

New body set up for bullion trade

To strive to make India a price setter of gold



Setting the trend: Mr Anjani Sinha, Managing Director and CEO of National Spot Exchange Ltd; Mr Jignesh Shah, Chairman and Group CEO of Financial Technologies Ltd; and Mr Suresh Hundia, President of the Bombay Bullion Association, at a press conference to announce the launch of the Indian Bullion Market Association in Mumbai on Saturday. — Shashi Ashiwal

Our Bureau

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National Spot Exchange Ltd (NSEL) on Saturday announced the creation of the Indian Bullion Market Association, which it described as a national-level body that will represent the Indian trade and bullion industry.

The IBMA is a joint venture between NSEL, a pan-Indian electronic spot market for commodities, and several bullion and jewellery merchants' associations. NSEL holds a 51 per cent stake with a consortium of merchants' associations holding the remaining stake.

The new organisation will strive to make India a price setter of gold rather than a price taker, said Mr Anjani Sinha, Managing Director, and Chief Executive Officer of NSEL.

NON-TRANSPARENCY

One of the reasons why India does not set its own prices is because of the non-transparent, fragmented and unorganised nature of the domestic market. There is also no benchmark price, which is valid for the entire country;

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prices vary from place to place within the country.

During the financial year 2007-08, India imported \$16.7 billion worth of gold, while in the previous fiscal the country had imported gold worth \$14.4 billion.

IBMA will also approve local refineries and will introduce spot delivery contracts on NSEL.

DELIVERY CENTRES

It has already set up delivery centres in Mumbai, Delhi, Calcutta, Chennai, Hyderabad and Vijayawada. By the end of the year, the plan is to have 40 such centres across the country said Mr Sinha.

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national prices.

"The Indian household stock of gold is 25,000 tonnes while the world's annual production is around 2500 tonnes. If we can create a linkage to the domestic stock, which can be refined and certified by approved refineries then our dependence on imports would reduce," said Mr Sinha.

Since linkage and trading would be done on an electronic platform everything would be transparent, he added.

A TRIED CONCEPT

This concept of re-using household gold has already been tried and tested by various banks and also the Government, but was not well received. How the IBMA plans on making this a success remains to be seen.