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Coverage –

Reliance Spot seeks tie-up with gold suppliers

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RELIANCE Spot Exchange Infrastructure Ltd (RSEIL), an ADAG company promoted by Reliance Capital, is looking at tie-ups with at least 10 gold importers to support its business-to-business (B2B) spot sales.

RSEIL today tied up with city-based importer Pushpak Bullion to supply gold for its spot trade on the exchange platform.

Thirty nominated agencies, including 20 banks and public sector commodity trading companies, are allowed to import bulk gold. Bulk bullion dealers, therefore, require to tie up with one or more of the nominated agencies for instant delivery of the precious metal.

"We are looking for more tie-ups, preferably with local nominated agencies. We can also go along with gold importers with national presence. But, we would certainly like to have more tie-ups to support gold trading on our platform," said Rajnikant Patel, director of RSEIL.

The company launched two gold compulsory delivery contracts for spot trade today with denominations in 100g and 1 kg for delivery in Mumbai. The settlement is based on T+1 basis. All price quotes are in 10g.

The contracts offered by RSEIL are different from the existing contracts on spot exchanges or online trading platforms like RiddiSiddhi Bullions. Contracts offered by RSEIL are meant for small

jewellers who do not get adequate supply of gold, in small towns and villages.

"We have a number of regulators, including the Forward Markets Commission, and are answerable to them. Online gold trading platforms are not regulated by any such government agencies. Second, in case of any default in delivery, we can take recourse from the registered suppliers, which online platforms cannot do," said Patel.

The contracts are unique. While buyers can be anyone who is a member of the exchange, sellers of gold biscuits

are confined to nominated agencies. Participants are not allowed for short covering. The exchange facilitates a guarantee on quality and quantity of gold biscuits traded on its platform.

THE COMPANY LAUNCHED TWO GOLD CONTRACTS for spot trade on Thursday with denominations in 100 g and 1 kg for delivery in Mumbai

Surprisingly, two different suppliers in the same contract may differ in price on the RSEIL platform, while one supply will have the flexibility to quote different prices for different contracts.

There is no rollover facility in the trade. For two different lots, the sellers would require to punch twice with the same or different quotes. Buy-

ers and sellers, however, would be able to revise their offer on the same or following day. The exchange also facilitates safe deposits of gold biscuits traded on its platform. But, once the commodity is delivered to buyers, the exchange does not guarantee the gold biscuits.

This means buyers taking gold biscuits out of the Reliance vault would not be able to sell on the exchange platform. This restriction, however, will not be applicable for those who keep the yellow metal in the Reliance vault for future sale and pay a marginal daily fee.

The exchange offers membership with an initial fee of ₹100,000. Buyers only require to pay five per cent of the fee

upfront, which will be forfeited in case they default. In case of a sellers' default, the exchange facilitates the guarantee.

RSEIL also plans to extend gold sales to small investors. However, that depends on the response of the contracts.

"The natural extension of gold is silver and, hence, we are planning to introduce similar products in silver as well," said Patel.

He said gold suppliers will have to deposit the precious metals in the registered vault. Ketan Shroff, the proprietor of Pushpak Bullions, however, said: "We will deliver the quantity of gold traded on the exchange platform. There is no need for advance deposit of gold in a vault."