

Circular

Circular No.	20240904-2	Circular Date	04 Sep 2024
Category	Membership	Segment	Spot
Subject	Onboarding of Qualified Suppliers-Client and Qualified Supplier- Special Category Client: Updated Process Flow		
Attachments	Annexure-A Forms and Formats ; Annexure-B Common Checklist for Qualified Suppliers ;		
Content			

To
Qualified Suppliers, Members, India International Depository IFSC Limited (IIDI), Vault Managers in the IFSC
Subject: Onboarding of Qualified Suppliers-Client and Qualified Supplier- Special Category Client: Updated Process Flow
Please refer to Exchange circular no. 20220826-6 dated August 26, 2022 whereby the IFSCA consolidated Operating Guidelines/2021-22 dated August 18, 2022 was enclosed. Further reference is invited to Exchange circular no. 20220919-2 dated September 19, 2022 wherein Standard Operating Procedure for entities to register as Qualified Suppliers was given.
2. Please take note of the below updated process flow for onboarding as Qualified Suppliers- Client (QS – Client) and Qualified Suppliers- Special Category Client (QS – SCC) with IIBX.
3. Any entity who wants to supply bullion on IIBX and who being a body Corporate, i.e. a company, or a Limited Liability Company (LLC) or a Limited Liability Partnership (LLP), incorporated as per the applicable laws in their home jurisdiction shall be eligible to apply to become a designated “Qualified Supplier” (QS) on IIBX subject to submitting requisite documents including Know Your Bullion Depositor (KYBD) form. A Qualified Supplier - Client (QS-Client) can participate on IIBX as a Client of Bullion Trading Member, whereas a Qualified Supplier – Special Category Client (QS-SCC) can participate on IIBX as a client of Bullion Clearing Member.
A. Qualified Supplier- Client (QS-Client):
i. QS-Client shall approach a Bullion Trading Member / Bullion Trading cum Clearing Member / Bullion Trading cum Self Clearing Member (TM/TCM/TSM) for opening an account with them. QS-Client shall submit (a) the Know Your Bullion Depositor (KYBD) and requisite documents to IIBX, (b) requisite application forms and documents as specified by the India International Depository IFSC Limited (IIDI) for opening of Demat Account with them and (c) requisite application and other forms as required to the respective TM/TCM/TSM.
ii. QS-Client can supply bullion as well as trade in Bullion Depository Receipts (BDRs) on IIBX.
iii. The applicant entity should be engaged in the business of supplying precious metals for at least three full financial years of minimum twelve months each. Please see the below examples of some scenarios for more clarity:

Date of Incorporation	October 2021	March 2020
Date of KYBD form submission to IIBX	March 2024 (mid of the month)	March 2024 (mid of the month)
Financial Year followed by Entity	April to March	January to December
No. of full financial years of minimum twelve months completed	One	Two
Eligible	No	No

April to March	January to December	April to March	January to December
One	Two	Three	Three
No	No	Yes	Yes

iv. The above said three full financial years engagement period shall be relaxed in case the applicant entity is a fully owned subsidiary or is a branch of an entity (established elsewhere) which is already engaged in the business of supplying precious metals for the past five full financial years of minimum twelve months each (similar in line with the above example). In such cases, the applicant entity shall be required to submit the KYC and other relevant documents of the parent entity also.
v. The entity shall submit a duly attested certificate by a practicing chartered accountant or a practicing cost accountant or a practicing company secretary, certifying that 80 % of the annual turnover in each of the last 3 financial years are through dealing in goods under precious metals.
vi. The entity being onboarded as QS-Client shall be a member or a client of a member of at least one of the below-mentioned associations / exchanges, for a cumulative and contiguous period of three years:
London Bullion Market Association (LBMA)
CME Group (COMEX)
Shanghai Gold Exchange International (SGEI)
Dubai Gold and Commodities Exchange (DGCX)
Dubai Multi Commodities Centre (DMCC)
Borsa Istanbul (BIST)
Or any other association / exchange as may be specified from time-to-time.
vii. QS-Client must have a minimum net worth equivalent to USD 6 Million or equivalent amount as per the latest audited statement. Entity should provide a duly signed undertaking on the entity's letterhead to maintain minimum Net worth of USD 6 Million or equivalent amount at all times. Qualified Supplier falling short of the minimum Networth requirement of USD 6 million shall comply with the same by March 31, 2025. QS-Client and prospective applicant (whoever have already forwarded the application to Exchange and if they meet other onboarding criteria) shall comply with the Networth requirement by March 31, 2025.
a. "Net worth" for the purpose of A(vii) above means the aggregate value of the paid-up share capital (or capital contribution) and all reserves created out of the profits, securities premium account and debit or credit balance of profit and loss account, after deducting the aggregate value of the accumulated losses, deferred expenditure and miscellaneous expenditure not written off, as per the balance sheet, but does not include reserves created out of revaluation of assets, write-back of depreciation and amalgamation. (For format of Net worth certificate, refer the IIBX circular No. 20240110-2 dated January 10, 2024)
b. QS-Client shall submit for the last three financial years the Audited Net worth certificates duly certified by a Chartered Accountant / Certified Public Accountant / Cost Accountant /Management Accountant or a Company Secretary or a member of equivalent profession recognised for the purpose in the jurisdiction of the applicant entity. The audited Net worth certificates of the past three financial years of the parent entity (in case of scenario as mentioned in point A (iv) above) shall also be submitted. The provisional financial statements and Net worth certificate for the third financial year may be submitted in case the same has not been audited as on the date of the submission of the documents.
c. It shall be the responsibility of the 'Qualified Supplier' to report immediately to the Exchange of any shortfall/ non-compliance of minimum net worth requirements. IIBX will suspend the participation of a Qualified Supplier from transacting on IIBX in the event the Net worth falls below USD 6 Million or equivalent amount.
d. QS-Client onboarded with the Exchange shall be required to submit their half yearly Net worth certificate (Audited/Provisional) and Annual Audited Net worth certificate on periodic basis as specified below:

Net worth Certificate	Time Period for submission of Net worth Certificate
Annual Net worth Certificate	Provisional: Within 3 months from the date of closing of accounts of said Financial Year Audited*: Within 7 months from the date of closing of accounts of said Financial Year *If Audited Annual Net Worth Certificate is submitted within 3 months from the date of closing of accounts of the said Financial Year, then Provisional certificate is not required.
Half yearly Net worth Certificate	Audited / Provisional/ Limited Purpose Review: Within 3 months from the date of closing of accounts of half year of the said Financial Year

Note : The Net worth certificates need to be submitted by the QS-Client within the period as specified above failing which the Exchange shall suspend/keep in abeyance their participation as a QS-Client till the time the same is submitted.

viii. QS-Client shall be required to submit credit ratings of the entity and its shareholders as available from the Credit Bureau in their region of establishment, e.g., for applicant entities operating in UAE, the Al Etihad Credit Bureau (a Federal Government organisation providing Credit Reports to individuals, financial institutions, and companies in the UAE) credit rating may be submitted. In case the credit bureau rating is not possible to be submitted due to some reasons, a reference letter from the bank in which the applicant entity is having their account shall be required to be submitted confirming the period of holding of account with the said bank and the conduct of the banking relationship etc. In case the relationship with the current Bank is less than three years, then reference letter on above lines is required to be submitted from the bank/banks covering the period of relationship so that these reference letters cover the minimum banking relationship period of three years.
ix. QS-Client shall provide details of the top five bullion supplier entities from whom the QS – Client applicant entity has been procuring bullion. The said details shall also to be required to be submitted for the parent entity (in scenario as mentioned in point A (iv) above).
x. QS-Client shall also provide details of the top five entities procuring bullion from them. The said details shall also be required to be submitted for the parent entity (in scenario as mentioned in point A (iv) above).

- B. Qualified Supplier – Special Category Client (QS-SCC):**
- i. QS-SCC applicant entity can approach any of the categories of Bullion Clearing Members from Bullion Trading cum Clearing Member / Bullion Trading cum Self Clearing Member / Professional Clearing Member (TCM/TSM/PCM) for opening a Special Category Client account with them. QS-SCC shall submit (a) the Know Your Bullion Depositor (KYBD) and requisite application forms and other documents to IIBX, (b) requisite application forms and documents as specified by the India International Depository IFSC Limited (IIDI) for opening of Demat Account with them and (c) requisite application and other forms to the respective TCM/TSM/PCM.
 - ii. QS-SCC can only participate on the 'sell' side and are not allowed to buy BDRs on IIBX.
 - iii. QS-SCC shall comply with the 'fit and proper criteria' specified under regulation 52 (2) of the International Financial Services Authority (Bullion Exchange) Regulations, 2020, at all the times.
 - iv. QS-SCC applicant entity must be engaged in the business of supplying precious metals for at least five years.
 - v. The QS-SCC applicant entity must have a minimum net worth equivalent to USD 10 Million or equivalent amount as per the latest audited statement. QS-SCC applicant entity shall provide a duly signed undertaking on the entity's letterhead to maintain Net worth of USD 10 Million or equivalent amount at all times.
 - a. "Net worth" for the purpose of B (v) above means the aggregate value of the paid-up share capital (or capital contribution) and all reserves created out of the profits, securities premium account and debit or credit balance of profit and loss account, after deducting the aggregate value of the accumulated losses, deferred expenditure and miscellaneous expenditure not written off, as per the balance sheet, but does not include reserves created out of revaluation of assets, write-back of depreciation and amalgamation. (For format of Net worth certificate, refer the IIBX circular No. 20240110-2 dated January 10, 2024).
 - b. QS-SCC shall submit for the last three financial years the Audited Net worth certificates duly certified by a Chartered Accountant / Certified Public Accountant / Cost Accountant /Management Accountant or a Company Secretary or a member of equivalent profession recognised for the purpose in the jurisdiction of the applicant entity. In case the applicant entity is unable to provide a net worth certificate, a copy of the audited balance sheet which mentions the details of the net worth shall be provided by the applicant entity.
 - c. It shall be the responsibility of the QS-SCC to report immediately to the Exchange of any shortfall/ non-compliance of minimum net worth requirements. IIBX will suspend the participation of a QS-SCC from transacting on IIBX in the event the Net worth falls below USD 10 Million or equivalent amount.
 - d. QS-SCC onboarded with the Exchange shall be required to submit their Net worth certificate/declaration on periodic basis as specified below:

Net worth Certificate	Time Period for submission of Net worth Certificate
Annual Net worth Certificate	Provisional: Within 3 months from the date of closing of accounts of said Financial Year Audited*: Within 7 months from the date of closing of accounts of said Financial Year *If Audited Annual Net Worth Certificate is submitted within 3 months from the date of closing of accounts of the said Financial Year, then Provisional certificate is not required.
Half yearly Net worth Certificate	Audited / Provisional/ Limited Purpose Review: Within 3 months from the date of closing of accounts of half year of the said Financial Year
First and third quarterly* Net worth declaration along with Net worth computation	Within 3 Months from the end of relevant quarter

Note :

- (1) * The quarterly net worth declaration stating that the net worth requirement for the specified quarter has been reviewed and that the same is as per the requirement of the IFSCA/Exchange, along with the internal computation of net worth statement shall be submitted. The said quarterly Net worth declaration shall be duly signed by the Head of the Finance Dept / CFO of the entity.
 - (2) Above Net worth certificates / declarations are required to be submitted by the QS-SCC within the period as specified above failing which the Exchange shall suspend / keep in abeyance their participation as a QS-SCC till the time the same is submitted.
- vi. The entity being onboarded as QS-SCC shall be a member of at least one of the below-mentioned associations / exchanges, for a cumulative and contiguous period of five years:
- London Bullion Market Association (LBMA)
 - CME Group (COMEX)
 - Shanghai Gold Exchange International (SGEI)
 - Dubai Multi Commodities Centre (DMCC)
 - Borsa Istanbul (BIST)
 - Or any other association / exchange as may be specified by International Financial Services Centres Authority (IFSCA) from time-to-time.
- vii. QS-SCC shall maintain a minimum interest-free security deposit of USD 10,000 with IIBX.
- viii. QS-SCC shall be required to submit credit ratings of the entity and its shareholders as available from the Credit Bureau in their region of establishment, e.g., for applicant entities operating in UAE, the Al Etihad Credit Bureau (a Federal Government organisation providing Credit Reports to individuals, financial institutions, and companies in the UAE) credit rating may be submitted. In case the credit bureau rating is not possible to be submitted due to some reasons, a reference letter from the bank in which the applicant entity is having their account shall be required to be submitted confirming the period of holding of account with the said bank and the conduct of the banking relationship etc. In case the relationship with the current Bank is less than three years, then reference letter on above lines is required to be submitted from the bank/banks covering the period of relationship so that these reference letters cover the minimum banking relationship period of three years.
- ix. QS-SCC shall provide details of the top five bullion supplier entities from whom the QS – SCC applicant entity has been procuring bullion.
- x. QS-SCC shall also provide details of the top five entities buying bullion from them.

C. Online Onboarding process:

- i. IIBX shall provide access to Membership portal to eligible Qualified Suppliers to submit their KYBD / onboarding application forms along with all supporting details of documents required for onboarding with IIBX and India International Depository IFSC Limited (IIDI).
 - ii. IIBX shall provide online access of Membership portal to India International Depository IFSC Limited (IIDI) and to the Bullion Trading Members/ Bullion Clearing members of IIBX for the common onboarding documents submitted with the application. The applicants, by submitting the application to IIBX shall be deemed to have consented to sharing of the common onboarding documents to IIDI and to the Bullion Trading Members / Bullion Clearing members of IIBX.
 - iii. The formats of KYBD form / application form for submitting to IIBX and IIDI for onboarding as Qualified Supplier Client / Qualified Supplier – Special Category Client (SCC) are attached as per Annexure A.
 - iv. The checklist of details / documents to be submitted along with the application is attached as per Annexure B.
 - v. Applicant entity shall be required to submit any additional details/documents/clarifications as may be required by IIBX/IIDI while processing the application. The said additional details / documents / clarifications are required to be submitted within the time period specified by IIBX/IIDI.
 - vi. Applicant entity shall forward the duly signed and stamped originals documents submitted on the portal separately to the registered address of IIBX and IIDI. The same shall be forwarded by the applicant entity only after receipt of advice from IIBX / IIDI.
 - vii. Applicant entity shall be required to pay the relevant IIBX and IIDI fees and charges, as required.
 - viii. The demat account shall be opened by IIDI once the KYBD/application is approved by IIBX.
 - ix. Based on the documents provided by the applicant, IIBX will scrutinise the application to verify the fulfilment of the eligibility criteria of the applicant.
 - x. QS-Client/QS-SCC shall have to associate itself with a Trading Member/Clearing Member for trading/clearing of its transactions. List of Trading Members/Clearing Members are uploaded under Membership tab on the website of IIBX.
 - xi. Once the QS-SCC application is approved, an intimation will be sent to QS-SCC, registering the entity as QS-SCC of IIBX. QS-SCC can coordinate with the Exchange operations team for setting up the Unique Client Code (UCC). QS-Client shall be required to approach their trading member for setting up their UCC.
 - xii. The notification of the entities as QS-SCC and QS-Client of Bullion Trading Members shall be valid unless revoked or kept in abeyance, subject to the adherence to the conditions as stipulated by IFSCA / IIBX from time to time.
 - xiii. The KYC/AML guidelines or any other guidelines specified by IFSCA and / or IIBX from time to time shall be applicable for Qualified Suppliers.
4. Qualified Suppliers are requested to refer to the website of India International Depository IFSC Limited (IIDI) (<https://www.iidi.co.in>) for further details with respect to the Depository.
5. Qualified Suppliers may note that this circular supersedes the following circulars issued by IIBX.
- Circular No. 20220919-2 dated 19-09-2022.
 - Circular No. 20230615-1 dated 15-06-2023.

* Bullion Trading Member and Trading Member are used inter-changeably
* Bullion Clearing Member and Clearing Member are used inter-changeably

For any clarifications, kindly contact:

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Encl.: as above