

# HALLMARKING OF GOLD IN INDIA

## INTRODUCTION



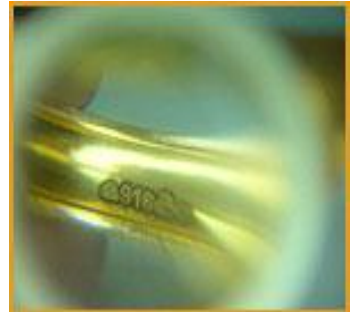
Culturally, the Indian people have a great fascination for gold. It should be recognized that in India, in common with other Asian Countries, gold has a very important role in our cultural heritage. Gold is considered as a commodity, and not a product. Any form of gold is equal to any other form of gold. It is viewed to be homogenous and indistinguishable, having no brand or expiry date. As a result, gold demand is not price-elastic. Rather it is prosperity elastic - that is, increments in household income are generally matched by purchases of more gold.

Unless alloyed with a comparatively small proportion of some other metal, both pure gold and pure silver are too soft to withstand wear as an article for use or adornment. This necessity has always demanded some system of control if frauds on the public are to be prevented, because adulteration of articles manufactured from the precious metals by the introduction of too much of the strengthening alloy is a type of

fraud to which the public is extremely vulnerable. It is easy to perpetrate, because with both metals a considerable excess of alloy can be introduced without changing the colour, and is difficult to detect without technical tests.

## INDIAN SCENARIO

The annual consumption of gold which was estimated at 65 tonnes in 1982, has increased to over 500 tonnes presently about 80% is for jewellery fabrication (mainly over 22 carat purity) for domestic demand, 15% for investor demand and barely 5% for industrial use. The remarkable feature is the way investment in jewellery has come to dominate the market. Urban demand is for adornment jewellery rather than on investment jewellery but in rural areas gold's role is that of an informal barter economy. Here, gold remains a retail cottage industry, and therefore, it can still be said to be performing a monetary role. It barter the economy of the agricultural community which accounts for 70% of all gold consumption in India. In the near future, therefore, the annual demand will continue to be over 500 tonnes, growing at the rate of around 4% in tandem with anticipated growth in per capita real income.



It is estimated that there are 100,000 manufacturing units throughout India mostly employing up to 10 workers, although, there are above 100 large mechanized factories employing up to several hundred workers. There is an abundance of cheap skilled labour. Because the traditional jewellery is almost totally hand-made, the workforce is large and totals about 2 million. Many of these artisans have been trained in jewellery making skills from the age of 10 years and they lack formal education. Many manufacturers and retailers sub-contract work out to small workshops and this makes gold stock control and caratage quality control difficult to achieve.

Indian consumer is very often a victim of irregular metal quality. A buyer, for instance, will be told that he has bought gold of 22 carats. When he goes to sell or exchange it he discovers that the gold is actually only of 18 carats or many customers have lost money in this way. In India the emphasis is on high caratage jewellery, and problems have also arisen through the lack of suitable high carat solders. The traditional handcrafted pieces in 22 carat contain many soldered joints and the use of solder alloys of a much lower caratage has meant a serious level of under-carating.

The oldest types of fraud are those of adulteration by the addition of too much alloy, and the similar fraud of selling, as of gold or silver, articles externally of standard fineness but with base metal cores. These frauds continued till Hallmarking Scheme was launched by BIS.

The handcrafted jewellery is made using traditional tools and working practices. Melting and alloying is done using charcoal or coke-fired furnaces. Soldering operations are done using a mouth blowpipe with a candle or oil flame. Many small workshops buy scrap which they sometimes re-use without refining, while others refine it themselves using old and crude technology.

Larger factories are equipped with modern electric melting units, investment casting facilities and machinery with their own modern refineries and producing gold either to 999 fineness via electrolytic refining as the final step or to 995 minimum fineness by conventional methods.

## HALLMARKING- CERTIFICATION OF GOLD



Government of India took the cognizance and understood the necessity of protecting the public in its purchases of gold jewellery specially with regard to standards of fineness and the prevention of adulteration, be it deliberate or accidental. The principle objectives of the Hallmarking Scheme are to protect the public against the fraud of adulteration and to oblige manufacturers to maintain legal standards of fineness.

Hallmarking is the accurate determination and official recording of the proportionate content of precious metal in gold. Hallmarks are thus official marks used in many countries as a guarantee of purity or fineness of gold jewellery.

Taking cognizance of these aspects the RBI Standing Committee on Gold and Precious Metals opined that introduction of a Hallmarking System would not only protect the public from fraud, but also assist exports of jewellery. While agreeing on this the Committee reckoned that compulsory certification of gold would not be implementable on account of the massive structure of trade. Recommending the pursuance of a voluntary scheme, it emphasized the deviations in purity of fine metal should invoke penalties under legislation and BIS was named as the sole agency in the country for Hallmarking of gold jewellery under the provisions of the BIS Act, 1986.

BIS, as the National Standards Body of India is primarily engaged in the preparation and promotion of standards and operation of different quality certification schemes. In this context, the BIS Precious Metals Sectional Committee (MTD 10) has formulated and published the following Indian Standards on Gold and Gold Alloys:

- a) **IS 1417** Grades of gold and gold alloys, Jewellery/Artefacts-Fineness and Marking
- b) **IS 1418** Assaying of Gold in Gold Bullion, Gold alloys and Gold Jewellery/ Artefacts - Cupellation Fire Assay Method)
- c) **IS 2790** Guidelines for manufacture of 23,22,21,18,14 and 9 carat gold alloys
- d) **IS 3095** Gold Solders for use in manufacture of Jewellery

## INTERNATIONAL HALLMARKING CONVENTION

The different European legislations on precious metals control hamper the cross border trade seriously. No wonder, that the international trade asked for a simplification and harmonization in this matter over recent years.

For that reason that Convention on the Control and Marking of Articles of Precious Metals (the name of which was shortened to International Hallmarking or Vienna Convention) was signed in Vienna in November 1972 by the following EFTA countries of the time: Austria, Finland, Norway, Portugal, Sweden, Switzerland and the United Kingdom. It entered into force in 1975.

The objective of the Convention is to facilitate trade in precious metal articles while at the same time maintaining fair trade and consumer protection justified by the particular nature of these articles. For that purpose a Common Control Marks indicating fineness, called the CCM was introduced. Each member country agrees to allow goods marked with this CCM to be imported without further testing and marking if such articles would normally qualify for a domestic market.

CONVENTION ON THE CONTROL AND MARKING OF ARTICLES OF PRECIOUS METALS Signed in 1972, entered into force in 1975 CONTRACTING STATES: Austria, Finland, Norway, Sweden, Switzerland, Denmark, Ireland, Portugal, United Kingdom, Czech Republic **Observers:** Poland, Netherlands, France, Estonia, Latvia, Lithuania, Spain, Ukraine, Canada **SCOPE:** Acceptance, without any further assay or marking of articles of precious metals marked with the Common Control Mark (CCM).

The Hallmarking Convention was not intended to be limited to the EFTA countries only. It has thus been joined by Denmark, Ireland and the Czech Republic. Poland and Lithuania have been through the accession procedure. The Netherlands, France and several Eastern European countries have indicated their interest in the Convention.

Without entering into details of the Convention, there are several important points which are worth pointing out :

- The Convention introduced the first international hallmark ever. It enables national assay offices to apply a Common Control Mark (CCM) to articles of gold, silver and platinum after they have tested the fineness of the alloys used in the articles.
- Articles bearing the four Convention mark (the CCM, the Assay Office Mark, the responsibility mark and the fineness mark) are accepted without further testing or marking by any of the contracting states.
- Responsibility mark only have to be registered in the Country who applies the CCM. They don't need to be registered in the importing country.
- The marking of articles of precious metals with the CCM is carried out on a voluntary basis; compulsory hallmarking is not required from the Contracting states to the Convention. This means in practice that a exporter has the choice between asking for the CCM-hallmarking by his domestic assay office or to sending his goods without CCM to the exporting state. In this case the articles of course have to correspond to the national legislation of the importing state.

The number of articles marked with the Convention marks has increased steadily since the entry into force of the Convention. It is at present over 13 millions each year. Furthermore the Convention marks are regarded in many third countries as a reliable quality mark. Once India fulfills the criteria, can seek membership of the convention to facilitate international trade.