



## **IIDI Consultation Paper on the Draft Guidelines for IFSCA empanelled Vault Manager as per Clause 3 & 4 of IFSCA Operating Guidelines.**

### **1. Objective**

The objective of this Consultation Paper is to establish minimum prudential, operational and technological standards to ensure the safety, integrity, transparency and efficiency of bullion vaulting operations for the Vault Managers operating under the International Financial Services Centres Authority (IFSCA).

### **2. Statement of Objects and Reasons**

Clause 3 and Clause 4 of the IFSCA Operating Guidelines mandate Vault Managers to put in place adequate systems, controls and procedures for secure custody, tracking and management of bullion. Given the systemic importance of vaulting infrastructure to the bullion ecosystem, there is a need to prescribe detailed, uniform and enforceable standards relating to:

- Physical and technological security of vault premises
- Inventory tracking and reconciliation mechanisms
- Risk management and operational controls
- Internal audit and compliance frameworks
- Data management, disaster recovery and business continuity systems

The proposed guidelines are intended to strengthen governance, reduce operational and systemic risks, enhance investor confidence and align vaulting operations with international best practices.

### **3. Background**

Vault Managers play a critical role in the bullion market infrastructure by providing secure storage, handling and custody services for bullion deposited through Bullion Depositories. Any deficiency in vault operations may pose risks to market integrity, depositor confidence and financial stability.

While the existing IFSCA Operating Guidelines lay down broad principles, it has been considered necessary to issue detailed guidelines specifying minimum requirements relating to security, inventory tracking, internal controls, data management and disaster recovery.

Accordingly, IFSCA proposes to issue comprehensive guidelines covering, inter alia:

- Vault security and access control systems
- Commodity tracking and reconciliation systems

- Risk control and operations manuals
- Independent internal control mechanisms
- Data retention, IT infrastructure, backup and disaster recovery frameworks

#### 4. Expected Impact

The proposed guidelines are expected to:

- Enhance physical and cyber security of vaulting operations
- Improve transparency and accuracy in bullion inventory management
- Strengthen internal controls, audit mechanisms and compliance culture
- Reduce operational, fraud and systemic risks
- Ensure regulatory consistency and alignment with global standards
- Increase confidence among depositors, market participants and regulators

While the guidelines may require Vault Managers to invest in infrastructure, systems and processes, such investments are expected to contribute to long-term operational resilience and market credibility.

#### 5. Comments

IIDI invites comments and suggestions from vault managers on the proposed draft guidelines as outlined in this Consultation Paper.

Vault Managers are encouraged to provide specific and actionable comments on the entire proposal or on specific sections thereof through email to [vault.compliance@iidi.co.in](mailto:vault.compliance@iidi.co.in) / [bullionops@iidi.co.in](mailto:bullionops@iidi.co.in) and latest by **December 31, 2025** with subject line “**Comments on Draft guidelines for Vault Managers - IIDI**”.

#### 6. Format for Providing Comments / Suggestions

The comments may kindly be submitted in the following format to facilitate effective review and consideration along with Global best practices across foreign jurisdictions, if any:

- Name and Details of the Person / Entity
- Organization Name
- Contact details - Phone and Email address

Sr. No.	Section / Clause / Sub-Clause Reference	Existing / Proposed Provision	Comments / Suggestions	Rationale / Justification
1				
2				

# **Guidelines for Vault Manager by Bullion Depository**

*(Pursuant to Clause 3 & 4, Section III of the IFSCA Operating Guidelines vide Circular No. F. No. 415/IFSCA/Consolidated Operating Guidelines/2021-22 dated August 25, 2021)*

## **1. Vault Security and Access Control Systems**

The Vault Manager shall ensure implementation and maintenance of robust vault security and access control systems, including but not limited to the following:

### **1.1 Physical Security Measures:**

- 1.1.1. 24/7 CCTV surveillance with recording / storage capability of surveillance data in the DVR should be adequate and meets international standards say for a period of minimum one year.
- 1.1.2 Access to vault premises must be restricted to authorized personnel only, with entry logs maintained.
- 1.1.3 Biometric or dual-authentication access control systems at all entry points of the vault premises areas.
- 1.1.4 Perimeter security including alarms, motion detectors, reinforced wall and strong access doors.
- 1.1.5 Armed guards and physical rounds as required.

### **1.2 Access Authorization Protocol:**

- 1.2.1 Access must be granted on a "need-to-access" basis only.
- 1.2.2 Emergency access must be logged, reported and justified.

## **2. Systems for Tracking Commodities**

The Vault Manager shall implement a comprehensive digital system for end-to-end tracking of bullion stored, transferred or withdrawn. The system must include but not be limited to:

### **2.1 Inventory Management System (IMS):**

- 2.1.1 Real-time updates of bullion inventory across all vaults.
- 2.1.2 Assignment of unique identifier codes to each bullion unit for easy identification.

### **2.2 Daily Reconciliation:**

- 2.2.1 Physical and electronic inventory to be reconciled daily.
- 2.2.2 Discrepancies, if any, must be immediately reported to the Bullion Depository (IID).

### **2.3 Logistics:**

- 2.3.1 The security provided to offsite bullion should be equivalent to that of onsite bullion used for the same purpose taking into account the risk of working outside premises.
- 2.3.2 Delivery and Loading area shall be controlled to the maximum extent.
- 2.3.3 Appropriate care to be taken when sending bullion between across location.
- 2.3.4 Real-time tracking of bullion inventory across vaults during in-transit.
- 2.3.5 Formal logistics movement policies, procedures and control shall be in place to protect the transfer of assets using all types of communication and tracking facilities.

### **3. Risk Control and Operations Manuals**

Vault Manager must establish, document and maintain operational and risk control manuals, which must include but not be limited to:

#### **3.1 Risk Control Manual:**

- 3.1.1 Risk Identification: Security breaches, operational lapses, natural disasters, cyber threats, theft, fire, burglary, etc.
- 3.1.2 Risk Assessment: Quantification of risk exposure.
- 3.1.3 Risk Mitigation Measures.
- 3.1.4 Regular drills and training.
- 3.1.5 Adequate Insurance coverage for stored bullion in line with IFSCA operating guidelines.
- 3.1.6 Dual verification (maker-checker functionalities) for all transactions.

#### **3.2 Operations Manual:**

- 3.2.1 Standard Operating Procedures (SOPs) for:
  - 3.2.1.1 Bullion receipt, verification and deposit.
  - 3.2.1.2 Bullion withdrawal and delivery.
  - 3.2.1.3 Bullion auditing and inspection.
  - 3.2.1.4 Incident Reporting Procedures.
  - 3.2.1.5 Roles and responsibilities of vault personnel.

*(Enclosures: Copies of Risk Control and Operations Manuals are to be provided as annexures to the Bullion Depository (IID).)*

### **4. Independent Internal Control Mechanisms**

The Vault Manager shall institute internal control mechanisms to ensure transparency, accountability and compliance, which shall include:

#### **4.1 Internal Audit Function:**

- 4.1.1 Independent internal audit to be conducted on a quarterly basis.
- 4.1.2 Reports to be submitted to the Bullion Depository.

#### **4.2 Control Framework:**

- 4.2.1 Segregation of duties to prevent conflict of interest.
- 4.2.2 Maker-checker validation for all data entry and transaction processes.

#### **4.3 Monitoring & Evaluation:**

- 4.3.1 Key Performance Indicators (KPIs) and compliance checklists.
- 4.3.2 Regular review meetings with compliance and risk officers.

#### **4.4 Reporting Systems:**

- 4.4.1 Periodic reporting to the Bullion Depository on inventory, incidents and audits.
- 4.4.2 Immediate reporting of any material deviation or breach to the Bullion Depository (IIDI).

### **5. Hardware, Software, and Communications Systems: Details of Capability, Function, and Location**

- 5.1 Vault Managers shall maintain comprehensive and up-to-date documentation encompassing all hardware, software, and communication systems. Such documentation must include system capabilities, functions performed, and physical or virtual locations. Additionally, appropriate controls shall be implemented to secure these systems against unauthorized access and ensure their integrity.

Directives include but are not limited to:

- 5.1.1 Maintain detailed diagrams and inventories of all relevant IT and communication infrastructure.
- 5.1.2 Implement and document the safeguards of endpoint devices and software configurations.
- 5.1.3 Establish strict access control measures with logs maintained for review and audit.
- 5.1.4 Enforce physical security controls to prevent unauthorized physical access to critical systems.
- 5.1.5 Ensure secure hosting environments for applications supporting Bullion related operations.

### **6. Data Storage and Backup Procedures: Details of Capability, Function, and Location**

- 6.1 Vault Managers must establish and document data storage solutions and backup procedures that guarantee data integrity, availability, and confidentiality. Backups should maintain data integrity and shall be protected and resilience against data loss and stored in geographically separate, secure locations.

Directives include but are not limited to:

- 6.1.1 Maintain documented data storage and backup policies consistent with regulatory retention requirements.
- 6.1.2 Implement secure backup procedures, including off-site storage to mitigate risks of data unavailability.

- 6.1.3 Ensure audit trails, access logs and other critical records are stored, securely backed up and accessible any time. Logs of all physical access attempt shall be securely maintained, and failed access attempts shall be reviewed.
- 6.1.4 Maintain appropriate retention periods for all data, logs, audit trails, including surveillance records, as mandated by applicable legal and regulatory requirements.

## **7. Disaster Recovery Systems and Procedures**

- 7.1 Vault Managers are required to establish robust disaster recovery systems and procedures to ensure business continuity and rapid restoration of critical operations in the event of an incident. These procedures must be formally documented, regularly tested, and updated to address evolving risks.

Directives include but are not limited to:

- 7.1.1 Develop and maintain a formal disaster recovery plan covering data restoration, system recovery, and business continuity of operations.
- 7.1.2 Conduct periodic testing of recovery procedures to validate effectiveness and identify areas for improvement.
- 7.1.3 Ensure that findings from security assessments and audits are integrated into disaster recovery planning.

## **8. Data Retention & Retrieval**

- 8.1 All records, books of accounts, access logs, audit trails and transaction data shall be preserved as per the specified standards or as mandated by IFSCA from time to time.
- 8.2 Vault Manager must establish a secure and searchable data archiving system with role-based access.
- 8.3 Retrieval of records must be possible within 24 hours of request from the Bullion Depository or Regulator or any Authority.