



**A BHATT & JOSHI PRACTITIONER HANDBOOK**  
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# **THE IFSC BULLION EXCHANGE AND VAULT ECOSYSTEM**

*A Practitioner's Handbook on the IFSCA (Bullion  
Market) Regulations 2025 and the IIBX Architecture*



IFSCA (BULLION MARKET) REGS 2025 · IIBX LAUNCHED 29 JUL 2022  
FOUR LIMBS: IIBX · IICCL · IIDI · EMPANELLED VAULTS  
BULLION DEPOSITORY RECEIPT (BDR) · §47(viiab) SECURITY  
DGFT NOTIF 49 · RBI AP DIR CIRC 04 · QJ NW INR 15 CR  
INCOME-TAX §80LA · §10(4D) · §115JB(7) MAT @ 9%

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## **FOREWORD**

Booklet XV of the Practitioner Series addresses the IFSC Bullion Exchange and the wider vault ecosystem at GIFT City. The operative regulatory text is the IFSCA (Bullion Market) Regulations 2025 — which supersede the earlier 2020 framework — read with the India International Bullion Exchange (IIBX) bye-laws. India is the world's second-largest gold consumer (802.8 MT in CY 2024); the foreign-exchange outflow on bullion imports approached USD 72 billion in FY 2025-26. The architecture rests on four limbs — the Exchange (IIBX, launched 29 July 2022), the Clearing Corporation (IICCL), the Depository (IIDDI) and empanelled Vault Managers — supported by the Qualified Jeweller mechanism (DGFT Notification 49 of 5 Jan 2022) and the India-UAE CEPA Tariff Rate Quota.

## CHAPTER ONE

# Why GIFT-IFSC for Bullion

*Citations: World Gold Council India Country Insight (CY 2024); DGCI&S Trade Statistics (FY 2025-26); IIBX launch records 29 July 2022.*

¶ **1. The structural exposure.** India consumed approximately 802.8 metric tonnes of gold in CY 2024, ranking second globally only to China. The foreign-exchange outflow on bullion imports approached USD 72 billion in FY 2025-26 — a 24 per cent year-on-year increase by value on roughly 721 metric tonnes of import volume. Approximately 40 per cent of Indian gold imports source from Switzerland and around 16 per cent from the United Arab Emirates. The structural exposure to Loco-London settlement, offshore price discovery, and non-resident refiner pricing is therefore very large — and is the policy problem the IFSC Bullion Exchange was designed to address.

¶ **2. The four policy objectives.** The IFSCA Bullion Exchange addresses four distinct policy objectives. (i) Foreign-exchange management — by relocating part of the price-discovery and settlement function onshore (in the IFSC sense of 'deemed offshore'), the structural FX outflow on imports is partially reabsorbed. (ii) Price discovery — Indian demand can begin to influence the dollar reference price for Asia-time-zone bullion, rather than receiving the LBMA fix as a price-taker. (iii) Sovereign substitution for offshore Loco-London settlement — moving the settlement legal seat to GIFT and the depository function to IIDI. (iv) Compliance perimeter for sanctioned-origin gold — IIBX provides a Single Window through which IFSCA can enforce OFAC, EU, UK and UN sanctions on Russian, Iranian and DRC artisanal gold.

¶ **3. The live ecosystem (FY 2024-25).** The Exchange was launched on 29 July 2022 by the Prime Minister. By the close of FY 2024-25, the live ecosystem comprised approximately 171 Qualified Jewellers (post-revision to a INR 15 crore net-worth threshold), 25 Qualified Suppliers (international refiners on the Qualified Supplier route), and 441 TRQ-Qualified Jewellers eligible for the 1 per cent concessional duty UAEGD gold quota under the India-UAE CEPA. The TRQ quota for FY 2025-26 stands at 180 metric tonnes. The ecosystem is no longer in proof-of-concept stage; the residual constraints are operational and capital-allocation in nature.

## CHAPTER TWO

# The IIBX Architecture — Four Limbs

*Citations: IFSCA (Bullion Market) Regulations 2025; IIBX Bye-Laws (stockholdingifsc.com); IIDI Depository; IICCL Clearing Corporation; IFSCA Operating Guidelines 25 August 2021.*

¶ **1. The four limbs.** The IIBX architecture rests on four institutional limbs. (i) India International Bullion Exchange IFSC Limited (IIBX) — the recognised exchange under the Bullion Market Regulations. (ii) India International Bullion Clearing Corporation IFSC Limited (IICCL, sometimes referred to in records as Tata BCC) — the central counterparty for clearing and settlement. (iii) India International Depository IFSC Limited (IIDI) — the depository that issues, holds and extinguishes Bullion Depository Receipts. (iv) Empanelled Vault Managers — currently including Brink's and Sequel among others — providing physical storage and chain-of-custody. The parent holding entity is India International Bullion Holding IFSC Limited (IIBH); shareholders include NSE, MCX, India INX, NSDL and CDSL.

### "BULLION" — DEFINITION (VERBATIM, BULLION MARKET REGS 2025)

'bullion' means 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.

*Source: IFSCA (Bullion Market) Regulations 2025, Regulation 2 (definitions).*

### "BULLION DEPOSITORY RECEIPT" (VERBATIM, BULLION EXCHANGE REGS 2020, REPRODUCED 2025)

'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.

*Source: IFSCA (Bullion Exchange) Regulations 2020, Regulation 2; reproduced in IFSCA (Bullion Market) Regulations 2025.*

### "VAULT MANAGER" (VERBATIM, IIBX BYE-LAWS REPRODUCING IFSCA REG 2)

'Vault Manager' means a person, registered by the IFSCA who manages the Vault empanelled by a Bullion Depository for carrying on the Vaulting Business and shall have the meaning assigned to the term in the Bullion Exchange Regulations, as amended.

*Source: IIBX Bye-Laws (stockholdingifsc.com/pdf/IIBX\_byelaws.pdf), reproducing IFSCA Regulation 2.*

## CHAPTER THREE

# Bullion Depository Receipts — Lifecycle

*Citations: IFSCA Operating Guidelines on Bullion Exchange / Clearing Corporation / Depository & Vault Manager dated 25 August 2021; IIBX traded-contract specifications; CBDT Notification August 2022 on BDR as security under Section 47(viiab).*

¶ **1. The five-stage BDR lifecycle.** The Bullion Depository Receipt is the central financial-product innovation of the GIFT ecosystem. The BDR lifecycle has five stages. (i) Physical bullion of LBMA Good Delivery or UAE Good Delivery standard is deposited at an empanelled vault. (ii) The vault manager weighs, verifies bar serial numbers, and confirms grade to IIDI. (iii) IIDI issues the corresponding BDR in dematerialised form to the depositor's account. (iv) The BDR trades on IIBX in USD across the listed contract tenors — currently Gold 995, Gold Mini 999, Gold 9999 (T+0), Gold 12.5 kg 9999 (T+0), Silver Grains and Silver Bar; the UAEGD and UAEGD-TRQ variants service the India-UAE CEPA quota. (v) On extinguishment, the holder takes physical delivery from the empanelled vault or re-exports the underlying bullion.

¶ **2. Section 47(viiab) and BDRs.** The tax architecture is consequential. The CBDT notified in August 2022 that the BDR with underlying bullion constitutes 'securities' under clause (d) of the Explanation to Section 47(viiab) of the Income-tax Act 1961. Transfers by a non-resident on a recognised stock exchange in an IFSC, with consideration in convertible foreign currency, are accordingly not 'transfers' for capital-gains purposes. A non-resident investor in BDRs therefore faces no Indian capital-gains tax on intra-IIBX trades — the same tax-neutrality logic applied to equity and unit transfers on the INX and NSE-IFSC exchanges.

¶ **3. Allocation by construction.** The settlement architecture also addresses a long-standing ambiguity in Indian bullion finance — the legal status of unallocated gold accounts. Because the BDR is issued only against physical bullion already deposited and verified at an empanelled vault, the receipt is fully allocated by construction. There is no fractional reserve, no unbacked entitlement, no rehypothecation. For founders structuring gold-backed financial products — savings products, exchange-traded vehicles, collateralised loans — the BDR provides a clean settlement primitive that is not available in the Indian onshore market.

## CHAPTER FOUR

# Participants and Eligibility

*Citations: IIBX Membership Categories and Net-Worth page; IFSCA Circular dated 1 March 2023 (Net-Worth for Bullion Exchange and Clearing Corporation); IFSCA Circular dated 1 May 2024 (Qualified Supplier); IFSCA Circular dated 11 January 2023 (Qualified Jewellers under India-UAE CEPA).*

¶ **1. The seven participant categories – first three.** The participant taxonomy comprises seven categories. (i) Bullion Trading Member (BTM) – broker-style intermediary, incorporated in India or a foreign jurisdiction, with an IFSC presence; required to meet IIBX's published BMC and Initial Deposit thresholds and the Fit-and-Proper criteria under the Bullion Market Regulations 2025. (ii) Bullion Clearing Member – a licensed IFSC Banking Unit or a registered broker meeting IICCL's risk-adjusted capital criteria. (iii) Limited Purpose Trading Member (LPTM) and Special Category Client – abbreviated participation routes for Qualified Jewellers seeking direct market access without full BTM status.

¶ **2. The remaining four – depositories, vaults, jewellers, suppliers.** (iv) Bullion Depository – recognised under the Bullion Market Regulations; minimum net worth of USD 10 million per IFSCA's 1 March 2023 circular. (v) Vault Manager – empanelled by the Bullion Depository and separately registered with IFSCA; subject to LBMA-aligned infrastructure, insurance and AML obligations. (vi) Qualified Jeweller – notified by IFSCA; minimum net worth INR 15 crore (revised downwards from the original INR 25 crore threshold per the 2025 IFSCA circular); 60 per cent of turnover over the last three years (or 90 per cent in the preceding year) must derive from dealing in Chapter-71 precious-metal goods; GST returns must be current. (vii) Qualified Supplier – international refiner pathway introduced by IFSCA's circular of 1 May 2024; LBMA Good Delivery or UAEGD Good Delivery accreditation is a prerequisite.

### **QUALIFIED JEWELLER PARTICIPATION (VERBATIM, IIBX MARKET PARTICIPANTS PAGE)**

A Qualified Jeweller (QJ) is being permitted to purchase Bullion Depository Receipt (BDR) on IIBX – only for import of bullion, either as a client of a Bullion Trading Member or as a 'Special Category' Client. A Qualified Jeweller seeking to participate as a 'Special Category' Client on IIBX shall either be a Body Corporate incorporated under the Companies Act 2013 or a Limited Liability Partnership (LLP).

*Source: IIBX Market Participants page, Qualified Jeweller section ([iibx.co.in/static/qualified\\_jeweller.aspx](http://iibx.co.in/static/qualified_jeweller.aspx)).*

### **DGFT NOTIFICATION 49 – QUALIFIED JEWELLER ROUTE (VERBATIM)**

In addition to nominated agencies as notified by RBI (in case of banks) and nominated agencies notified by DGFT, qualified jewellers as notified by IFSCA

are permitted to import gold under ITC(HS) Codes 71081200 and 71189000, through India International Bullion Exchange IFSC Ltd. (IIBX).

*Source: DGFT Notification No. 49/2015-2020 dated 5 January 2022.*

**RBI ADVANCE-REMITTANCE WINDOW (VERBATIM)**

AD banks may allow Qualified Jewellers to remit advance payments for eleven days for import of Gold through IIBX in compliance to the extant Foreign Trade Policy and regulations issued under IFSC Act ... Any unutilised amount as at the end of the specified time limit of 11 (calendar) days from the date of remittance, shall be compulsorily remitted back to the AD bank in India.

*Source: RBI A.P. (DIR Series) Circular No. 04 dated 25 May 2022.*

## CHAPTER FIVE

# Vault Operations and LBMA Good Delivery

*Citations: LBMA Good Delivery Rules; LBMA Refiner Accreditation Standards; UAE Good Delivery (UAEGD) standards (ugd.gov.ae); IFSCA Consultation Paper 2025 on India Good Delivery (forthcoming).*

¶ **1. The LBMA accreditation perimeter.** IIBX recognises two refiner accreditation standards by default — the LBMA Good Delivery list (gold and silver) and the UAE Good Delivery list. The LBMA Good Delivery accreditation requires a minimum five-year refining track record, annual refining capacity of at least 10 tonnes of gold (or 50 tonnes of silver), tangible net worth of at least GBP 15 million, and on-site audit. Bars must meet the prescribed 350-430 troy ounce weight envelope for gold and 750-1,100 troy ounce envelope for silver, with purity of at least 995 fineness for gold and 999 for silver.

¶ **2. The tri-party vault arrangement.** The Vault Manager's duties are storage, weighing, bar verification, chain-of-custody documentation, insurance and daily reconciliation with the Bullion Depository. The vault operates under a tri-party arrangement: the depositor, the Bullion Depository (IIDDI) and the Vault Manager are bound by a vaulting agreement that allocates risk, defines the audit cadence and specifies the protocol for physical withdrawal. The insurance perimeter typically covers full reinstatement value for in-vault bullion, transit insurance for bullion in motion, and fidelity insurance for vault personnel.

¶ **3. The forthcoming India Good Delivery standard.** IFSCA is in the process of consulting on an indigenous 'India Good Delivery' standard, which — when notified — will create a third accreditation track in parallel with LBMA and UAEGD. The policy intent is to enable Indian refiners (notably MMTC-PAMP and a small number of others already on the LBMA Good Delivery list) to access IIBX without dependency on the LBMA accreditation cycle. Counsel advising international refiners should monitor the IFSCA consultation and plan accreditation applications against the eventual notified India Good Delivery standard.

## CHAPTER SIX

# Tax and Customs

*Citations: Section 80LA, Section 47(viiab), Section 10(4D) of the Income-tax Act 1961; CBDT Notification of August 2022 (BDR as security); Customs Tariff schedules (post-Budget 2024-25); India-UAE CEPA Tariff Rate Quota Annex.*

¶ **1. The four tax elements.** The tax profile of an IFSC bullion entity comprises four elements. (i) Section 80LA — the IFSC unit obtains a 100 per cent deduction of business income for any ten consecutive assessment years out of the first fifteen. (ii) Section 47(viiab) read with the August 2022 CBDT Notification — transfers of BDRs by a non-resident on a recognised IFSC exchange, with consideration in convertible foreign currency, are not 'transfers' for capital-gains purposes. (iii) Section 10(4D) — the specified-fund and investment-division-of-OBU exemption pipes through Section 47(viiab) bullion transactions, covering fund-vehicle holdings of BDRs without crystallising tax on intra-fund rebalancing. (iv) The MAT relief under Section 115JB(7) (9 per cent vs the mainland 15 per cent) is available on the residual taxable profits.

¶ **2. Customs and IGST mechanics.** Customs and indirect-tax treatment is more nuanced. The Basic Customs Duty on gold was standardised at 6 per cent under Budget 2024-25 (subject to verification against the customs tariff in force on the date of any specific import); the Agriculture Infrastructure and Development Cess applies on top. Imports routed through IIBX still attract BCD and IGST at the point of domestic clearance, except for re-export — where no duty applies. The India-UAE CEPA TRQ regime provides a 1 per cent concessional duty on UAEGD gold within the annual quota; the FY 2025-26 quota stands at 180 metric tonnes and is allocated administratively by IFSCA among TRQ-Qualified Jewellers.

¶ **3. IIBX vs nominated-agency route.** The comparative position vis-a-vis the nominated-agency route (banks under the RBI list, MMTC and similar designated agencies) is material. IIBX delivers three structural advantages: transparency (live order book and trade prints); dollar price discovery (BDRs trade in USD); and access to refiner-direct flows (via the Qualified Supplier route). The duty liability point and the IGST treatment are the same as the nominated-agency route; the differentiator is the upstream price-formation and counterparty-diversity gain.

## CHAPTER SEVEN

# AML, CFT and the Reporting-Entity Regime

*Citations: FATF Recommendations 10, 11, 12, 15, 17 and Risk-Based Approach Guidance for Dealers in Precious Metals and Stones; Prevention of Money Laundering Act 2002; FIU-IND Guidance for DPMS Reporting; IFSCA (AML, CFT, KYC) Guidelines 2022 dated 28 October 2022; PMLA Amendments 2023.*

¶ **1. The PMLA / FIU-IND framework.** Dealers in precious metals and stones (DPMS) are designated non-financial businesses and professions under the FATF framework, subject to Recommendations 10 (customer due diligence), 11 (record-keeping), 12 (politically exposed persons), 15 (new technologies) and 17 (reliance on third parties). The Indian PMLA 2002 designates DPMS as 'reporting entities' once engaged in cash transactions of INR 10 lakh or more (single or linked); the reporting entity must register with FIU-IND and file the prescribed CTRs and STRs through the FINnet portal. The PMLA amendments of 2023 tightened the DPMS definitions and brought 'high-value dealers' under stricter reporting cadence.

¶ **2. The IFSCA AML overlay.** The IFSCA-side AML overlay is the IFSCA (AML, CFT, KYC) Guidelines 2022 of 28 October 2022. The Guidelines apply across all IFSC units including Bullion Trading Members, Vault Managers and the Bullion Depository. The Principal Officer designation, the CDD record retention period (five years from transaction or relationship termination), the suspicious-transaction reporting obligation and the annual independent AML audit all follow the same template as for fund managers and banking units. The Vault Manager's vaulting agreement should expressly allocate AML responsibilities — depositor identity verification is shared with the depository, but in-vault physical movements remain the Vault Manager's primary AML perimeter.

¶ **3. Three AML artefacts for the application file.** The IFSCA Onboarding flow for a new market participant typically requires three AML artefacts. (i) A board-approved AML policy calibrated to the IFSCA 2022 Guidelines and FATF DPMS guidance. (ii) A documented onboarding flow specifying CDD intensity by client category — Qualified Jeweller, TRQ holder, Qualified Supplier and Special Category Client warrant enhanced diligence by default. (iii) A vault-level chain-of-custody manual specifying serial-number verification, weight tolerance, and discrepancy-resolution protocol. Counsel preparing the application file should not treat these as boilerplate; the first IFSCA audit examines all three.

## CHAPTER EIGHT

# Standard of Practice — Sanctions, Source-of-Gold, Conflict Minerals

*Citations: OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (Gold Supplement); U.S. OFAC Russian Gold Ban Executive Order 8 August 2022; UK OFSI Russia sanctions; EU 8th Sanctions Package; UN Security Council designations on DRC, CAR and Sudan ASM gold.*

¶ **1. OECD Due Diligence Guidance.** The OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (Gold Supplement) is the international gold standard for source-of-gold diligence. The five-step framework — risk identification, supply-chain mapping, risk-mitigation strategy, third-party audit, and public reporting — is now embedded in LBMA's Responsible Gold Guidance and in many refiner-level due diligence programmes. IIBX onboarding diligence on a Qualified Supplier should align to OECD step (i) at a minimum — refiner accreditation status, country-of-origin declarations, conflict-free statements and ESG/responsible-sourcing attestation.

¶ **2. The sanctions perimeter in 2026.** The sanctions perimeter in 2026 is materially more complex than it was at the time of the IIBX launch in 2022. The U.S. OFAC Russian gold ban (Executive Order of 8 August 2022) prohibits the import of Russian-origin gold into the United States and creates secondary-sanctions exposure for entities trading Russian-origin gold globally. The UK OFSI Russia sanctions framework and the EU's 8th Sanctions Package extend the perimeter. UN Security Council designations on Democratic Republic of Congo, Central African Republic and Sudan artisanal-and-small-scale-mining gold create additional prohibition points. An IIBX participant accepting gold from a refiner without a verified country-of-origin trail is exposed to all four perimeters.

¶ **3. Standard of Practice.** Standard of Practice. The Firm advises and assists clients exclusively in matters consistent with applicable U.S., European Union, United Kingdom, United Nations and Indian sanctions and anti-money-laundering regimes. The Firm does not advise on, structure or facilitate transactions whose principal purpose or principal effect is to bring a designated person into a regulated market in a manner that is foreseeably exposed to a sanctions perimeter the parties cannot lawfully discharge. Engagement on gold-origin or refiner-counterparty matters is undertaken only after sanctions screening and OECD Annex II risk assessment.

¶ **4. The Firm's engagement model.** The Firm's engagement model for bullion-ecosystem work proceeds in three phases. (i) Pre-engagement — sanctions and source-of-gold screening on every counterparty in the proposed supply chain, with a written opinion before any commercial term sheet is exchanged. (ii)

Structuring and documentation — IIBX membership applications, vaulting agreements, AML policy calibration, tax structuring memoranda. (ii) Post-execution compliance — annual sanctions screening refresh, CTR/STR filing oversight, and pre-audit preparation. Founders engaging the Firm at phase (i) routinely realise a materially shorter timeline to IIBX onboarding than those engaging at the documentation phase.



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