

Silver ETFs in India - The Silver Lining

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India consumed around USD 8 Billion worth of Silver in 2022, around 65,000 Crores in rupee terms. In India, Silver jewellery, silverware, etc., account for around 50% of the consumption, whereas investments account for about 15%, and the rest is consumed for industrial purposes.

However, the industrial consumption of Silver is expected to grow both globally and locally on account of a surge in demand from the Solar, 5G, Greentech, and EV industries.

Unlike Gold, Silver which is over 80 times bulkier than Gold, it is not feasible to hold it in the physical form beyond small quantities for investors.

Silver is significantly less valuable than Gold and prone to superficial oxidation. It is thus relatively cumbersome to invest in physical form in larger quantities. Moreover, the secondary market for physical Silver is often fraught with wide spreads. Investing in Silver through Silver ETFs eliminates the aforesaid challenges.

Salient Features

Silver ETFs have become the preferred instrument for global investors to participate in the silver market. Like Gold, the liquidity in Silver ETFs is superior to that of the underlying physical market.

As per the Securities & Exchange Board of India (SEBI) regulations, the underlying for Silver ETFs shall be London Bullion Market Association (LBMA) good delivery silver bars. The assets of the Silver ETFs are held by a Custodian on behalf of the

ETF Trust. The Custodians, usually large institutions, are also regulated by SEBI.

Silver & Gold ETFs listed in India are unique in the world because both the Fund House, as well as the Custodians, are directly regulated by the market regulator, SEBI. The bullion markets in India also come under the purview of the Reserve Bank of India. This ensures high safety for the investors.

Since ETFs are listed on the Exchanges and cater to Investors and Authorized Participants across geographical locations, the physical Silver underlying the ETFs may be stored in various locations. The Custodian is responsible for safe keeping of physical Silver at each location.

Physical Silver held under ETF is vaulted with reputed vaulting agents and secured through insurance. Inspections of the silver bars are done periodically.

The benchmark for Silver ETFs is the LBMA Silver Price. London Bullion Market (LBMA) Good Delivery Bars are almost a universal norm.

Silver ETFs will be positive for India's macros like current account deficit as part or entire AUM shall add to the circulation of liquid Silver in the domestic market, unlike physical Silver that goes out of circulation once sold to consumers.

The financialization of the silver market in India shall eventually benefit the country as it will benefit



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retail investors, traders, and hedgers, who are large buyers of physical Silver, by increasing the efficiency of their dealings.

Investors can buy Silver ETF units at the National Stock Exchange through their brokers. Alternatively, investors can also approach Fund Houses directly and subscribe to Silver Gold Savings Fund which also offers a Systematic Investment Plan (SIP).

Nippon India Mutual Fund is the pioneer and leader in Precious Metals ETFs. Our Gold and Silver ETFs are amongst the most liquid in the category.

