

The Future of Bullion Hallmarking in India: An Overview

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I am James Jose, Managing Director of CGR Metalloys Pvt. Ltd., a BIS licensed gold refinery that has been operational for the past 30 years. Additionally, I serve on the Indian Standards Committee on Tech Precious Metals and the Embedded Instructional Committee at BIS, and I am a past secretary of the Association of Gold Refinery Designers. My extensive experience in the bullion industry spans various capacities, providing me with unique insights into the ongoing changes in hallmarking regulations.

The focus of this discussion is the proposed mandatory hallmarking of bullion by the Indian government. This initiative, expected to be introduced soon, is significant in ensuring standardized quality and certified products for the jewellery industry.

Jewellery hallmarking began 23 years ago, and since its mandatory implementation in 2021, the government has included a new caratage: 24 K.S. 995 bullion. Currently, 995 bullion in artefact form can be hallmarked at BIS licensed centres. There are three primary types of bullion circulating in the market: hallmarked 995 bullion artefacts, hallmarked bullion bars from BIS licensed refiners, and good delivery bars imported from L.B.M.A. accredited refiners.

To bring standardization to the bullion business and ensure quality, the government has proposed mandatory hallmarking of bullion. This proposal has been in the works for the past couple of years, and an advisory committee in the consumer affairs ministry has been working on the SOP and guidelines, which are in the final stages of preparation.

The first phase of mandatory hallmarking will be implemented for BIS licensed gold refiners, followed by other bullion in the country in subsequent phases. Imported bullion already certified to NPME standards will also be considered.



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BIS Licensing Scheme

The licensing scheme for BIS licensed refineries, initiated in 2015, now includes 50 gold refineries across India. This scheme assesses the technical competency and production capabilities of gold refineries, ensuring they can produce 995 and 999 bullion using appropriate methods. It also checks compliance with pollution control norms set by the Central Pollution Control Board.

Gold refineries fall under the red category of the pollution control board due to their use of nitric acid and other chemicals. This classification necessitates strict location criteria to prevent environmental harm. The BIS license verifies that refineries have the necessary consent from the pollution control board and the capability to produce high-purity bullion. The India Good Delivery Standard, introduced in 2019, further specifies requirements for

good delivery bars, though it is not yet enforced or certified. The proposed mandatory hallmarking will focus on two aspects: having a BIS License and obtaining a good delivery license from BIS for interested refineries.

Types of Bullion and Hallmarking

The proposal suggests mandatory hallmarking for bars weighing 100 grams and above, exempting smaller bars below 100 grams in the first phase. However, the government is keen on eventually covering all bullion. The jewellery hallmarking scheme exempts articles below 2 grams, and similar exemptions for smaller bullion bars might be requested.

Currently, three types of bullion are available: 995 bullion artefacts, 999 bullion bars from BIS licensed refineries, and imported good delivery bars. Jewellery hallmarking is done by third-party agencies, while bullion hallmarking is a product certification scheme by BIS licensed refineries. These refineries must have a world-class laboratory and meet various technical and environmental standards.

Technical Aspects of Hallmarking

The hallmarking process involves several parameters: the BIS logo, weight, purity, refinery's logo or name, and a unique traceability number. Unlike jewellery hallmarking, bullion hallmarking does not permit any negative tolerance in weight or purity. To ensure accuracy, refineries often add a small extra amount of gold to the bars.

For jewellery hallmarking, the permitted tolerance in repeat testing is 0.05, while for bullion bars, it is 0.02. This ensures that a bar stamped at 999 retains its minimum purity even after multiple tests.

The BIS license for refineries is valid for one year and requires annual renewal with production details and royalty payments. BIS may also conduct random market sampling to monitor quality.

Future Considerations

The India Good Delivery Standard aims to cover not only technical parameters but also aspects like responsible sourcing, environmental norms, and trace elements. Currently, the standard focuses on purity and weight, but future iterations may include broader criteria similar to those of the LBMA, ensuring comprehensive quality control.

Questions and Answers

Q: Why is 995 purity allowed for bullion when 24 Karat is the standard? A: The 995 purity standard has historical significance in India, dating back to the Gold Control Act and practices at government mints. It is widely accepted in the market and used by many small-scale refineries.

Q: Is there any exemption for jewellers with in-house refining capacities? A: The advisory committee is still finalizing the rules. However, pollution control norms require red category consent for refineries, ensuring they meet environmental standards.

Q: Can smaller refineries in tier-two and tier-three cities obtain a BIS license? A: Yes, the BIS licensing scheme does not impose financial or production capacity restrictions, allowing small refineries to operate under the license.

Q: What about the trace elements in bullion bars? A: Currently, BIS certified bullion bars focus on gold content, but future standards may include specifications for trace elements and other environmental and sourcing criteria.

Q: How will the hallmarking process affect the availability of bullion in rural areas? A: The proposal aims to ensure that hallmarking is accessible across the country, though there may be challenges in rural areas initially. Exemptions for smaller bars may help mitigate this issue.

Q: What steps are being taken to phase out 995 purity bullion? A: While 995 purity is still in use, the government may introduce measures to phase it out over time, aligning with international standards and improving overall quality.

Conclusion

The mandatory hallmarking of bullion is a significant step towards ensuring standardized quality and certified products in the Indian bullion market. The BIS licensing scheme and the India Good Delivery Standard provide a robust framework for assessing and verifying the quality of gold refineries. As the guidelines are finalized and implemented, the hallmarking process will enhance trust and transparency in the industry, benefiting consumers and manufacturers alike.

