

**Notification of financial products as securities under Securities Contracts (Regulation) Act, 1956**

The Ministry of Finance vide its notification dated 24 December 2021, has notified two financial products (instruments) namely Bullion Spot Delivery Contract (BSDC) and Bullion Depository Receipt (BDR) with underlying bullion as "Securities" under the Securities Contracts (Regulation) Act, 1956.

Bullion is gold and silver that is officially recognized as being at least 99.5% and 99.9% pure and is in the form of bars or ingots. Bullion is often kept as a reserve asset by governments and central banks.

- Trading in BDRs with underlying bullion in relation to BSDCs and
- provision of:
  - bullion financing,
  - bullion-based loans,
  - bullion loans against collateral,
  - bullion vaulting,
  - clearing and settlement services in relation to bullion spot delivery contracts and
  - bullion depository receipts

are treated as Financial Services.

"Bullion Spot Delivery Contract" shall mean a contract which provides for-

- a. actual delivery of bullion and the payment of a price therefor either on the same day as the date of the contract or on the next day, the actual period for the delivery of the bullion or the remittance money therefor being excluded from the computation of the period aforesaid if the parties to the contract do not reside in the same town or locality;
- b. transfer of the bullion by the depository from the account of a beneficial owner to the account of another beneficial owner when such bullion is dealt with by a depository licensed by the Authority for this purpose;

"Bullion depository receipt with underlying bullion" shall mean such bullion depository receipt listed on the International Bullion Exchange (IBE) operating inside the International Financial Services Centre and is licensed by the Authority under the said Act.

Prime Minister Narendra Modi is likely to inaugurate the IIBX (India's first and only International Bullion Exchange) at the upcoming Vibrant Gujarat event on January 10-11, 2022. The actual trading operations at IIBX may start after Makar Sankranti (January 14).

**Weblink** <https://egazette.nic.in/WriteReadData/2021/232116.pdf>

**Therefore**

In August 2020, the GOI had notified BSDC and BDR so as to regulate them under the powers and authority of the International Financial Services Centres Authority Act. Declaring them as 'securities' will bring the said financial products at par with other securities defined under the Securities Contract (Regulation) Act as well as allow the taxpayers to avail the related benefits of 'securities' under the Income-tax Act, 1961.