

ASSESSOR

HANDBOOK



IAGES

Indian Association for
Gold Excellence and Standards
An Industry Initiative

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Foreword

Dear Assessors,

Indian Association for Gold Excellence and Standards (IAGES) is a Self-Regulatory Organisation (SRO) created by the Indian gold industry, for the Indian gold industry, and supported by prominent gold sector industry associations.

The vision of IAGES is to “promote organized growth of the industry and enhance consumer trust in Gold by raising overall standards and adopt best practices across the value chain”.

IAGES is dedicated to enhancing consumer confidence and trust in the gold industry by:

Establishing a Code of Conduct

Developing and promoting adherence to a comprehensive code of conduct that sets ethical standards for industry participants.

Implementing an Accreditation Framework

Introducing a robust accreditation framework to ensure compliance with established standards and regulations.

Promoting Sustainable Practices

Encouraging environmentally responsible and socially ethical practices throughout the gold value chain.

IAGES aims to deliver five key benefits to the Indian Gold Industry:

Trust: IAGES would foster trust by developing best practices, with a focus on client protection.

Credibility: IAGES would build market credibility by encouraging the adoption of responsible and best practices.

Compliance: IAGES would drive professionalism and regulatory compliance through policy advocacy and the implementation of robust codes of conduct.

Develop capability: IAGES would allow the industry to expand and develop by serving customers responsibly.

Market development: IAGES would identify opportunities for the industry to promote business and trade and ensure commercial prudence.

We look forward to your partnership in achieving high standards and excellent practices in the gold value chain in India.

Yours Sincerely,



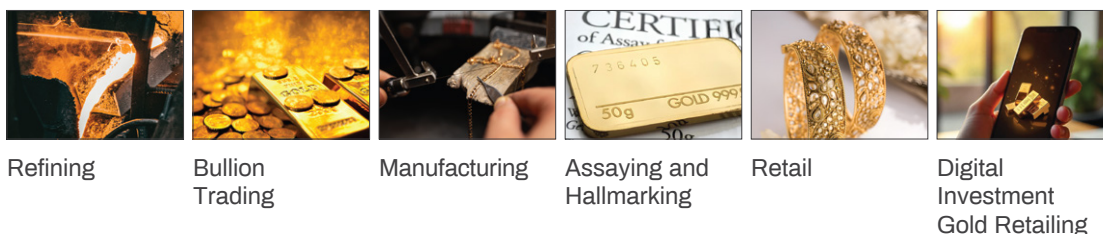
*Kaushlendra Sinha,
Chief Executive Officer,
IAGES*



Introduction

The IAGES accreditation framework sets out how IAGES members (value chain partners accredited by IAGES) should assess their organization's conformance with the established Code of Conduct, developed by IAGES.

The IAGES accreditation framework applies to Indian gold industry value chain i.e.



Empanelment of assessment agencies with IAGES will present them with an opportunity to shape the future of India's gold industry, drive implementation of new standards and work with a potential pool of ~3,50,000 jewelers (source: WGC, Report on Jewelry market structure 2022) and other stakeholders of the Indian gold industry value chain including retailers, manufacturers, refiners, hallmarking and assaying agencies, and bullion traders etc.

To be accredited by IAGES, prospective members/ value chain partners must complete a self-assessment process and subsequently get

assessed by an independent assessment agency to ensure conformance with the Code of Conduct. The objective of the assessment, by an assessment agency, is to validate if the value chain partners are in conformance with the Code of Conduct, developed by IAGES.

The IAGES accreditation framework sets out the assessment procedures that members/value chain partners and assessment agencies need to follow for accreditation by IAGES.



Overview of Assessment Framework

The IAGES assessment framework involves a multi-stage evaluation process. This sequential process will ensure a comprehensive and objective evaluation of value chain partners to provide accreditation.

Following would be the sequence of processes for the assessment and accreditation of value chain partners:

Responsible stakeholder	Stage	Details
Value Chain Partner	Self-assessment and Provisional membership	Value chain partner will conduct self-assessment, submit results on IAGES portal, pay 20% of the annual membership fee and receive provisional membership receipt from IAGES
Assessment Agency	External assessment for accreditation	<p>Value chain partner will select and onboard an assessment agency from the list of empaneled agencies (shared by IAGES) who will conduct the external assessment in below phases</p> <p>Planning phase Assessment agency shall coordinate to understand the business, review relevant documents, and define the scope</p> <p>Execution phase Assessment agency shall conduct the assessment, gather evidence, and conduct the closing meeting</p> <p>Reporting phase Assessment agency shall review corrective actions, evaluate the findings, and submit a report to IAGES</p>
IAGES	Final membership and accreditation by IAGES	Based on the report submitted by assessment agencies, IAGES will provide accreditation to the value chain partners
Value Chain Partner	Accreditation certificate	Upon confirmation of accreditation by IAGES, value chain partner will pay the remaining 80% of annual membership fee and get access to the accreditation certificate



The external assessment by an empaneled assessment agency shall be conducted to verify the information provided in the self-assessment and assess the actual implementation of practices as per the Code of Conduct



Standard Operating Processes (SOP)

To ensure consistent and rigorous evaluation of value chain partners seeking IAGES accreditation, this document outlines the Standard Operating Processes (SOPs) for assessment agencies to refer.

These SOPs provide a clear framework for conducting comprehensive assessments, adhering to IAGES standards, and generating objective reports to support the accreditation process. These SOPs are intended to serve as a guide for assessment agencies and are not exhaustive.

Self-Assessment and Provisional Membership

Prior to the external assessment through empaneled assessment agencies, value chain partners should complete the self-assessment process and submit the results to IAGES through

the portal for obtaining provisional membership.

Identification of deviations will be subject to the below criteria:

1

Critical or Major Deviations

Critical or Major deviations would include (but not limited to)

- Absence of systems, processes, or controls
- Development of systems, processes and controls are in-progress and yet to be implemented
- Non-compliance with legal laws, regulations, IAGES Code of Conduct and other industry best practices

2

Minor Deviations

Minor deviations would include

- Systems, processes, and controls appropriately designed and implemented, but not tested to ensure operating effectiveness

General Note:

- 1 For Critical/Major deviations, provisional members must address these deviations before commencing the external assessment.
- 2 For minor deviations, provisional members do not necessarily have to fully resolve before commencing external assessment. They should try to address the deviations wherever possible, or at least make them the focus of an internal corrective action plan.

Self-assessment will be conducted by the value chain partners as per the “Implementation Guidance” and “Annexure A: Self-Assessment Guide” mentioned in Code of Conduct there is a single gold value chain and there are six entities of the value chain

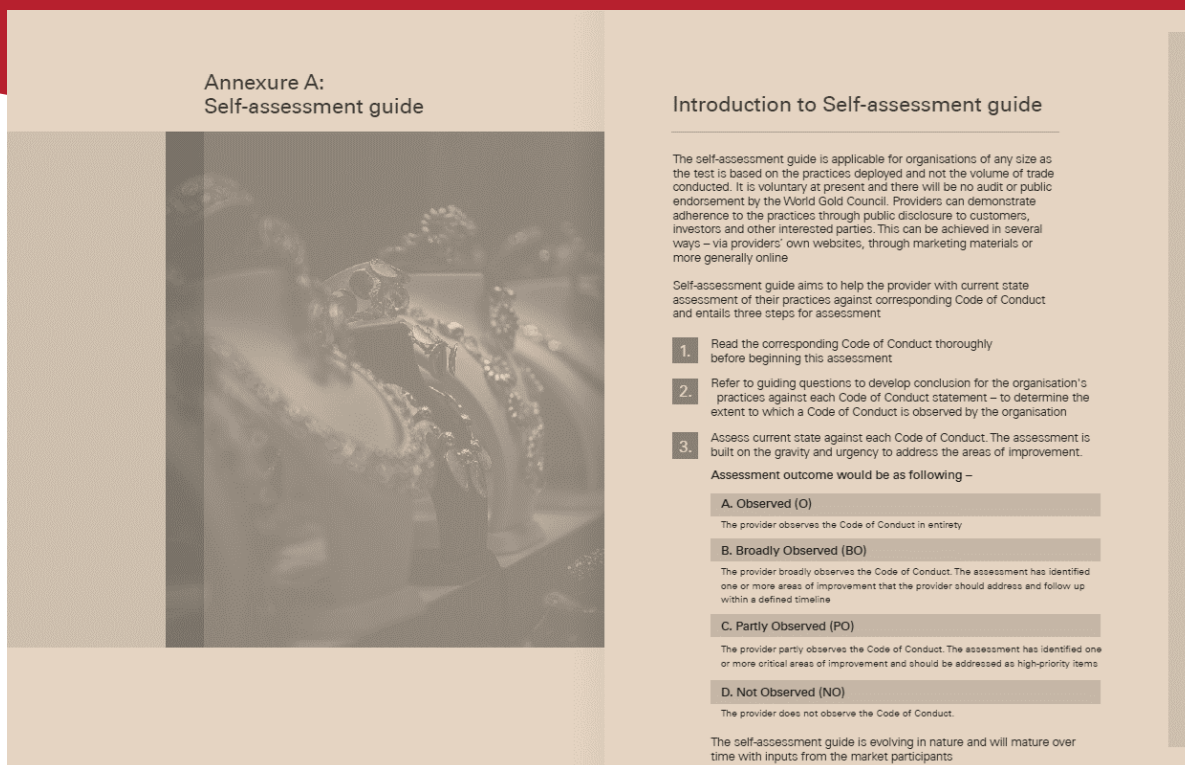





Image: Annexure A: Self-assessment guide (Excerpt from Code of Conduct document)

During the external assessment process, empaneled assessment agencies should verify the actions that are initiated/completed by provisional members to correct non-conformance/deviations identified during self-assessment.

External assessment for accreditation

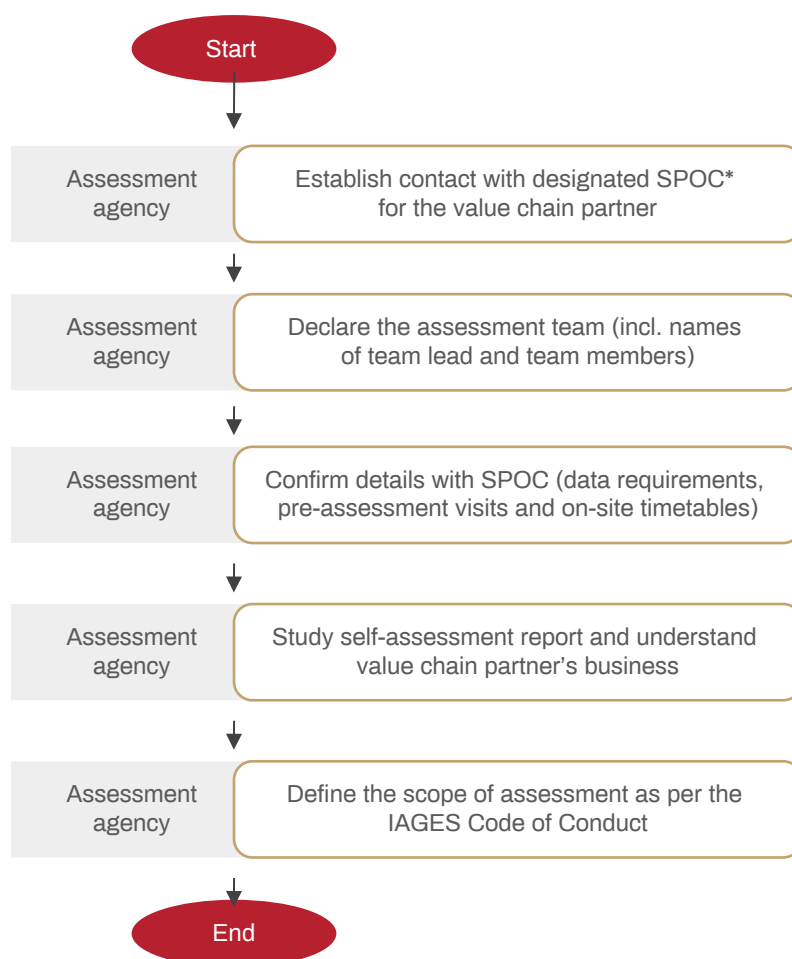
Basis the provisional membership provided by IAGES, value chain partners shall select an assessment agency from the list of empaneled assessment agencies (published by IAGES) and start the external assessment within 90 days from the date of allotment of provisional membership.

The assessment agency shall conduct the external assessment and submit the final report to IAGES within 180 days from the date of allotment of provisional membership. The external assessment shall be carried out in three phases:

-  Planning phase
-  Execution phase
-  Reporting phase

1 Planning Phase

The first step of external assessment process through the assessment agency would be 'Planning', which includes the following activities to be performed by assessment agency appointed by the provisional member (value chain partner):



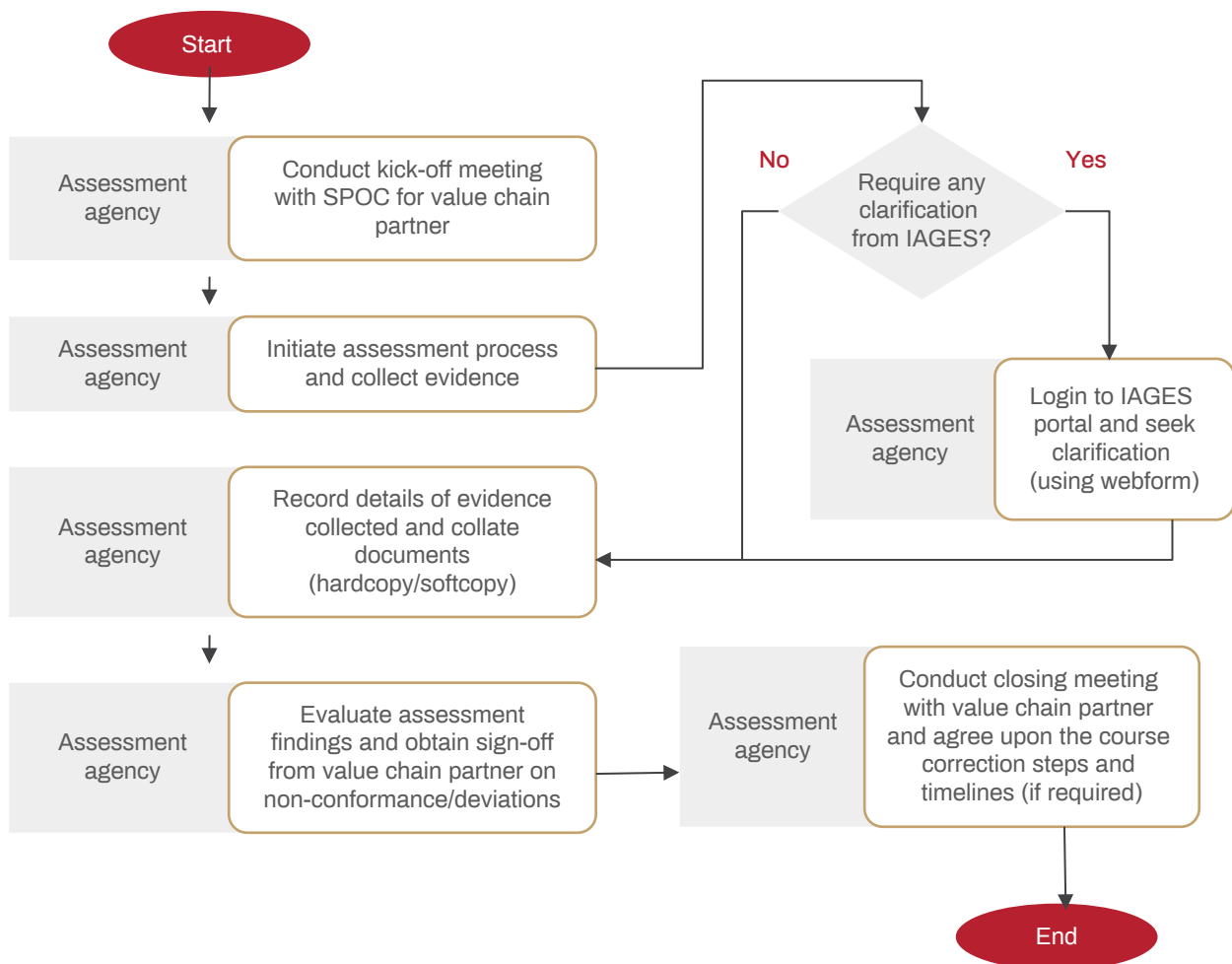
* SPOC – Single point of contact/Personnel designated by the value chain partner to coordinate with the assessment agency during the external assessment process

2 Execution Phase



External assessments of value chain partners shall be conducted by the assessment agency in accordance with the Code of Conduct documents

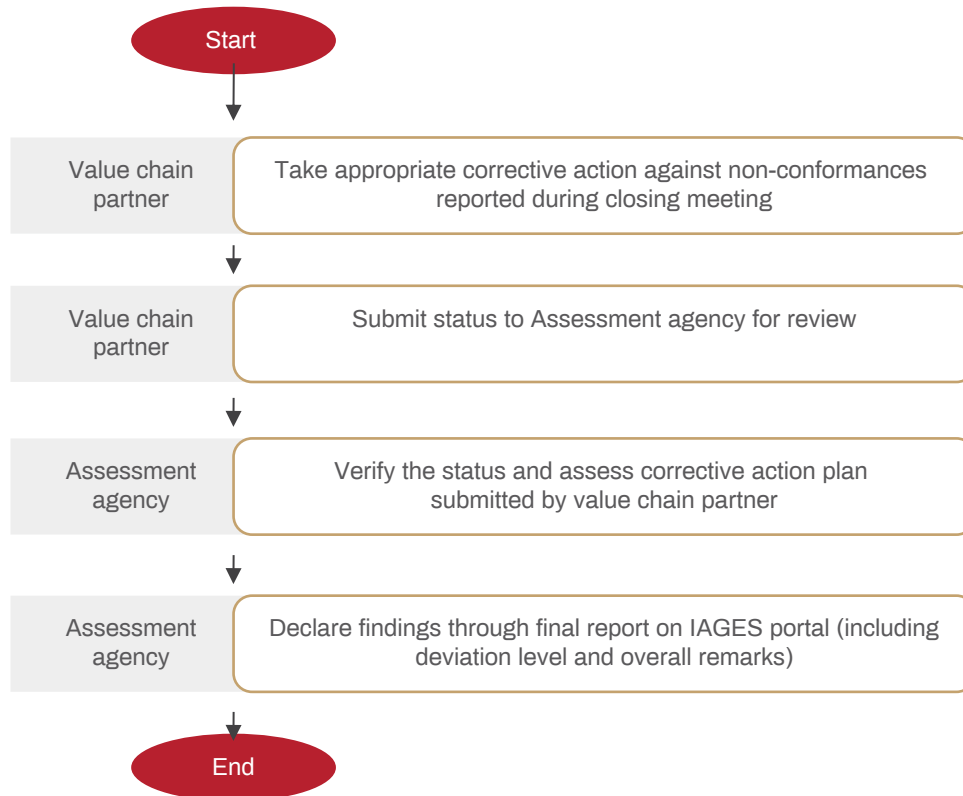
Execution of the external assessment would include the following activities to be performed by the assessment agency:



3 Reporting Phase



External assessment reporting would include the following activities to be performed by the assessment agencies:



Disclosure requirements during external assessment

Assessment agencies shall review compliance to the disclosure requirements as part of their assessment process while reporting to IAGES. Value chain partners need to comply with certain disclosure requirements which includes the following:

- 1 Clear information on key product characteristics such as weight, purity, hallmarking certifications, business license, standard followed by the supplier (LBMA India good delivery), etc.
- 2 Disclosure of relevant details such as weight of gold, quantity, source, bill/invoice, contract (if any) with suppliers for each trade
- 3 Disclosure of key applicable regulatory guidelines and requirements related to the offering and provide update to customer in case of any changes
- 4 Disclosure of key terms and conditions must be made available to prospects and customers. Disclosed terms should, at a minimum, include:
 - Information on customer rights
 - Reference to applicable fees and other costs
 - Trading practices
 - Storage and insurance arrangements

5 Disclose key information to customer as well as other stakeholders, such as regulators and tax authorities, in accordance with relevant local laws. Disclosed information should, at a minimum, include:

- Jurisdiction under which the company operates
- Key management personnel including relevant gold market experience
- Company name, legal form, registration number
- Promoter / ultimate beneficial owner

6 Other disclosures as per Code of Conduct

The format for filling the final report on IAGES portal would be as below

Sound Practices	Implementation Guidance	Key Questions to Consider	Current State	Assessment Notes	Areas of Improvement
I promise to record all the relevant information about my suppliers and ensure adequate "Know Your Provider" checks	Perform due diligence and capture relevant information including below before initiating any business transaction with a new supplier/ manufacturer –Registration number/BIS license –Address –GST certificate –PAN details –Information from market intelligence and referee (if any) –Promoter name and identity proof	Do you conduct due diligence /"Know Your Provider" checks to evaluate suppliers before initiating business with them? ----- Do you conduct business with the suppliers if they can't fulfil the minimum requirements? ----- Do you maintain record of the information and documents collected?	Observed/ Broadly Observed/ Partially Observed/ Not Observed		

Note: Assessment agency must collect appropriate evidence/samples (including data points pertaining to a period closer to the external assessment execution date) and upload evidence against each sound practice while filling the final report on IAGES portal (including evidence for all communication with value chain partners pertaining to corrective action plan, during and after the external assessment)

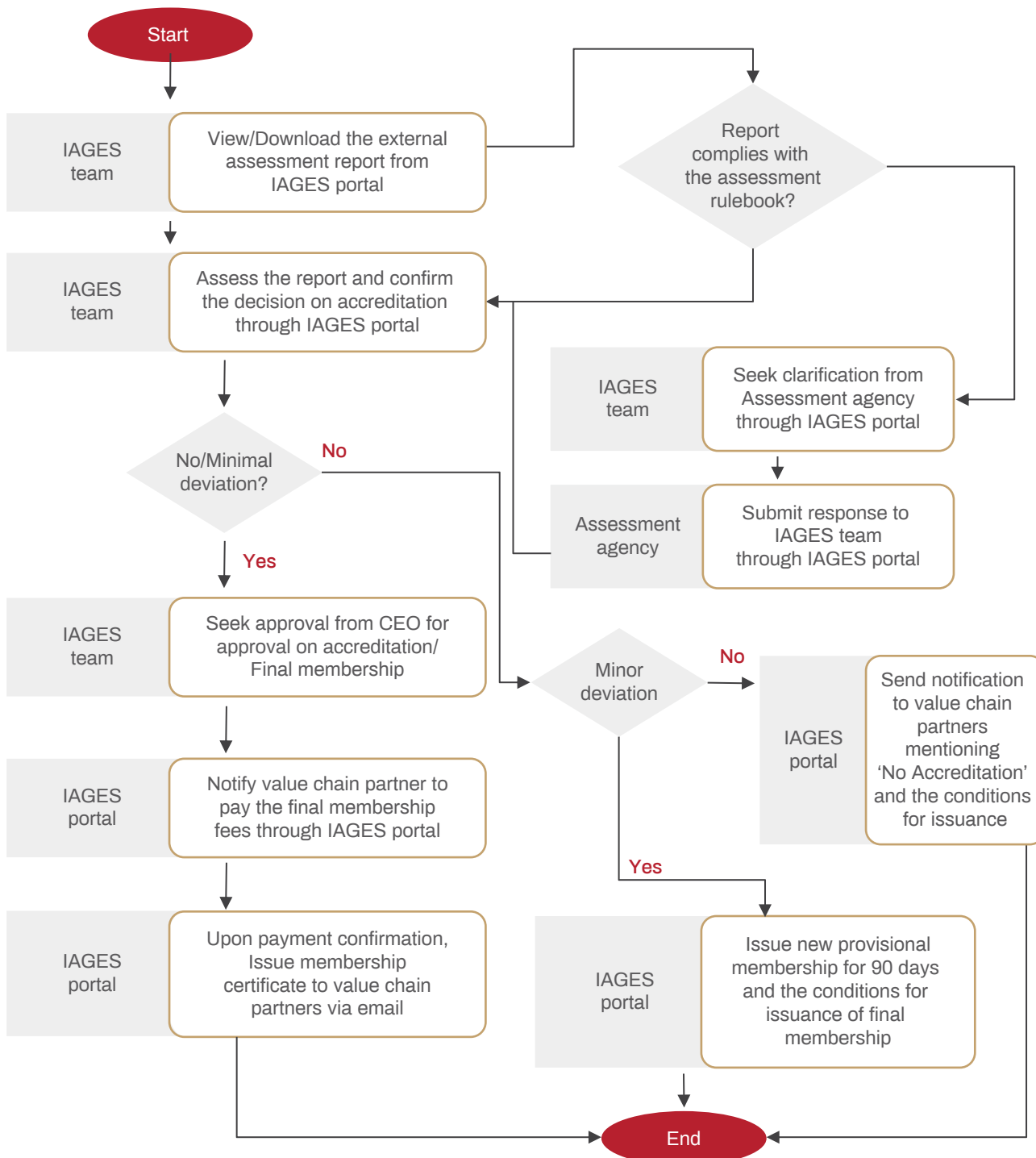
Along with the final report, the assessment agency should fill the "Deviation level" and "Overall Remarks" section available on the IAGES portal to complete the final report submission process

Overall Remarks:

Final Membership and Accreditation by IAGES

Accreditation by IAGES

Final stage of accreditation would include the following activities to be performed by the assessment agencies and IAGES:



Non-conformance/ deviations criteria based on which assessment agencies would submit the level of deviations to IAGES

No/Minimal Deviation

Systems, processes, and controls are appropriately designed and implemented and are regularly checked for operating effectiveness

Substantial compliance with legal laws, regulations, Code of Conduct, and other industry best practice



Minor Deviation

Systems, processes, and controls are appropriately designed and implemented, but not tested to ensure operating effectiveness



Major Deviation

Development of systems, processes and controls are in-progress and yet to be implemented

Non-compliance with legal laws, regulations, Code of Conduct, and other industry best practices, which result in levy of fines or penalty



Critical Deviation




Absence of systems, processes, or controls

Non-compliance with legal laws, regulations, Code of Conduct, and other industry best practices, which result in levy of significant fines, penalty, litigation, imprisonment






Additional notes for classification of deviation levels:




No/Minimal Deviation

-  Assessment findings should conclude that all the systems, processes and controls are implemented completely, and they are monitored regularly (e.g. 100% of transactions are reported with invoices and not even a single transaction goes unreported etc.)
-  Complete documentation is available (e.g. all BIS licenses should be valid, 100% of KYC details are recorded, all the compliance related reports are maintained etc.), up-to-date and doesn't pose any risk for non-compliance as per the laws
-  Operations align with legal and industry standards (e.g. all industrial licenses are valid, valid proof of compliance with labour laws etc.)



Minor Deviation

-  Assessment findings should conclude that all systems, processes, and controls are actively implemented but they lack a monitoring mechanism (e.g. 100% of transactions are processed through invoices as a practice but there is no mechanism to check if any transaction is missed being reported on invoice etc.)
-  Complete documentation is available and independent verification is done as per policy, but there are no internal checks to identify lapses (e.g. Reports are obtained from supplier and independent tests are done but periodicity of checks for independent testing is not defined etc.)
-  Operations align with all legal and industry standards, but active monitoring is not practiced (e.g. all the processes are compliant in current state but there is no mechanism to record any future updates or changes in laws and regulations, and this may lead to delay in updating internal policies and practices leading to non-compliance in future)

Major Deviation

-  Assessment findings should conclude that all systems, processes and controls have been identified but not actively implemented (e.g. BIS license has expired and renewal is in progress but manufacturer is actively continuing production, record keeping policy is defined but not implemented, one of the invoices is missing for a transaction etc.)
-  Efforts are ongoing to establish process, systems and checks but there no clear timelines to implement (e.g using outdated testing methods for some samples, new staff is un-trained but training schedule is yet to be decided etc.)
-  Current operations lead to non-compliance, but could be corrected with a clear timeline

Critical Deviation

-  Systems, processes, and controls are completely absent, and active remediation plan is not available (e.g. BIS license is invalid and renewal process has not been initiated, record keeping policy is missing, warranty conditions and product details are not captured in the invoice etc.)
-  Current operations are non-compliant as per the laws, leading to penalty/shutdown/imprisonment, and require immediate action to address gaps (e.g. use of unapproved chemicals, no safety standards for workers, violation of AML and labour laws, falsifying assaying results, no calibration of testing equipment, no retail trade licenses etc.)

Based on the deviation levels mentioned in the final report from assessment agencies, and assessment of the report by IAGES, final membership and accreditation shall be provided by IAGES as per below:

No/Minimal Deviation

- ① Member rating / score – 5 Star rating for No deviation and 4 Star for Minimal deviation
- ② Issue membership certificate including
 - A unique Membership/Certification number
 - The conditions for using the IAGES logo and related intellectual property
 - Final membership status and other relevant information on IAGES portal, including Name of organisation, Value chain/ Industry sector, Certification number and period of certification with expiry date (valid for 1 year)

Minor Deviation

- ① Member rating / score – 3 Star rating
- ② Extend the validity of provisional membership receipt for additional 90 days
- ③ Communicate to value chain partner that a re-assessment process must be completed within 60 days of the validity extension period (90 days) and once these minor deviations are resolved by provisional member, IAGES shall re-assess the member rating/score for final membership/accreditation. If a member's reassessed rating or score does not result in a four (4) or five (5) star rating, no accreditation to be provided by IAGES and value chain partner will forfeit their provisional membership fees.

Major or Critical Deviation:

- ① Member rating/score – 2 Star rating for Major deviation and 1 Star rating for Critical deviation
- ② In case of Major deviation, no accreditation to be provided by IAGES and value chain partner will forfeit their provisional membership fees. Re-assessment can be organized by the value chain partner only after 90 days of final decision from IAGES
- ③ In case of Critical deviation, no accreditation to be provided by IAGES and value chain partner will forfeit their provisional membership fees. Re-assessment can be organized by the value chain partner only after 180 days of final decision from IAGES

General Note:



On expiry of membership for the value chain partner, the members shall again start the accreditation process as stated above. Note that if there is a gap between an old membership expiring and a new membership being issued, IAGES shall not be responsible for any claims/issues raised by members or any third party during this period.



Standard Guidelines

General Standards

Independence: The assessment agency and the value chain partner should be independent in all matters relating to the assessment.

Due care: The assessment agency should exercise due care and caution in complying with assessment standards particularly in planning, specifying, gathering, and evaluating evidence and in reporting findings.

Professional competence: The assessment agency should possess adequate professional competence for performance of work. The assessment agency should assess skill needs to consider whether its workforce has the essential skills that match those necessary to fulfill the assessment mandate. Accordingly, the assessment agency should have a process for recruitment, hiring, continuous development, assignment, and evaluation of personnel to maintain a competent workforce.

Quality control: The assessment agency should establish a system of quality control that is designed to provide reasonable assurance that the firm/institution and its personnel comply with standards. The system of quality control encompasses the assessment agency's emphasis on performing high quality work, and the organization's policies and procedures designed to provide reasonable assurance of complying with standards. The assessment agency should document its quality control policies and procedures and communicate them to its personnel.

Professional judgement: The assessment agencies should use professional judgement in all aspects of carrying out their professional responsibilities. Professional judgement represents the application of the collective knowledge, skills and experience of all personnel involved with an assignment as well as the professional judgement of the personnel, deputed by assessment agencies. In addition to personnel directly involved in the assessment, professional judgement may involve collaboration with other stakeholders, outside experts, and the management in the assessment agency.

Anti-bribery: No assessment agency/personnel of assessment agency should have any financial interest in managing or otherwise controlling the value chain partner or any of its affiliate/parent/subsidiary. In case of breach, the empanelment of the assessment agency shall be suspended/cancelled.

Field Standards

The assessment agency should plan the assessment in a manner which ensures that an assessment of high quality is carried out in an economic, efficient, and effective way and in a timely manner.

The entire assessment must be carried out by the empaneled assessment agency only. In other words, the assessment agency shall not sub-let/sub-contract/assign the work to any other agency. Any violation in this regard shall lead to suspension/cancellation of empanelment for the assessment agency.

The work of staff at each level and phase of assessment should be properly supervised during the assessment and a senior member of the assessment agency should review documented work.

Assessment agency should obtain a sufficient understanding of internal controls available at value chain partners' end, to plan the assessment and determine the nature, timing, and extent of checks to be performed.

Competent, relevant, and reasonable evidence should be obtained to support the assessment agency's judgement as well as conclusions regarding the value chain partner under assessment.

The assessment agency shall establish an adequate system of internal controls to minimise the risk of errors and irregularities during the assessment.

The findings from the assessment and reporting to IAGES should be complete, accurate, objective, convincing, clear, concise, constructive, and timely.

In follow up of recommendations during and post assessment, the assessment agency should maintain objectivity and independence, and focus on whether identified non-compliances are corrected/resolved rather than on whether specific recommendations are adopted.

Systems and procedures should be in place for the assessment agency, to assess whether adequate, prompt, and proper follow up action has been taken as per the minutes of closing meeting, post the assessment. Subsequently, the assessment agency should examine and report whether satisfactory action was taken by the value chain partner.

Record Keeping

The final report and all other documents (including evidence) related to the external assessment conducted, including the corrective actions taken by value chain partners post assessment, and successive communications on the course

correction measures during and after the external assessment, shall be preserved by the assessment agencies for a minimum period of two years and full confidentiality of the documents shall be maintained.

Suspension, Withdrawal or Cancellation of Empanelment

Empanelment of the assessment agency may be suspended/withdrawn/cancelled if:



False or misleading information is provided in the self-declarations



Quality of the external assessment is compromised



Agency ceases to comply with the IAGES accreditation criteria



There is misconduct by assessment agencies which contravenes the below principles of an effective assessment:



Professional misconduct



Agency is subject of any insolvency, winding up, bankruptcy, receivership, or any analogous circumstances in which the assessment agency is unable to show that it is a viable going concern

Integrity	the foundation of professionalism
Fairness	the obligation to report truthfully and accurately
Due professional care	the application of diligence and judgement in assessments
Confidentiality	security of information
Independence	the basis for the impartiality of the assessment and objectivity of conclusions
Evidence-based approach	the rational method for reaching reliable and reproducible conclusions in a systemic assessment process
Risk-based approach	an assessment approach that considers risks and opportunities being undertaken by the value chain partner



Assessment Agency Monitoring Program

The Monitoring mechanisms for empaneled assessment agencies shall include

- a Review of the quality of assessment reports and performance
- b Regular due diligence of the assessment agencies to ensure their competency of assessing the value chain partners

The assessment agency's final assessment report will typically serve as the basis for accreditation of value chain partners. However, IAGES reserves the right to conduct additional reviews or employ alternative mechanisms in exceptional

circumstances, including, but not limited to, substantiated market complaints, adverse external reports, or other material information suggesting potential non-compliance.

Review of submitted final assessment reports

IAGES will use the final assessment reports (declared through the IAGES portal) as a key source of information for value chain partner accreditation and for the ongoing improvement of the assessment process.

While these reports are generally accepted as the basis for accreditation decisions, IAGES may periodically review specific aspects such as



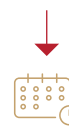
Assessment durations followed



Relevance and severity of conformities/ observations



Notification of critical issues/failures



Report timeliness

This review process may also be triggered by specific concerns, such as inconsistencies within a report or credible feedback suggesting potential non-compliance with the IAGES Code of Conduct. Only in cases of significant breaches will

a warning letter or disciplinary action be considered. The focus is on fostering a collaborative environment to ensure high-quality assessments and continuous improvement.



Code of Conduct



Refining

Introduction and structure of the Code of Conduct document

This Code of Conduct document is aimed at providing high-level guidance for refining. The Code of Conduct includes sound practices, additional best practices and implementation guidance for refining.

Sound practices capture healthy practices which should be followed by any provider (across all sizes, complexity, etc.)

Additional best practices are aimed at larger/mature providers who wish to adhere to even higher standards of practice

Implementation guidance offers broad steps to deploy sound practices/additional best practices at an organization. The guidance is directional in nature and is not exhaustive. Practical application of these practices will require a detailed guidance that is specific to the organization



Activity	Sound Practices
Sourcing dore	<ol style="list-style-type: none"> 1. I promise to conduct “Know Your Provider” checks and record all the relevant information about my suppliers before onboarding new suppliers 2. I promise to only procure dore which adheres to industry accepted standards, conduct independent tests to ascertain the characteristics and document details for each transaction 3. I promise to adhere to global responsible sourcing guidelines as well as consider ESG credentials (Environment, Social and Governance) of suppliers (Additional best practices)
Recycling / Purchasing of old gold	<ol style="list-style-type: none"> 4. I promise to design, convey and practice a fair policy for old gold purchase and collect KYC details of sellers of old gold 5. I promise to buy/service recycled gold only upon conducting independent tests to ascertain the characteristics of gold and documenting details of the scrap gold
Refining	<ol style="list-style-type: none"> 6. I promise to ensure that the refined products meet the dimension, weight, finish, homogeneity and purity standards as characterized by markings and commitment to the customers 7. I promise to be compliant with labour laws and provide requisite infrastructure safety equipment, benefits and training to my employees 8. I promise to have mandatory industrial licenses/approvals as per applicable regulations 9. I promise to maintain traceability of gold items throughout the refining process from the point of supply to delivery to my customers
Transportation and storage	<ol style="list-style-type: none"> 10. I promise to have adequate operational protocols to safely store and transport valuables (dore, recycled gold, refined gold products, cash, precious metals)
Customer and complaints management	<ol style="list-style-type: none"> 11. I promise to adhere to appropriate KYC requirements while on-boarding new customers and update this information periodically 12. I promise to implement adequate systems and mechanisms to receive, record and redress customer queries and complaints 13. I promise to educate customers about testing procedures, refinery markings or point them to credible sources of information
Payments	<ol style="list-style-type: none"> 14. I promise to clearly communicate and adhere to terms, conditions and timelines of payments with every customer and supplier, consistently and impartially
Risk management	<ol style="list-style-type: none"> 15. I promise to proactively identify major financial and non-financial risks to my business and take appropriate steps to mitigate / manage the risks 16. I promise to have a dedicated and trained risk management team without linkage to any business incentive (Additional best practices)
Audit and compliance	<ol style="list-style-type: none"> 17. I promise to abide by the law of land and disclose required information to designated statutory bodies in time

Implementation guidance

Sourcing



1 I promise to conduct “Know Your Provider” checks and record all relevant information about my suppliers before onboarding new suppliers

Conduct due diligence and record relevant information about suppliers such as below before initiating any business transaction with a new supplier

- ✓ Business license
- ✓ Relevant certificates/permits from country of origin
- ✓ Past supply background to India and any available customs records
- ✓ Information on supplier's practices from market intelligence and referee, if any

Record relevant information even for reputed institutional suppliers including banks

Update information recorded for onboarded suppliers annually or intermittently (e.g. in case any red flag is raised for the supplier from market intelligence or any reliable source)

2 I promise to only procure dore which adheres to industry accepted standards, conduct independent tests to ascertain the characteristics and document details for each transaction

Purchase dore which adheres to industry and regulatory standards directly from the source country. Ensure that the provider has complied with regulatory provisions in the source country. Maintain a preferred supplier list.

Enter into a formal Sale and Purchase Agreement with clearly stated technical and commercial terms and conditions

- ✓ Weight of each metal present in the bar
- ✓ Presence of other trace elements
- ✓ Country of origin and mine details

Ensure documentation of relevant details such as below for each trade

- ✓ Mine or supplier of the dore
- ✓ Weight of each element in the bar
- ✓ Purity certificate from supplier
- ✓ Way bill
- ✓ Purchase order/contract
- ✓ Custom clearance records
- ✓ Payment details (including payment terms and supplier's bank details)

Define the Supplier KYC norms and documents required before onboarding a vendor

Share details of any deviation with the supplier for requisite action and resolution

Maintain records of past transactions for a reasonable period (at least 2 years)

Additional best practices

3 I promise to adhere to global responsible sourcing guidelines as well as consider ESG credentials (Environment, Social and Governance) of suppliers

Ensure adherence to responsible gold standards, e.g. LBMA, OECD, with proper audit and certification, especially for the purpose of export or trading on commodity exchanges

Conduct business with miners who display environmental standards e.g. invest in restoration of environment, responsibly discharge waste

Conduct business with miners who display environmental standards e.g. invest in restoration of environment, responsibly discharge waste

With regards to social criteria, support miners that ensure safe and healthy work environment for their employees and do not use child labor

Work with business partners committed to good governance practices (transparency, internal controls, fair policies)

Undergo audit and obtain certification of adherence to responsible sourcing guidelines or ESG guidelines

Maintain ESG credentials of suppliers

Obtain supplier declaration ensuring adherence to responsible sourcing guidelines or ESG guidelines

Maintain records of certificate on chain of custody

Sample Scenario

I am a new digital investment gold retailer. I am struggling to grow the business due to limited understanding/knowledge and low trust of the customers in digital investment gold. Within my limited capability, what can I do to enhance customer understanding and trust?

“

Potential Response

Long-standing relationships of trust are important and enhance your ability to know the provenance of the product you are providing to your customers. However, it is critical for you to safeguard your interest against any future eventuality. You should immediately solicit relevant “Know Your Provider” details such as business license, miner details, bank references and financials from country of origin, etc. from your supplier

- You should also solicit and document details such as source of the dore, quality, weight, etc. for every transaction.



Recycling/Purchasing of old gold



4 I promise to design, convey and practice a fair policy for old gold purchase and collect KYC details of sellers of old gold

Design and develop a fair and standardised old gold purchase policy for all customers

Clearly communicate all aspects taken into consideration while pricing old gold (purity, melting charges, melting losses, taxes, etc.) to all customers, consistently and impartially as part of "Information on consumer rights"

Key risks (e.g. gold price risk in refining on contract) should not be omitted, disguised or misstated

Collect KYC details of selling organisation individual before proceeding with the scrap gold purchase process such as

- ✓ Business license
- ✓ GST certificate
- ✓ PAN details
- ✓ Residential proof (for individuals)
- ✓ Information on supplier's practices from market intelligence and referee, if any

Maintain a digital/physical track record of parties involved, transaction details etc. for a reasonable period (at least 2 years)

5 I promise to buy/service recycled gold only upon conducting independent tests to ascertain the characteristics of gold and documenting details of the scrap gold

Maintain checkpoints for testing scrap gold provided by suppliers/dealers

Independently test (in-house/outsource) the scrap gold provided by the supplier for purity of gold in the scrap articles

Ensure documentation of relevant details such as below with suppliers for each trade

- ✓ Supplier details
- ✓ Gross and net weight of each scrap articles
- ✓ Purity level of the articles
- ✓ Purchase order / contract terms, as applicable for contract refining or purchase of scrap gold
- ✓ Reference of earlier transactions and origin of the scrap gold

Maintain records of past transactions for a reasonable period (at least 2 years)

Proactively report any observation indicating unfair practices such as stolen or smuggled gold to relevant authorities



Sample Scenario

I am a gold refiner and I want to start refining scrap gold supplied by local jewellers. What details should I ask the jeweller for?



“

Potential Response

There are three types of details you should procure from the jeweller before initiating refining for them:

- “Know Your Provider” details of the jeweller: You should procure and document details such as:
 - ✓ Business license
 - ✓ GST certificate
 - ✓ PAN details
 - ✓ Conduct market intelligence for information on supplier’s practices
- Setup contract details: You should setup the contract on whether you would procure the scrap and take the financial price risk or conduct contract refining for the jeweller
- Details for each transaction: For each transaction with the jeweller you should document relevant details such as:
 - ✓ Jeweller KYC details
 - ✓ Gross and net weight of each scrap article
 - ✓ Purity level of the articles
 - ✓ Purchase order/contract terms, as applicable for contract refining or purchase of scrap gold

Refining



6 I promise to ensure that the refined products meet the dimension, weight, finish, homogeneity and purity standards as characterized by markings and commitment to the customers

Produce bars that meet the dimension, finish and purity characteristics homogeneously across the complete bar/coin

Ensure that testing labs are suitably equipped (with equipment rightly calibrated) along with qualified staffed to reduce the risk of error in measurement

Define the QC to be conducted for testing whether refined products meet the commitment

Maintain records of test results, and provide to customers/relevant authorities, if required

Mark accurate weight, purity, serial number, refinery's mark, certifying body's mark if allowed to be used (BIS) etc., as applicable under good delivery standards

7 I promise to be compliant to labour laws and provide requisite infrastructure, safety equipment, benefits and training to my employees

Identify and adhere to all the applicable laws and regulations

Install appropriate tools, machines and safety kits to ensure safe operations along with basic hygiene factors such as adequate ventilation, cooling zones, protective gears, etc.

Offer benefits mandated by the government such as provident fund, tax deductions, labour union formation, etc. to employees

Maintain a training calendar and offer required trainings such as below to ensure safety of all workers

- ✓ Fire protection drills
- ✓ Emergency preparedness
- ✓ Machine and equipment operations

8 I promise to have mandatory industrial licenses/approvals as per applicable regulations

Upgrade or set-up factories/refineries compliant with local regulations such as below:

- ✓ BIS/NABL certificate
- ✓ Factory license
- ✓ Pollution license
- ✓ Environmental clearances
- ✓ As applicable to your workplace
- ✓ Fire and safety clearances⁶
- ✓ Labour related registrations
- ✓ Import-Export permit/licenses

9 I promise to maintain traceability of gold items throughout the refining process from the point of supply to delivery to my customers

Deploy physical/digital systems for traceability of details such as below for refined gold items

- ✓ Date of sourcing
- ✓ Batch details
- ✓ Dore and refined gold quality
- ✓ Mine/supplier details
- ✓ Details of workers who worked on the refining of the specific batch
- ✓ Details of contractors/sub-contractors, if relevant
- ✓ Logistics and storage agency
- ✓ Certificate on chain of custody

Maintain all the above records for the refined gold bars for a reasonable period (at least 2 years)

Sample Scenario

I am the owner of a mid-sized refinery and I outsource part of refining work to contractors. There are 2 contractors to whom I outsource the work frequently. The working conditions are unsafe and unfit for the contractors' workers. I want to help the contractors but not sure how?

“

Potential Response⁷

You can support contractors through multiple means to improve working conditions of the workers including

- Advisory (Assist contractors to identify and apply for government grant programmes for infrastructure upgradation/assist contractors to select and apply to financial institutions for loan to upgrade infrastructure)
- Technical (Help contractors to select and procure right machinery / equipment at best price, offer training to workers to operate new equipment/ work efficiently on existing equipment)
- Financial (Invest in upgrading the contractors' facilities through various arrangement such as loan, equity investment, etc.)
- Incentivise by providing more assignments if working conditions are improved



⁷Indicative response - to be customized for context of refiner, contractor, local regulations, etc.

Transportation and storage



- 10 I promise to have adequate operational protocols to safely store and transport valuables (dore/ recycled gold, refined gold products, cash, precious metals)

Maintain a process to manage the storage and movement of precious metals and gold

Deploy adequate physical security/technology enabled access to vaults, strong rooms; physical/digital record keeping of access to ensure safety of stored assets

Ensure adequate coverage of gold, precious metals and cash being transported to cover against loss events (such as theft, infidelity, accident, natural disaster) through insurances or capital reserves

Priority should be given to safeguard customers' assets such as gold held on their behalf (e.g. refining on contract basis)

Seek services of accredited logistic companies for international/domestic movement of unrefined or refined gold. Conduct due diligence and collect relevant KYC details of logistics companies responsible for transportation

Customer and complaints management



- 11 I promise to adhere to appropriate KYC requirements while on-boarding new customers and update this information periodically

Perform due diligence and capture relevant information such as below before initiating any business transaction with a new customer

- ✓ Business license, GST certificate, PAN details
- ✓ Financial stability of the customer
- ✓ Bank guarantee (in case of credit to customers)
- ✓ Information on customer from market intelligence and referee, if any

Update the information recorded for onboarded customers annually or intermittently (e.g. incase any red flag is raised for the customer from market intelligence or any reliable source)

- 12 I promise to implement adequate systems and mechanisms to receive, record and redress customer queries and complaints

Set-up physical/digital systems for customers to file complaints and for the refiner to record, track complaints and allocate complaints for resolution

Inform the customers about the system while communicating consumer rights and solicit customer feedback at regular intervals

Resolve the customer complaints within the agreed upon timelines

- 13 I promise to educate customers about testing procedures, refinery markings or point them to credible sources of information

Make customers aware about the testing procedures and whether the refinery and the product are certified (e.g. BIS/LBMA certified)

Proactively educate customers to check dimensions, fineness, assay stamps and refinery markings as per BIS or LBMA guidelines

Encourage customers to check the product specifications (purity, weight and fineness) and price breakup (e.g. benchmark price of bullion, storage charges)

Guide customers to credible sources of information (e.g. BIS website, LBMA standards) to help them know more about best practices in the gold industry and make informed decisions

Sample Scenario

I am the owner of a small refinery and I recently visited an exhibition. 50+ manufacturers and retailers attended the exhibition and some of them exhibited interest in conducting business with me. Manufacturers operate in a different geography and I have limited contacts. How can I conduct trade with such manufacturers while minimizing my risks?



“

Potential Response

It is critical to conduct due diligence before embarking on business with new customers, especially in geographies where limited market intelligence can be collected. A few must activities to reduce the risks include

- Request the manufacturer to share all necessary KYC details such as GST certificate, PAN details, business license
- Conduct market visit including the manufacturer's factory to vet some of the KYC details and assess financial capability of the manufacturer (e.g. use proxy metrics such as inventory in the factory vs. value of order placed)
- Conduct mystery shopping, if possible, to understand the business practices of the manufacturer
- Sell the bars against advance payment or payment on delivery. Solicit bank guarantee, in case the bars are sold on credit

Payments



- 14 I promise to clearly communicate and adhere to terms, conditions and timelines of payments with every customer and supplier, consistently and impartially

Disclose/solicit key terms and conditions with customers and suppliers, through purchase orders and customer invoices, such as

- ✓ Applicable purchase price and charges including any additional operational charges (transaction, delivery, storage, etc.)
- ✓ Trade settlement and insurance arrangements
- ✓ Timelines for the payment
- ✓ Information on customer rights

Adhere to terms, conditions and timelines as agreed upon with the suppliers and customers

Adhere to Foreign exchange rules and regulations in case of international payments

Any changes to terms and conditions is communicated to the customers and suppliers explicitly in writing (especially in case of repeat business)

Maintain a process for review of debtors and creditors ageing

Risk management



- 15 I promise to identify and mitigate financial and non-financial risks to my business and take appropriate steps to mitigate/manage the risks

Proactively identify, maintain risk register, and measure major risks for the business such as

- ✓ Operational risks (risks due to error or fraud)
- ✓ Financial risks (gold price risk, settlement risk, counterparty risk)
- ✓ Legal and compliance risk
- ✓ Third party/Outsourcing risk
- ✓ Cyber risk

Deploy risk controls covering policies, roles and responsibilities to mitigate/manage identified risks. E.g.

- ✓ Manage gold price risk by hedging (MCX, advance selling) or undertaking minimal risk in the business model (e.g. gold price risk lies with customer in case of contract refining)
- ✓ Maintain financial wherewithal to reimburse customers in event of losses for which the refiner is responsible, either through own resources, bank guarantees or insurance
- ✓ Minimum/No credit window for customers to reduce the counterparty risk
- ✓ Minimum/No business with suppliers/customers/logistic providers with negative sentiments (limited financial stability, involvement in unfair trade practices, etc.)
- ✓ Check list for reporting and disclosures to ensure compliance with regulations
- ✓ Build adequate financial reserves to cover risks that business chooses to incur
- ✓ Have contingency plan to mitigate supplyside risks (e.g. restrictions on import)

Additional best practices

- 16 I promise to have a dedicated and trained risk management team without linkage to any business incentive

Deploy a dedicated risk management team and/or committee without any business incentive which can perform regular risk assessment, maintain a risk register, design and implement risk mitigation plans

Implement the "separation of duties principles", where two independent people are required to complete certain critical activities. Helps to prevent or mitigate fraud and operational errors

Deploy adequate safeguards to protect the KYC information collected from suppliers, customers, logistics agencies, etc.

Design and implement training modules with reputed institutes

Sample Scenario

I am a refiner and my current supplier has a shortfall next month and I am considering sourcing from a new supplier of dore for a few months. My existing supplier has referred the supplier to me. While I will collect necessary “Know your Provider” details for the new supplier, what additional practices should I follow to minimize my risks?



Potential Response

- List of indicative actions to minimize your risk
 - ✓ Review the accreditation regulations that apply to you such as LBMA and BIS to assess whether the miner/supplier meets the requirements
 - ✓ Formalize an agreement with the supplier including relevant business details such as pricing, timelines, rights of each party, etc.
 - ✓ Include an option in the contract for contract cancellation in case of unsatisfactory dore or mismatch with regulatory requirements
 - ✓ Assess whether your refining infrastructure can process the dore including the trace elements that may be present in the dore supplied by the new supplier

Audit and compliance



- 17 I promise to abide by the law of land and disclose required information to designated statutory bodies in time

Identify, adhere, and disclose requirements, as per the applicable laws and regulations, including PMLA (Prevention of Money Laundering Act)

Hire professional auditors without any conflict of interest to conduct audits (as applicable to the business)

Audit to include verification of gold holdings and reconciliation with refiner's records and information system

Audit to also include any inspection mandated by the government including industrial, waste management, labour laws compliance, etc.

Audit results that can be published on the company website and/or made available to investor community to build trust and credibility



Bullion Trading

Introduction and structure of the Code of Conduct document

This Code of Conduct document is aimed at providing high-level guidance for Bullion Trading. The Code of Conduct includes sound practices, additional best practices and implementation guidance for Bullion Trading.

Sound practices capture healthy practices which should be followed by any provider (across all sizes, complexity, etc.).

Additional best practices are aimed at larger/matured providers who wish to adhere to even higher standards of practice.

Implementation guidance offers broad steps to deploy sound practices/additional best practices in an organisation. The guidance is directional in nature and is not exhaustive. Practical application of these practices will require a detailed guidance that is specific to the organization.





Activity	Sound Practices
Sourcing	<ol style="list-style-type: none"> 1. I promise to buy high integrity gold from trustworthy suppliers, who adhere to responsible gold standards, after conducting adequate due diligence on them 2. I promise to conduct business transparently by ensuring due documentation for all transactions with suppliers
Trading	<ol style="list-style-type: none"> 3. I promise to offer fair and clear information on key product characteristics to my customers 4. I promise to maintain fairness and transparency for the prices and fees charged to the customers 5. I promise to clearly communicate terms and conditions including customer rights related to gold ownership 6. I promise to appropriately hedge the risks incurred through trading or holding physical inventory or currency 7. I promise to maintain transaction receipts/business contracts which contain relevant information about product, price and transaction 8. I promise to take appropriate measures to minimise liquidity, pricing, settlement and transaction related risks for my business and customers (Additional best practices)
Transportation, storage and withdrawals	<ol style="list-style-type: none"> 9. I promise to have adequate operational processes for safe handling of gold assets and insurance to cover them against any event of loss 10. I promise to disclose the terms and conditions and protect customer rights with regards to withdrawing or taking delivery of their gold holdings
Customer and complaints management	<ol style="list-style-type: none"> 11. I promise to adhere to minimum KYC requirements before initiating business with a new customer and update this information periodically 12. I promise to offer educational material on products, pricing and trading practice to the customers or point them to credible sources of such information 13. I promise to implement adequate systems and mechanisms to receive, record and redress customer queries and complaints
Payments	<ol style="list-style-type: none"> 14. I promise to clearly communicate and adhere to terms, conditions and timelines of payment with every customer and supplier, consistently and impartially
Risk management	<ol style="list-style-type: none"> 15. I promise to proactively identify major financial and non-financial risks to the business and take appropriate steps to mitigate/manage the risks 16. I promise to have a dedicated and trained risk management team without linkage to any business incentives (Additional best practices)
Audit and compliance	<ol style="list-style-type: none"> 17. I promise to comply with all applicable laws and regulations, maintain adequate documentation and disclose required information to regulatory/statutory bodies



Implementation guidance

Sourcing



- 1 I promise to buy high integrity gold from trustworthy suppliers, who adhere to responsible gold standards, after conducting adequate due diligence on them

As applicable, source from suppliers who by themselves adhere to responsible gold sourcing standards, e.g. LBMA, India good delivery standards. Maintain a preferred supplier list.

Leverage accepted chains of integrity, e.g. BIS/NABL, LBMA accredited refineries, bullion banks importing as per government norms, reputable exchanges, LBMA reputed dealers

Conduct due diligence and record relevant information about suppliers such as below before initiating any business transaction with a new supplier

- ✓ Business license
- ✓ GST certificate
- ✓ PAN details
- ✓ Information on supplier's practices from market intelligence and referee, if any
- ✓ Product inspection

Monitor practices, perform QC and update information recorded for onboarded suppliers annually or intermittently (e.g. any red flag is raised for the supplier from market intelligence or any reliable source)

Report any unfair practices based on the collected information to relevant authorities

- 2 I promise to conduct business transparently by ensuring due documentation for all transactions with suppliers

Ensure documentation of relevant details such as below with suppliers for each trade

- ✓ Weight of gold
- ✓ Quality of gold
- ✓ Source of gold (e.g. refinery mark)
- ✓ Standards followed by the supplier, if any, such as LBMA, India Good delivery standards
- ✓ Legal bill/invoice
- ✓ Contract, if applicable
- ✓ Serial number

Ensure the integrity of product by appropriate packaging, certificates of authenticity or inspection

Details of procured gold to be collected irrespective of the volume of gold traded and nature of relationship with the supplier

Define processes for review of balance confirmation and creditors ageing





Trading



3 I promise to offer fair and clear information to customers on key product characteristics to my customers

Offer fair and clear information to customers through customer invoices, including payment terms and key product characteristics, such as below

- ✓ Weight, purity
- ✓ Standards followed by the supplier (LBMA, India good delivery)
- ✓ Mint or refinery from which product has been sourced
- ✓ Allocated or unallocated gold
- ✓ Serial no. of the bar

Disclose key applicable regulatory guidelines and requirements related to the offering and provide update to customer in case of any changes

Key risks should not be omitted, disguised or misstated

4 I promise to maintain fairness and transparency for the prices and fees charged to the customers

Charge fair prices and fees (reference price such as MCX, customs duty, storage and handling charges, transaction fees, taxes, etc.) in line with local market practices

Clearly disclose this information to customer allowing them to calculate the overall premium they are paying on basis price for gold before they make investment / purchase decisions

Disclose the price and time of executed trades

Do treat customers consistently, e.g. display price on the website

If possible, explicitly disclose actual mark-ups/spreads to investors

5 I promise to clearly communicate terms and conditions including customer rights related to gold ownership

Key terms and conditions must be made available to prospects and customers on the invoices

Disclosed terms should, at a minimum, include information on customer rights; reference to applicable fees and other costs; trading practices, and storage and insurance arrangements

Make it clear when legal title passes to the customer during the transaction process

Provide customers with transparency on settlement times and terms, such as whether positions can be closed before final settlement or what happens in case of a transaction failure or a cancellation

6 I promise to appropriately hedge the risks incurred through trading or holding physical inventory or currency

Determine and document the quantum (Kg) of risks in trading or inventory which needs to be hedged along with options available for hedging

Limit or hedge gold stock positions required to meet customer orders, so that price changes do not create significant losses for customers

Pursue trading in OTC market/exchanges after careful assessment of risks and benefits

Hedge any significant market price risks incurred through trading and holding physical inventory or currency



Segregate customer gold holdings from any proprietary trading stock or company assets

Follow recognised gold trading practices based on regulatory requirements

Implement and monitor trading and hedging procedures

7 I promise to maintain transaction receipts/business contracts which contain relevant information about product, price and transaction

Maintain transaction receipts for all transactions

Maintain records of transactions for a minimum period of 2 years

Include all the relevant information on the invoice with respect to price (reference price such as MCX, customs duty, storage and handling charges, transaction fees, taxes, etc.), product (purity, weight, delivery standards, serial no.), payment terms, business contracts and transaction (date and time, etc.)

Additional best practices

8 I promise to take appropriate measures to minimise liquidity, pricing, settlement pricing, settlement and transaction related risks for my business and customers

Ensure the immediate settlement of gold trades by trading (hedged) inventory or consignment stock and asking customers to pay upfront

Maximise liquidity and optimise prices for investors e.g. by trading with large and multiple suppliers, allowing customers to trade with one another (if allowed)

Do not assume undue market risk that could adversely affect creditworthiness by pursuing proprietary trading in gold, other precious metals, currencies or other financial instruments

Define internal risk limits with regards to market risks such as trading positions in gold, currencies or derivatives, which could threaten the company's liquidity

Minimise settlement risks by ensuring that operating models have been appropriately configured and reviewed

Do not enter into any lending transactions involving customers' gold holdings



Sample Scenario

I am a bullion trader and I serve small to mid-size retailers and manufacturers. Recently, I onboarded two large retailers as my customers. My older customers perceive that I offer discount to large retailers as they offer more business and are well versed with market dynamics. However, this is not true. I treat all my customer fairly and equally. How can I address this situation as it poses significant risk to my business?



“

Potential Response

You need to invoke trust in your customers that your practices are standard and don't vary with customers. Some of the following steps can help in doing so

- Clearly display and communicate the reference price used
- Clearly communicate additional charges such as storage, handling, transaction, taxes etc. to customers. If the additional charges are standard, you can consider displaying the same
- Share product information on a standard template capturing characteristics such as weight, purity, etc.
- Clearly display and communicate customer rights including provision for complaints and grievance redressal



Transportation, storage and withdrawals



- 9 I promise to have adequate operational processes for safe handling of gold assets and insurance to cover them against any event of loss

Deploy adequate physical security/technology enabled access to vaults, strong rooms; physical/digital record keeping of access to ensure safety of stored assets

Outsource logistics to professional custodians/vaulting service providers, preferably those that are members of reputable trade bodies like LBMA or exchanges and other regulated infrastructure providers

Conduct due diligence (e.g. presence of adequate operational controls, security system, etc.) and collect relevant KYC details for these providers

Maintain a process to manage the movement of physical gold from time of gate entry till delivery to customer

Ensure that gold assets stored or in transit have adequate insurance cover against any event of loss including loss, damage or theft

Ensure that the product is only delivered to authorised person only by checking government ID verification

- 10 I promise to disclose the terms and conditions and protect customer rights with regards to withdrawing or taking delivery of their gold holdings

Provide information on delivery time, charges, requirements related to minimum lot sizes, names and necessary information of logistics service providers, etc. to the customers

Disclose standard terms and conditions on the invoice including information on customer rights, insurance arrangements, etc.

Customer and complaints management



- 11 I promise to adhere to minimum KYC requirements before initiating business with a new customer and update this information periodically

Perform due diligence and capture relevant information such as below before initiating any business transaction with a new customer

- ✓ Articles of association, memorandum of association, details of directors, bank account, PAN details, designated delivery person (in case of a company)
- ✓ Business license/registration, GST certificate, PAN details, bank account (in case of a proprietor)
- ✓ Financial stability of the customer
- ✓ Post-dated cheque, Bank guarantee (in case of credit to customers)
- ✓ Authorisation letter for delivery
- ✓ Information from market intelligence (e.g. any history of payment defaults)

Update the information recorded for onboarded customers annually or intermittently (e.g. required to update information every 11 months according to OECD guidelines)

Report suspicious activities to the authorities. Prohibited customers must be rejected and high-risk ones must be subjected to enhanced due diligence

- 12 I promise to offer educational material on products, pricing and trading practices to the customers or point them to credible sources of such information



Make customers aware about the standards followed by the company (BIS, LBMA, etc.) and whether the products are sourced responsibly

Encourage customers to check the product specifications (e.g. refinery mark, weight, serial no.), test purity and price breakup on receipt

Proactively educate customers such as retailers to buy high integrity gold and sell hallmarked jewellery to their customers

Guide customers to credible sources of information (e.g. BIS website, LBMA standards) to help them know more about best practices in the gold industry and make informed decisions

13

I promise to implement adequate systems and mechanisms to receive, record and redress customer queries and complaints

Educate my customers on their rights to raise complaints and the process to access customer support

Trader should communicate their responsibility for specific issues, e.g. related to product quality, transaction failures, timely delivery, etc.

Provide adequate training to support staff and ensure their availability during standard office hours by email and phone at a minimum

Set-up a physical/digital system for customers to file complaints or raise queries. The system should also allow to record, track, allocate complaints and resolve queries within the agreed upon timelines

Sample Scenario

I am a gold bullion trader. One of my customers has come to me with a complaint regarding the purity of bar that they bought from me. They have tested the bar and found it to be of lesser purity than stated. How should I resolve this complaint?



Potential Response

It is important to ensure that you have clearly communicated customer rights and your responsibility in such situations. Similarly, you should also have clear understanding of the responsibility of your supplier whether they are liable to compensate in such cases or the onus is on you

- Verify the purity of the bar yourself or ask for testing proof from the customer
- Revisit the terms and conditions to check the validity of customer complaint e.g. whether the customer has supported the complaint with proper invoice
- Reach out to your upstream partner i.e. refiner, bank to report discrepancy and demand compensation if they are liable as per terms of trade
- Accordingly, resolve the customer complaint (e.g. paying/adjusting for the difference) within agreed upon timelines



Payments



- 14 I promise to clearly communicate and adhere to terms, conditions and timelines of payment with every customer and supplier, consistently and impartially

Disclose/Solicit key terms and conditions with customers and suppliers, through purchase orders and customer invoices, such as

- ✓ Applicable purchase price and charges including any additional operational charges (transaction, delivery, storage, etc.)
- ✓ Trade settlement and insurance arrangements
- ✓ Information on customer rights
- ✓ Timelines for the trade
- ✓ Available payment methods to the customer, e.g. digital payments, credit card or cash
- ✓ Quality and quantum of products and services to be provided

Adhere to terms, conditions and timelines as agreed upon with the suppliers and customers

Any changes to terms and conditions of trade should be communicated to the customers and suppliers explicitly in writing (especially in case of repeat business)

Maintain a process for review of debtors and creditors ageing





Sample Scenario

I am a large gold bullion trader and have been in this business for more than 20 years. A new customer has approached me and asked for payment terms that involve credit. He has been referred by some other customers of mine that I do extend credit. How should I respond?



Potential Response

It's important to be transparent in these situations and adhere to standard processes to prevent unnecessary risk to business



- Define a standard criterion based on customer's financial stability, duration of trade, trade history, etc. for offering credit
- Negotiate terms and conditions after conducting adequate due diligence on the customer with specific focus on financial stability and history of payment defaults (if any)
- Depending on the assessment, communicate whether you would be able to extend credit and the corresponding payment terms
- Include provision for payment through post-dated cheque, bank guarantee, etc. to protect against counterparty risk
- If the customer does not fulfill criteria as defined by you, also clarify if the payment terms could be updated in future

Risk management



- 15 I promise to proactively identify major financial and non-financial risks to the business and take appropriate steps to mitigate/manage the risks

Proactively identify, maintain risk register, and measure major risks for the business such as

- ✓ Operational risks (risks due to error or fraud)
- ✓ Financial risks (gold price risk including customs duty variation and currency movement risks, settlement risk, counterparty risk)
- ✓ Legal and compliance risk
- ✓ Third party/Outsourcing risk
- ✓ Cyber risk



Deploy risk management practices including processes, policies, roles and responsibilities to mitigate/ manage identified risks, e.g.

- ✓ Maintain adequate financial resources to service all liabilities as they fall due or cover any other risks that the business chooses to incur
- ✓ Minimum/no credit window for customers to reduce the counterparty risk
- ✓ Minimum/no business with suppliers/customers/logistics providers with negative sentiments (limited financial stability, involvement in unfair trade practices, etc.)
- ✓ Focusing on correct procedures in areas such as contractual terms or insurance requirements
- ✓ Develop policies to protect customer rights. For example, in case of wind-down, special consideration should be given to returning any gold or cash held for customers
- ✓ Assign responsibilities around issues such as planning or approval of a wind-down plan

Additional best practices

16 I promise to have a dedicated and trained risk management team without linkage to any business incentives

Deploy a dedicated risk management team and/or committee without any business incentive which can perform regular risk assessment, maintain a risk register, design and implement risk mitigation plans

Implement the “separation of duties principles”, where two independent people are required to complete certain critical activities. Helps to prevent or mitigate fraud and operational errors

Deploy adequate safeguards to protect the KYC information collected from suppliers, customers, logistics agencies, etc. Implement cyber-security best practices and be prepared for IT emergencies, including system failures

Design and implement training modules with reputed institutes

Audit and compliance



15 I promise to comply with all applicable laws and regulations, maintain adequate documentation and disclose required information to regulatory/ statutory bodies

Comply with all applicable laws and regulations, including PMLA (Prevention of Money Laundering Act), in the markets in which they operate (including those where customers and potential customers are located)

Establish and maintain accurate records such as customer/supplier names, accounts, transactions and appropriate recordkeeping controls

Document any compliance procedures for internal purposes, as well as for any legitimate requests by external parties such as regulators or business partners, such as banks

Conduct regular internal audits. Audit should include verification of gold holdings and reconciliation with retailer's records and information system

Disclose any information related to taxation, consumer protection as required by regulatory authorities



Manufacturing

Introduction and structure of the Code of Conduct document

This Code of Conduct document is aimed at providing high-level guidance for manufacturing. The Code of Conduct includes sound practices, additional best practices and implementation guidance for manufacturing.

Sound practices capture healthy practices which should be followed by any provider (across all sizes, complexity, etc.).

Additional best practices are aimed at larger/matured providers who wish to adhere to even higher standards of practice.

Implementation guidance offers broad steps to deploy sound practices/additional best practices in an organisation. Practical application of these practices will require a detailed guidance that is specific to the organisation.



Activity	Sound Practices
Sourcing	<ol style="list-style-type: none"> 1. I promise to record all the relevant information about my suppliers and ensure adequate “Know Your Provider” checks 2. I promise to conduct independent tests to ascertain the characteristics of gold received from suppliers 3. I promise to conduct business transparently by ensuring due documentation for all transactions with suppliers (Additional best practices) 4. I promise to only procure gold which adhere to industry accepted standards and from registered suppliers
Manufacturing	<ol style="list-style-type: none"> 5. I promise to be compliant to labour laws and provide requisite infrastructure, benefits and training to my employees 6. I promise to have mandatory industrial licenses/approvals as per applicable regulations 7. I promise to maintain traceability of gold items throughout the manufacturing process (Additional best practices) 8. I promise to engage with contractors which provide a safe and healthy work environment to their workers
Transportation and storage	<ol style="list-style-type: none"> 9. I promise to have adequate operational protocols to safely store and transport gold, cash and precious metals
Customer and complaints management	<ol style="list-style-type: none"> 10. I promise to ensure adequate KYC processes while on-boarding new customers and update this information periodically 11. I promise to track customer complaints and aim to redress them in a timely manner
Payments	<ol style="list-style-type: none"> 12. I promise to clearly communicate and adhere to terms, conditions and timelines of payments with every customer and supplier, consistently and impartially
Risk management	<ol style="list-style-type: none"> 13. I promise to proactively identify major financial and non-financial risks to my business and take appropriate steps to mitigate / manage the risks (Additional best practices) 14. I promise to have a dedicated and trained risk management team without linkage to any business incentive
Recycling / Purchasing of old gold	<ol style="list-style-type: none"> 15. I promise to design, convey and practice a fair policy for old gold purchase and collect KYC details of sellers of old gold (Additional best practices) 16. I promise to only purchase old gold which can be validated to be responsibly sourced and processed and report any observation indicating unfair practices to relevant authorities
Audit and compliance	<ol style="list-style-type: none"> 17. I promise to abide by the law of land and disclose required information to designated statutory bodies in time

Implementation guidance

Sourcing



1 I promise to record all the relevant information about my suppliers to ensure minimum “Know Your Provider” checks

Conduct due diligence and record relevant information about suppliers such as below before initiating any business transaction with a new supplier

- ✓ Business license
- ✓ GST certificate
- ✓ PAN details
- ✓ Information on supplier’s practices from market intelligence and referee, if any

Record relevant information even for reputed institutional suppliers including banks and registered refineries

Update information recorded for onboarded suppliers annually or intermittently (e.g. in case any red flag is raised for the supplier from market intelligence or any reliable source)

2 I promise to conduct independent tests to ascertain the characteristics of gold received from suppliers

Independently test (in-house/outsource) the gold provided by the supplier for relevant details such as the below before processing the gold (in own factory/by contractors)

- ✓ Weight
- ✓ Purity
- ✓ Presence of trace elements/impurities

In case the testing is outsourced, conduct due diligence, solicit and record relevant details before empanelling with the testing agency

Share details of any deviation with the supplier for requisite action and resolution

3 I promise to conduct business transparently by ensuring due documentation for all transactions with suppliers

Ensure documentation of relevant details such as below with suppliers for each trade

- ✓ Weight of gold
- ✓ Quality of gold
- ✓ Source of gold (e.g. which refinery the gold is procured from)
- ✓ Standards followed by the supplier, if any, such as LBMA, India Good Delivery standards
- ✓ Purchase order
- ✓ Contract, if applicable

Details of procured gold to be collected irrespective of the volume of gold traded and nature of relationship with the supplier

Maintain records of past transactions for a reasonable period (at least 2 years)

Maintain a process for review of balance confirmation and creditors ageing

Additional best practices

- 4 I promise to only procure gold which adheres to industry accepted standards and from registered suppliers

Procure gold only from registered sources such as banks, registered refineries, registered bullion traders. Maintain a preferred supplier list based on Industry accepted standards.

Purchase gold which adheres to industry standards such as LBMA, India Good Delivery standards only and maintain a process of QC

Define the supplier KYC norms and documents required before onboarding a supplier/vendor

Sample Scenario

I am a gold jewellery manufacturer and I have been procuring gold from a bullion merchant for last 3 generations. Our business is completely trust based and I don't have "Know Your Provider" details of the merchant. I believe that the merchant is procuring gold from legitimate sources, however, I never had a word with the merchant about this. What should I do?

“

Potential Response

Long-standing relationships of trust are important and enhance your ability to know the provenance of the product you are providing to your customers. However, it is critical for you to safeguard your interest against any future eventuality. You should immediately solicit relevant "Know Your Provider" details from your supplier such as business license, GST certificate, etc.

You should also solicit and document details such as source of gold (bank, registered refinery, etc.), standards (LBMA, India Goods Delivery, etc.), quality, weight, etc., for every transaction.



Manufacturing



5 I promise to be compliant to labour laws and I provide requisite infrastructure, benefits and training to employees

Identify and adhere to all the applicable laws and regulations

Install appropriate tools, machines and safety kits to ensure safe operations along with basic hygiene factors such as proper work stations, adequate ventilation and distancing between work stations

Offer benefits mandated by the government⁵ such as provident fund, tax deductions, labour union formation etc., to employees

Maintain a training calendar and offer required trainings such as below to ensure safety of all workers

- ✓ Fire protection drills
- ✓ Emergency preparedness
- ✓ Machine and equipment operations

6 I promise to have mandatory industrial licenses/approvals as per applicable regulations

Identify and adhere to all the applicable license requirements along with appropriate approvals in place

Upgrade or set-up factories/workshops compliant with local regulations such as below

- ✓ Factory license
- ✓ Pollution license
- ✓ Environmental clearances
- ✓ Fire and safety clearances⁶
- ✓ Labour related registrations

7 I promise to maintain traceability of gold items throughout the manufacturing process

Deploy physical/digital systems for traceability of details such as below of the gold items I manufacture

- ✓ Date of sourcing
- ✓ Batch details
- ✓ Gold quality
- ✓ Gold source
- ✓ Supplier details
- ✓ Details of artisans who worked on the jewellery
- ✓ Details of contractors/sub-contractors, if relevant
- ✓ Logistics and storage agency

Maintain all the above records for gold items manufactured for a reasonable period (at least 2 years)

Additional best practices

8 I promise to engage with contractors which provide a safe and healthy work environment to their workers

Support contractors through development agreements where manufacturer invests in upgrading working conditions, equipment at a contractor's workplace

Check for evidence and engage solely with contractors which provide a safe and healthy work environment to their workers and are compliant to labour laws

Maintain transparency and ensure robust quality of gold supplied to the contractors/kaarigars for processing

⁵As applicable to your workplace

⁶List of clearances is indicative in nature – may or may not be applicable depending on the regulation. A manufacturer should solicit appropriate legal advice to understand all the clearances required.

Sample Scenario

I am a mid-sized manufacturer and I outsource part of manufacturing work to contractors for skill and quality of workmanship. There are 2 contractors to whom I outsource the work frequently. The working condition of kaarigars at the contractors' workshop is unsafe and unfit with multiple kaarigars working in small, poorly ventilated rooms. I want to help the contractors but not sure how?



“

Potential Response⁷

You can support contractors through multiple means to improve working conditions of the workers including

- Advisory (Assist contractors to identify and apply for government grant programs for infrastructure upgradation/assist contractors to select and apply to financial institutions for loan to upgrade infrastructure)
- Technical (Help contractors to select and procure right equipment at best price, offer training to workers to operate new equipment/work efficiently on existing equipment)
- Financial (Invest in upgrading the contractor's workshop through various arrangements such as loan, equity investment, etc.)
- Committing to bring more assignments if the working conditions are improved/deterrence to take the assignments away if the working conditions are not improved

Transportation and storage



- 9 I promise to have adequate operational protocols to safely store and transport gold, cash and precious metals

Conduct due diligence and collect relevant KYC details of logistics companies responsible for transportation

Deploy adequate physical security/technology enabled access to vaults, strong rooms; physical/digital record keeping of access to ensure safety of stored assets

Ensure adequate coverage of gold, precious metals and cash being transported to cover against loss events (such as theft, infidelity, accident, natural disaster) through insurances or capital reserves

Maintain a process to manage the storage and movement of precious metals and gold

Customer and complaints management



- 10 I promise to ensure adequate KYC processes while on-boarding new customers and update this information periodically

Perform due diligence and capture relevant information such as below before initiating any business transaction with a new customer

- ✓ Business license, GST certificate, PAN details
- ✓ Financial stability of the customer
- ✓ Bank guarantee (in case of credit to customers)
- ✓ Information on customer from market intelligence and referee, if any

Update the information recorded for onboarded customers annually or intermittently (e.g. in case any red flag is raised for the customer from market intelligence or any reliable source)

- 11 I promise to track customer complaints and aim to redress them in a timely manner

Set-up physical/digital systems for customers to file complaints and for the manufacturer to record, track complaints and allocate complaints for resolution

Inform the customers about the system while communicating consumer rights

Define timelines for addressing several categories of complaints and resolve the customer complaints within the agreed upon timelines



Sample Scenario

I am the owner of a gold jewellery manufacturing company and I recently visited a jewellery exhibition. 50+ retailers had attended the exhibition and someone of them exhibited interest in conducting business with me. Retailers operate in a different geography where I have limited connects. How can I conduct trade with such retailers while minimising my risks?



“

Potential Response

It is critical to conduct due diligence before embarking on business with new customers, especially in geographies where limited market intelligence can be collected. A few must do activities to reduce the risks include

- Request the retailer to share all necessary KYC details such as GST certificate, PAN details, business license
- Conduct market visit including the retailer's shop to get some of the KYC details and assess financial capability of the retailer (e.g. use proxy metrics such as inventory in the shop vs. value of order placed)
- Conduct mystery shopping, if possible, to understand the business practices of the retailer
- Sell the jewellery against advance payment or payment on delivery. Solicit bank guarantee, in case the jewellery is sold on credit

Payments



- 12 I promise to clearly communicate and adhere to terms, conditions and timelines of payments with every customer and supplier, consistently and impartially

Disclose/Solicit key terms and conditions with customers and suppliers such as

- ✓ Applicable purchase price and charges including any additional operational charges (transaction, delivery, storage, etc.)
- ✓ Trade settlement and insurance arrangements
- ✓ Timelines for the payment
- ✓ Information on customer rights

Communicate payment terms and discounts through Purchase Orders and Customer Invoices

Adhere to terms, conditions and timelines as agreed upon with the suppliers and customers

Any changes to terms and conditions is communicated to the customers and suppliers explicitly in writing (especially in case of repeat business)

Maintain a process to review debtors and creditors ageing

Risk management



- 13 I promise to proactively identify major financial and non-financial risks to my business and take appropriate steps to mitigate/manage the risks

Proactively identify, measure major risks and maintain risk register for the business such as

- ✓ Operational risks (risks due to error or fraud)
- ✓ Financial risks (gold price risk, settlement risk, counterparty risk)
- ✓ Legal and compliance risk
- ✓ Third party/Outsourcing risk
- ✓ Cyber risk

Deploy risk controls covering policies, roles and responsibilities to mitigate/manage identified risks. E.g.

- ✓ Minimum/No credit window for customers to reduce the counterparty risk
- ✓ Minimum/No business with suppliers/ customers/logistic providers with negative sentiments (limited financial stability, involvement in unfair trade practices, etc.)
- ✓ Check list for reporting and disclosures to ensure compliance with regulations
- ✓ Build adequate financial reserves to cover risks that business chooses to incur

Additional best practices

- 14 I promise to have a and trained risk management team without linkage to any business incentive

Deploy a dedicated risk management team and/or committee without any business incentive which can perform regular risk assessment, maintain a risk register, design and implement risk mitigation plans

Implement the “separation of duties principles”, where two independent people are required to complete certain critical activities. Helps to prevent or mitigate fraud and operational errors

Deploy adequate safeguards to protect the KYC information collected from suppliers, customers, logistics agencies, etc.

Design and implement training modules with reputed institutes

Sample Scenario

I am a manufacturer of gold jewellery and I completely outsource jewellery production to contractors. I am entering a new product segment for which I need to empanel another contractor as my existing contractor doesn't specialize in the new product segment. My existing contractor has referred a contractor to me. While I will collect necessary "Know Your Provider" details for the new contractor, what additional practices should I follow to minimise my risks?



Potential Response

List of indicative actions to minimize your risk

- Formalize an agreement with the contractor including relevant business details such as pricing, timelines, rights of each party, etc.
- Include a term in the contract for pilot testing of the contractor's capability and option for contract cancellation in case of unsatisfactory production
- Appropriately insure the raw material provided to the contractor for theft, infidelity, accident, natural disaster, etc.
- Minimise the inventory with the contractor to reduce the working capital requirements



Recycling/Purchasing of old gold



- 15** I promise to design, convey and practice a fair old gold purchase/exchange policy and collect KYC details of sellers of old gold

Design and convey policy for old gold purchase (including considerations while pricing such as purity, melting charges, melting losses, taxes, etc.) to all customers, consistently and impartially as part of "Information on consumer rights"

Handover a sample of old gold to the seller to conduct independent inspection, if needed

Collect KYC details of any organisation/individual, customer/non-customer before proceeding with the old gold purchase process

Maintain a digital/physical track record of parties involved, transaction details etc., for a reasonable period (at least 2 years)

Additional best practices

- 16** I promise to only purchase gold which can be validated to be responsibly sourced and processed and report any observation indicating unfair practices to relevant authorities

Identify and maintain industry acceptable standards for purchasing old gold

Purchase only old gold which can be validated to be responsibly sourced and processed

Proactively report any observation indicating unfair practices such as stolen or smuggled gold by the customer to relevant authorities

Maintain a process of identifying and reporting unfair practices along with identification of reporting requirement to various authorities

Audit and compliance



- 17** I promise to abide by the law of the land and disclose required information to designated statutory bodies in time

Identify, adhere, and disclose requirements, as per the applicable laws and regulations, including PMLA (Prevention of Money Laundering Act)

Hire professional auditors without any conflict of interest to conduct audits (as applicable to the business)

Audit to include verification of gold holdings and reconciliation with manufacturer's records and information system

Audit to also include any inspection mandated by the government including industrial, waste management, labour laws, compliance, etc.

Audit results can be published on the company website and/or made available to investor community to build trust and credibility



Assaying and Hallmarking

Introduction and structure of the Code of Conduct document

This Code of Conduct document is aimed at providing high-level guidance for assaying and hallmarking. The Code of Conduct includes sound practices, additional best practices and implementation guidance for assaying and hallmarking.

Sound practices capture healthy practices which should be followed by any provider (across all sizes, complexity, etc.).

Additional best practices are aimed at larger/matured providers who wish to adhere to even higher standards of practice.

Implementation guidance offers broad steps to deploy sound practices/additional best practices at an organisation. The guidance is directional in nature and is not exhaustive. Practical application of these practices will require a detailed guidance that is specific to the organisation.



Activity	Sound Practices
Procurement	1. I promise to buy supplies and equipment of required technical specifications from trustworthy suppliers while ensuring due documentation for each purchase
Customer and complaints management	2. I promise to ensure adequate KYC processes and collect all relevant information about the article before accepting it for assaying and hallmarking 3. I promise to offer educational material to customers on assaying and hallmarking practices or point them to credible sources of such information 4. I promise to implement customer complaint management systems meeting industry standards 5. I promise to protect customer information and not divulge it to anyone unless mandated by the law
Assaying and Hallmarking	6. I promise to have mandatory industrial licenses/approvals as per applicable regulations 7. I promise to maintain integrity of entire assaying and hallmarking process (including sampling, testing, marking) as per applicable industry standards 8. I promise to charge applicable fees and disclose key terms and conditions to customers 9. I promise to document records for all processes conducted to maintain traceability as per applicable industry standards
Transportation, storage and delivery	10. I promise to protect customer assets through operational controls and insurance as per applicable industry standards 11. I promise to disclose terms and conditions and protect customer rights with regards to depositing samples or taking delivery of their gold holdings
Payments	12. I promise to clearly communicate and adhere to terms, conditions and timelines of payment with every customer and supplier, consistently and impartially
Risk management	13. I promise to proactively identify major financial and non-financial risks to my business and take appropriate steps to mitigate / manage the risks
Audit and compliance	14. I promise to comply with all applicable laws and regulations, maintain adequate documentation and disclose any information as required by regulatory authorities



Implementation guidance

Procurement



- 1 I promise to buy supplies and equipment of required technical specifications from trustworthy suppliers while ensuring due documentation for each purchase

Ensure that the technical specifications of supplies (laboratory consumables, etc.) and equipment meet BIS standards

Empanel only trustworthy suppliers who meet technical specifications as per BIS standards. Maintain a list of preferred suppliers for technical equipments

When sourcing new equipment (e.g. in cases of technology upgradation) or supplies, ask for the requisite information and demos from the supplier and assess any risks to quality of tests

Ensure documentation of relevant details (item identification, technical specifications, warranty details, equipment manuals) for each purchase order

Define minimum supplier KYC requirements along with periodicity to update the details

Excerpt from 'Generic Quality Manual' by BIS⁵

The centre evaluates suppliers of all critical consumables, supplies and services which affect the quality of assaying and hallmarking, based upon their overall past performance on quality delivery, price and pre and post purchasing services, and maintains records of these evaluation and list approved suppliers and service providers

Customer and complaints management



- 2 I promise to ensure adequate KYC processes and collect all relevant information about the article before accepting it for assaying and hallmarking

Define minimum KYC requirements, perform KYC checks, maintain a checklist for accepting articles and collect requisite information as per BIS standards before accepting request for assaying from customer

Capture any additional information (e.g. from market intelligence) or documents (e.g. self-declaration by customer that the gold items have not been acquired illegally)

Update the information recorded for onboarded customers annually or intermittently in case any red flag is raised for the customer from market intelligence or any reliable source

Excerpt from 'Generic Quality Manual' by BIS

The centre shall review the requests for hallmarking. The established procedure will be to examine the request as well as each article in the consignment to check for the following:

1. Whether the request was from a BIS licensed jeweller;
2. The scope and validity of submitted licence;
3. Markings on the articles (articles with any marking will not be accepted);
4. Quantity in numbers, corresponding weight with respective declared fineness;
5. Design for articles (medallions/coins resembling currency of any country will not be accepted for Hallmarking);



6. Insurance of the articles submitted for Hallmarking purposes by the licensee;
7. The capability in respect of available of CRMs;
8. The capability in respect of meeting delivery time schedule;
9. Delivery more and charges, if any;
10. Hallmarking charges applicable; and
11. The jeweller has given an undertaking declaring their identification mark as declared to BIS

3 I promise to offer educational material to customers assaying and hallmarking practices and results or point them to credible sources of such information

Proactively educate customers on different assaying methods (e.g. XRF, fire assay) and organize field visits to demonstrate process on-site

Encourage customers to verify assaying and hallmarking results (weight, product specifications, etc.)

Educate customers on useful upstream practices (e.g. maintain positive tolerance for purity during manufacturing, use of standardized metals and alloys for manufacturing etc.) to minimize risk of rejection during hallmarking process

Guide customers to credible sources of information (e.g. BIS/NABL standards) to help them understand the assaying and hallmarking standards and make informed decisions

4 I promise to implement customer complaint management systems meeting industry standards

Set-up adequate systems (physical/digital) and processes to receive, record and redress customer feedback, queries and complaints to ensure a high degree of customer satisfaction. Maintain a tracker and allocate complaints for resolution

Define timelines for allocating several categories of complaints

Educate customers on their rights to raise complaints and the process to access customer support

Communicate your responsibility for specific issues, e.g. quality of testing, timely delivery

Provide adequate training to support staff and ensure their availability during standard office hours by email and phone at a minimum

Take appropriate actions for continuous improvement based on customer feedback and root cause analysis of the complaints

Excerpt from 'Generic Quality Manual' by BIS

The procedure for receiving, recording, investigating and resolution of customer complaints shall be as follows.

Complaints shall be received by the Quality Manager and recorded, including those conveyed telephonically

CEO shall examine each complaint, carry out necessary investigation and take appropriate action for quick redressal of the complainant

Complaints shall be resolved within one month

In case a complaint is not resolved within given time frame, the same shall be brought to the knowledge of BIS



Sample Scenario

I own an AHC and have been serving many larger jewellers. A lot of new small retailers have exhibited interest in getting their jewellery hallmarked from our centre, after the issue of mandatory hallmarking. These retailers were earlier selling non-hallmarked jewellery and thus I am not sure about their practices. I want to expand my business without bringing any disrepute to my brand. How can I still do business with such retailers?



Potential Response

It is critical to conduct due diligence before embarking on business with new customers, especially the ones which lack previous record. A few must-do activities include:

- Request the retailer to share all necessary KYC details such as BIS license, PAN details, business license as required by BIS standards
- Conduct more stringent internal sampling for new customers who earlier sold non-hallmarked jewellery
- Conduct market visit including retailer's shop to get some of the KYC details
- Conduct mystery shopping, if possible, to understand the business practices of the retailer (check if they are selling fake hallmarked jewellery)





5 I promise to protect customer information and not divulge it to anyone unless mandated by the law

Deploy adequate measures such as alarm systems, access controls etc. for physical protection of IT infrastructure

Adhere to applicable data privacy laws and deploy requisite IT infrastructure to protect sensitive customer information

Refrain from sharing any customer information to anyone unless mandated by the law or law enforcing authorities

Define and implement environmental and physical controls for protecting data confidentiality

Assaying and Hallmarking



6 I promise to have mandatory industrial licenses/approvals as per applicable regulations

Identify and adhere to all the applicable license requirements along with appropriate approvals in place

Get requisite registration/details from relevant authority (BIS/NABL) before setting up AHC

Ensure that the centre is compliant with local regulations such as below⁶

- ✓ Environmental clearances
- ✓ Fire and safety clearances
- ✓ Labour related registrations
- ✓ Water pollution clearances

Maintain process and standards for ongoing renewal of license as required

7 I promise to maintain integrity of entire assaying and hallmarking process (including sampling, testing, marking) as per applicable industry standards

Adhere to industry standards, government processes and policies

Conduct sampling and testing in line with processes described by BIS. Ensure that SOPs for assaying and hallmarking process accurately captures the BIS requirements and are being followed by staff

Ensure that the applied marking conforms to product specifications. Consider all aspects of non-conformance as mentioned in BIS standards. Treat any deviation from set processes as non-compliance. Adopt quality management systems and practices such as root cause analysis, corrective action and preventive action for cases of non-conformity

Ensure that testing labs are suitably equipped with testing equipment and meet the minimum regulatory technical specification

Regularly check calibration of testing equipment to prevent measurement errors. Record any deviations and apply correction factor, if required

Ensure competent and qualified personnel are deployed to conduct assaying and hallmarking as defined by BIS. Provide regular training to staff including role specific training as well as enhancing knowledge of new technologies and testing methods. Provide opportunities to staff to participate in inter-lab comparison and proficiency testing programs conducted by independent providers



Maintain appropriate records of procedures used by documenting each step and testing results of the assaying and hallmarking process (weight, purity, impure metals composition, etc.) in line with BIS standards

Follow BIS directives in case the assaying and hallmarking services are suspended or de-recognized by BIS

Excerpt from 'Generic Quality Manual' by BIS

The centre has developed this procedure to identify non-conformity at any stage of assaying and hallmarking and to prevent it from further processing. It covers from receiving, sampling, XRF analysis, assaying, Hallmarking and delivery and to take necessary action based on detected nonconformity

8 I promise to charge applicable fees and disclose key terms and conditions to customers

Meet the regulatory pricing for assaying and hallmarking for all customers irrespective of their knowledge of the industry

Disclose the details of applicable fees and key terms and conditions on invoice to customers

Disclose the assaying and hallmarking processes and key risks involved e.g. damage to item in destructive testing method

Disclose and agree on acceptable error limits as well as reasons for potential discrepancies in measurement (e.g. non-homogeneity of the sample)

Communicate to customers that hallmarking is based on random sampling from a homogenous batch and also inform them about the course of action in case a sample fails (e.g. the whole batch will be considered as failed and retested if necessary)

9 I promise to document records for all processes conducted to maintain traceability as per applicable industry standards

Maintain records throughout the assaying and hallmarking process along with appropriate record keeping controls as required by BIS

Establish sophisticated digital systems, if required, to maintain traceability of each gold item assayed and capture details such as purchase details, quality, artisans/contractors who worked on refining, logistics

Ensure that information regarding price (hallmarking charges, other fees, taxes, etc.), product specifications (purity, weight, stones), transaction (invoice number, etc. is clearly documented on transaction receipt/business contract of the customer

Share the assay results digitally/along with the delivery challan to the customer at time of return of gold articles (including the cornet) post assaying or hallmarking

Inform customer along with BIS (as per applicable regulations) if impurities such as platinum group metals are found in jewellery

Excerpt from 'Generic Quality Manual' by BIS

The policies of centre management is to maintain and control of records pertaining to management system and technical activities and maintain confidentiality, protect and ensure security of records, especially records in the computers. Technical records includes original observations, derived data, internal/external calibration records, staff records, a copy of each assay report, contracts, external and internal test reports, customer's papers and feedbacks and personnel responsible for the sampling, performance of test and checking of results



Sample Scenario

I am a large refiner following best practices in my industry. I am now looking to set up an AHC to cater to additional demand for jewellery hallmarking owing to mandate from the government. While I want to leverage my brand in refining to build credibility in the market, I am looking to understand the key requirements of best-in-class assaying and hallmarking operations.

“

Potential Response

It is important to have thorough understanding of BIS standards and industry best practices when looking to build credibility in the industry



- Process – BIS has defined detailed step-by-step requirements and standards for assaying and hallmarking process which should be followed thoroughly. Besides, conduct market visits to understand both local and global techniques used in assaying and hallmarking process
- People – Hire people with sound technical skills and deep experience in the industry. Ensure that management team also has strong technical expertise
- Technology - Ensure that equipments used have the correct technical specifications, are in best working condition and rightly calibrated. Besides, explore potential new technologies (used globally) for purity testing as well as marking that are more sophisticated
- Leverage the learnings from refining business to maintain operational professionalism in areas such as recordkeeping (transactions, assaying and hallmarking results, etc.), traceability, disclosure of key terms and conditions to customer, etc.
- Avoid any potential conflicts of interest with manufactures or retailers soliciting hallmarking services from the Assaying and Hallmarking Centre (AHC)
- Ensure that complete integrity of the process is maintained, disregarding any and all external pressures



Transportation, storage and delivery



10 I promise to protect customer assets through operational controls and insurance as per applicable industry standards

Establish systems, procedures, physical and environmental controls to safeguard customers' assets (gold items held on behalf of the customer on AHC's premise) as per BIS standards

Establish additional measures of access control of storage areas to protect assets against misuse, fraud or operational loss

Consider other kinds of insurance e.g. indemnity insurance to protect AHC against any claim of lower purity in hallmarked items vis-à-vis the marked purity

A room with safe is available with adequate locking arrangements in the Centre for storage of articles during working hours and overnight.

Security system with closed circuit TV and monitoring system is available for keeping round-the-clock watch centrally about internal activities and also about nearby surroundings of the centre as a preventive measure.

Items are suitably protected in final packaging for transportation (if required) delivery.

The centre shall take insurance for articles/articles under process/stock and high cost equipments for minimum amount of 10 lakhs

Excerpt from 'Generic Quality Manual' by BIS

The Centre shall receive jewellery/artefacts only from jeweller. Articles are covered under transit insurance with systematic identification of each article in the Packing List/Issue Voucher giving details of description, weight and fineness

11 I promise to disclose terms and conditions and protect customer rights with regards to depositing samples or taking delivery of their gold holdings

Provide information on delivery time, charges, requirements related to minimum lot sizes, names and necessary information of logistics service providers, etc. to the customers

Disclose standard terms and conditions on the invoice including information on customer rights, insurance arrangements, etc.

Agree upfront with the customer for the entity taking responsibility for the gold in transit (e.g. retailer/supplier or logistics company)

Ensure that the product is only accepted from and delivered to authorised person only by means such as government ID verification



Payments



- 12 I promise to clearly communicate and adhere to terms, conditions and timelines of payment with every customer and supplier, consistently and impartially

Disclose/solicit key terms and conditions with customers and suppliers through customer invoices and purchase orders, such as

- ✓ Timelines for payment
- ✓ Operational charges in addition to the assaying and hallmarking charges such as delivery, storage, etc.
- ✓ Discounts
- ✓ Insurance arrangements (for customers)

Agree on the quality and quantum of products and services to be provided and document these in Service Level Agreements (SLAs)

Communicate any changes to terms and conditions clearly to repeat customers/ suppliers

Maintain a process to review debtors and creditors ageing

Risk management



- 13 I promise to proactively identify major financial and non-financial risks to my business and take appropriate steps to mitigate/manage the risks

Proactively identify major risks and maintain risk register for the business such as

- ✓ Operational risks (liability due to testing error or fraud)
- ✓ Legal and compliance risk (adherence to BIS standards)
- ✓ Wind-down

Deploy risk management practices including processes, policies, framework, roles and responsibilities to mitigate/manage identified risks, e.g.

- ✓ Ensure complete independence of quality management department to ensure integrity of assaying and hallmarking process and minimize errors, fraud or operational loss
- ✓ Create check list for reporting and disclosures to ensure compliance with regulations
- ✓ Deploy adequate safeguards to protect the KYC information collected from suppliers, customers, logistics agencies, etc. Implement cyber-security best practices and be prepared for IT emergencies, including system failure
- ✓ Assign responsibilities around issues such as planning or approval of a wind-down plan

Audit and compliance



- 14 I promise to comply with all applicable laws and regulations, maintain adequate documentation and disclose any information as required by regulatory authorities

Comply with all applicable laws and regulations, including PMLA (Prevention of Money Laundering Act), in the markets in which they operate (including those where customers and potential customers are located)

Establish and maintain accurate records along with appropriate recordkeeping controls as per BIS standards

Document any compliance procedures for internal purposes, as well as for any legitimate requests by external parties such as regulators or business partners

Conduct regular internal/external audits and record all information as required by BIS

Disclose any information related to taxation, consumer protection as required by regulatory authorities



Retailing

Introduction and structure of the Code of Conduct document

This Code of Conduct document is aimed at providing high-level guidance for retailing. The Code of Conduct includes sound practices, additional best practices and implementation guidance for retailing of gold products.

Sound practices capture healthy practices which should be followed by any provider (across all sizes, complexity, etc.).

Additional best practices are aimed at larger/mature providers who wish to adhere to even higher standards of practice.

Implementation guidance offers broad steps to deploy sound practices/additional best practices at an organisation. The guidance is directional in nature and is not exhaustive. Practical application of these practices will require a detailed guidance that is specific to the organisation.



Activity	Sound Practices
Sourcing	<ol style="list-style-type: none"> 1. I promise to record all the relevant information about my suppliers and ensure adequate “Know Your Provider” checks 2. I promise to conduct independent tests to ascertain the characteristics of gold products received from my suppliers 3. I promise to conduct business transparently by ensuring due documentation for all transactions with suppliers 4. I promise to only accept gold products which adhere to industry accepted standards and from registered suppliers (Additional best practices) 5. I promise to engage with suppliers that integrate ESG (Environment, Social and Governance) criteria in business operations
Transportation and storage	<ol style="list-style-type: none"> 6. I promise to have adequate operational processes and controls to safely store and transport valuables (gold, cash, precious metals)
Marketing	<ol style="list-style-type: none"> 7. I promise to promote offers clearly and fairly representing key product characteristics, including potential investment risks 8. I promise to offer educational material to customers on gold products or point them to credible sources of such information 9. I promise to not proclaim or propagate any knowledge related to gold investment which can be misconstrued as professional investment advice
Selling	<ol style="list-style-type: none"> 10. I promise to take responsibility of selling only hallmarked products (for which hallmarking standards are available) from BIS certified AHCs 11. I promise to clearly display information related to product features and price on each unit 12. I promise to charge fair prices and fees and disclose key terms and conditions to the customer 13. I promise to maintain invoice for each sale which has been generated only after ensuring required KYC 14. I promise to offer adequate training to my employees and infrastructure for seamless operations (Additional best practices)
Customer complaints redressal	<ol style="list-style-type: none"> 15. I promise to implement adequate systems and mechanisms to receive, record and redress customer queries and complaints
Payments	<ol style="list-style-type: none"> 16. I promise to clearly communicate and adhere to terms and timelines for settlement with suppliers 17. I promise to ensure customer rights and communicate key terms and conditions for the advance payments/deposits made by customer
Risk management	<ol style="list-style-type: none"> 18. I promise to maintain adequate stock of gold to cover customer liabilities arising from advances/deposits collected from customers 19. I promise to proactively identify major financial and non-financial risks to my business and take appropriate steps to mitigate/manage the risks
Risk recycling/purchasing old gold	<ol style="list-style-type: none"> 20. I promise to design, convey and practice a fair old gold purchase/exchange policy and collect KYC details of sellers of old gold 21. (when using recycled gold) I promise to use recycled gold only after its purity has been ascertained by trusted refiners/manufacturers
Audit and compliance	<ol style="list-style-type: none"> 22. I promise to comply with all applicable laws and regulations, maintain adequate documentation and disclose any information as required by regulatory authorities

Implementation guidance

Sourcing



1 I promise to record all the relevant information about my suppliers and ensure adequate “Know Your Provider” checks

Perform due diligence and capture relevant information including below before initiating any business transaction with a new supplier/manufacturer

- ✓ Registration number/BIS license
- ✓ Address
- ✓ GST certificate
- ✓ PAN details
- ✓ Information from market intelligence and referee (if any)
- ✓ Promoter name and identity proof

Monitor practices and update information of onboarded suppliers/manufacturers annually or intermittently (e.g. any red flag is raised for the supplier from market intelligence or any reliable source)

Report any unfair practices based on the collected information to relevant authorities

2 I promise to conduct independent tests to ascertain the characteristics of gold products received from my suppliers

Ensure independent testing of the gold products provided by the supplier for relevant details including the below using standard testing equipment (e.g. caratmeter, XRF machine) before the gold is made available for sale

- ✓ Weight (net weight, gross weight)
- ✓ Purity (caratage, fineness)
- ✓ Presence of trace elements/impurities

In case the retailer does not have testing equipment, they should arrange a visit to manufacturer/AHC facility to validate the test results

Any deviation from the details shared by the supplier should be shared with the supplier for requisite action and resolution

Report any unfair practices (e.g. use of restricted elements) based on the result of independent tests to relevant authorities like BIS

3 I promise to conduct business transparently by ensuring due documentation for all transactions with suppliers

Ensure documentation of relevant details such as below with suppliers for each trade

- ✓ Weight (net weight, gross weight)
- ✓ Purity (caratage, fineness)
- ✓ Composition (alloys, impurities)
- ✓ Gems/Precious stones (quality, certificate)
- ✓ Purchase orders, business contracts
- ✓ Track record of gold, e.g. refiners from which manufacturer has procured gold (if available)

Details of procured gold to be collected irrespective of the volume of gold traded and nature of relationship with the supplier

Maintain records of past transactions for a reasonable period (at least 2 years)

Maintain a process for review of balance confirmation and creditors ageing

Additional best practices

- 4 I promise to only accept gold products which adhere to industry accepted standards and from registered suppliers

Define the Supplier KYC norms and documents required before onboarding a vendor

Leverage accepted chains of integrity, e.g. manufacturers who are sourcing gold from LBMA accredited refinery, reputed bullion traders, or bullion banks

As applicable, source from suppliers who by themselves and whose upstream partners adhere to responsible gold standards, e.g. LBMA, India good delivery standards

Maintain a preferred supplier list, based on industry accepted standards

Maintain a process of QC

- 5 I promise to engage with suppliers that integrate ESG (Environment, Social and Governance) criteria in business operations

Conduct business with suppliers who display environmental standards e.g. use eco-friendly packaging material for products, efficient use of energy, prevention of waste, avoid use of toxic materials

With regards to social criteria, support manufacturers that ensure safe and healthy work environment for their employees, support small artisans, and create initiatives such as donate small amount to a non-profit organisation for each unit sold

Work with business partners committed to good governance practices (transparency, internal controls, fair policies)

Note: Retailers are not expected to conduct audit of suppliers to determine ESG compliance. They can rely on certifications that the suppliers share



Sample Scenario

I am a large retailer and I am planning to increase the range of jewellery at my stores. I came to know about a very skilled small manufacturer in a different city who can supply jewellery with unique craftsmanship. What practices should I follow before initiating business with this manufacturer?

“

Potential Response

It is critical to conduct due diligence before onboarding a new supplier, especially in geographies where limited market intelligence can be collected



- Request the manufacturer to share all necessary KYC details such as GST certificate, PAN details, business license
- Conduct market visit including manufacture's facilities to vet some of the KYC details and get market intel. Also, assess the manufacturing practices including condition of workers if it meets your business standards
- Buy a sample and gather all the information about its weight, purity, presence of trace elements/ impurities from the manufacturer
- Conduct independent testing using available testing equipment like XRF machines to check if it conforms with information provided by the manufacturer
- In case of any discrepancies, try to gain an explanation from manufacturer. In some cases, the deviations could be due to inappropriate calibration of XRF machine with regards to metals used in the product
- If you are satisfied with the product quality, gain further understanding of their way of doing business e.g. if they would provide adequate documentation for each transaction

Transportation, storage and safekeeping



6 I promise to have adequate operational processes and controls to safely store and transport valuables (gold, cash, precious metals)

Establish adequate operational procedures along with physical and system controls such as physical security/technology enabled access to vaults; physical/digital record keeping of access to protect assets against misuse, fraud or operational loss

Maintain a process to manage the movement of valuables

Priority should be given to safeguard customers' assets such as gold held on their behalf (e.g. item held for repair) or cash held before the final settlement of transaction (e.g. advance payments)

Ensure that valuables (including gold, precious metals and cash) stored are adequately covered against any loss event including loss, damage or theft through insurances or capital reserves. Valuables in transit should be adequately insured by the retailer/supplier/logistics company

Marketing



7 I promise to promote offers clearly and fairly representing key product characteristics, including potential investment risks

Offer fair and clear information on key product characteristics (purity, weight, composition, quality of stones/gems, etc.) in marketing materials or product promotions

Disclose key applicable regulatory guidelines, risks, product attributes and requirements related to the offering and provide update to customer in case of any changes

Key risks (e.g. related to gold investment) should not be omitted, disguised or misstated

Present offerings in a balanced way by focusing on areas of differentiation – quality of workmanship, range of designs, use of eco-friendly packaging materials, acts of social responsibility, etc.

Do not misrepresent own products with regards to any comparisons made to other products or investment asset classes

8 I promise to offer educational material to customers on gold products or point them to credible sources of such information

Make customers aware to whether the company and the product is regulated (e.g. BIS registered)

Proactively educate customers to check four signs of hallmarking as mentioned in BIS guidelines

Encourage customers to check the product specifications (purity, gross weight, net weight) and price breakup (e.g. if it includes hallmarking charges)

Guide customers to credible sources of information (e.g. BIS website, LBMA standards) to help them know more about best practices in the gold industry and make informed decisions

- 9 I promise to not proclaim or propagate any knowledge related to gold investment which can be misconstrued as professional investment advice

When requested by customer for investment advice, clearly communicate that the knowledge provided is based on their experience of the business and should not be misconstrued as professional investment advice

Clearly layout that it's the sole responsibility of the customer to take risk based on their financial capacity

Offer educational material on gold as an asset class or guide them to credible sources of such information

Sample Scenario

I am a BIS registered jeweller doing business for more than 20 years now and have established trust with our regular customers. However, I am struggling to engage the evolving customer segment of millennials who are purchasing gold products for the first time. How should I educate this customer segment in order to build trust in my brand?

“

Potential Response

Millennials even being first-time consumers, are aware and rely on objective information while making purchase/investment decisions. In general, they are digitally-savvy and conscious about the environment and society.



- Offer clear information on product features and price in your marketing materials and advertisements
- Focus on areas of differentiation, environment and social responsibility in advertisements and promotions – quality of workmanship, range of designs, use of eco-friendly packaging materials, acts of social responsibility such as donating small amount to a non-profit organization for each unit sold, promoting small artisans, etc.
- Educate them to check for four signs of hallmarking - BIS mark denoted by a triangle, caratage showing the purity, mark of the jeweler, mark of the AHCs
- Focus on high end infrastructure as available – product information and bar code displayed on each piece, digital mode of payments, on-site testing of purity, etc.

Selling



10 I promise to take responsibility of selling only hallmarked products (for which hallmarking standards are available) from BIS certified AHCs⁵

Ensure that only hallmarked products (for which hallmarking standards are available) are made available for sale

Capture relevant information such as below to ensure authenticity and credibility of AHC

- ✓ Valid BIS license
- ✓ Information from market intelligence and public disclosures (e.g. history of temporary suspension of license, pending complaints in public domain, significant penalties levied in the past, instances of malpractice)

Conduct independent sample testing for the products received from AHC and check Inventory on random basis whether hall marking is available or not.

In case the retailer does not have testing equipment, they can arrange a visit to AHC facility to validate the test results

Proactively monitor products and AHCs to identify any negative changes; and update information of onboarded AHCs annually or intermittently

11 I promise to clearly display information related to product features and price on each unit

Have a clear and standard way of displaying information on each item including but not limited to

- ✓ Product features (net weight, gross weight, purity)
- ✓ Price (including making charges)
- ✓ Bar code (if applicable)

If possible, try to measure the weight of the piece in front of the customer using a standard weighing machine, show the hallmark sign through magnification glass and check the purity of jewellery on carat meter (as applicable for gold/stones)

12 I promise to charge fair prices and fees and disclose key terms and conditions to the customer

Charge fair prices and fees (local base price of gold, making charges, hallmarking charges, other fees, taxes, etc.) in line with local market practices and clearly disclose these to customers

Do treat customers consistently, e.g. offer same price to customers irrespective of their knowledge or experience in the gold industry

Disclose key terms and conditions, return policy, risks, information on customer rights, company, etc. on the invoice, as applicable

13 I promise to maintain invoice for each sale which has been generated only after ensuring required KYC

Disclose available payment methods to the customer, e.g. digital payments, credit card or cash

Include all the relevant information on the invoice with respect to price (local base price of gold, making charges, hallmarking charges, other fees, taxes, etc.), product (purity, weight, stones), customer rights (including link to BIS website) and transaction (date and time, invoice number, etc.)

KYC details of any customer (individual, organization) should be collected (as required by law) before proceeding with the invoicing process and maintain system controls for issuing invoice after required KYC details are collected

Mention approvals on invoice and maintain records of supporting documents

Additional best practices

14 I promise to offer adequate training to my employees and infrastructure for seamless operations

Provide safe and healthy workplace through appropriate policies; additional benefits such as health insurance, etc.

Install appropriate tools and machines for safety of employees

Offer personal and professional training such as role-specific training, ways to identify authentic products, use of testing equipment, provide customer support, etc.

Create infrastructure to ensure 100% trackability of all items available for sale through systems such as barcoding and ERP system

Sample Scenario

I am a small retailer of gold jewellery. As I am preparing for implementation of mandatory hallmarking, I need to onboard another AHC to get the jewellery hallmarked as the previous AHC could not offer enough capacity. While I will collect necessary documents from the new AHC, what additional practices should I follow?

“

Potential Response

Along with selling hallmarked jewellery, it is also the responsibility of the retailer to ensure authenticity of hallmarking as per BIS standards.



- Conduct market visits, secondary checks through public disclosures and reach out to other jewellers to gain information about the practices at AHC (e.g., history of temporary suspension of license, pending complaints in public domain, significant penalties levied in the past, instances of malpractice)
- You can also visit the AHC to observe the practices and testing methodologies
- Conduct sample testing for small set of items and validate the results using standard testing equipment like XRF machine. You can also get the sample validated by a trusted AHC you have been working in the past
- Employ practices to proactively monitor products and AHCs to identify any negative change for early detection of problem and requisite action

Customer complaints redressal



- 15 I promise to implement adequate systems and mechanisms to receive, record and redress customer queries and complaints

Educate customers on their rights to raise complaints and the process to access customer support

Retailer should communicate their responsibility for specific issues, e.g. related to product quality, hallmarking, price, etc.

Provide adequate training to support staff and ensure their availability during standard office hours by email and phone at a minimum

Set-up a physical/digital system for customers to file complaints or raise queries. The systems should also allow to record, track and resolve queries within the agreed upon timelines. Maintain defined timelines for addressing several categories of complaints.

Payments



- 16 I promise to clearly communicate and adhere to terms and timelines for settlement with suppliers

Disclose/solicit key terms and conditions with customers and suppliers such as applicable purchase price, discounts and additional charges (transaction, delivery, storage, etc.), trade settlement and insurance arrangements, timelines for the payment, etc.

Agree on the quality and quantum of products and services to be provided and document these in Service Level Agreements (SLAs). Adhere to agreed terms and timelines for payment

Ensure adequate communication with suppliers to understand any changes in terms and conditions

Devise mitigation strategy for cases where supplier is unable to meet their obligations despite advance payments

Maintain a process to review creditors ageing

- 17 I promise to ensure customer rights and communicate key terms and conditions for the advance payments/deposits made by customers

For all advance payments made by customers (for a product/towards future purchase), key terms and conditions should be made available to customers including but not limited to

- ✓ Applicable future purchase price and charges including any additional operational charges (transaction, delivery, storage, etc.)
- ✓ Associated risks and insurance arrangements
- ✓ Information on customer rights

Provide customers with transparency on settlement times and terms, such as whether they can settle before due date

Sample Scenario

Due to some inadequate practices related to advance payments by some jewellers in the market, the customers' trust in such transactions has declined. While I want to prioritise customer rights in my business, I am not sure how?

“

Potential Response

- Communicate and adhere to key terms and conditions clearly regarding applicable future price and charges including any operational charges (transaction, delivery, storage, etc.)
- If the customer demands, provide duly signed and certified contract/agreement
- Provide receipt of each advance payment made by customer



Risk management



- 18 I promise to maintain adequate stock of gold to cover customer liabilities arising from advances/deposits collected from customers

Maintain adequate financial resources to service all liabilities as they fall due or cover any other risks that the business choose to incur

Ensure that the monies collected as customer advances are invested in gold stock which can be easily liquidated in case of a call for gold / monies by the customer

Establish a process of placing order to maintain inventory covering the liabilities arising from advances/deposits from customers

Develop policies to protect customer rights. For example, in case of wind-down, special consideration should be given to returning any gold or cash held for customers

19 I promise to proactively identify major financial and non-financial risks to my business and take appropriate steps to mitigate/manage the risks

Proactively identify and maintain risk register to cover major risks for the business such as

- ✓ Financial risks (gold price risk, settlement risk, counterparty risk)
- ✓ Operational risks (risks due to error or fraud)
- ✓ Legal and compliance risk
- ✓ Wind-down

Deploy risk management practices including processes, policies, roles and responsibilities to mitigate/manage identified risks, e.g.

- ✓ Minimum/no credit for customers or no advance payments to suppliers to reduce the counterparty risk
- ✓ Define internal risk limits with regard to market risks such as positions in gold, currencies or derivatives, which could threaten the company's liquidity.
- ✓ Assign responsibilities around issues such as planning or approval of a wind-down plan
- ✓ Conduct due diligence on suppliers/ customers/logistic providers/assayers and only select those who are reliable (financial stability, no involvement in unfair trade practices, etc.)
- ✓ Deploy adequate safeguards to protect the KYC information collected from suppliers, customers, logistics agencies, etc. Implement cyber-security best practices and be prepared for IT emergencies, including system failure

Recycling/Purchasing of old gold



20 I promise to design, convey and practice a fair old gold purchase/exchange policy and collect KYC details of sellers of old gold

Design a fair and standardized buyback/exchange policy (applicable deductions, terms, etc.) across all product types for all its customers

For non-customers, design standard methodology to evaluate and price old gold irrespective of its original seller

Clearly communicate all aspects taken into consideration while pricing old gold – weight, purity, melting charges, safekeeping charges, melting losses, GST and other taxes (as applicable), etc.

KYC details (including below but not limited to) of any customer/non-customer (individual or organization) should be collected before proceeding with the old gold purchase process

- ✓ Address
- ✓ PAN card (if jewellery value > 2 Lakh),
- ✓ Self-declaration by customer that the gold has not been acquired illegally

Digital/physical track record of parties involved in selling old gold should be maintained

21 (When using recycled gold), I promise to use recycled gold only after its purity has been ascertained by trusted refiners/manufacturers

Develop processes and practices to route the recycled gold through a trusted refinery or manufacturer and maintain traceability of recycled gold

Examples may include having a furnace and XRF machine on-site

When going for destructive testing for assessing gold purity, adopt the practice of retaining a small sample of melted gold to be given to customer for independent verification

Define the QC to be conducted for testing whether recycled products meet the commitment

Sample Scenario

Lately, during times of Covid, I have seen a lot of people coming to my store to sell old jewellery. While I have communicated buyback policies for my own customers when they made the purchase, I am not sure how should I deal with first time customers?



Potential Response

As retailer, you would need to ensure transparent communication of old gold purchase policy to these customers.

- Have a standard methodology in place to evaluate and price old gold irrespective of its original seller
- Communicate upfront the all aspects taken into consideration while pricing old gold – weight, purity, melting charges, safekeeping charges, melting losses, taxes, etc.
- Provide information about the purity by measuring on XRF machine (if available) and accordingly give an estimate of price. This would help the customer get some idea of the price they can expect which might change after melting
- Do not pressure the customers and allow them to make decision whether they want to sell their gold to you or not

Compliance and audit



- 22 I promise to comply with all applicable laws and regulations, maintain adequate documentation and disclose any information as required by regulatory authorities

Comply with all applicable laws and regulations, including PMLA (Prevention of Money Laundering Act), in the markets, in which they operate (including those where customers and potential customers are located)

Maintain all records as required. For example, a BIS registered jeweller is required to maintain all the records related to invoices of hallmarking charges paid, sale and purchase of hallmarked items for a period of five years or till the jewellery is sold, whichever is later

Document any compliance procedures for internal purposes, as well as for any legitimate requests by external parties such as regulators or business partners, such as banks

Conduct regular internal audits. Audit should include verification of gold holdings and reconciliation with retailer's records and information system

Disclose any information related to taxation, consumer protection as required by regulatory authorities



Digital Investment Gold Retailing

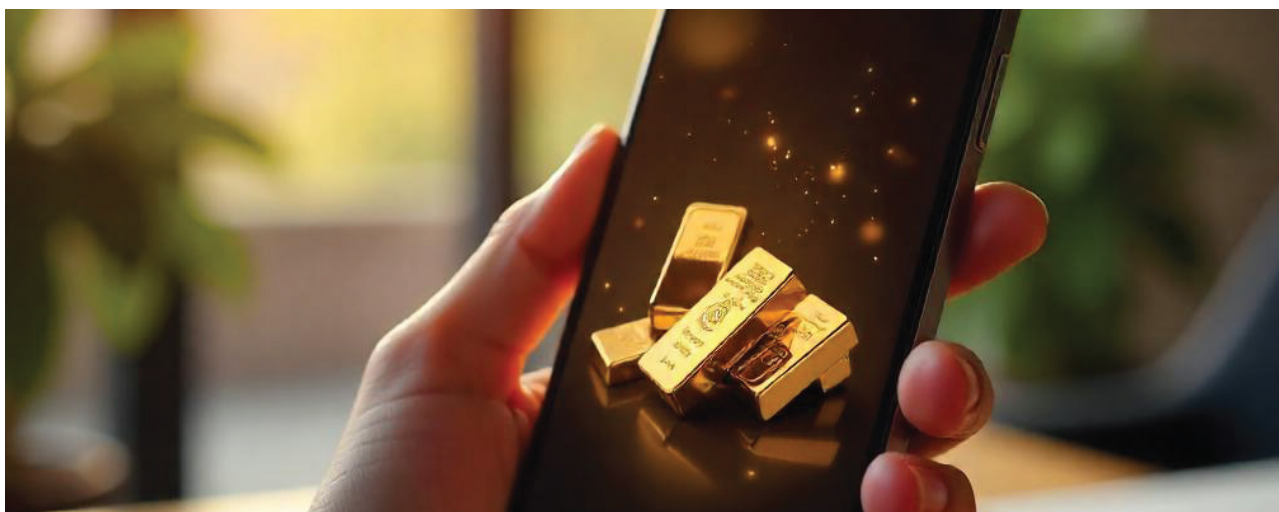
Introduction and structure of the Code of Conduct document

This Code of Conduct document is aimed at providing high-level guidance for Digital Investment Gold retailing. The Code of Conduct includes sound practices, additional best practices and implementation guidance for retailing.

Sound practices capture healthy practices which should be followed by any provider (across all sizes, complexity, etc.).

Additional best practices are aimed at larger/matured providers who wish to adhere to even higher standards of practice which allow for differentiation.

Implementation guidance offers broad steps to deploy sound practices/additional best practices at an organisation. The guidance is directional in nature and is not exhaustive. Practical application of these practices will require a detailed guidance that is specific to the organisation.





Activity	Sound Practices
Sourcing	<ol style="list-style-type: none"> 1. I promise to record all the relevant information about my suppliers and ensure adequate "Know Your Provider" checks 2. I promise to conduct independent and adequate tests to ascertain the characteristics of gold products received from my suppliers 3. I promise to conduct business transparently by ensuring due documentation for all transactions with suppliers 4. I promise to only accept gold products which adhere to industry accepted chains of integrity (Additional best practices)
Marketing	<ol style="list-style-type: none"> 5. I promise to promote products and services clearly and fairly representing key product characteristics, including pricing, transfer of ownership and potential risks 6. I promise to offer educational material to customers on gold products or point them to credible sources of such information
Selling	<ol style="list-style-type: none"> 7. I promise to charge fair prices and fees and disclose key terms and conditions to the customer 8. I promise to issue tax invoice for each sale which has been generated only after ensuring required KYC across any sale platform 9. I promise to confer outright legal ownership of the gold to the customer to ensure that provider's creditors have no claim on customers' gold holdings
Storage and delivery	<ol style="list-style-type: none"> 10. I promise to have adequate operational processes and controls to safely store and transport valuables 11. I promise to facilitate withdrawal/delivery of gold to customers within agreed upon timelines as and when requested 12. I promise to hold allocated gold (including pool allocated) for all customer investment with complete operational segregation from own stock 13. I promise to maintain gold inventory against customers' holdings in clearly identifiable form 14. I promise to hold all allocated gold (including pool allocated) such that each customer can be recognised to an identifiable discrete gold unit (Additional best practices) 15. I promise to maintain legal segregation of customer monies and gold from institutional monies and gold
Customer support & complaints redressal	<ol style="list-style-type: none"> 16. I promise to implement adequate systems and mechanisms to receive, record and redress customer feedback, queries and complaints Payments
Payments	<ol style="list-style-type: none"> 17. I promise to clearly communicate and adhere to terms, conditions and timelines of payments with every customer and supplier, consistently and impartially
Risk management	<ol style="list-style-type: none"> 18. I promise to have adequate provisions to ensure that customers' money and gold holdings are not at risk 19. I promise to proactively identify major financial and non-financial risks to my business and take appropriate steps to mitigate/manage the risks 20. I promise to implement safe and effective IT practices to ensure data protection, cyber security and secure data storage



Activity	Sound Practices
	<p>21. I promise to devise a wind-down plan to ensure complete transfer of customers' gold and monies in case of any eventualities</p> <p>22. I promise to run adequate anti-money-laundering controls and report suspicious activities to the relevant authorities (Additional best practices)</p>
Audit and compliance	<p>23. I promise to comply with all applicable laws and regulations, maintain adequate documentation and disclose/ report any information as required by regulatory authorities</p> <p>24. I promise to commission independent audits by third party professionals at regular intervals covering key business and operations functions (including gold holdings, cyber security and information systems)</p> <p>25. I promise to disclose information such as audit reports/financial statements to enhance my credibility</p>





Implementation guidance

Sourcing



1 I promise to record all the relevant information about my suppliers and ensure adequate “Know Your Provider” checks

Perform due diligence and record relevant information including below before initiating any business transaction with a new supplier

- ✓ Registration number/BIS license
- ✓ Address
- ✓ GST certificate
- ✓ PAN details
- ✓ Information from market intelligence and referee (if any)
- ✓ Promoter/ultimate beneficial owner name and identity proof

Monitor practices and update information of onboarded suppliers annually or intermittently (e.g. any red flag is raised for the supplier from market intelligence or any reliable source)

Report any unfair practices based on the collected information to relevant authorities

2 I promise to conduct independent and adequate tests to ascertain the characteristics of gold products received from my suppliers

Ensure independent random testing of the gold products provided by the supplier for relevant details including the below using standard testing equipment (e.g. carat meter, XRF machine) before the gold is made available for sale

- ✓ Weight
- ✓ Purity (caratage)
- ✓ Presence of trace elements/impurities

Any deviation from the details shared by the supplier should be shared with the supplier for requisite action and resolution

Report any unfair practices (e.g. use of restricted elements) based on the result of independent tests to relevant authorities like BIS

3 I promise to conduct business transparently by ensuring due documentation for all transactions with suppliers

Ensure documentation of relevant details such as below with suppliers for each trade

- ✓ Weight
- ✓ Purity (caratage)
- ✓ Purchase orders
- ✓ Business contracts

Proper documentation of procured gold to be maintained irrespective of the volume of gold traded and nature of relationship with the supplier

Maintain records of past transactions for a reasonable period as mandated by the law

Maintain a process for review of balance confirmation and creditors ageing



Additional best practices

4 I promise to only accept gold products which adhere to industry accepted chains of integrity

Leverage industry accepted chains of integrity, e.g. accredited refineries, reputed bullion traders, or bullion banks

Define the Supplier KYC norms and documents required before onboarding a vendor

As applicable, source from suppliers who by themselves and whose upstream partners adhere to responsible gold standards, e.g. LBMA, India good delivery standards

Maintain a preferred supplier list, based on industry accepted standards

Maintain a process of QC

Marketing



5 I promise to promote products and services clearly and fairly representing key product characteristics, including pricing, transfer of ownership and potential risks

Offer fair and clear information on key product characteristics (pricing, purity, weight etc.) on marketing materials, product promotions, website, mobile applications

Highlight the stage of transaction at which gold ownership is legally transferred to the customer as well as expected timeline, especially for products sold on EMI, SIP schemes

Disclose key risks (e.g., related to gold investment) and product attributes in a simplified manner to make it easy for customers to understand

Apprise customers about any applicable regulatory guidelines and requirements related to the offering

Present offerings in a balanced way in connection with any comparisons made to other products or investment asset classes

6 I promise to offer educational material to customers on gold products or point them to credible sources of such information

Provide educational materials such as FAQs and answers/"how to" videos to customers. Material should be easily accessible through mediums such as company website, mobile application. Topics covered should include guidance on understanding and using the provider's platform such as how to buy and sell gold

Offer customer support to address customers' queries and grievances. Ensure that the customer support services are not misconstrued as professional investment or tax advice. Refrain from pressurizing customers in any way including hard sales tactics

Guide customers to credible sources of information (e.g. BIS website, LBMA standards) to help them know more about best practices in the gold industry and make informed decisions



Sample Scenario

I am a new digital investment gold retailer. I am struggling to grow the business due to limited understanding/knowledge and low trust of the customers in digital investment gold. Within my limited capability, what can I do to enhance customer understanding and trust?



Potential Response

It is critical to invoke customer trust in the product which requires customers to completely understand the product first. You may approach the situation in following way

- Offer introductory/detailed “how to” videos on company website / app to help customers understand the asset class. The topics should try and address customers’ pain points and key aspects which the customer must consider before investment
- Offer fair and clear information on key product characteristics (pricing, purity, weight etc.) in marketing materials or product promotions. Clearly highlight the stage of transaction at which gold product is legally transferred to the customer as well as expected timeline
- Focus on areas of differentiation such as withdrawal/delivery time, transfer of legal rights to the customer within “x” hours, storage facility available for “y” years etc.
- Present offerings in a balanced way in connection with any comparisons made to other products or investment asset classes





Selling



7 I promise to charge fair prices and fees and disclose key terms and conditions to the customer

Charge fair prices and fees (price of gold, storage, insurance, delivery, withdrawal charges, other fees, taxes, etc.) aligned with local market practices and clearly disclose these to customers

Offer same price to a customer for a reasonable time window since the intent of purchase is expressed by the customer

Disclose key terms and conditions on invoice such as information on customer's rights, legal transfer of ownership, delivery/withdrawal policy, storage and insurance arrangements, return policy etc. as applicable

Ensure that key terms and conditions are not hidden in detail and are simple for customers to understand

Communicate any changes to the fees, terms and conditions to customers before implementation

8 I promise to issue tax invoice for each sale which has been generated only after ensuring required KYC across any sale platform

Include all the relevant information on the invoice with respect to

- ✓ Price (base price of gold, making charges, storage, insurance, delivery / withdrawal charges, other fees, taxes, etc.)
- ✓ Product (purity, weight)
- ✓ Customer rights (including link to BIS website)
- ✓ Transaction (date and time, invoice number, etc.)

KYC details of any customer (individual, organization) should be collected (as required by law) before proceeding with the invoicing process and maintain system controls for issuing invoice after required KYC details are collected

Maintain required KYC details for sale through own/partner platforms

Mention approvals on invoice and maintain records of supporting documents

9 I promise to confer outright legal ownership of the gold to the customer to ensure that provider's creditors have no claim on customers' gold holdings

Confer outright legal ownership of gold to the customer, i.e., full title of the gold to the customer. Ensure that any creditor of the provider has no claim on customers' holdings in case of eventualities like bankruptcy/ wind-down

Clearly mention and disclose in the terms the stage at which legal title passes to the customer during the transaction process and the timeline for the same

Storage and delivery



10 I promise to have adequate operational processes and controls to safely store and transport valuables

Store gold holding in professional, high-security vaults which meet the local security standards, preferably at independent locations not subject to premises risks of the provider

Ensure that the gold is vaulted by an independent professional custodian. Sub-custodians, if used, should be empanelled through appropriate contracting procedures



Ensure that valuables stored are adequately covered against any loss event including loss, damage or theft through insurance. Valuables in transit should be adequately insured by the supplier/logistics company

Maintain a process to manage the movement of valuables

11 I promise to facilitate withdrawal/delivery of gold to customer within agreed upon timelines as and when requested

Clearly disclose customers' rights regarding withdrawal/delivery of gold holdings, timelines for the same and penalty clauses for violation. Highlight the differences in rights in case the customer has ownership in individual allocated or pool allocated form

Define minimum lot sizes to facilitate withdrawal/delivery and clearly communicate the same to customers at the time of purchase

Deliveries when requested, should be conducted through professional security carriers and within the committed timelines

Deploy adequate checks and balances to ensure only genuine delivery requests are fulfilled. E.g., random checks to confirm that delivery request has been raised by the customer, delivery address to be same as authorized address

12 I promise to hold allocated gold (including pool allocated) for all customer investment with complete operational segregation from own stock

Store customers' gold either as individual allocated (customer individually owns a discrete and identifiable bar or coin) or pool allocated (several customers co-own a discrete identifiable quantity of gold) form in the vaults

Ensure that customers' gold holdings are stored separately and segregated from provider's or any other gold holding, preferably at independent locations

Deploy appropriate controls to restrict the provider from accessing and using customers' gold holdings. E.g., offer independent custody and control of the customers' gold holdings to a trustee/custodian

Reconcile the customers' gold holdings against the inventory held by the trustee/custodian on a daily basis

13 I promise to maintain gold inventory against customers' holdings in clearly identifiable form

Maintain a list of clearly identifiable discrete gold units through bar numbers or other unique markers to track the gold inventory against customers' holdings

Update the list based on any addition/removal of discrete gold units from the inventory

Additional best practices

14 I promise to hold all allocated gold (including pool allocated) such that each customer can be recognised to an identifiable discrete unit of gold for e.g. a bar or a coin.

Map customer's gold holdings to one/multiple identifiable gold units and maintain a tracker with details for

- ✓ Individual allocated (customer individually owns a discrete identifiable gold unit) as well as
- ✓ Pool allocated (several customers co-own a discrete identifiable gold unit) cases



15 I promise to maintain legal segregation of customer money and gold from institutional money and gold

Hold customer money on a legally segregated basis as far as possible, i.e. in a separate trustee account or create a charge/lien in favour of customers, and do not commingle it with working capital/include in company's balance sheet

Do not enter into any lending/borrowing transactions involving customers' gold holdings, unless such transactions are specifically authorised in each instance by the respective customers/regulator

Customer support and complaints redressal



16 I promise to implement adequate systems and mechanisms to receive, record and redress customer feedback, queries and complaints

Educate customers on their rights to raise complaints, share feedback and the process to access customer support through company website, mobile app or phone call

Provider should communicate their responsibility for specific issues, e.g. related to product quality, return, withdrawal/delivery, price etc.

Provide adequate training to support staff and ensure their availability during standard office hours by email and phone at a minimum

Set-up a digital system for customers to file complaints or raise queries. The systems should also allow to record, track and resolve queries within the agreed upon timelines

Payments



17 I promise to clearly communicate and adhere to terms, conditions and timelines of payments with every customer and supplier, consistently and impartially

Disclose/Solicit key terms and conditions with customers and suppliers such as applicable purchase price and additional charges (transaction, delivery, storage, etc.), trade settlement and insurance arrangements, timelines for the payment, etc. through Purchase orders and Customer invoices

Deploy adequate controls to restrict payment frauds such as use of compromised card details for purchase of gold

Agree on the quality and quantum of products and services to be provided and document these in Service Level Agreements (SLAs). Adhere to agreed terms and timelines for payment

Ensure adequate communication with suppliers to understand any changes in terms and conditions

Devise mitigation strategy for cases where supplier is unable to meet their obligations despite advance payments

Maintain a process to review debtors and creditors ageing



Risk management



18 I promise to have adequate provisions to ensure that customers' money and gold holdings are not at risk

Deploy adequate operational controls to facilitate rightful movement of gold holdings and money between provider and customer. E.g., Appoint and confer a trustee with substantive control over the custody and movement of customers' gold holdings and money through a legal structure (like hypothecation of trustee)

Do not assume undue market risk by pursuing proprietary trading. Providers should limit or hedge stock positions required to meet customer orders, so that price changes do not create significant losses for customers

In case proprietary trading is pursued, segregate customer holdings from any proprietary trading stock or company assets. Minimise the risk to customers by establishing appropriate structures to delineate the digital gold business from proprietary trading

Develop policies to protect customer rights and assets in special situations such as bankruptcy, wind-down. E.g., maintain adequate net-worth/financial resources to service any obligations arising from such situations

Define measures to be taken for hedging/insurance coverage

Maintain appropriate security controls for safeguarding customer assets

19 I promise to proactively identify major financial and non-financial risks to my business and take appropriate steps to mitigate/manage the risks

Proactively identify and maintain risk register to cover major risks for the business and customers such as below to ensure financial soundness of the company

- ✓ Financial risks (gold price risk, settlement risk, counterparty risk)
- ✓ Operational risks (risks due to error or fraud)
- ✓ Legal and compliance risk

Deploy risk management practices including processes, policies, roles and responsibilities to mitigate/manage identified risks, e.g.

- ✓ Implement the 'separation of duties principles' (where two independent people are required to complete certain activities) to prevent or mitigate fraud and significant operational errors. E.g., a provider raises request for delivery of gold on behalf of customer and a trustee confirms that the request is valid and instructs the custodian to initiate with delivery
- ✓ No/minimum advance payments to suppliers to reduce the counterparty risk
- ✓ Conduct due diligence on suppliers/ customers/logistic providers and only select those which are reliable (financial stability, no involvement in unfair trade practices, etc.)
- ✓ Define internal risk limits with regard to market risks such as positions in gold, currencies or derivatives, which could threaten the company's liquidity. Implement a risk limit system to ensure compliance with risk limits.
- ✓ Deploy adequate safeguards to protect the KYC information collected from suppliers, customers, logistics agencies, etc.
- ✓ Implement cyber-security best practices and be prepared for IT emergencies, including system failure
- ✓ Ensure that gold stored/in transit is adequately covered against any event of loss including loss, damage or theft through insurance
- ✓ Insurance should be arranged either by the provider or its supplier/ vaulting/logistics company



20 I promise to implement safe and effective IT practices to ensure data protection, cyber security and secure data storage

Design, implement and monitor ITGC controls

Conduct ITGC audit through independent firm/agency

Deploy adequate measures such as alarm systems, access controls etc. for physical protection of IT infrastructure

Encrypt sensitive data, protect customer data and adhere to applicable data privacy laws

Keep records and audit trails of all relevant data and activities. Maintain backups and implement business continuity and disaster recovery strategies

Conduct penetration testing and vulnerability scans. Maintain contingency plans and forensics to retrace issues

Deploy strong authentication techniques to reduce the risk of unauthorised transfers beyond customer reference accounts

Do not share any customer information to anyone unless mandated by the law or law enforcing authorities

21 I promise to devise a wind-down plan to ensure complete transfer of customers' gold and money in case of any eventualities

Identify potential scenarios where wind-down is possible (voluntary or otherwise) and define steps for a wind-down

- ✓ Assign responsibilities around issues such as planning or approval of a wind-down plan
- ✓ Agree upon the role and responsibilities of trustee/custodian in a wind down scenario and clearly identify triggers for them in the wind-down plan

Identify and regularly monitor key metrics (e.g. potential thresholds) and early warning signals to facilitate timely wind-down decisions

Define a termination plan in case of contingency

Identify potentially negative impacts of a winddown and plan mitigatory measures. Special consideration should be given to

- ✓ Promptly returning customers' gold holdings. Customers should be able to withdraw or transfer their holdings, or receive the proceeds from the sale of their holdings
- ✓ Promptly transferring any customer monies back to customers

In case operating structure of the company gives substantive control of customers' gold and money to a trustee then the trustee should have legal and operational ability to identify, segregate and distribute customers' gold and money

Additional best practices

22 I promise to run adequate anti-money-laundering controls and report suspicious activities to the relevant authorities

Establish anti-money-laundering compliance function and adhere to Anti-money laundering Act, including PMLA (Prevention of Money Laundering Act). Define reporting hierarchy

Maintain accurate customer names, records and accounts, and appropriate recordkeeping controls

Report suspicious activities to relevant authorities. Restrict prohibited customers (if identified and disclosed by government/regulator) from investing

Maintain a self-declaration confirming adequate anti-money laundering controls and reporting suspicious activities



Sample Scenario

I have business operations in gold industry for more than a decade now and want to enter digital investment gold retailing. While I understand the risk management practices in the gold industry, are there specific practices which I should focus to develop robust risk management practices in the new vertical?



Potential Response

While several risk management practices such as diligent outsourcing, reliable IT, insurance cover are applicable across gold industry activities, it is critical to focus on below specific practices as well

- Deploy adequate operational controls to facilitate rightful movement of gold holdings and money between provider and customer through a trustee and custodian. E.g., Trustee's role is in controlling that customers money is promptly used only to purchase gold, ensure custody of gold with the custodian and rightful withdrawal / delivery of gold to the customer when demanded.
- Ensure that the custodian and trustee are independent professional service providers and free of any conflict of interest from the company or the promoter.
- Store gold holding in professional, high-security vaults at an independent location.
- Do not enter any borrowing/lending transaction involving customers' gold holdings unless the transaction is specifically authorised by respective customer in each instance and documented for audit and legal purposes. E.g., do not utilize customers' gold holding or money to meet any shortfall in working capital management.
- Develop policies to protect customer rights and assets in special situations such as bankruptcy, wind-down. E.g., maintain adequate net-worth/financial resources to service any obligations arising from such situations.
- Deploy adequate measures such as alarm systems, access controls etc. for physical protection of IT infrastructure.
- Adhere to applicable data privacy laws and deploy requisite IT infrastructure and practices such as below to store and protect sensitive customer information
 - ✓ Maintain backups
 - ✓ Protection against cyber threats
 - ✓ Implement business continuity and disaster recovery strategies
 - ✓ Encrypt sensitive data
 - ✓ Conduct penetration testing and vulnerability scans
 - ✓ Maintain contingency plans and forensics to retrace issues
 - ✓ Conduct IT security audit



Compliance and audit



23 I promise to comply with all applicable laws and regulations, maintain adequate documentation and disclose/report any information as required by regulatory authorities

Comply with all applicable laws and regulations in the markets in which the provider operates (including those where customers and prospects are located)

Provider should disclose key information to customer or prospects, as well as other stakeholders, such as regulators and tax authorities, in accordance with relevant local laws.

Disclosed information can include

- ✓ Jurisdiction under which the company operates
- ✓ Company name, legal form, registration number
- ✓ Key management personnel including relevant gold market experience
- ✓ Promoter/ultimate beneficial owner

Commission regular internal audits for reconciliation of customers' and provider's gold holdings and money at least once a year. Audit should include verification of gold holdings and reconciliation with provider's records and information system

Ensure that audit is conducted by professional independent auditors, such as accounting firms with relevant experience

Document any compliance procedures for internal purposes, as well as for any legitimate requests by external parties such as regulators or business partners, such as banks

Maintain all records as required based on regulations and internal disclosure standards

Additional best practices

24 I promise to commission independent audits by third parties at regular intervals covering key business and operations functions (including gold holdings, cyber security and information systems)

Engage independent professional auditors with relevant experience to conduct audits covering key business and operations functions. E.g., IT security audit for assessment of company's information security systems

Conduct audits at regular intervals based on the criticality of the functions and materiality of the impact

Maintain a record of audit reports and implement suggested action plans

25 I promise to disclose information such as audit reports/financial statements to enhance my credibility

Disclose gold or other internal audit reports in public domain such as company website or at least make the reports available to the customers to enhance company's credibility

Disclose details such as financial statements, names of key service providers where appropriate, such as vault operators or banks

Conduct statutory and internal audits to enhance credibility

IAGES is a Self-Regulatory Organization (SRO) created by the Indian gold industry, for the Indian gold industry.

IAGES aims to foster consumer confidence and trust in the Indian gold industry by encouraging fair, transparent and sustainable practices, regulatory compliance, and establishing codes of conduct. It has developed an accreditation framework, and this sets out how its members should assess their organization's conformance with the established Code of Conduct.

The vision of IAGES is to "promote organized growth of the industry and enhance consumer trust in Gold by raising overall standards and adopt best practices across the value chain" comprising of Retailing, Manufacturing, Refining, Assaying and Hallmarking, Bullion Trading, Digital Investment Gold Retailing. The accreditation framework will serve as an enabler to achieve the vision.

Objectives of IAGES



Trust

Enhance and build consumer trust through fair & transparent practices with a focus on client protection



Credibility

Build market credibility through adoption of responsible and best practices



Compliance

Drive professionalism and regulatory compliance through policy advocacy and code of conduct



Capability Development

Enhance industry capability to serve customers responsibly



Market Development

Identify opportunities for the industry to promote business & trade and ensure commercial prudence