

04:05 PM 03 JAN MARKET STATS ▾	SENSEX 26,643 ▲ 47.79	NIFTY 50 8,192 ▲ 12.75	GOLD (MCX) (Rs/10g.) 27,475 ▼ -95.00	USD/INR 68.31 ▲ 0.08	CREATE PORTFOLIO	Download ET MARKETS APP	CHOOSE LANGUAGE ENG
--	---------------------------------	----------------------------------	--	--------------------------------	-------------------------	--------------------------------	------------------------

Black money: Suspicious hawala cash transfers in gold trades prompts Sebi to raid brokers

By [Ram Sahgal](#), ET Bureau | Updated: Mar 25, 2016, 01:30 AM IST

[Post a Comment](#)

MUMBAI: Suspicion of **cash transfers** through the illegal **hawala** channel in the course of arbitrage between **gold** futures contracts traded on local exchanges and those traded overseas was one of the main reasons for **Sebi** and **Economic Offences Wing** (EOW) of the Mumbai police to have conducted joint raids on certain brokers in **Kolkata** and Mumbai, brokerage officials in the know have said.

Sebi and EOW recently conducted joint raids on a few unnamed brokers suspected of illegally running trades between certain futures contracts on **MCX** and their counterparts on US-based Comex — trades for which the two leading commodity futures exchanges cannot be blamed, regulatory officials clarified. EOW is awaiting a forensic report from Sebi before considering action against the brokers, a senior police official told ET. ET had on March 19 reported about the joint raids on a few brokers.



Economic Offences Wing is awaiting a forensic report from Sebi before considering action against the brokers, a senior police official told ET.

"The government and regulatory apparatus are concerned not just about the illegality of such trades but also because of unaccounted monies being channelled overseas through illegal money transfers," said one broker. "Issues of corruption and black money were planks that NDA fought on and won the last Union elections. Action is thus happening on various fronts to curb unaccounted money from escaping the tax dragnet."

Money Trail

- **Brokers suspected of illegally running trades between futures contracts on MCX and US-based Comex**
- **MCX gold trades at average premium of ₹75 per 10 gm to Comex gold**
- **Since second half of Jan, MCX gold trading at ₹240 discount on an average**
- **Some traders went long Comex gold and short MCX gold, expecting the skew to correct**
- **They make profit when spread narrows, which happens during expiry**
- **For foreign leg, cash suspected to be remitted to an overseas entity related to broker through hawala**

ETIG data show that over the past year, the generic gold futures contract on MCX traded at an average premium of Rs 75 per 10 gm to the generic gold contract on Comex. However, since the second half of January, the premium has eroded and MCX gold has actually begun trading at an average discount of Rs 240 to Comex gold.

A stronger **rupee** was one of chief reasons for MCX gold trading at a discount, pointed out Harish Galipelli, commodity and currency head at Inditrade. Galipelli clarified that he was "clueless" about the arbitrage between MCX and Comex.

In the calendar year through Tuesday, the rupee rose by 1.4% against the dollar, resulting in MCX gold rising 16.5% against an 18% jump in Comex gold.

India is the world's largest gold importer at around 1,000 tonnes each year. A stronger rupee makes gold cheaper. When Comex gold trades at a sizeable discount to MCX gold, certain traders go long the former and short the latter expecting the skew to correct. Similarly, when MCX gold trades at a discount, the traders buy MCX and sell Comex. They make a profit when the spread narrows as, at expiry of the contracts, the prices of the two contracts, adjusted for currency, converge.

For the foreign leg, few brokers believe that cash is remitted to an overseas entity related to the broker through hawala.

"It's this transfer of black money that concerns the government," said another broker. Those who spoke on the issue did so on condition of anonymity, given the "sensitivity" of the issue.

Stay on top of business news with The Economic Times App. [Download it Now!](#)



[Live Market](#)

[News](#)

[Portfolio](#)

[Mobile](#)

[Live TV](#)

[Newsletter](#)

[Commodities](#)

[Speed](#)

[QnA](#)

[Blogs](#)

[Alerts](#)

[RSS](#)

Other Times Group news sites

Times of India | इकनॉमिक टाइम्स
छंदीलीमिड र्ाइमिस् | Mumbai Mirror
Times Now | Indiatimes
नवभारत टाइम्स | महाराष्ट्र टाइम्स
ವಿಜಯ ಕರ್ನಾಟಕ | Lifehacker
Gizmodo | Eisamay | IGN India
NavGujarat Samay

Living and entertainment

Timescity | iDiva | Zoom |
Luxpresso | Gaana | Happytrips |
Cricbuzz | Get Smartapp

Networking

itimes | MensXP.com

Hot on the Web

Budget 2017 | Sensex, Nifty Live
Year-End Special 2016 | UP &
Punjab Assembly Elections 2017
Live: Currency
Demonetisation | Gold Rate
RBI Monetary Policy

Services

ads2book | Gadgetsnow | Free Business Listings
Simplymarry | Astrospeak | Timesjobs | Magicbricks | Zigwheels | Timesdeal |
dineout | Filmipop | Remit2india | Gaana | Greetzap | Tchradar | Alivear |
Google Play