exchange or bullion clearing corporation shall participate in any decision making or adjudication in respect of any person or matter in which he or she is in any way, directly or indirectly, concerned or interested.
- (b) Conflict of interest in a matter, if any, shall be decided by the governing board of the bullion exchange and bullion clearing corporation.

4. Strategic Planning

Every director and committee member of the recognised bullion exchange and recognised bullion clearing corporation shall -

- (a) participate in the formulation and execution of strategies in the best interest of the bullion exchange and bullion clearing corporation and contribute towards pro-active decision making at the governing board level;
- (b) give benefit of their experience and expertise to the bullion exchange and bullion clearing corporation and provide



assistance in strategic planning and execution of decisions;

- (c) place priority for redressing customer grievances and encouraging fair trade practice so that the bullion exchange and bullion clearing corporation becomes an engine for the growth of the bullion market.

C. Applicable to Public Interest Directors

- (a) Public Interest Directors of the bullion exchange and bullion clearing corporation shall endeavor to attend all the governing board meetings and they shall be liable to vacate office if they remain absent for three consecutive meetings of the governing board or do not attend seventy-five percent of the total meetings of the governing board in a calendar year.
- (b) Public interest directors shall meet separately, at least once in six months to exchange views on critical issues. Public interest directors shall submit a report of such meeting to the Authority and to the governing board of the recognised bullion exchange and recognised bullion clearing corporation within the time and manner as may be specified by the Authority from time to time.
- (c) Public interest directors shall identify important issues which may involve conflict of interest for the bullion exchange and bullion clearing corporation or may have significant impact on the functioning of the bullion exchange and bullion clearing corporation or may not be in the interest of bullion market. The same shall be reported to the Authority in a time-bound manner.
- (d) Public interest directors shall have regular oversight on observations of Authority's inspection particularly on issues of governance standards, technology and cyber security and system audit and cyber security audit observations.
- (e) Public interest directors should be proactive in identifying any issues concerning the functioning of bullion exchange or bullion clearing corporation and report the same to the Authority. Public interest directors should ensure all regulatory communication/letter from the Authority are placed before the governing board with comments/report of managing director.
- (f) Public interest directors shall put in place an evaluation mechanism to assess the performance of the managing director



on a continuing basis in line with evaluation guidelines for public interest directors.

- (g) Public interest directors to ensure that appointments of managing director be held within specified timelines. The identification of key management personnel be closely scrutinized as per the laid down procedure and exceptions should be brought to the notice of the Board.
- (h) Public interest directors should take proactive part in the deliberations of different committees and steer their functioning.
- (i) Ensure adequacy of resource allocations (both financial & human) towards regulatory compliances to be ensured.

D. Applicable to Independent External Professionals

- a) Independent external professionals shall not use or act on any sensitive information received in capacity as a member of the statutory committee for obtaining any undue benefit.

Part-C

[See Regulation 2(1)(v)(iii) and 33(2)]

Core functions for recognised bullion exchange and recognised bullion clearing corporation

1. For recognised bullion exchange, the core and critical functions shall include but not limited to:
 - a. Vertical 1: Critical operations
 - i. Provision and operation of trading facilities.
 - ii. Record keeping and disclosure of trade related information.
 - iii. IT infrastructure for core and critical functions.
 - iv. Business continuity plan and disaster recovery operations.
 - v. Cyber security and cyber resilience framework.
 - b. Vertical 2: Regulatory, compliance, risk management and customer grievance
 - i. Risk management.
 - ii. Surveillance and investigation.
 - iii. Member registration
 - iv. Compliance.
 - v. Inspection.



- vi. Enforcement.
 - vii. Arbitration and grievance redressal mechanism.
 - viii. Member default.
 - ix. Customer protection and services.
- c. Vertical 3: Other functions including business development
- i. Sales.
 - ii. Marketing.
 - iii. Product development.
 - iv. Finance.
2. For recognised bullion clearing corporation, the core and critical functions shall include but not limited to:
- a. Vertical 1: Critical operations
- i. Provision for clearing and settlement.
 - ii. Record keeping of information related to clearing and settlement of trades;
 - iii. IT infrastructure for core and critical functions.
 - iv. Business continuity plan and disaster recovery operations.
 - v. Cyber security and cyber resilience framework
- b. Vertical 2: Regulatory, compliance, risk management and customer grievance
- i. Risk management
 - ii. Member registration
 - iii. Compliance
 - iv. Inspection
 - v. Enforcement
 - vi. Member default
 - vii. Customer protection and services.
- c. Vertical 3: Other functions including business development
- i. Sales
 - ii. Marketing
 - iii. Product development
 - iv. Finance

Part-D



[See Regulation 29 and 30]

A. Procedure for appointment

1. All directors while seeking approval shall submit to the bullion exchange/bullion clearing corporation the following details:-
 - a) Name
 - b) Address
 - c) Educational qualification
 - d) Details of employment/ Occupation, past and present
 - e) Details of other directorships
 - f) DIN
 - g) Declaration regarding the fulfillment of requirements specified in these regulations.
 - h) Declaration confirming compliance in respect of non-association with trading member or clearing member.
 - i) Details of regulatory action taken against by any statutory authority.
 - j) Details of activities that may in the opinion of the director, lead to his disqualification.
 - k) Association with trading members/clearing members.
 - l) Disclosure of the names of his dependents associated with the bullion market or securities market or holding any Authority registration.
 - m) An undertaking that he shall abide by the code of conduct prescribed in Part A and Part B of Schedule I to these Regulations.
 - n) In the case of public interest directors, consent letters for acting as a public interest director.
 - o) Pending / completed criminal cases pending before any authority in India or abroad, if any.

2. The recognised bullion exchange or recognised bullion clearing corporation shall forward the above details to the Authority while recommending their names along with the minutes of the governing board meeting where their name(s) was approved, copy of the shareholders' resolution (wherever applicable) and a confirmation by the recognised bullion exchange or recognised bullion clearing corporation that they are fit and proper persons in terms of the fit and proper criteria, are not associated with any trading member or clearing member and are in compliance with the requirements specified in these regulations.

B. Managing Director / Executive Director:-



1. The Nomination and Remuneration Committee of the recognized bullion exchange/ recognized bullion clearing corporation shall be responsible for selection of CEO /Managing Director / Executive Director, as the case may be. The managing director shall be selected through open advertisement in all editions of at least one national daily from amongst persons qualified in the fields of bullion market/ securities market/ finance/ management and possessing sufficient experience. The bullion exchange/ bullion clearing corporation shall forward the new names to the Authority before two months from the last working day of the existing Managing Director.
2. In case a vacancy of managing director arises due to unforeseen reasons, the bullion exchange/ bullion clearing corporation shall forward the new names to the Authority within 60 days from the date of submission of resignation or such vacation of office.

C. Public Interest Directors: -

1. The names of the public interest directors shall be forwarded to the Authority after the approval of the governing board of the recognised bullion exchange or recognised bullion clearing corporation. The shareholders' approval shall not be necessary. A minimum of two names shall be submitted to the Authority for each vacancy of public interest directors, two months before such vacancy.
2. The bullion exchange/ bullion clearing corporation shall ensure that public interest directors are selected from diverse field of work. While deciding to propose a particular person as a public interest director, the bullion exchange/ clearing corporation shall also take into account the following factors:
 - (a) Qualifications as specified in sub-regulation (14) of regulation 27.
 - (b) Atleast one person shall be inducted having experience and background in finance/ accounts who may preferably be inducted in the audit committee.
 - (c) Persons currently holding positions of trust and responsibility in reputed organisations or person who have retired from such positions.
 - (d) Persons who are likely to have interested positions in commercial contracts and financial affairs of bullion exchange,



may preferably be excluded.

3. Public interest directors shall peruse the relevant laws, code of conduct, etc. and submit an undertaking to the recognised bullion exchange or recognised bullion clearing corporation that they are aware of their role, responsibilities and obligations.
4. In case of reappointment of the public interest director, the recognised bullion exchange or recognized bullion clearing corporation shall apply to the Authority four months before the expiry of the term. In addition to the other requirements specified herein, the application for reappointment of the public interest director shall be accompanied with, their attendance details on meetings of various mandatory committees and on the governing board of the recognised bullion exchange or recognised bullion clearing corporation, performance review and the reasons for extension of term.
5. The existing public interest director may continue holding the post for a maximum period of three months from the date of expiry of their term or till a new public interest director is appointed, whichever is earlier, only if the governing board does not meet the mandatory regulatory requirements on its composition.

D. Non-independent directors

1. The names of persons to be appointed as non-independent directors shall first be approved by the governing board of the bullion exchange/ bullion clearing corporation, followed by shareholders' approval before submitting the same to the Authority for approval.
2. The manner of election, appointment, tenure, resignation, vacation, etc. of non- independent directors shall be governed by the provisions applicable to shareholder directors under the Companies Act, 2013 save as otherwise specifically provided under these Regulations or in accordance with the Act and circulars issued thereunder.

E. General conditions on appointment of directors

1. The bullion exchange/ bullion clearing corporation shall complete the appointment process within 30 days from nomination/approval for directors by the Authority and submit a compliance report within one week from the date of appointment.



2. In case any other official of the bullion exchange/ clearing corporation is appointed on the governing board in addition to the Managing Director, the same shall be subject to the approval of shareholders and the Authority, in that order.
-
- F. The recognized bullion exchange and recognized bullion clearing corporation shall provide at least seven days of training to all directors each year.