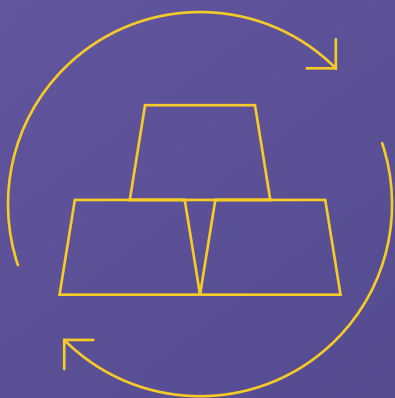




THE INTERNATIONAL BULLION EXCHANGE: BRINGING OFFSHORE GOLD MARKETS ONSHORE

From Price Taker to Price Participant – India's Structural Shift in Bullion Markets

Introduction

India is one of the largest consumers of gold globally. Gold is embedded in industrial use, household savings, jewellery demand, use by central bank, and increasingly, in portfolio allocation strategies. However, global gold prices continue to be determined primarily in international markets.

The benchmark price for gold is discovered thousands of miles away primarily through the Over the Counter (OTC) market coordinated by the London Bullion Market Association (LBMA) and the futures market operated by CME Group in New York (COMEX). Gold imported into India is priced offshore, denominated in US dollars, and embedded within a pricing ecosystem in which India has traditionally been a passive participant.

This structural imbalance, being one of the world's largest buyers yet a peripheral player in price discovery has long been a defining feature of India's bullion market. The establishment of the India International Bullion Exchange (IIBX) within the International Financial Services Centre (IFSC) at GIFT City marks a deliberate attempt to change that equation.

**BY KRISHNA TIBREWALA,
CA, CFA**

*Associate Vice President –
Investment Banking, Big Four
Member – Public Awareness
Committee, CFA Society India*



IIBX seeks to transition India from the world's largest consumer of offshore-priced gold to a structural participant in the global bullion pricing ecosystem.



Offshore Price Discovery: Why India Was Peripheral

To understand the significance of IIBX, it is important to understand how global gold pricing works.

The LBMA operates an OTC market where major bullion banks such as Deutsche Bank, JP Morgan, etc. transact large spot and forward positions. Separately, COMEX futures contracts provide a deep and liquid derivatives venue that shapes expectations about future prices. Together, these two centres form the backbone of global gold price discovery.

Despite accounting for a substantial share of physical demand, India historically remained outside this architecture for several reasons:

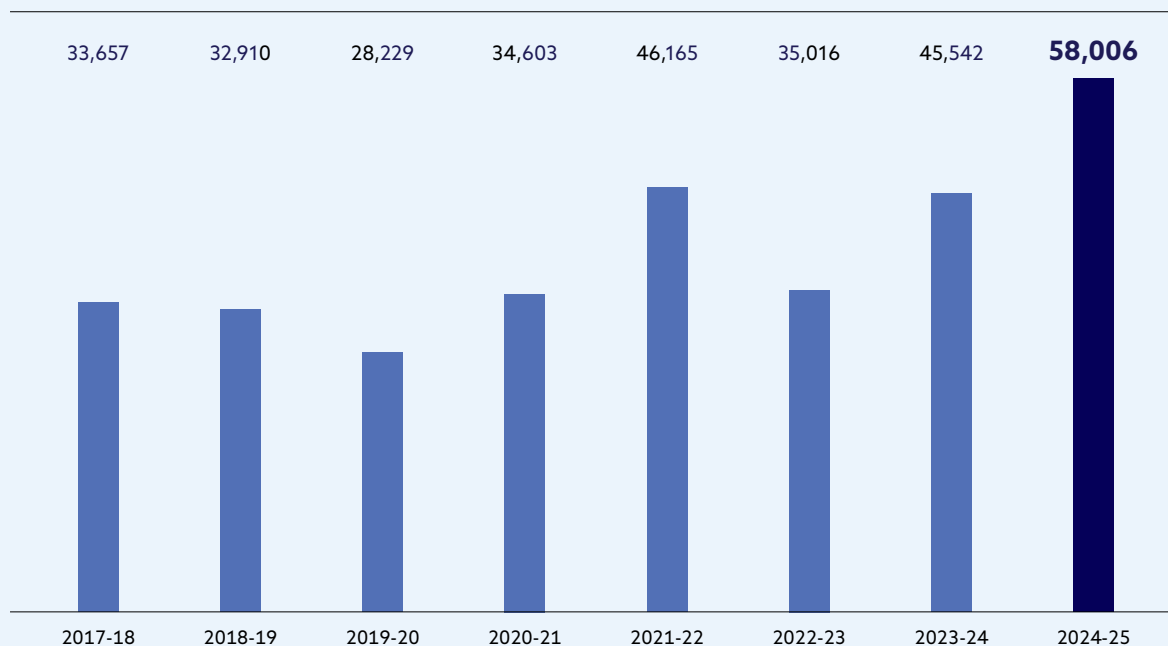
- Capital account restrictions limited free international participation
- The domestic bullion market was fragmented and largely informal
- There was no internationally recognized vaulting, clearing, and settlement ecosystem
- Imports were routed through nominated banks rather than a transparent exchange platform
- Absence of a deep derivatives market for bullion

As a result, India imported gold at globally discovered prices rather than influencing them. Indian jewellers and investors were effectively price takers, exposed not only to gold price volatility but also to dollar exchange rate risk.



Value of gold imported by India over last 8 FY

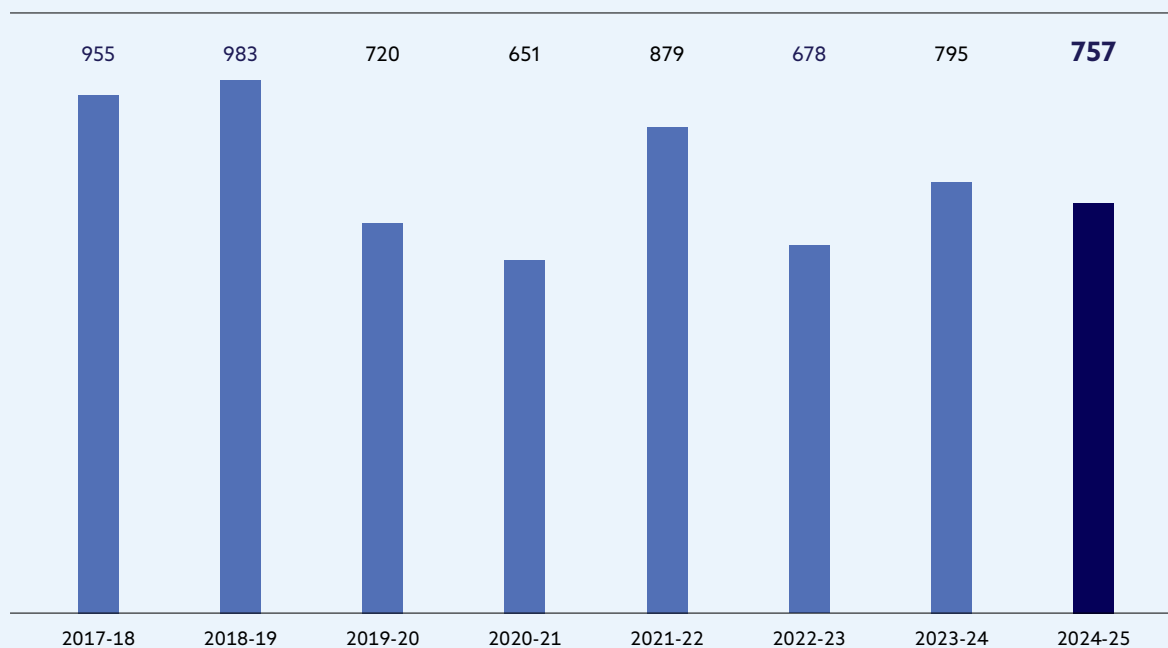
(\$ Mn)



Source: GOI - Ministry of Commerce and Industry – Tradestat data bank

Quantity in Metric Tons of gold imported by India over last 8 FY

(MT)



Source: GOI - Ministry of Commerce and Industry – Tradestat data bank



IIBX: The Institutional Mechanism

Within the ecosystem of GIFT City, IIBX operates as a multi-segment platform to institutionalize bullion trading and facilitate transparent, globally aligned imports into India.

The exchange enables trading in both spot (physical) and derivatives contracts in gold and silver, integrating physical bullion markets with financial trading infrastructure.

In the spot market, bullion is traded in the form of Bullion Depository Receipts (BDRs) — electronic instruments representing ownership of physical bullion stored in internationally compliant vaults located within the IFSC. These vaults are approved by the International Financial Services Centres Authority (IFSCA) and linked to the depository infrastructure operated by India International Depository IFSC Limited.

Market participants hold BDRs in dematerialized form through depository accounts, enabling efficient settlement and transfer of bullion ownership within the exchange ecosystem.

Alongside physical trading, the exchange also lists derivatives contracts for gold & silver, allowing market participants to hedge price risk and take positions on future bullion prices.

The coexistence of physical and derivatives markets within the same ecosystem mirrors the structure seen in mature global commodity markets.

With this, now for the first time, Indian resident jewellers meeting regulatory eligibility criteria — designated as Qualified Jewellers (QJs) — are permitted to import bullion directly through the exchange either as members or as clients of trading members. This replaces the earlier system where gold imports were primarily routed through nominated banks and bilateral supplier arrangements.

Trading on the exchange occurs through a centralized electronic order book, where buy and sell orders are matched automatically and anonymously, like global commodity exchanges.



The creation of IIBX within the IFSC framework is not merely a trade facilitation reform. It is an institutional assertion that India's scale of demand justifies a seat at the table of global price discovery

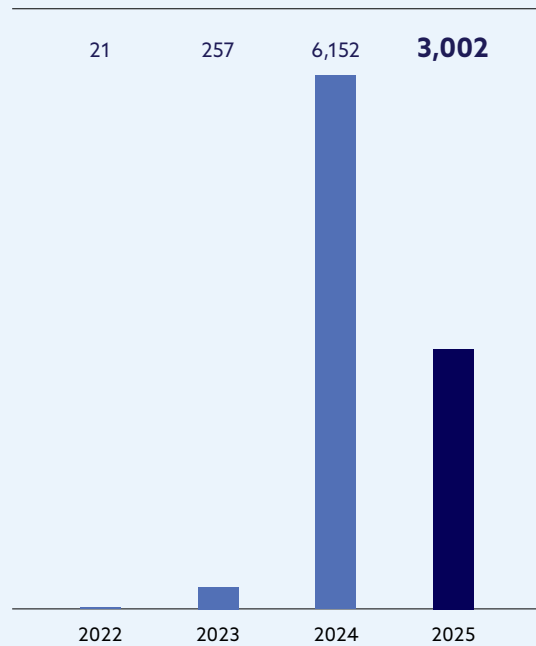
This architecture enables several structural improvements in India's bullion market:

- **Transparency in Import Pricing:** Bullion imports routed through IIBX occur via a transparent electronic trading platform rather than opaque bilateral transactions between banks and suppliers
- **Integrated Market Infrastructure:** Trading, clearing, vaulting, and depository services are linked through a unified ecosystem within the IFSC
- **Global Market Participation:** Entities such as foreign bullion suppliers, international participants, and IFSC banking units can participate on the exchange subject to regulatory approval
- **Responsible Supply Chain Compliance:** Bullion traded on IIBX must adhere to OECD Due Diligence Guidance for Responsible Supply Chains of Minerals, ensuring integrity and traceability in sourcing.

Although still in an early stage of development, this institutional framework is designed not merely to streamline bullion imports but to integrate India more closely with global bullion markets. By combining physical delivery mechanisms, electronic trading infrastructure, and international regulatory standards within the IFSC jurisdiction, IIBX creates the foundational architecture required for India to gradually participate in global bullion price discovery.

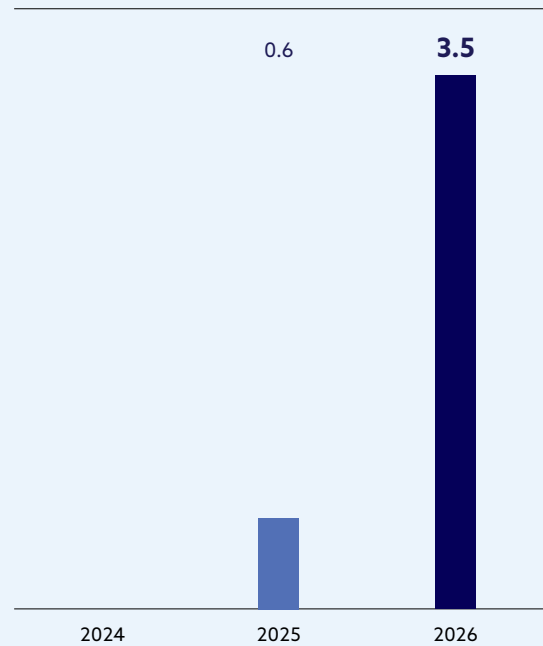
**Value of turnover for SPOT transactions
(Gold & Silver) on IIBX**

(\$ Mn)



**Value of turnover for derivative transactions
(Gold & Silver Futures) on IIBX**

(\$ Mn)



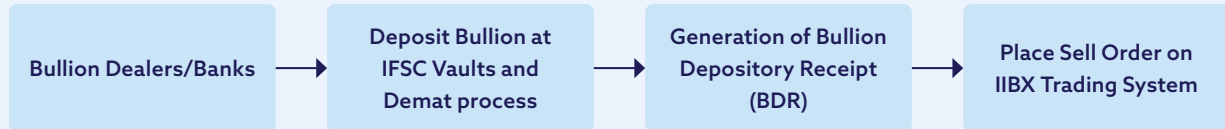
Source: IIBX website

Note: 2026 data is up to 13th March 2026

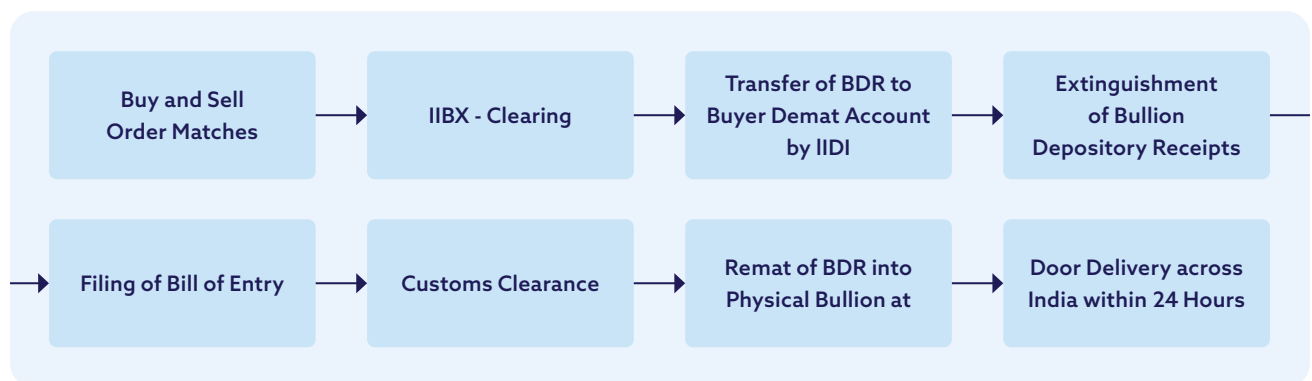
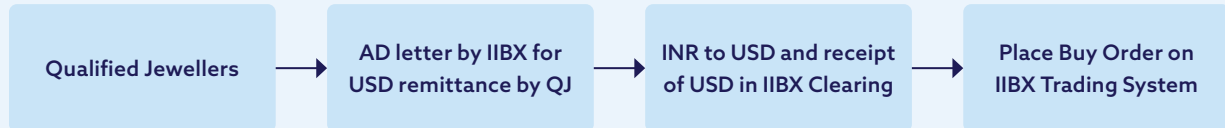


The below process snapshots help understand the process followed at IIBX:

SELLERS



BUYERS



Source: IIBX website





From Consumption Hub to Price Discovery Node

Price discovery does not occur by decree. It emerges from liquidity, two-sided participation, arbitrage linkages, and institutional credibility.

For India to transition from price taker to price participant, several conditions must be satisfied:

Deep Liquidity

Sustained participation from domestic jewellers, international bullion banks, refiners, and institutional investors is essential

Arbitrage Connectivity

Prices on IIBX must be continuously arbitrated against London spot prices and COMEX futures. When price differentials arise, traders must be able to efficiently exploit them, linking IIBX into the global pricing matrix

Regulatory Credibility

Global market participants require confidence in clearing, settlement, vaulting standards, and dispute resolution frameworks

Currency Framework

Dollar-denominated trading within the IFSC aligns IIBX with global bullion conventions, reducing currency friction and facilitating integration

As these conditions mature, IIBX will not replace London or New York – but it will become a recognized pricing node within a multi-centre network. IIBX will occupy a different space in the global bullion trading world:

- A physical exchange anchored in emerging market demand
- A bridge between Asian consumption and global capital
- A dollar-denominated offshore market within Indian jurisdiction

In effect, India's massive physical demand historically reflected only in import statistics will begin to influence live trading prices within a globally recognized venue.



Conclusion

If successful, the long-term outcome is not that India dictates global gold prices. Rather, it is that India becomes an active contributor to them.

Today, gold imported into India reflects prices discovered offshore. Tomorrow, offshore markets may incorporate liquidity signals originating from within the IFSC.



The significance of IIBX lies not in its current scale, but in its structural design. The necessary architecture spanning trading, clearing, vaulting, and international participation is now in place.

ABOUT KRISHNA TIBREWALA



Krishna Tibrewala is a finance professional with over seven years of experience across investment banking, transaction advisory, financial analysis, and taxation. He currently works as an Associate Vice President with the Investment Banking team at a Big Four firm, where he is involved in executing M&A transactions.

Krishna has advised clients across a diverse set of sectors, including financial services, technology, shipping & logistics, non-profits, circular economy, and sports & entertainment.

He is an active member of the Public Awareness Committee (PAC) at CFA Society India.

Krishna is a Chartered Accountant and a CFA Charterholder.

KRISHNA TIBREWALA, CA, CFA

*Associate Vice President – Investment Banking, Big Four Firm
Member – Public Awareness Committee, CFA Society India*