

# Crucible



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The Reserve

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# 2022 ASIA PACIFIC PRECIOUS METALS CONFERENCE SUMMARY

By JONI TEVES, *Precious Metals Strategist, UBS Investment Bank*

The focus of the 2022 APPMC was increasing accessibility and fungibility of precious metals, a fitting theme for the current environment, especially after the challenges and dislocations that the precious metals markets have faced in the past few years. The increasing role of gold and precious metals in investor portfolios highlights the importance of 24/7 market accessibility across various channels and more harmonised products.

It also raises the question of how gold and precious metals can evolve in the world of fintech and digital assets amid the shifting preferences of the next generation of market players and investors.

Singapore Bullion Market Association (SBMA) chairman KL Yap's welcome address set out this theme clearly, providing the audience an overview of what to expect from the sessions for the rest of the conference. He was optimistic about the future growth in the region. One thing that stood out in his address was the initiative to have an Asian gold reference price, showing the discount or premium of kilo bars.



KL Yap, chairman of the Singapore Bullion Market Association, welcomed delegates to APPMC 2022.

The discussions and sessions during the rest of the conference could perhaps be summarised in three words: 1) unprecedented, 2) resilient and 3) optimistic. The first word is borrowed from the keynote speaker, Ong Sin Beng. The experience over the last couple of years was unprecedented as developments in the world have led to conditions that many people have not seen in their lifetime.

As an industry, we face numerous new challenges and uncertainties and therefore have had to adapt and figure out a way to navigate them. This is captured by the second word: resilient. Throughout the conference, participants engaged in many meetings to look for synergies and ways to work together and grow their businesses, which is a testament to the precious metals market's resilience. A common theme among many presentations not only highlighted that the global pandemic caused a dip in GDP and a decline in sales and volumes, but more importantly, that these have all recovered from the lows in the aftermath. The market has seen dislocations, but it has endured.

The final word is optimistic, perhaps cautiously optimistic, given the continued uncertainty that we faced with the ongoing recovery from the pandemic and the lingering geopolitical fears but hopeful, nonetheless. Developments in bar

provenance and integrity, responsible sourcing, sustainability and Environmental, Social and Governance (ESG) goals are all moving in the right direction. The continued dialogue around these topics allows us to look forward to the industry's future. Technology can help us towards these developments and enable the industry to evolve into the digital world. Updates on the various ASEAN gold markets detailed some positive changes and increasing regulatory support, which should help the region to grow and develop.

Following the warm welcome from SBMA's chairman, the conference kicked off with three special addresses. David Tait, global CEO of the World Gold Council (WGC), walked us through WGC's regional initiatives and vision for the gold market. Tait gave a detailed discussion on the WGC initiatives, such as

“TAIT GAVE A DETAILED DISCUSSION ON THE WGC INITIATIVES, SUCH AS THE RESPONSIBLE GOLD MINING PRINCIPLES AND ITS COLLABORATION WITH THE LBMA TO IMPLEMENT A GLOBAL SYSTEM OF GOLD BAR INTEGRITY, PROVENANCE, AND CHAIN OF CUSTODY.”

the responsible gold mining principles and its collaboration with the LBMA to implement a global system of gold bar integrity, provenance, and chain of custody. It tied in nicely with the next speaker, Sakhila Mirza, executive board director and general counsel, LBMA, who provided further details on this initiative, encouraging the audience to look forward to the results, which are to be released in Q3. She also summarised the LBMA's 3-year strategic plan

covering four key areas: 1) responsible sourcing, 2) physical market enhancements, 3) financial market enhancements, and 4) communications and engagement. One key takeaway from Mirza's address was that the LBMA wants to get as much feedback on its strategy and initiatives and asks everyone to get more involved.

Moving on, Nicholas Frappell, ABC Refinery's global head of institutional markets, emphasised the importance of information to increase accessibility. Investors need information to navigate these markets; this includes information on the market, macro factors, and education about product offerings. Their initiatives include providing retail customers regular updates via the refinery's podcast, "The Pod of Gold".





David Tait, the global CEO of the World Gold Council, delivered a special address on the WGC regional initiatives and the vision for the gold market.



JP Morgan's chief economist for Emerging Asia and the ASEAN, Ong Sin Beng, delivered a keynote address covering ASEAN's economy and gold during inflationary periods.



Sakhila Mirza, executive board director & general counsel, LBMA, delivered a special address on the Gold Bar Integrity initiative and LBMA's 3-year strategic plan.



Nicholas Frappell, global head of institutional markets, ABC Refinery, discussed ABC Bullion's initiatives to increase the accessibility of gold in Australia.

The keynote speech by Ong Sin Beng, chief economist for emerging Asia and ASEAN, JP Morgan Chase Bank, N.A., helped to contextualise the current macro backdrop, especially for the region. Among the key takeaways from the keynote speech is that firstly, EM Asia exports are likely to come down, which implies weaker Asian currencies versus the dollar. Second, inflation may ease, but there are risks to the upside. Inflationary pressures include high fuel costs, wage increases, rising input costs and the risk of physical commodity shortages. Based on their view, high inflation suggests that real rates should stay negative. The fear is that the world is already in a stagflationary environment – a scenario where growth is falling while inflation is high. There are also risks around the US Federal Reserve's quantitative tightening.

Moving to the first panel session, moderated by SBMA CEO Albert Cheng, it was interesting to hear about market updates across the region. Iskandar Simorangkir, deputy for macroeconomic and financial coordination under the government of Indonesia, brought the audience up to speed with recent and upcoming changes in the Indonesian gold market, such as the removal of the 10% VAT and the establishment of bullion banks to support the jewellery industry. Bullion banks are to sit at the core of market reform, which will be carried out gradually. Jennifer Heryanto, CEO of PT Sentral Kreasi Kencana (SKK Jewels) and one of Forbes' "30 Under 30", provided an update from the perspective of

**“ REGULATION SEEMS TO BE MOVING IN THE RIGHT DIRECTION IN VIETNAM, BUT ONE TAKEAWAY FROM THE FOLLOWING SPEECH BY LE TRI THONG, CEO OF PHU NHUAN JEWELRY JV STOCK COMPANY, IS THAT THE PROCESS OF LIBERALISING SUPPLY MIGHT TAKE TIME.**

the Indonesian jewellery industry. Heryanto also provided details on recent regulatory changes in Indonesia, including the establishment of a national standard for gold content to help protect consumers, and two more regulations in the pipeline.

Huynh Trung Khanh, vice chairman of Vietnam Gold Traders Association (VGTA), then gave his insight on onshore premiums in Vietnam. It was interesting to hear about

the strength in demand for Saigon Jewelry Company's Dragon Tael Bars, which pushed premiums to as high as US\$700 for an ounce of gold at one point. He also gave regulatory updates, including the liberalisation of production and sales of gold jewellery and 24 karat gold investment products, as well as easing and simplifying licensing conditions for gold tael bars in Vietnam. Regulation seems to be moving in the right direction in Vietnam, but one takeaway from the following speech by Le Tri Thong, CEO of Phu Nhuan Jewelry JV Stock Company, is that the process of liberalising supply might take time. That said, engagement between the State Bank of Vietnam (SBV) and stakeholders such as the jewellery industry and the VGTA is overall quite positive.

For Thailand's gold market, Tanarat Pasawongse, CEO of Hua Seng Heng, noted that one can trade gold domestically in US dollar terms, and that the Bank of Thailand allowed this to help contain the impact of net gold exports on the Thai

baht. He also gave an overview of the Gold Now application, highlighting that the wide use of mobile banking in Thailand can create opportunities for the gold market.

To round up the panel session, Ermin Siow, advisor of the Federation of Goldsmiths and Jewellers Association, gave insight into the Malaysian gold market. Despite the decline in gold demand in Malaysia, he highlighted that companies' bottom lines were less affected, helped by the high gold price and the resilience in underlying local demand to offset some of the losses in exports. Gold was the focus of the panel session, but it implied room for growth and the possibility of expansion into the PGMs and the rest of the precious metals within the region.



*"Asia Pacific Precious Metals Markets Update" panellists (L to R): Ermin Siow (Federation of Goldsmiths and Jewellers Association, Malaysia), Tanarat Pasawongse (Hua Seng Heng, Thailand), Le Tri Thong (Phu Nhuan Jewelry JV Stock Company, Vietnam), Huynh Trung Khanh (Vietnam Gold Traders Association, Vietnam), Jennifer Heryanto (PT Sentral Kreasi Kencana, Indonesia) and Albert Cheng (Singapore Bullion Market Association, Singapore), moderator.*

The afternoon session then kicked off with the launch of GoldZip by Brian Fung, CEO of the Chinese Gold & Silver Exchange Society (CGSE) and YK Goh, CEO of V Systems. It was interesting to get details of this digital gold token backed by GoldZip Eligible Gold Bars, the first physical gold-backed token issued by an exchange-related issuer.

The second panel session, led by John Levin, APAC head of commodities, TD Securities, focused on strategies to increase precious metals accessibility. Bruce Ikimezu, executive director of Japan Bullion Market Association (JBMA), spoke about the Zipang coin, a digital currency launched in Japan. It is still in its early stages and volumes are still limited. There are further developments in the pipeline, including launching similar products for other commodities, he said.

Andrew Naylor, regional CEO, APAC (ex-China), WGC, then focused on the demand side of accessibility and spoke about what drives consumer interest. Different sources and motivations for gold demand make gold a unique asset. He also noted that

**“ ANDREW NAYLOR, REGIONAL CEO, APAC (EX-CHINA), WGC, THEN FOCUSED ON THE DEMAND SIDE OF ACCESSIBILITY AND SPOKE ABOUT WHAT DRIVES CONSUMER INTEREST.**

ESG issues are key factors in making gold more accessible, particularly for institutional investors, Naylor said.

Kazuya Naoki, head of metals, Asia of ICBC Standard Bank Plc., Singapore Branch focused on access to the physical market. Interestingly, his presentation showed the conditions in the physical market before and after COVID. The impact of the pandemic included: 1) disruptions to logistics, particularly the cost and time of moving metal physically, 2) dislocations leading to large swings in physical premiums, and 3) less leverage and more regional markets, caused by restrictions from COVID-related policies. The topic of accessibility in platinum group metals (PGMs) was then expertly tackled by Oliver Martin, PGM trader, AngloAmerican Platinum, who provided a long history of access to the PGM markets, dating back to the 1950s and 1960s. He summarised the evolution of players that had access to PGMs over time and highlighted the importance of introducing exchange-traded funds (ETFs) to allow more market participants to be involved.

All in all, the audience learned from this panel session that accessibility could mean anything from getting access to new products like the Zipang coin in Japan, addressing what consumers are looking for, such as ESG increasingly becoming a key consideration for many institutional investors, and access to physical markets in gold, silver and PGMs.



*"Strategies to Increase the Accessibility of Precious Metals" panellists (L to R): Oliver Martin (AngloAmerican Platinum), Andrew Naylor (World Gold Council), John Levin (TD Securities) – moderator, Kazuya Naoki (ICBC Standard Bank Plc) and Bruce Ikemizu (Japan Bullion Market Association).*

The third-panel session for the day, moderated by Sunil Kashyap, director of FINMET, focused on linking regional and international metals markets. Mirza provided the LBMA's view, elaborating on the importance of having a common set of global standards, which could later be augmented to fit the regional context. Sachin Patel, senior director of metal products at CME Group, provided the perspective and insights from the CME, particularly into the unprecedented exchange for physical (EFPs) moves in 2020. Pramod Mohan, managing director of FINMET, then discussed the UAE gold market and the recent establishment of a UAE good delivery, currently with two refineries and more to come. To round up the panel, Ravi Ramakrishnan, head of precious metals trading Asia, JP Morgan, highlighted how the lack of fungibility in the gold market makes gold more of a commodity than a currency. He noted that varied demand drivers account for the key differences across the different markets. While it remains unclear how precious metals can be more fungible, it is important that the market is having the conversation.





*"Linking Regional and Global Precious Metals Marketplaces" panellists (L to R): Ravi Ramakrishnan (JP Morgan), Pramod Mohan (FINMET), Sachin Patel (CME Group), Sakhila Mirza (LBMA) and Sunil Kashyap (FINMET), moderator.*

Starting Day 2, Ashok Gautam, managing director and CEO of India International Bullion Exchange (IIBX), gave details on the soon-to-be inaugurated exchange that, for the first time, will allow qualified jewellers to import gold against US dollars directly. This has been approved by the Reserve Bank of India. Other projects in the pipeline include gold loans, leased products to access US dollar liquidity and the introduction of gold and silver ETFs in India.



*Ashok Gautam, managing director & CEO of the India International Bullion Exchange, presented on India's first international bullion exchange.*

SBMA CEO Albert Cheng returned as a moderator, leading the roundtable discussion on China. Zhao Fanghua, general manager of the Shanghai Gold Exchange International (SGEI), gave an overview and update on gold trading volumes on the exchange. She also introduced the Gold Road project and talked about continued collaboration and opening up to increase international participation. Tracy Yan from the market and strategy department of SGEI then provided further details and statistics highlighting how large and critical the Chinese gold market is to the global gold market. She shared some insights on the Gold Road initiative, encouraging international entities to work with counterparts in China through the SGEI.

To illustrate the advantages of participating in this initiative, Mr Alan Liew, head of bullion and commodity trading, United Overseas Bank (UOB), and Huang Yourong, deputy general manager of the marketing department, Zijin Mining Group, provided more specific insights on their own experiences. Liew shared UOB's experiences and helped the audience to understand why international entities might want to trade on the SGE. Huang then explained its set-up of participating onshore via the SGE and in the International, trading gold out of Hong Kong. He highlighted how the company's participation in the Gold Road initiative helps facilitate gold exports, widen its overseas channels, and expand globally.



*"Roundtable Discussion on China" panellists (L to R): Zhao Fanghua (Shanghai Gold Exchange International), Alan Liew (United Overseas Bank), Tracy Yan (Shanghai Gold Exchange International), Huang Yourong (Zijin Mining Group) and Albert Cheng (Singapore Bullion Market Association).*

Paul Wilson, CEO of the World Platinum Investment Council (WPIC), who presented on platinum and PGMs, argued the case for platinum as an investment, highlighting some of its advantages against gold, including platinum being 30 times rarer than gold. However, the most compelling argument Wilson presented in platinum's favour was that supply is likely to be constrained, while at the same time there is a decent potential for demand growth in the long run for platinum out of the hydrogen economy.



*Paul Wilson, CEO of the World Platinum Investment Council, presented platinum as a case for investment.*

Gregor Gregersen, founder of Silver Bullion, introduced us to The Reserve, a modern design-forward building that will hold expensive things like gold, high-end watches, and art. It should be ready early to mid-2023, built next to Changi Airport.



*Gregor Gregersen, the founder of Silver Bullion, presented on The Reserve.*

Roland Wang, CEO of WGC China, gave an update on China's gold market, highlighting the resilience of the market in Q1 but the likelihood of a weaker second quarter. He also detailed the WGC's initiatives in China to promote awareness and support the gold jewellery industry.



Roland Wang, World Gold Council's regional CEO in China, discussed the WGC initiatives and programmes in China.

The fourth-panel discussion was on the digitisation of gold led by Matthew Keen, managing director of Emergent Technology & Responsible Gold Trading DMCC, joined by Gaurav Mathur, managing director of SafeGold, Brian Lan, co-founder of Goldblockx, Barry Ip, head of digital innovation, CGSE, Urs Roosli, CEO of aXedras Group AG and Simon Sywak, COO of Vaultex Exchange. Digitisation of gold seems to depend on the target market. Focusing upstream and when talking about institutional investors, the emphasis would be more on the provenance, ESG and having a trusted harmonised platform where one can get all of the data, which Roosli talked about. Downstream on the consumer end, the focus would be more on having a user-friendly setup, convenient transactions, access to affordable prices and divisibility. It also depends on the market. As stated clearly by Lan and Mathur, markets like India and China are more focused on physical delivery. Sywak also pointed out the distinction between primary issuers of these gold tokens or digital gold assets versus having a secondary market to trade.



Digitalisation of Gold panellists (L to R): Gaurav Mathur (SafeGold), Brian Lan (Goldblockx), Barry Ip (Chinese Gold & Silver Exchange Society), Urs Roosli (aXedras Group AG), Simon Sywak (Vaultex Exchange) and Matthew Keen (Emergent Technology & Responsible Gold Trading DMCC), moderator.

The fifth and final panel was packed with information and kicked off with the launch of the 2022 Gold Focus by Nikos Kavalis, managing director of Metals Focus and the presentation by Rhona O'Connell, head of market analysis EMEA & Asia at StoneX Group on the global platinum and palladium market trends. They were later joined by JBMA's

Ikemizu, Trevor Raymond, WPIC director of research, Cameron Alexander, manager of market development and industry research of the Perth Mint, and Silver Bullion's Gregersen as panelists.

Towards the end of the conference, it was great to have different perspectives on the price outlook for the precious metals. Various aspects of the market were represented, including that of a refinery, bullion dealer, and investors. Gregersen and Ikemizu were most bullish, with a year-end target of US\$1,950–2,000 for gold. Ikemizu and Raymond were bullish on platinum, with a year-end target of US\$1,700. There was more consensus on silver, looking for US\$26 by the end of the year, estimated by Gregersen and Ikemizu.



"Precious Metals Price Outlook" panellists (L to R): Cameron Alexander (The Perth Mint), Gregor Gregersen, (Silver Bullion), Bruce Ikemizu (Japan Bullion Market Association), Trevor Raymond (World Platinum Investment Council) and Nikos Kavalis (Metals Focus), moderator.



Albert Cheng, CEO of the Singapore Bullion Market Association, gave me a gift for presenting the conference summary.

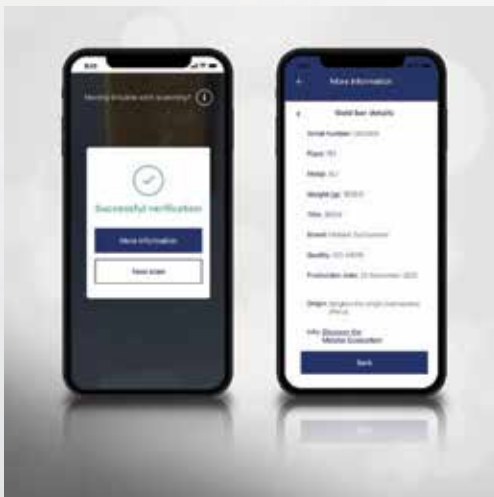


**JONI TEVES** is the precious metals strategist within the UBS Economics and Strategy Research team, based in Singapore. She covers all four precious metals and is responsible for fundamental analysis, forecasting, and writing research pieces on these markets. She has been in the industry for 16 years, initially as a gold trader for the central bank of the Philippines, subsequently joining UBS as a precious metals strategist in 2011.



## METALOR CHECK IOS APPLICATION

# METALOR®



### METALOR CHECK IOS APPLICATION

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# REGULATORY REFORMS IN THE PRECIOUS STONES & PRECIOUS METALS DEALERS SECTOR

By **PARAMJIT SINGH**, Registrar of Regulated Dealers, Director, Anti-Money Laundering/Countering the Financing of Terrorism Division (ACD), Ministry of Law

Money laundering, terrorism financing and proliferation financing (ML/TF/PF) can harm society and business. It can lead to security threats and erosion of a country's competitive advantage and reputation. To anticipate these threats and combat these illicit activities, the Ministry of Law's Anti-Money Laundering/Countering the Financing of Terrorism Division (ACD) works with, regulates, and guides the precious stones and precious metals dealers (PSMD) sector in anti-money laundering, countering the financing of terrorism and countering proliferation financing (AML/CFT/CPF).

“MONEY LAUNDERING, TERRORISM FINANCING AND PROLIFERATION FINANCING (ML/TF/PF) CAN HARM SOCIETY AND BUSINESS.”

ACD and PSMD have shared responsibilities in this mission. ACD works with stakeholders to lead, formulate, and implement AML/CFT/CPF policies, strategies, and reforms for the PSMD sector. We support Singapore's compliance with international AML/CFT/CPF standards. PSMD play an important role by effectively implementing its AML/CFT/CPF policies, procedures and controls within the sector. This shared ownership of regulatory outcomes contributes more effectively to Singapore's national security and international reputation. It also enhances trust in and competitiveness of the PSMD sector. It ultimately benefits the “Singapore brand” locally and globally.

## A DELICATE BALANCING ACT

We continuously adapt to keep our regulatory regime relevant to prevent criminal misuse, without stifling bona fide business practices. This requires a delicate balancing act through adopting a “big picture” view. One example of the “big picture” view is a regulatory regime which is efficient and predictable.

Efficiency is about minimising compliance costs for business and enforcement costs for our agency, without compromising regulatory objectives and outcomes. Predictability is about adopting a clear and consistent logic in our rule-making and implementation.

## REGULATORY REFORMS 1.0

With feedback from the PSMD sector, we introduced the first tranche of regulatory reforms for greater efficiency and predictability in our regime. Some examples of the reforms include:

- **Semi-annual returns (“SAR”)**

The SAR was introduced in 2021 to help PSMD better understand their ML/TF risk profiles and comply with regulatory requirements. Previously, most PSMD were

unfamiliar with their ML/TF risk profiles and spent time extracting the required regulatory information. With SAR, PSMD can better self-assess their risk profiles for better compliance. It helps PSMD to provide accurate and timely regulatory data.

- **Dual-Tier Registration Scheme**

A more cost-efficient and equitable dual-tier PSMD registration scheme was introduced in 2021 to better commensurate with the level of supervision. Pre-reform, PSMD paid S\$440 in regulatory fees per annum/outlet. Post-reform, PSMD register as Class A (if their regulated business is exposed to lower value products) at a rate of S\$250 in fees per annum/outlet or Class B (exposed to higher value products) at a rate of S\$350.

- **My Precious Stones and Precious Metals Dealer's Portal (“myPal”)**

myPal, a one-stop secure portal was introduced to procure, store, communicate and process regulatory information more efficiently and securely. myPal is mobile-friendly and allows PSMD to submit or access relevant AML/CFT/CPF regulatory information. For example, dealers can access a screening module to download or conduct screening of customers against “monitoring lists” as part of customer due diligence. myPal also digitalises our regulatory work and facilitates data analysis.

## REGULATORY REFORMS 2.0

A “big picture” view is also about a regime which is progressive and enabling. It is about transiting to the next level of future-ready innovations and regulatory excellence. Reforms 2.0 features a more data-driven approach to regulation instead of a one-size-fits-all strategy. This sharpens the use of risk-based supervisory technology (SupTech) – the technology regulators use to support supervisory activities.

Reforms 2.0 will ultimately raise the effectiveness of our regime and generate a greater competitive advantage for the “Singapore brand”. These regulatory outcomes can be more effectively achieved with the ACD and the PSMD sector taking on specific responsibilities and shared ownership of supervisory objectives and outcomes.



**PARAMJIT SINGH** is the Registrar of Regulated Dealers and Director of the AML/CFT division in the Ministry of Law. He has held a long career in law and regulatory enforcement, spanning more than three decades, which includes heading the Commercial Crime division of the Singapore Police Force and the Investigation division of the Casino Regulatory Authority.



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# ESG & PRECIOUS METALS PROVENANCE: THE USE CASE FOR DIGITAL GOLD

By JEFFREY PREMIER, CEO, Vaultex

Digital gold enables transparency and traceability – a method of “track and trace” through the supply chain. This is achieved by providing provenance proof using a distributed ledger and corresponding technologies that further increase the benefits of digital gold.

“**DIGITAL GOLD ENABLES TRANSPARENCY AND TRACEABILITY – A METHOD OF “TRACK AND TRACE” THROUGH THE SUPPLY CHAIN.**”

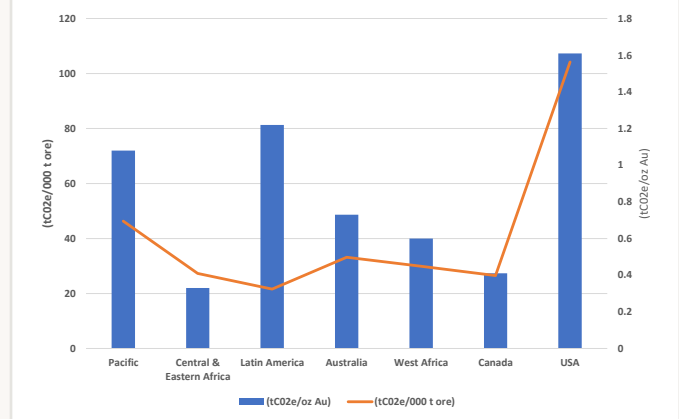
Provenance proof has been the focus of investor concerns and its integrity has been a key component of a recent World Gold Council survey, in which over 1 in 4 participants see provenance as a major concern. The use of digital gold in secondary trading markets has highlighted a potential solution to storing permanent digital records of any particular bullion's provenance.

Additionally, environmental, social and governance (ESG) issues are a concern among investors. The environmental cost of proof-of-work blockchains, such as bitcoin, has become an important consideration for investors in their investment process. Providers of secondary markets today need to lower this carbon cost by using distributed ledgers that address this concern. This is achieved by using alternative consensus mechanisms built into ledger-based technology solutions for primary and secondary markets.

Asset managers report that the biggest challenges around ESG data are the lack of standards, data availability and data inconsistency. The use of public distributed ledgers with a secondary market infrastructure, and subsequent access to integration and pricing, enables broader access to ESG data, which up until now has been one of the biggest roadblocks. The impact of regulation like the European Union's Sustainable Finance Disclosure Regulation and the establishment of regulated secondary markets will allow access and development of the industry as investors demand more disclosure. Ultimately, the secondary market will allow the emergence of products, such as carbon-offset precious metal products, to flourish and establish a benchmark for future ESG investment growth.

The ESG rating and carbon footprint of precious metals production vary considerably across different mine sources and supply chains. Mining as an industry consumes 11% of total global energy consumption. Open pit mines emit on average around 0.79 tCO<sub>2</sub>e and underground mines 0.47 tCO<sub>2</sub>e. Open pit mines process roughly five times the number of ore at an average grade of around 1.05 g/t Au, versus 3.25 g/t Au for underground mines, according to S&P. Gold mining's carbon footprint also varies dramatically from region to region (see the following chart).

Fig. 1: Regional gold production (tCO<sub>2</sub> footprint).



Data as of Aug. 11, 2021. tCO<sub>2</sub> = tonnes of CO<sub>2</sub> equivalent.

Sources: S&P Global Market Intelligence; company sustainability reports.

Considering gold producers currently do not purchase voluntary carbon offset credits, and furthermore that refiners do not purchase voluntary carbon offset credits for gold that they mine, ESG conscious investors who want to allocate a portion of their portfolio to gold would need to buy voluntary carbon offset credits on the market, which is impractical for most investors. One solution is to create a secondary exchange to trade allocated spot gold contracts with the average gold carbon footprint certified offset credit attached to the digital gold representing the allocated gold, i.e., 1 kilobar with 25 tCO<sub>2</sub> offset credits attached. This “Green Gold” would trade at the combined price of gold and carbon offset credits.

In summary, carbon offset spot gold products would provide a near to mid-term solution for ESG-centric investors who want to invest in precious metals, and this is what Vaultex will provide upon launch. In the long term, the market could develop ESG and CO<sub>2</sub> footprint track and trace mechanisms and offset the CO<sub>2</sub> footprint of individual supply chains and price that into the supply pricing. Until then, investors should have the option to trade in CO<sub>2</sub> offset precious metal products.



**JEFFREY PREMIER** is the founder and CEO of Vaultex Exchange Pte Ltd., a Singapore based allocated spot gold and commodities exchange launching this fall. Jeffrey has extensive experience as an entrepreneur, team builder and company scaler in a variety of industries, including finance, software and electronic hardware development, supply chain management, telecom and infrastructure. He has been advising companies, venture funds and family offices in Asia for over 25 years.



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- SAFETY
- INTEGRITY
- ENGAGEMENT
- CONTINUOUS IMPROVEMENT
- DIVERSITY & INCLUSION



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CUSTOMER

**16.3**

THOUSAND  
VEHICLES

**1.3**

THOUSAND  
FACILITIES

**53**

OPERATING  
COUNTRIES

**74.5**

THOUSAND  
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# CREATING A SAFE HAVEN FOR GENERATIONAL WEALTH

By GREGOR GREGERSEN, *Founder & Director, The Reserve*

The future is becoming less predictable. Following the COVID-19 pandemic, the world is struggling with serious geopolitical tensions and the resurgence of 1970s-style stagflation, aggravated by decades of record deficit spending and unfunded pension systems.

Given this backdrop, the demand for inflation-proof physical assets – which can be owned outright as private property with minimal counterparty risk – is a sensible wealth refuge in times of financial and geopolitical turbulence. Interconnectivity between physical assets and public blockchains will further enhance the utility of physical assets, especially gold and silver.

Over the past decade, by developing reliable storage, authentication, liquidity, digitisation, and collateralisation services, we have helped create the infrastructure, processes, and technologies to enable physical wealth solutions with minimal to zero counterparty risk.

We proudly present The Reserve – a new type of high-capacity vault and alternative asset center that incorporates vaulting, technology and asset protection lessons learned since the 2008 financial crisis.



## THE RESERVE

The Reserve is a 180,000 ft<sup>2</sup> facility in Singapore that is currently undergoing extensive renovation to create a vaulting icon, representing the broader resurgence of physical assets and popularising the concept of systemic wealth protection.

When completed in 2023, the facility will feature event spaces, lounges and meeting rooms for wealth managers, testing laboratories, a watch atelier, safe deposit boxes, and on-site storage for precious metals, rare and strategic industrial metals, luxury watches, and art.

In addition to office space, the facility will feature three distinct kinds of vaulting lease options:

### ***High-value UL rated Class 2 vaults - ideal for gold and small high-value assets***

Gold, diamonds and luxury watches are compact and valuable. Banks, logistics providers, and fund managers that store large quantities of gold can usually save on insurance premiums by using highly secure UL Class 2 vaults. These vaults, even if empty, often weigh up to 25 tonnes and are made of 15-cm thick composite alloy steel panels.

Typically, these vaults will each hold between US\$100 million to US\$800 million worth of valuables and can be either exclusively operated by a tenant, vault operators on behalf of a tenant, or through a hybrid arrangement whereby access is permitted only when both the client and vault staff are present simultaneously (similar to a traditional safe deposit box).

Such vaults are well-suited for long-term storage of high-value items like gold and can be branded on its external panels by the tenant. The Reserve will lease 14 such vaults to third parties.



*Gold vaults at The Reserve*

### ***Segregated art vaulting – for art and collectibles***

Wealthy art collectors prefer to segregate their assets in a dedicated vault, usually comprised of high-strength concrete panels. Because art pieces tend to be both bulky and fragile, segregated art vaults are often 600 to 1,200 ft<sup>2</sup> in size and feature reliable humidity and temperature control and nitrogen fire suppression systems.



The Reserve will offer 13 art vaults complete with supporting infrastructure, including a photo studio and – having received regulatory permission – the ability to host third-party auction events.



Art vaults at The Reserve

### **Bulk vaulting – for highly efficient silver and rare industrial metal storage**

Bulk vaulting, combined with heavy lifting equipment, allows for high efficiency and low-cost storage of valuable metals limited only by the floor load capacity and ceiling height.

Because of tighter insurance requirements and because most vaults usually do not incorporate bulk vaulting, there is currently an industry shortage of storage for metals that have become too valuable to be stored in regular warehouses yet remain too bulky to store in traditional high-value vaults.

The Reserve incorporates an extremely high floor loading capacity (up to 45 times that of a typical car park) that can securely store up to 15,000 tonnes of silver or other valuable metals in bulk storage layout. For reference, 15,000 tonnes represent nearly 28% of above-ground silver reserves.



The Reserve's wealth management offices.

### **BRINGING PHYSICAL ASSETS INTO THE DIGITAL WORLD**

We believe that trust is best built through transparency, and, over the past decade, have developed a “transparency by design” approach to tracking physical assets, to enable a common architecture that allows third parties to securely collateralise and digitise physical assets.

Our latest iteration of this design philosophy is our GramChain Asset Tracking system, which stores event data hashes in real-time on public blockchains to provide unquestionable tamper evidence and usage flexibility.

GramChain standardises information into flexible “event” data structures which, in addition to physical asset characteristics, tracks public asset custodianship, public asset encumbrances as well as third-party asset audits, valuations, authentications and other custom events.

In addition to our own Singapore vault, GramChain currently tracks gold bars in Dallas, Zurich, Dubai, and Frankfurt. GramChain enforces industry standards for proof of origin while at the same time adjusting gross weight by purity. The system facilitates fungibility, enabling practical swapping of gold and other precious metals between storage locations as well as physical redemption through fungible tokens.

GramChain's transparent architecture was adopted by CACHE Gold to monitor the gold reserves backing its tokenised gold product known as the CACHE Gold token (CGT). CACHE Gold also uses Chainlink Proof of Reserve to automatically monitor its gold bullion inventory as reported by the GramChain API, delivering this data on-chain so that its reserves are transparent and verifiable by anyone.

GramChain is working with Chainlink Proof of Reserve to establish a solid technical infrastructure to enable linking physical assets to fungible tokens (such as CACHE Gold) and eventually non-fungible tokens (NFTs) backed by real, physical assets.

### **THE WORLD BEYOND 2022**

Gold and silver tend to perform well in periods of financial turbulence while also being excellent inflation hedges, therefore these metals tend to grow in popularity during stagflation periods.

By 1981, towards the end of the previous stagflation, gold and silver holdings represented 6–8% of all US-based investment funds. In contrast, as we currently enter another period of stagflation, only 0.5% of US investment funds are allocated to gold and silver, thus a 12-fold increase gold and silver demand is not unreasonable.

Finalising The Reserve is an effort to create some of the physical vaulting capacity to capture this growth, while GramChain seeks to transparently expand the utility of physical gold and silver and further enhance growth in investing in hard assets.



**GREGOR GREGERSEN** is the founder of Silver Bullion, a company that trades, stores, tests, and collateralises precious metals in Singapore. A believer in precious metals' role in systemic wealth protection, Gregor also founded the vaulting company, The Safe House, which stores over 400 tonnes of precious metals.

The Reserve is his next step in ensuring secure, high-quality vaulting space for the precious metals industry in Singapore.



# SINGAPORE – A TOKENISED GOLD SETTLEMENT HUB BUILT FOR THE FUTURE?

By **ANOUSHKA RAYNER**, *Head of Growth Commodities, Paxos*

In the last 25 years, Singapore has emerged as a fast-growing financial hub that serves as the global gateway to Asia. Bridging western and eastern markets, the city-state appeals to participants across all asset classes. This is especially true when it comes to the gold market, where Singapore has an opportunity to establish stronger market leadership. The country's tech-forward approach to finance, along with its globally respected financial regulator, means it has an opportunity to build a marketplace purpose-built for a truly digital future for both retail and institutional investors.

Historically, London has been the hub for the global institutional over-the-counter (OTC) gold market. London became the primary home for allocated gold storage, and due to the natural physical attributes of gold, it became too costly and time-intensive to move the asset out of London for settlement between counterparties. Instead of moving the gold to other locations, counterparties came to London to trade and settle gold. The innovation of unallocated gold opened the market somewhat as the value of the asset was divorced from its physicality in order to increase liquidity and velocity. While this innovation changed all aspects of gold trading and settlement, it also introduced new issues and risks that traders work to mitigate on a daily basis.

## **SO, WHAT CAN SINGAPORE LEARN FROM THE CHALLENGES THE INSTITUTIONAL MARKET FACES AS A RESULT OF A SINGLE GLOBAL HUB MANAGING CUSTODY, TRADING AND SETTLEMENT?**

To truly grow the gold market on a global scale, which is critical to maintaining its relevance in an increasingly 24/7, tokenised asset world, a marketplace is needed where supply, storage and settlement are automated and standardised in a way that makes it trustworthy and available to any global investor, small or large.

Singapore is known as a first-mover with a sound regulatory environment for innovators and consumers. Singapore can break away from legacy practices that weigh down the current gold market and align it with new initiatives to improve integrity, accessibility and fungibility. The opportunity to establish its global position hinges on Singapore's ability to expand on the positive aspects of the London gold market, while also streamlining settlement to increase speed, reduce risk and open accessibility to more participants. To do so, Singapore needs to be able to service cross-border settlement as well as link back to the current London OTC market.

The path forward is to build a tokenised settlement hub, where cross-border settlement of allocated gold is unlocked through tokenisation of the asset. Tokenisation will also reduce market risk by allowing new clearing parties to offer services and create a competitive market place, which benefits the investor and market alike.

By learning from the London market and embracing new technological innovations, Singapore can be the tokenised settlement hub for global gold trading. Tokenisation of gold blends the benefits of full ownership of allocated gold and the operational efficiency of unallocated gold. It allows the market to improve its integrity, increase its accessibility and create a fungible global market.

## **SO, HOW CAN PAXOS HELP SINGAPORE TO BECOME THE GATEWAY TO ASIA AND MOVE TO A TOKENISED MARKET?**

**By giving retail investors access to institutional investment-grade gold.**

The challenge for the average retail buyer globally is navigating the disparity in understanding gold as an attractive metal for ownership (like its use in jewellery) and its importance in a well-rounded investment portfolio. Additionally, investment-



grade gold is not readily available to the average retail buyer. However, Singapore is well-positioned to overcome this challenge. The average Asian retail investor has a better understanding of and acquaintance with gold and its investment value, with roughly 55% of global retail investment gold being held by Asian investors, according to Refinitiv data. When it comes to the use of new technology, Singapore and Asia significantly outpace the rest of the world with more 10% of retail buyers using digital asset exchanges, according to Chainalysis.

Paxos specifically has addressed the challenges of the gold market for retail investors by creating PAX Gold (PAXG) – the only regulated gold token, delivering investment-grade gold to all. By making it available on digital platforms, anyone can access the highest quality allocated gold without any investment minimums. PAXG gives retail investors a safe and new way to own gold instantly by bridging the institutional investor to both traditional OTC settlement and tokenised settlement with an interoperable platform.



So where is the institutional market in relation to tokenised gold? Institutional market participants understand gold, its real value as an investment that's passed the test of time and – thanks to the London market – have access to the highest quality supply. They have also found alternative ways to gain exposure to gold due to the high barriers to entry into the allocated and unallocated market. However, these mechanisms introduce risk, specifically when it comes to the infrastructure this segment relies upon to execute trading and settlement. What the institutional market lacks is new technology that makes investment into allocated gold seamless.

Paxos helps the institutional market by offering technology that can service settlement for both traditional and tokenised assets. We've built an interoperable settlement platform that is designed to introduce incremental improvements, like safe settlement, to OTC settlement. For the first time, the cash and metals settlement networks are connected to allow for transparent simultaneous settlement, which has already been launched in the London market and settling daily. This same technology bridges to tokenised settlement. However, Paxos is realistic and for the majority of the traditional market, there will not be an immediate move into tokenisation, hence the importance of platform interoperability. Paxos is positioned to support the market as it evolves into the tokenised world. We serve clients seeking to enter and take advantage of the tokenised markets today and those needing to future-proof their technology strategy in readying themselves for this global financial infrastructure change that is upon us.



*Singapore - linking Asia's gold market with the London OTC market via a tokenised gold clearing platform*

So how could this technology help a new gold settlement hub like Singapore? And how can technology help Singapore capture 10% of the global gold trading volume by 2025? Tokenisation – and the solutions Paxos has built around settlement – will allow Singapore to advance and lead the way in market transformation. The tokenisation of assets is the only way to safely and quickly settle cross-border transactions whilst transferring full ownership of the underlying asset. At the same time, this technology will bridge the Asian market with the London OTC market and create a safe settlement link between the two hubs.

Today, Singapore has a unique opportunity to open up Asia and allow for investors of all types to access the allocated gold market through tokenisation and allow for new institutions to participate in tokenised clearing services, which would bring global diversification to the market, along with localised services. This expansion will not only benefit the region, but also help to mobilise the asset and contribute to the allocated gold liquidity, which will unlock more use cases for allocated gold and enhance the value of holding the asset.

As Singapore becomes a global hub for gold custody and trading, with the increase in demand for gold in the region, it is now for the city-state to set some rules. It should embrace tokenisation to future-proof itself and become the gold settlement hub for the new economy. If Singapore adopts this technology, it will differentiate itself from London and build its profile as a forward-looking global hub that can accommodate the settlement of traditional and digital gold.



**ANOUSHKA RAYNER** leads the growth division for commodities at Paxos. She joined the company in 2020 to drive innovation in the precious metals market both in settlement and infrastructure and to lead the effort for transformation into commodities tokenisation. Rayner has also been in the financial markets for 20+ years, with a range of roles covering electronic execution, post-trade and settlement infrastructure in the foreign exchange market.





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# CHINA TO TAKE LEADING ROLE IN GLOBAL FUEL CELL ELECTRIC VEHICLE MARKET

By **TREVOR RAYMOND**, *Director of Research, World Platinum Investment Council (WPIC)*

With demand for platinum from fuel cell electric vehicles (FCEVs) set to equal current platinum automotive demand, possibly as early as 2033, China looks ready to take the biggest share of this growing market as it matures.

## PLATINUM FCEV DEMAND OUTLOOK

Achieving net zero in the automotive sector calls for a multi-pronged approach incorporating not only battery electric vehicles (BEVs) and FCEVs, but also more CO<sub>2</sub>-efficient internal combustion engine vehicles (ICEs), including mild-hybrid gasoline and mild-hybrid diesel powertrains. It is worth mentioning that diesel vehicles still emit far less CO<sub>2</sub> than their gasoline equivalents and are now comparable in terms of non-CO<sub>2</sub> emissions.

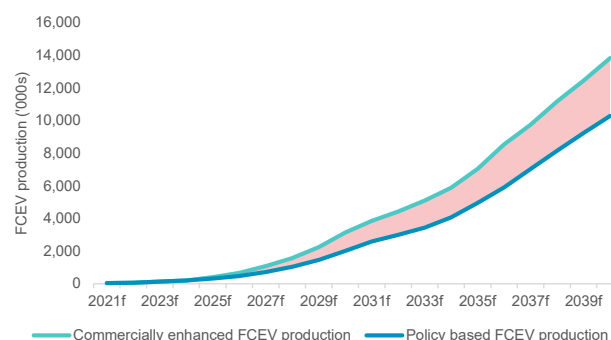
ICE vehicles are expected to be a significant part of the global drivetrain mix well into the 2030s. From a platinum demand perspective, as the energy transition progresses, any decline from falling ICE vehicle production volumes will be offset by tighter emissions standards and correspondingly higher platinum loadings – plus platinum substitution for palladium in gasoline vehicles.

Fuel cells as a technology have a surprisingly long history, having been invented around 180 years ago, deployed widely in aerospace since the 1960s and since used in a variety of stationary and mobile applications. However, the first commercially available FCEV – the Toyota Mirai – was only launched in 2014, but small production volumes and limited refuelling opportunities means FCEVs have been relatively expensive and impractical for early adopters. These challenges are being overcome, with an increasing number of FCEVs available today in all vehicle categories, and supportive government policies enacted in many parts of the world increasing economies of scale in both hydrogen and FCEV production.

Depending on the outlook, it is just a matter of time until FCEV demand for platinum equals current platinum automotive

demand, as recent research by the World Platinum Investment Council (WPIC) assesses through the examination of two different scenarios. First, a more conservative policy-driven scenario, where FCEV adoption is driven by government and regional subsidies, incentives, and legislated targets. Under this scenario, FCEV demand for platinum equals current platinum automotive demand by 2039. Second, a scenario of broad-based commercial adoption, whereby the impact of the successful delivery of government and regional policies engenders FCEV production and infrastructure critical mass resulting in production economies of scale sufficient to promote widespread adoption on the grounds of costs and practicable usability. Under this scenario, FCEV demand for platinum will match current automotive demand for platinum as early as 2033.

**Figure 1. Global adoption of FCEVs is expected to accelerate dramatically under both policy-based and commercially-enhanced scenarios.**



Source: WPIC Research, *Platinum Essentials* (March 2022)



## THE FCEV MARKET AND CHINA

China is well positioned to be one of the leading forces in the FCEV market under either scenario, especially in the mass transport and heavy-duty (HD) sectors. This is perhaps not surprising, given that, in 2019, China was home to approximately 7 million heavy-duty trucks – or one-third of the world's 20 million heavy-duty trucks. Based on Bloomberg NEF predictions, by 2040, 50% of the world's heavy-duty trucks will be powered by clean energy.

**“ CHINA IS WELL POSITIONED TO BE ONE OF THE LEADING FORCES IN THE FCEV MARKET UNDER EITHER SCENARIO, ESPECIALLY IN THE MASS TRANSPORT AND HEAVY-DUTY (HD) SECTORS.**

The further expansion of the new energy vehicle (NEV) industry under China's 2060 carbon neutral directive is highly supportive of FCEV growth. According to China Association of Automobile Manufacturers (CAAM) statistics, from January to July 2021, the country's domestic new vehicle sales reached 14.756 million units, of which 1.478 million were NEVs, an increase of over 190% year-on-year.

Recent plans (NEV Industry Development Plan and NEV Technology Roadmap 2.0) will also help to stimulate the market for FCEVs. By 2035, the market share of NEVs in China is expected to exceed 50%, with the number of FCEVs reaching around 1 million.

Similarly, plans to stimulate green hydrogen production (the National Development and Reform Commission's 2021-2035 plan on hydrogen energy development) appear to adopt the successful national model approach – make green hydrogen widely available and consumer demand for FCEVs will follow.

At the local level, more than 20 regions have so far issued phased plans for the promotion of FCEV deployment. Shanghai, for example, recently proposed a 2023 target of 100 hydrogen refuelling stations, 100 billion yuan of industry output, and 10,000 FCEVs deployed.

These efforts already appear to be effective – green hydrogen production capacity additions in China comprise 36% of all planned projects globally, and this alone is the key driver of creating the significant impact that facilitates our commercially-enhanced FCEV growth profile.

## HYDROGEN REFUELLING STATIONS IN CHINA

The biggest early adoption challenges facing FCEVs in all regions are infrastructure and policy-linked. It is somewhat a cause-and-effect dilemma, hydrogen refuelling stations (HRS) are needed to make FCEVs a viable consumer option, but automakers are reluctant to invest in FCEV technology until the supporting infrastructure is in place. For FCEVs, this requires the establishment of hydrogen refuelling stations at a density sufficient to remove consumer concerns regarding easy refuelling.

China has taken an ambitious stance on HRS growth when compared to other countries, targeting 1,000 HRS by 2030. In comparison, the next most ambitious targets are South

Korea, at 310 HRS by 2022, and Germany, aiming for 400 HRS by 2023.

Collaboration is also helping with China's HRS rollout. For example, since 2020, REFIRE, a leading global provider of hydrogen fuel cell technologies based in China, has been working with Sinopec Shanghai to build a strategic hydrogen energy cooperation “ecosystem”, effectively promoting the large-scale application of FCEVs and rapid development of infrastructure such as hydrogen refuelling stations in Shanghai.

## FCEV PRODUCTION ESTIMATES

Under both WPIC's policy-driven and commercially driven scenarios, estimates are based around fuel cell production rather than sales. As far as light-duty FCEVs are concerned, we anticipate that production volumes will ultimately be led by China in both scenarios.

The first mass-produced hydrogen FCEV sedan, the CHANGAN SL03 FCEV, is expected to be launched in China in 2022.

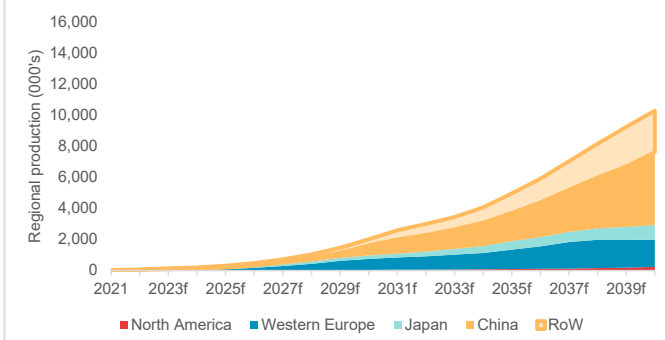


China's first mass produced FCEV LV is expected to launch in 2022.

Picture credit: Changan

Light-duty commercial (LCV) FCEVs also show strong growth in China under both scenarios. Given that the fuel cell powertrains are likely to be highly interchangeable between LCV and light-duty models there could be substantial variability in the outlook for LCV if relative demand or regulatory policies cause automakers to prioritise one or the other.

**Figure 2. China is expected to be a global leader in FCEV production and deployment in a scenario where government policy is the key driver for FCEV adoption.**



Source: WPIC Research, Platinum Essentials (March 2022)

In the HD segment, it is clear that China dominates in the policy-driven scenario, with a particular focus on buses, which can be supported by dedicated depot based refuelling facilities. Furthermore, China's ambitious HRS plans are reflected here, and although a large country, an extensive refuelling network is supportive of HD transportation and distribution networks along specific transport corridors.

According to the International Energy Agency Advanced Fuel Cells Technology Collaboration Programme, 5,648 FCEV buses were in deployment globally as at the end of 2020 and China is at the forefront of the growing hydrogen fuel cell bus market, with a fleet of 5,290, giving it an almost 94% share.



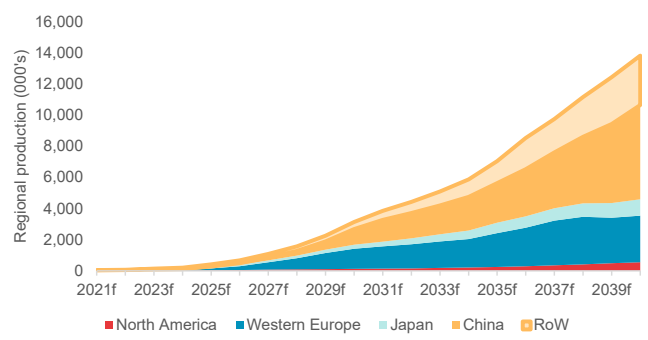
China leads the way with fuel cell buses, accounting for 94% of the global fleet. Picture credit: REFIRE



**TREVOR RAYMOND** leads research and investor development for the World Platinum Investment Council (WPIC). He joined from Anglo American Platinum, where he was the head of market intelligence and market relations. A precious metals specialist with over 30 years' experience in the equity and metals markets, Trevor moved

into the platinum industry in 2000 following 17 years in gold mining, where he held roles in engineering, mineral economics, and corporate finance.

**Figure 3. Total FCEV adoption will be more significant in a broad-based commercial adoption scenario, with some of the rest of the world keeping closer pace with China.**



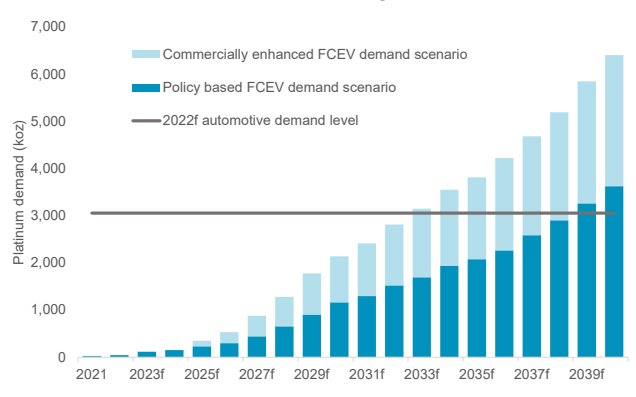
Source: WPIC Research

### FORECAST FCEV DEMAND FOR PLATINUM

Under both scenarios, global FCEV demand is initially modest. Over time, however, demand becomes meaningful; in the policy-driven scenario reaching 1 million ounces (Moz) a year by 2030 and continuing to grow to almost 4 Moz by 2040. The initial trajectory is similar in the commercially enhanced adoption scenario, before accelerating to 1.3 Moz a year by 2028, and almost 6.7 Moz by 2040. These demand levels are significant in comparison to the current annual global platinum supply of around 8 Moz per annum.

Under the policy-driven scenario, FCEV platinum demand from China accounts for 40% and 32% of global demand in 2033 and 2039 respectively. Under the commercially enhanced scenario this changes to 37% and 25% as other countries are more successful in keeping up with China's lead.

**Figure 4. FCEV demand for platinum could match current automotive demand by 2033 if there is broad-based adoption.**



Source: WPIC Research

Platinum demand needs for green hydrogen and FCEVs is expected to easily exceed current automotive demand in the 2030's. This demand outlook, in combination with platinum's essential role in decarbonising the world, is continuing to increase the number and range of investors, including those with a strong ESG overlay, that are investing in platinum.



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# INDIA GOLD CONFERENCE 2022: IIBX, DOMESTIC GOLD EXCHANGE AND INDIA-UAE AGREEMENT DOMINATE CONVERSATION

By BULLION WORLD

India Gold Conference 2022, which saw the participation of over 500 delegates, concluded successfully on July 31, 2022 at the Grand Chola, Chennai. Three key topics dominated the conversation amongst delegates.

First, India International Bullion Exchange (IIBX). The conference coincided with the launch of IIBX by India Prime Minister Narendra Modi on July 29, 2022 at Gift City, Gandhinagar, Gujarat. Second, domestic spot gold exchange. The regulations on the domestic spot gold exchange have been prepared. Third, the UAE-India Comprehensive Economic Partnership Agreement (CEPA), operational since May 1, 2022. Under CEPA, import duty on gold bullion from UAE is 1% lower than other origins, up to 120 tonnes in the first year (2022-2023), going up to 200 tonnes in the fifth year. Likewise, there are customs duty concessions of up to 0.5% on silver bullion imports (without any quota restriction) for the current year.

Speaking at the inaugural function, **Prithiviraj Kothari, national president, India Bullion & Jewellers Association (IBJA)** said, "IIBX will bring in complete transparency in the way India imports gold. Domestic Spot Gold Exchange (DSGE) is a game-changer. It will trade Electronic Gold Receipt (EGR), one of its kind products that convert gold into security for perpetuity. EGR is a reversible product, provides for robust settlement system, deliverable at multiple delivery centres, facilitates goods recycling, promotes greater integration with financial market and assures delivery of certified goods. It would also give fillip to the Gold Monetisation Scheme (GMS) going forward".

“ IIBX IS AN IMPORTANT MILESTONE FOR INDIA, THE ONE THAT REINFORCES INDIA'S POSITION AS ONE OF THE LARGEST MARKETS FOR PHYSICAL CONSUMPTION OF GOLD. BY LINKING JEWELLERS, THE EXCHANGE MAKES WAY FOR CREATING AN EFFICIENT MARKETPLACE FOR JEWELLERS TO ACCESS CERTIFIED METAL. IT IS ALSO THE FIRST TIME ANYWHERE IN THE WORLD, THROUGH PRE-FUNDED METAL AND CURRENCY ACCOUNT, THE IDEA OF SAME DAY SETTLEMENT (T+0) IS BEING ATTEMPTED.

— David Gornall, *Senior Consultant, LBMA*

IIBX is regulated by the International Financial Services Centres Authority (IFSCA), the unified regulator for financial services sector located in Special Economic Zones (SEZs) in India. Delivering his special address, **Kamlesh Sharma, IFSCA general manager and head of precious metals**, said, "Yesterday, we witnessed the historic launch of IIBX at the hands of our beloved PM Shri Narendra Modi. Now the real work starts. Forums such as the India Gold Conference provide an opportunity for us to learn about the industry and understand its expectations. We have begun with T-O contract at IIBX. The introduction of Qualified Jewellers (QJ) framework is to bring disintermediation benefits. We do understand the role of banks. Very soon, we may see

banks being permitted. We are fortunate to have a lot of foreign banks' IFSC Banking Unit (IBU) already located in IFSC. These foreign banks, we believe, would soon become trading members of IIBX.

He added that IFSCA is also looking at providing remote access to some of the QJs that want to only do self-trading. One of the Indian banks' international business unit has already joined as a Professional Clearing Member (PCM), and he hopes more Indian banks will join as PCMs going forward".





On the international side, that is the supplier side, IFSCA is working hard to listen to them and enrol them as well, Sharma said. “We hope to see more foreign banks join in as trading members. We are looking at providing remote access to select suppliers, provided they comply with regulations on responsible sourcing and so on. We will soon come up with an SOP, hopefully by August end”.

With CEPA, Tariff Rate Quota (TRQ) holders will be granted QJ status. Going further, Sharma said he would like to see T+2 and the whole range of derivatives at IIBX. “We would also be having a consultation on the integration of accredited refiners in domestic tariff area (DTA) and the new refiners that may come up within the IFSC zone and so on. We plan to do all these things through continuous consultation and engagement with the industry”, Sharma said.



**Ahmed Bin Sulayem, DMCC executive chairman and CEO**, was the chief guest of the conference. Delivering his keynote address he said, “DMCC, when conceptualised, was a gold initiative. From inception, there has been a lot of participation from the Indian community – be it in technology, market development and in almost every field. We contributed to it. At present, three refiners operate in Dubai. There is soon going to be a fourth one. India leads the market when it comes to gold. It is an interesting industry here. And the industry is changing. You have heard about Uptown Tower. Dubai has changed too in the last 20 years. Twenty years ago, gold in Dubai meant coins and bars and was controlled by a few families. Today we have over 3,000 companies operating in gold, diamonds and precious metals inside DMCC”.

“The UAE-India agreement is just the beginning. I expect more to come. I would like to discuss forward product possibilities. With Uptown Tower, we have built a new foundation. We want to climb a new mountain. Gold is what DMCC started with. Gold is what attracted some of the designers to work

on the project. We are here to engage. We are looking for a representative office in India. We have not decided where, may be in southern India or in Mumbai”, Bin Sulayem added.

Delivering his special address **VS Sundaresan, executive director, Securities & Exchange Board of India (SEBI), the regulator of the domestic gold spot exchange said that** gold imports into India increased from US\$28.23 billion in 2019-20 to US\$ 46.16 billion in 2021-22. Together, India and China have doubled their market share in two decades from 23% to around 46% of global demand.

“The launch of IIBX is a historic step. It will facilitate efficient price discovery, assured quality, responsible sourcing compliance, financialisation of gold in India, greater integration with other segments of the financial markets and establishment of India’s position as a dominant trading hub.”, Sundaresan said.

He noted that while IIBX is regulated by the International Financial Services Centres Authority (IFSCA), the domestic spot gold exchanges (SGE) will be regulated by SEBI. New and existing recognised stock exchanges would be permitted to set up SGE, and the framework for the creation of EGR, trading of EGR on stock exchanges and conversion of EGR into physical gold has been developed. “Provisions have been made for fungibility and interoperability of EGRs between vaults. All existing branches of the vault managers are allowed as withdrawal centres. Storage and withdrawal charges will be levied by the vault manager and will be collected by the depository. Clearing Corporation will empanel assaying agencies. Investors can organise their own trusted transportation for movement of gold from vaults to their preferred location. In so far as SGE and EGR are concerned, SEBI is working more as a market development organisation”, he added.

## VIEWS ON GOLD PRICE OUTLOOK

“ In 2022, gold prices got support from the ongoing conflict in Russia and Ukraine, the trade restrictions on Russia and the increase in the price of all major commodities – crude oil, natural gas, copper, grains, edible oils etc., leading to record high inflation. High inflation, we believe, will remain for at least one more year. Gold price is caught between high inflation and recession.”

– **PRITHIVIRAJ KOTHARI**

*National President, India Bullion & Jewellers Association*

“ Gold price has been on the upswing since 2016 until recently. For this upmove, there has to be a healthy correction, which in my view is 50% retracement. I expect gold to gradually correct towards US\$1,550 per troy ounce soon. Of course, no market moves in a straight line; there may be a temporary upmove. I see gold market consolidating between US\$1,850 and US\$1,550 per troy ounce in the next year.”

– **DEBAJIT SAHA**

*Lead Analyst Precious Metals, Refinitiv*

“ On gold price outlook, recessionary concerns could limit downside in gold prices, while a U-turn on hawkish stance could push gold higher.”

– **CHIRAG MEHTA**

*CIO, Quantum Asset Management*

# MALAYSIA'S GOLD & GEMS INDUSTRY

By **ERMIN SIOW**, *Advisor, Federation of Goldsmiths and Jewellers Association of Malaysia*

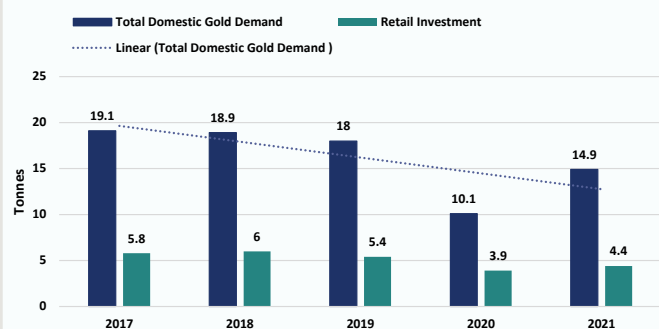
Malaysia is a relatively small country, with an area of about 300,000 square kilometres and a population of 33 million. In terms of Gross Domestic Product (GDP), the country ranks fifth in the Association of Southeast Asian Nations (ASEAN), with almost US\$1 trillion in 2021. Malaysia also ranks third in per capita income within ASEAN, at about US\$11,000. It is a multi-racial country, with Malays being the dominant race (65%), followed by Chinese (22%) and Indians (6%).

## GOLD DEMAND

The country's domestic gold demand ranks fourth among ASEAN countries, behind Indonesia, Vietnam and Thailand. According to Metals Focus, the domestic gold demand from 2017 to 2021 was as follows: 2017: 19.10 tonnes, 2018: 18.90 tonnes, 2019: 18.00 tonnes, 2020: 10.10 tonnes, 2021: 14.9 tonnes (fig.1).

As for retail investment, which is the purchase of gold wafers and gold bars for investment purposes, annual demand from 2017 to 2021 was as follows – 2017: 5.8 tonnes, 2018: 6.0 tonnes, 2019: 5.4 tonnes, 2020: 3.9 tonnes, 2021: 4.4 tonnes (fig. 1).

**Fig. 1: Malaysia's Gold Demand, 2017–2021 (Tonnes)**



Source: Metals Focus

The figures quoted above reflect the consumption of “new gold”, not including scrap gold or old gold jewellery. It is common practice in Malaysia for consumers to trade in old gold jewellery for new pieces of gold jewellery. Assuming that 35–40% of the gold retail trade involves trade-ins, domestic gold demand would amount to approximately 25 metric tonnes annually.

Similar to Singapore, India and other Middle East countries, gold jewellery in Malaysia is primarily 22K or 916 gold fineness, with more than 90% of gold jewellery sold being 22K. Locals produce most, if not all, of the country's 22K gold jewellery. There are more than 100 gold jewellery manufacturers, big and small, located mainly in the northern state of Penang. The country also has 24K yellow gold and 18K white gold on the market, with some imported from mainland China, Italy and Turkey.

Based on estimates, there are 3,500 to 4,000 gold jewellery outlets in Malaysia. Most retailers are single-shop operators, while a few chain-store operators have 40 to 100 stores each. Like other cities across Asia, it is common to find jewellery

retail outlets located inside shopping malls. Plain gold jewellery probably takes up about 85%, if not more, of the total gold and gems jewellery market, similar to other Asian countries.



Tranz Jewellery



Happy Love Jewellery

## GEMS AND GEM-SET JEWELLERY

Like many other countries, the popular gems and gem-set jewellery are diamond, blue sapphire, ruby, and emerald. Jade and pearls are also popular, especially among the more affluent crowd. Based on estimates, the domestic market size for this segment is amounted to approximately US\$500 million annually, with most high-end pieces imported from Hong Kong.



On the other hand, semi-precious stones like amethyst, topaz, and aquamarines are not as popular in the country, perhaps due to the lack of publicity or promotional activities. The recent introduction of lab-grown diamonds (LGD), being quite a hit in mainland China and the United States, has not gained popularity here. Most consumers, who are traditional, do not view LGD as a gem, and consider them to have no resale value. There was an initial fear that LGD may impact the diamond trade adversely, but it has not made any headway thus far.

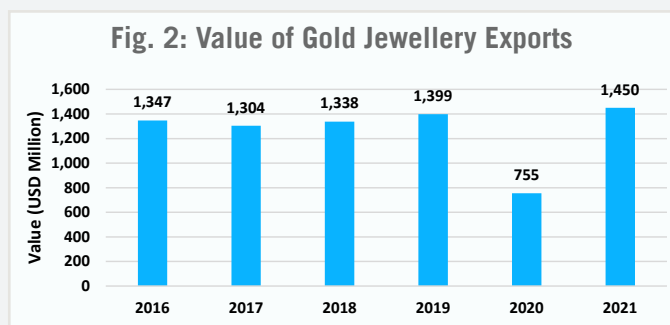


Anggun Jewellery

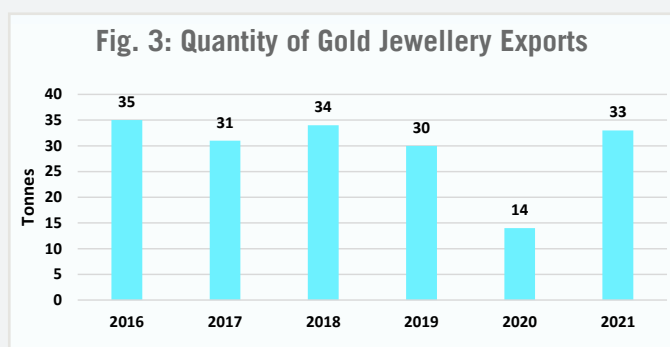
## GOLD JEWELLERY EXPORTS

Not many people, even those in the trade, are aware that Malaysia is a considerable gold jewellery exporter. Interestingly, Malaysia exports more gold jewellery (916) than it consumes locally.

The country has posted strong numbers in annual gold jewellery exports, save for a dip in 2020, owing to the COVID-19 pandemic (fig. 2).



Source: Department of Statistics Malaysia



Source: Department of Statistics Malaysia

The annual gold jewellery in tonnes is as follows: 2016: 35 tonnes, 2017: 31 tonnes, 2018: 34 tonnes, 2019: 30 tonnes, 2020: 14 tonnes and 2021: 33 tonnes (fig. 3).

The main export markets are the Middle East – mainly the United Arab Emirates (UAE), Singapore and Hong Kong. During the early '90s and the year 2000, Malaysia exported more than 50 metric tonnes of gold jewellery annually and was among the top five exporters globally. The decline in tonnage in recent years was caused by 1) more competition from other exporters, and 2) new production bases set up in the Middle East. The introduction of VAT in the UAE in 2019 also negatively impacted the country's gold jewellery exports.

## TRADE DURING THE PANDEMIC

Malaysia had its first lockdown from 18 March till 4 May 2020 – a total of 47 days. During this period, only essential services and businesses were allowed to operate. All gold retail outlets were closed, and factories had to stop their operations. There was another lockdown from 1 June to 16 August 2021, a total of 77 days. Similar to the first lockdown, gold and jewellery businesses were not allowed to operate.

Given the tremendous adverse effects of these lockdowns, the Malaysian government, fortunately, provided some financial support. During these two years, the country provided aid packages that amounted to RM530 billion (US\$119.03 billion), including cash handouts and wage subsidies up to RM83 billion. The other indirect financial aid packages came in the form of loan moratoriums, loan guarantees, provident fund withdrawals, grants and soft loans for small and medium enterprises, and tax incentives, among the other measures introduced to support the recovery of the economy.

## MOVING FORWARD

The Federation of Goldsmiths and Jewellers Association of Malaysia (FGJAM) is the central and coordinating body of the gold and gems trade. It has 18 state-level associations with about 1,500 individual trade members, including retailers, wholesalers, manufacturers and bullion dealers.

The gold and gems industry will depend, among others, on the recovery of Malaysia and the global economies from the Covid-19 pandemic. As mentioned above, the economic stimulus packages provided by the government aided the recovery of Malaysia's economy. Barring unforeseen circumstances, the country's gold and gems industry will rebound in line with the economy, forecasted to grow around 4–5%.



**ERMIN SIOW** joined Poh Kong Jewellers as managing partner in 1989 and was appointed executive director when Poh Kong Holdings Bhd was listed on Bursa Malaysia in 2004. He was also the president of FGJAM from 2014 to 2018 and currently its advisor. He is also the council member of the ASEAN Gems and Jewellery Association (AGJA).

# SBMA News

The team at SBMA has been busy this quarter with membership enquiries and is working to onboard new members and collaborating with various stakeholders to open up different markets within the ASEAN region. We would also like to thank our contributors and sponsors for their contributions to *Crucible*.

Here is an update of SBMA's activities in the past quarter:

**5-7 JUNE 2022:** SBMA organised its first hybrid Asia Pacific Precious Metals Conference (APPMC), which concluded successfully with 192 in-person and 241 online delegates registered for the event. See page 3-7 for a summary of proceedings.



SBMA Management Committee members gathering post-APPMC and MC meeting in June 2022.

**27 JUNE 2022:** CEO Albert Cheng appeared on Channel 8's "Morning Express" news programme, where he spoke about investing in gold and the appearance of gold ATMs. Click [here](#) to watch the interview (in Mandarin).

**JUNE-AUGUST 2022:** SBMA conducted a feasibility study with Kallanish Index Services Singapore (KISS) on the Asian Gold Reference Price among our members. Initial responses and discussions among the market participants have been very positive. The initiative will be piloted in the third quarter of the year in hopes of going public early next year. SBMA seeks our members' support and collaboration for the pilot phase.



From left, KISS director Steven Randall, SBMA business manager Margaret Wong and KISS pricing analyst Koh Guan Ho, held discussions with SBMA members during APPMC 2022 on the development of the Gold Reference Price initiative.

## MEMBERSHIP

BPI Trading (SG) Pte Ltd was onboarded as a Local Associate Corporate member, and aXedras Group AG was onboarded as a Foreign Associate Corporate member.

SBMA's total corporate membership consists of 55 companies, including three Category 1 members, 35 Local Associate Corporate members, 15 Foreign Associate Corporate members, and two Affiliate members.

## UPCOMING EVENTS

*16-18 October, 2022. Lisbon, Portugal*

### LBMA/LPPM Global Precious Metals Conference 2022

This year's conference, that gathers more than 500 industry professionals, features two days of exclusive knowledge-sharing across the entire precious metals supply chain. It will also include three days of networking opportunities with other global industry leaders and expert analysis from top speakers on issues that matter to businesses. Please visit <https://www.preciousmetalsconference.com> for registration and event details.

*November 2022. Hanoi, Vietnam*

### Hanoi Market Forum

The market forum, organised by Vietnam Gold Traders Association and World Gold Council and supported by the SBMA, provides the latest updates on Vietnam's gold market developments post-COVID, other parts of Southeast Asia and around the world. If your company is interested in attending the forum in person, please contact Fabian at [fabian.lew@sbma.org.sg](mailto:fabian.lew@sbma.org.sg).

*4-6 June 2023. Singapore*

### Asia Pacific Precious Metals Conference 2023

The annual APPMC, organised by the SBMA and supported by Enterprise Singapore, is set on 4-6 June 2023 in Singapore. Remember to mark your dates and we hope to see you then!

## Disclaimer

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