



CIRCULAR

F. No. 329/IFSCA/Bullion MIIs/2022-23

March 01, 2023

To

Bullion Exchange in the International Financial Services Centre (IFSC)
Bullion Clearing Corporation in the IFSC

Dear Sir/Madam

Net worth requirements for a Bullion Exchange and a Bullion Clearing Corporation

According to Regulation 5 (1) (c) of the IFSCA (Bullion Exchange) Regulations, 2020”, the applicant seeking recognition as a Bullion Exchange or Bullion Clearing Corporation, as the case may be, shall have a net worth of USD 30 million, to be maintained on a continuing basis.

2. Regulation 14 (1) of the IFSCA (Market Infrastructure Institutions) Regulations, 2021 stipulates a recognized MII to have a net worth of at least USD 3 million at all times.
3. With the combined reading of the abovementioned Regulations along with Regulation 59 of the IFSCA (Bullion Exchange) Regulations, 2020 and considering the nascent stage of the bullion ecosystem in IFSC, IFSCA had granted a temporary exemption to India International Bullion Exchange (IIBX), which operates as a Bullion Exchange and a Bullion Clearing Corporation in IFSC, from the provisions of Regulation 5 (1) (c) of the IFSCA (Bullion Exchange) Regulations, 2020. Accordingly, with a view to expediting the establishment of bullion market infrastructure institutions (MIIs) in IFSC, IFSCA had directed that IIBX may



maintain a net worth of USD 6 million (USD 3 million each for the exchange and clearing functions) at the initial stages.

4. Subsequently, prior to the formal launch of IIBX, in order to strengthen the risk management and resilience of the bullion ecosystem in IFSC, it was advised to maintain an enhanced minimum net worth of USD equivalent of INR 110 crore (approx. USD 13.85 million @ USDINR Reference Rate 79.4203 as of July 29, 2022).

5. Further, Regulation 14 (2) of IFSCA (Market Infrastructure Institutions) Regulations, 2021 reads as follows:

“(2) If required, as a risk management measure, the Authority may prescribe higher net worth for a recognized market infrastructure institution based on the nature and scale of business of the entity”.

6. Accordingly, in order to ensure that the net worth of a Bullion Exchange and a Bullion Clearing Corporation is sufficient to accommodate the technological advancements in trading platforms and, the nature and expected growth of its business including the leveraged products it may offer, and to ensure that its net worth adequately captures the risks it faces, it has been decided to increase their net worth requirements in a gradual manner. The Bullion Exchange and the Bullion Clearing Corporation shall be required to maintain, at all times, a minimum net worth as specified in the table below:

Timelines	Bullion Exchange	Bullion Clearing Corporation	MII that is functioning both as a Bullion Exchange and a Bullion Clearing Corporation
By June 30, 2023	USD 10 million	USD 10 million	USD 20 million
By March 31, 2024	USD 15 million	USD 15 million	USD 30 million



By December 31, 2024	USD 25 million	USD 25 million	USD 50 million
By June 30, 2025	USD 30 million	USD 30 million	USD 60 million

7. The Bullion Exchange and Bullion Clearing Corporation shall ensure that their net worth does not fall below the prescribed minimum net worth. A certificate to this effect, signed by the Managing Director and Chief Executive Officer, shall be submitted to the IFSCA within 15 days of the end of each quarter. The first such submission shall be made applicable for the April - June 2023 quarter.

8. In addition, a Bullion Exchange or a Bullion Clearing Corporation shall not distribute profits in any manner to its shareholders until it maintains the net worth specified by the IFSCA in this Circular, as amended from time to time.

9. In exceptional cases where the net worth of the Bullion Exchange and/or Bullion Clearing Corporation falls below the prescribed threshold, it shall forthwith inform the IFSCA *inter alia* mentioning the reason(s) behind the same and the measure(s) it intends to take in order to re-attain the prescribed net worth.

10. A Bullion Clearing Corporation shall also establish and maintain a fund called Core Settlement Guarantee Fund to guarantee the settlement of trades executed on the Bullion Exchange, in accordance with the norms issued from time to time by the IFSCA. The contribution made by Bullion Clearing Corporation to the Core Settlement Guarantee Fund shall be considered as part of its net worth.

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.



A copy of this circular is available on the website of the International Financial Services Centres Authority at www.ifsc.gov.in.

Yours faithfully

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