



## **CIRCULAR**

**F. No. 236/IFSCA/Unallocated Account/2020-21/1**

**March 03, 2021**

**To,**

**All Banking Units,**

**Dear Sir/Madam,**

**Sub: Enabling dealings by IFSC- Banking Units in Bullion Unallocated Accounts**

1. This circular is being issued to enable Banking Units – IBU (Indian Banking Units) /FBU (Foreign Banking Units) in IFSC to operate Unallocated Accounts for the purpose of trading, hedging and swapping with Physical Gold / Silver (Allocated).
2. The following activities are permitted under the International Financial Services Centres Authority (Banking) Regulations, 2020:
  - a) The BUs are permitted to open Unallocated Accounts for undertaking Trading activities under Clause 13(3) of the regulations. To enable such activities, BUs may permit the opening of accounts by their customers under Clause 11 of the regulations.
  - b) The BUs are permitted to participate in derivative transactions through Unallocated Accounts under Clause 13 (6) of the regulations.

**Eligibility Norms**

3. All BUs (IBU/FBU) are permitted to open Unallocated Accounts in Gold and Silver subject to the Risk Management Framework and Disclosures.
4. An Unallocated Account may be opened only with authorized members of the London Precious Metal Clearing Limited.

## **Risk Management Framework**

### **General**

5. IBU/FBU in IFSC may open Unallocated accounts in gold and silver for the purpose of Trading, Hedging, Settlement, swapping with physical bullion (Allocated). The BUs may trade on recognized commodity exchanges or over-the-counter.
6. BUs should frame an appropriate policy and fix suitable limits on this function. The limits must be communicated to the IFSCA as soon as the approval from the Board/Management Committee is received.

### **Position and Gaps**

7. The net overnight open position and the aggregate gap limits in XAU & XAG as a limit from the existing trading limits of currencies should be communicated to IFSCA immediately after the approval of the Board / Management Committee.

### **Inter-bank Transactions**

8. Subject to compliance with the provisions of paragraphs 6 and 7, BUs may freely undertake transactions in unallocated XAU and XAG as under:
  - (i) Buying/Selling/Swapping XAU and XAG in unallocated accounts against any foreign currency or Physical Bullion (Allocated).
  - (ii) Buying/Selling/Swapping Bullion against another foreign currency to cover client transactions or for adjustment of own position.
  - (iii) Initiating trading positions.
- A. NOOPL(Bullion) – Net Overnight Open Position Limit in Bullion  
NOOPL in bullion may be fixed by the Boards of the respective banks and communicated to IFSCA immediately.
- B. (AGL-Bullion) Aggregate Gap Limits  
AGL for bullion may be fixed by the Boards of the respective banks and communicated to the IFSCA immediately.

### **Other Guidelines**

9. The Treasury/Risk Management of the Head Office shall monitor the utilization and adherence to the limits prescribed and report the same to ALCO / (Asset-Liability) Internal Audit Committee of the Bank.

10. IBU/FBU should also have a system in place to demonstrate, whenever required, the various components of the NOOP for bullion as prescribed in the guidelines for verification by IFSCA.
11. Transactions undertaken by BU till the end of the business day may be computed for calculation of Bullion Exposure Limits. The transactions undertaken after the end of the business day may be taken into the positions for the next day. The end of the business day time may be approved by the bank's Board.
12. This circular is issued in exercise of powers conferred by section 12 of the International Financial Services Centres Authority Act, 2019 to develop and regulate the financial products, financial services and financial institutions in the International Financial Services Centres.
13. A copy of this circular is available on the website of the International Financial Services Centres Authority at [www.ifsc.gov.in](http://www.ifsc.gov.in)

**Yours faithfully,**  
**Ramakrishnan Padmanabhan**  
**Deputy General Manager**  
**ramakrishnan.pad@ifsc.gov.in**

Encl: As above

### **Calculation of Net Open Position in Bullion**

The guidelines and formats for preparation of the BTD and GPB reports are given below. BUs may ensure that the reports are properly compiled on the basis of these guidelines: The data is to be provided on a weekly basis.

The open position in Bullion (XAU & XAG) is the sum of (a) net spot position (b) the net forward position:

**a) Net Spot Position**

The net spot position is the difference between Bullion assets and liabilities in the balance sheet.

**b) Net Forwards Position**

This represents the net of all amounts to be received less all amounts to be paid in the future because of bullion transactions which have been concluded. These transactions, which are recorded as off-balance sheet items in the bank's books, would include:

- i) spot transactions which are not yet settled;
- ii) forward transactions (including on futures exchanges);
- iii) Net of amounts to be received / paid in respect of futures and the principal on swaps.

The overall position of Bullion may be converted into US Dollars at bullion price (LBMA AM Fix for gold and Silver Fix for silver) and be arrived at.

**Reporting of Bullion Turnover Data – Bullion Turnover Daily (BTD) and GPB (Gap Position Balance)**

The guidelines and formats for preparation of the BTD and GPB reports are given below. BU may ensure that the reports are properly compiled based on these guidelines:

The data for a particular date must reach us by the close of business of the following working week.

**BTD**

1. SPOT - Cash and tom transactions are to be included under 'Spot' transactions.
2. SWAP - Only Bullion swaps between BUs should be reported under swap transactions. Swap transactions should be reported only once and should not be included under either the 'spot' or 'forward' transactions. Buy/Sell swaps should be included in the 'Purchase' side under 'Swaps' while Sell/Buy swaps should figure on the 'Sale' side.
3. Cancellation of forwards - The amount required to be reported under cancellation of forward contracts against purchases from any counterparty financial entity (Banks/Financial Institutions) should be the aggregate of cancelled forward client sale contracts by BU (adding to the supply in the market). On the sale side of cancelled forward contracts, aggregate of the cancelled forward purchase contracts should be indicated (adding to the demand in the market).
4. Transactions with any central bank or IMF, BIS, any other multi-lateral institution, if any, should be included in inter-bank transactions. Transactions with financial institutions other than banks authorised to deal in bullion should be included under non-banking transactions.

**GPB**

1. Unallocated Account Balances - bullion balances (XAU & XAG) and investments in all Bullion should be reported in ounces and converted into US dollars taking the LBMA AM fix price on the date of reporting and reported under this head.
2. Net open bullion position- This should indicate the overall overnight net open bullion position of the BU in USD. The net overnight open position should be calculated based on the instructions given in Annexure I.

## Formats of Bullion Turnover Daily &amp; Gaps, Position and Balances

## Bullion Turnover Daily

		Customer			Inter Bank		
		Cash, Tom, Spot, Ready, etc.	Forwards	Cancellation of Forwards	Spot (Cash & Tom)	Swap	Forwards
XAU/USD	Purchase From						
	Sales To						
XAG/USD	Purchase from						
	Sales To						

## Gap Position Balance

Statement showing gaps, position and cash balances as on.....

Bullion Balances (In Unallocated + Allocated)	:	In USD Million
Net Open Position (in USD)	:	O/B (+) O/S (-) IN USD IN MILLIONS
AGL MAINTAINED (IN USD)	:	

## Bullion mismatches in maturity (in USD Million)

I Month	II Months	III Months	IV Months	V Months	VI Months	> VI Months

The reports may be sent by [email](#) :