

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF ECONOMIC AFFAIRS
LOK SABHA

STARRED QUESTION No. 288

TO BE ANSWERED ON: Friday, 18th December, 2015/Agrahayana 27, 1937 (Saka)

Impact of Gold Monetisation Scheme

QUESTION

***288. Shri K. Parasuraman:**

Dr. Bhola Singh:

Will the Minister of FINANCE be pleased to state:

- (a) The details of target fixed by the Government with regard to collection of gold/funds through gold bond scheme during the current financial year along with the value of gold/funds collected from individual, religious (entities) separately;
- (b) Whether the Government has made any assessment with regard to the impact of the Gold Monetisation Scheme since its launch on November 5, 2015;
- (c) If so, the extent to which it has curbed/ checked the import of gold and benefited the jewellery industry; and
- (d) If not, the other steps being taken by the Government in this regard?

ANSWER

MINISTER OF FINANCE
(SHRI ARUN JAITLEY)

(a) to (d) A statement is laid on the table of the House.

STATEMENT REFERRED TO IN REPLY TO LOK SABHA STARRED QUESTION NO. 288 RAISED BY SHRI K. PARASURAMAN: DR. BHOLA SINGH, HON'BLE MEMBERS OF PARLIAMENT FOR REPLY ON 18th DECEMBER, 2015 REGARDING "IMPACT OF GOLD MONETISATION SCHEME".

The objective of the Sovereign Gold Bonds Scheme is to reduce the demand for physical gold by providing an alternative investment instrument linked to gold. The collection of funds through the gold bond scheme during the current financial year will be within the overall borrowing limit of Government from the market. The first tranche of the Sovereign Gold Bond (SGB) was open for subscription from November 5, 2015 to November 20, 2015 during which a total of 62,169 applications were received for a subscription of 9,15,953 grams of gold amounting to Rs 246 crore.

The Gold Monetisation Scheme is an open ended Scheme. It is too early to make an assessment of the impact of the scheme.

The Government from time-to-time consults different stakeholders to make changes in the schemes including the Gold Monetization Scheme, which is an ongoing process.

NOTE FOR PAD

NOTE FOR PAD
LOK SABHA STARRED QUESTION

NO. 288

(POSITION NO. 8)

Raised by SHRI K. PARASURAMAN: DR. BHOLA SINGH
FOR 18.12.2015

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I. THRUST OF THE QUESTION

The thrust of the question is on the **performance** of the **Sovereign Gold Bonds** scheme and the **Gold Monetisation scheme**. The question seeks to know the amount of funds collected through the gold bonds scheme and the impact of the Gold Monetisation scheme in curbing the import of gold and in benefitting the jewellery sector.

II. BACKGROUND

- The Reserve Bank of India constituted a 'Working Group to Study the Issues Related to Gold and Gold Loans NBFCs in India' in April 2012, which submitted its Final Report to the Reserve Bank in February, 2013. The Working Group, taking note of the fact that there is a large stock of gold in India lying idle, recommended that there is a need for introducing new gold-backed products.
- The Sovereign Gold Bonds scheme and the Gold Monetization Scheme were announced in the Union Budget 2015-16. The schemes were formally launched on **5th November, 2015** by the Prime Minister of India.

III. GUIDELINES OF THE SOVEREIGN GOLD BONDS SCHEME

(The Gazette Notification Notifying the SGB scheme is as Annex I)

1. Eligibility for Investment: The Bonds under this Scheme may be held by a person resident in India, being an individual, in his capacity as such individual, or on behalf of minor child, or jointly with any other individual. "Person resident in India" is defined under section 2(v) read with section 2 (u) of the Foreign Exchange Management Act, 1999.

2. Form of Security: The Bonds shall be issued in the form of Government of India Stock in accordance with section 3 of the Government Securities Act, 2006. The investors will be issued a Holding Certificate. The Bonds shall be eligible for conversion into **de-mat form**.

3. Denomination: The Bonds shall be denominated in units of one gram of gold and multiples thereof. Minimum investment in the Bonds shall be 2 grams with a maximum subscription of 500 grams per person per fiscal year (April – March). In case of joint holding, the limit applies to the first applicant.

- 4. Issue Price:** Price of the Bonds shall be fixed in Indian Rupees on the basis of the previous week's (Monday – Friday) simple average closing price for gold of 999 purity, published by the India Bullion and Jewellers Association Ltd. (IBJA).
- 5. Interest:** For the FY 2015-16, the Bonds shall bear interest at the rate of **2.75 per cent (fixed rate)** per annum on the amount of initial investment. Interest shall be paid in half-yearly rests and the last interest shall be payable on maturity along with the principal.
- 6. Receiving Offices:** Scheduled commercial banks (excluding RRBs) and designated Post Offices (as may be notified) are authorized to receive applications for the Bonds either directly or through agents.
- 7. Redemption:** The Bonds shall be repayable on the expiration of **eight years** from the date of issue. **Pre-mature redemption of the Bond is allowed from fifth year** of the date of issue on the interest payment dates. The redemption price shall be fixed in Indian Rupees on the basis of the previous week's (Monday – Friday) simple average closing price for gold of 999 purity, published by IBJA.
- 8. Eligibility for Statutory Liquidity Ratio (SLR):** The investment in the Bonds shall be eligible for SLR.
- 9. Loan against Bonds:** The Bonds may be used as collateral for loans. The Loan to Value ratio will be as applicable to ordinary gold loan mandated by the RBI from time to time. The lien on the Bonds shall be marked in the depository by the authorized banks.
- 10. Tax Treatment:** Interest on the Bonds shall be taxable as per the provisions of the Income-tax Act, 1961. Capital gains tax treatment will be the same as that for physical gold.
- 11. Transferability:** The Bonds shall be transferable, in accordance with the provisions of the Government Securities Act, 2006 (38 of 2006) and the Government Securities Regulations, 2007, published in part III, Section 4 of the Gazette of India dated the 1st December, 2007.
- 12. Tradability in Bonds:** The Bonds shall be eligible for trading from such date as may be notified by the Reserve Bank of India.

13. Commission for distribution: Commission for distribution shall be paid at the rate of rupee one per hundred of the total subscription received by the receiving offices on the applications received and receiving offices shall share at least 50% of the commission so received with the agents or sub-agents for the business procured through them.

IV. GUIDELINES OF THE GOLD MONETIZATION SCHEME

(The RBI Master Direction Notifying the GMS is at Annex II)

1. Objective

GMS, which modifies the existing 'Gold Deposit Scheme' (GDS) and 'Gold Metal Loan Scheme (GML), is intended to mobilize gold held by households and institutions of the country and facilitate its use for productive purposes, and in the long run, to reduce country's reliance on the import of gold.

2. Basic Features

- i. All designated banks will be eligible to implement the scheme.
- ii. The principal and interest of the deposit under the scheme shall be denominated in gold.
- iii. Persons eligible to make a deposit - Resident Indians (Individuals, HUFs, Trusts including Mutual Funds/Exchange Traded Funds registered under SEBI (Mutual Fund) Regulations and Companies) can make deposits under the scheme. Joint deposits of two or more eligible depositors are also allowed under the scheme and the deposit in such case shall be credited to the joint deposit account opened in the name of such depositors. The existing rules regarding joint operation of bank deposit accounts including nominations will be applicable to these gold deposits.
- iv. All deposits under the scheme shall be made at the CPTC. However, at their discretion, banks may accept the deposit of gold at the designated branches, especially from the larger depositors.
- v. Interest on deposits under the scheme will start accruing from the date of conversion of gold deposited into tradable gold bars after refinement or 30 days after the receipt of gold at the CPTC or the bank's designated branch, as the case may be, whichever is earlier.
- vi. During the period commencing from the date of receipt of gold by the CPTC or the designated branch, as the case may be, to the date on which interest starts accruing in the

deposit, the gold accepted by the CPTC or the designated branch of the bank shall be treated as an item in safe custody held by the designated bank.

vii. On the day the gold deposited under the scheme starts accruing interest, the designated banks shall translate the gold liabilities and assets in Indian Rupees by crossing the London AM fixing for Gold / USD rate with the Rupee-US Dollar reference rate announced by RBI on that day. The prevalent custom duty for import of gold will be added to the above value to arrive at the final value of gold. This approach will also be followed for valuation of gold at any subsequent valuation dates and for the conversion of gold into Indian Rupees under the Scheme.

viii. Reporting – The designated banks need to submit a monthly report on GMS to the RBI in the prescribed format.

3. **Minimum Deposit:** The minimum deposit at any one time shall be 30 grams of raw gold (bars, coins, jewellery excluding stones and other metals). There is no maximum limit for deposit under the scheme.

4. **Types of deposits:** There shall be two different gold deposit schemes namely, Short Term Bank Deposit (STBD) and b) Medium and Long Term Government Deposit (MLTGD)- The details of both the deposit options is as under:

a) Short Term Bank Deposit (STBD)

i. The deposit will be made with the designated banks for a short term period of 1-3 years (with a roll over in multiples of one year) and will be treated as their on-balance sheet liability.

ii. The deposit will attract CRR and SLR requirements as per applicable instructions of RBI from the date of credit of the amount to the deposit account. However, the stock of gold held by banks in their books will be an eligible asset for meeting the SLR requirement in terms of RBI Master Circular - Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR) dated 1 July 2015.

iii. The designated banks may, at their discretion, allow whole or part premature withdrawal of the deposit subject to such minimum lock-in period and penalties, if any, as may be determined by them.

- iv. The designated banks are free to fix the interest rates on these deposits. The interest shall be credited in the deposit accounts on the respective due dates and will be withdraw able periodically or at maturity as per the terms of the deposit.
- v. Redemption of principal and interest at maturity will, at the option of the depositor be either in Indian Rupee equivalent of the deposited gold and accrued interest based on the price of gold prevailing at the time of redemption, or in gold. The option in this regard shall be made in writing by the depositor at the time of making the deposit and shall be irrevocable:
- vi. Provided that any premature redemption shall be in Indian Rupee equivalent or gold at the discretion of the designated bank.

b) Medium and Long Term Government Deposit (MLTGD)

- i. The deposit under this category will be accepted by the designated banks on behalf of the Central Government. The receipts issued by the CPTC and the deposit certificate issued by the designated banks shall state this clearly.
- ii. This deposit will not be reflected in the balance sheet of the designated banks. It will be the liability of Central Government and the designated banks will hold this gold deposit on behalf of Central Government until it is transferred to such person as may be determined by the Central Government.
- iii. The deposit can be made for a medium term period of 5-7 years or a long term period of 12-15 years or for such period as may be decided from time to time by the Central Government. The rate of interest of such deposit will be decided by Central Government and notified by Reserve Bank of India from time to time. The designated banks may allow whole or part premature withdrawal of the deposit subject to such minimum lock-in period and penalties, if any, as determined by the Central Government.
- iv. Redemption of the deposit including interest accrued will be only in Indian Rupee equivalent of the value of the gold and accumulated interest as per the price of gold prevailing at the time of redemption.
- v. The gold received under MLTGD will be auctioned by the agencies notified by Government and the sale proceeds will be credited to Government's account held with RBI.

- vi. Reserve Bank of India will maintain the Gold Deposit Accounts denominated in gold in the name of the designated banks that will in turn hold sub-accounts of individual depositors.
- vii. The details of auctioning and the accounting procedure will be notified by Government of India.

5. Opening of gold deposit accounts

The opening of gold deposit accounts shall be subject to the same rules with regard to customer identification as are applicable to any other deposit account. Depositors who do not already have any other account with the designated bank, shall open a gold deposit account with the designated banks with zero balance at any time prior to tendering gold at the CPTC after complying with KYC norms as prescribed by Reserve Bank of India.

The designated banks will credit the STBD or MLTGD, as the case may be, with the amount of 995 fineness gold as indicated in the advice received from CPTC, after 30 days of receipt of gold at the CPTC, regardless of whether the depositor submits the receipt for issuance of the deposit certificate or not.

6. Collection and Purity Testing Centres: Every designated bank shall enter into a legally binding tripartite agreement with the refiners and CPTCs with whom they tie up under the Scheme. The agreement shall clearly lay down the details regarding payment of fees, services to be provided, standards of service, the details of the arrangement regarding movement of gold and rights and obligations of all the three parties in connection with the operation of the Scheme.

7. Utilization of gold mobilized under GMS

- **Gold accepted under STBD-** to be sold to MMTC for minting India Gold Coins (IGC), to jewellers and to other designated banks participating in GMS; or to lend the gold under the GML scheme to MMTC for minting India Gold Coins (IGC) and to jewellers.
- **Gold accepted under MLTGD-** Gold deposited under MLTGD will be auctioned by MMTC and the sale proceeds credited to the Central Government's account with RBI.

V. TARGET OF THE SCHEMES

i) Sovereign Gold Bonds:

- The Government of India (GoI) has launched the Sovereign Gold Bonds (SGB) in an effort to reduce demand for physical gold by providing an alternative investment instrument linked to gold.
- The collection of funds through the gold bond scheme during the current financial year has been limited to the extent of the Government's borrowings from the market for the current financial year.
- Accordingly, it is **proposed** to garner a maximum of Rs 15,000 crores in the current fiscal year.

ii) Gold Monetization Scheme:

- The Government of India (GoI) has launched the Gold Monetization Scheme with the objective of mobilizing the gold held by households and institutions in the country and for putting this gold into productive use.
- The long-term objective which is sought through this arrangement is to reduce the country's reliance on the import of gold to meet the domestic demand.
- It is estimated that around 20,000 tonnes of gold is lying idle with Households and Institutions in India.

VI. UPDATE ON THE SGB AND GMS

i) Sovereign Gold Bonds:

- The first tranche of the Sovereign Gold Bond (SGB) was open for subscription from November 5, 2015 to November 20, 2015. The Bonds were issued on November 30, 2015.
- A total of 62169 applications were received for a total subscription of 9,15,953 grams of gold amounting to ₹ 246 crore.
- The top ten receiving offices in terms of subscription amount were HDFC Bank Limited, ICICI Bank Ltd, YES Bank Ltd, Allahabad Bank, Bank Of India, Andhra Bank, Karur Vysya Bank Ltd, DCB Bank Ltd, State Bank of India and Federal Bank Ltd.

ii) Gold Monetization Scheme:

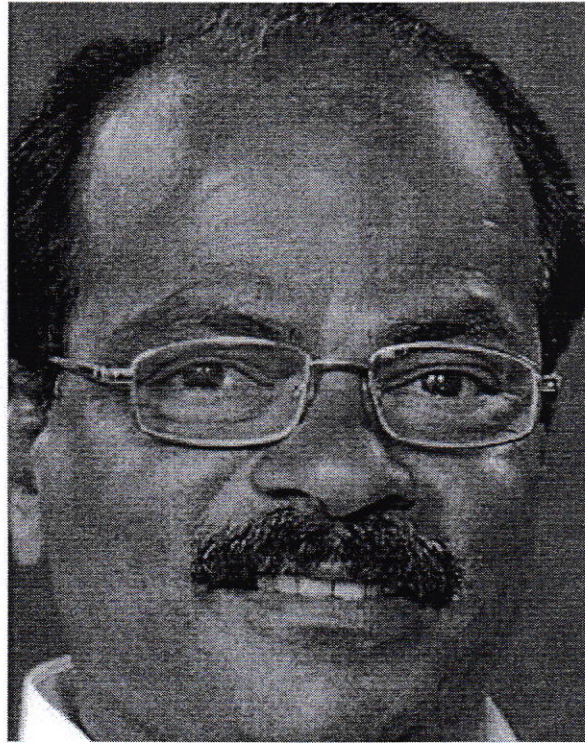
- As per the information sought by RBI from **24 banks** (of which **11 banks** have responded as on 14th December, 2015), **512.488 kilograms** (*Details at Annex-III*) of gold have been mobilized so far through the scheme. (The exact amount could be larger as RBI has not received information from all the banks yet)
- As on 30 Nov. 2015, **40 Assaying & Hallmarking centers** have been certified by BIS to act as Collection and Purity Testing Centres (CPTCs) under the GMS
- BIS has also allowed the licensed **jewellers/refineries** to act as Collection and Purity Testing Centres (CPTCs) under the GMS. This information has also been uploaded on BIS website on 27th Nov. 2015
- BIS has modified licensing conditions to refiners having accreditation from three years' experience to one year experience only. And the same have been put on the BIS website.

VII. GOLD IMPORTS.

- Gold is an important component of India's total imports and therefore of its current account deficit. As per the report of the RBI study group, gold contributed nearly 20 per cent of trade deficit during 2006-07 to 2008-09 and nearly 30 per cent during 2009-10 to 2011-12. Further, India is the top fabricator and consumer of gold jewellery, accounting for nearly one third of global fabrication (amounting to 618 tonnes) and consumer (552 tonnes) demand.
- The import of gold in the country over the past three years is the following:

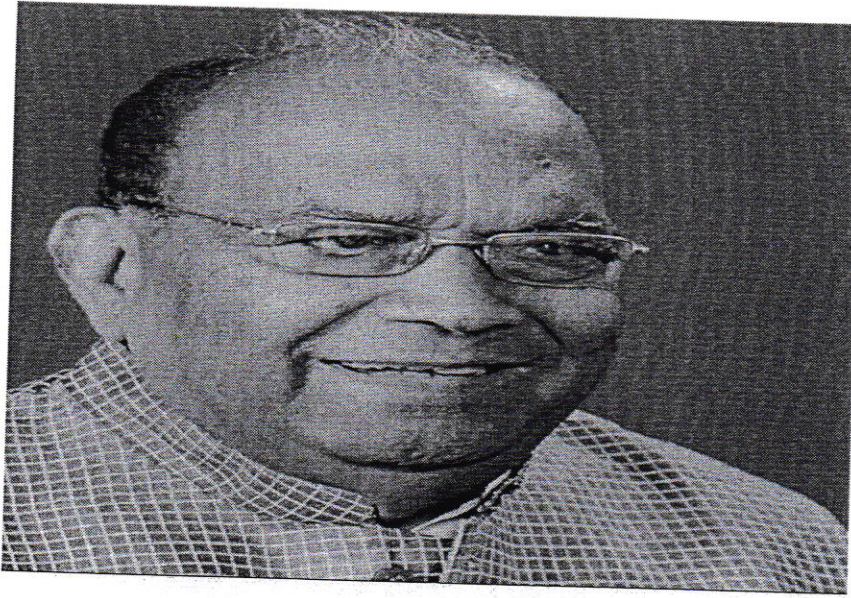
YEAR	QTY(Tonnes)	VAL(INR) (in Rs crores)
2012-13	1013.717	292152.8
2013-14	661.713	166242.6
2014-15	915.458	210658.0
2015-16(APR TO SEP)	528.444	112432.2

VIII. BIODATA OF SHRI K. PARASURAMAN



Constituency : Thanjavur (Tamil Nadu)
Party Name : All India Anna Dravida Munnetra Kazhagam(AIADMK)
Date of Birth : 15 Dec 1960
Educational Qualifications : B.Sc.
Profession : Businessperson
Permanent Address : 91, Raghuman Nagar, Medical College Road,
Thanjavur - 613004, Tamil Nadu
09442111421 (M)
Present Address : 194, North Avenue, New Delhi-110 001
Positions Held : May, 2014 Elected to 16th Lok Sabha
1 Sep. 2014 onwards Member, Standing Committee on
Urban Development
Member, Consultative Committee, Ministry of Water
Resources, River Development and Ganga Rejuvenation

IX. BIODATA OF DR BHOLA SINGH



Constituency	:	Begusarai (Bihar)
Party Name	:	Bharatiya Janata Party(BJP)
Father's Name	:	Shri Ram Pratap Singh
Mother's Name	:	Smt. Tunka Devi
Date of Birth	:	03 Jan 1939
Place of Birth	:	Vill. Dunahi, Distt. Begusarai (Bihar)
Marital Status	:	Married
Date of Marriage	:	21 Jul 1953
Spouse's Name	:	Smt. Savitri Devi
No. of Sons	:	3
No. of Daughters	:	2
Educational Qualifications	:	M.A., Ph.D. Educated at Patna University, Patna and Lalit Narayan Mithila University, Darbhanga, Bihar
Profession	:	Agriculturist
Permanent Address	:	Ashok Nagar, Pokharia, Ward No. 36, Begusarai, Bihar-
Present Address	:	C-I/12-A, Lodhi Garden, New Delhi - 110 003
Positions Held		
	•	1967-69,1972-90,2000-2009 Member, Bihar Vidhan Sabha (Eight Terms)
	•	1981-1982 Chairman, Agro Industries Corporation, Bihar
	•	1982-1983 Chairman, Estimate Committee

- 1984-1985 State Home Minister, Bihar Government
- 1985-1988 Chairman, Public Accounts Committee, Bihar Vidhan Sabha
- 1988-1989 State Education Minister, Bihar Government
- 2000-2003 Chairman, MLA Petition Committee
- 2003-2005 Deputy Speaker, Bihar Vidhan Sabha
- 2005-2008 Chairman, Public Enterprise Committee
- 2008-2009 Minister, Urban Development, Government of Bihar
- 2009 Elected to 15th Lok Sabha
- 31 Aug. 2009 Member, Committee on Information Technology
- 23 Sep. 2009 Member, Library Committee
- Member, Committee on Heavy Industry and Public Enterprises
- May, 2014 Re-elected to 16th Lok Sabha (2nd term)
- 1 Sep. 2014 onwards Member, Standing Committee on Petroleum and Natural Gas
- Member, Consultative Committee, Ministry of Steel and Mines
- Member, Committee on Ethics
- 15 Sep. 2014 onwards Member, Committee on Private Members' Bills and Resolutions
- 28 Jan. 2015 onwards Member on the Samsad (Court) of Visva-Bharati

Books Published

1. 'Kissan Mere Bhagwan Hain' a Book based on Assembly Debates
2. 'Main Pravaah Hoon' is a publication based on speeches and procedures of Lok Sabha
3. 'Begusarai' a Historical Book on is based on my Research work and I have been Awarded Ph.D. for this work by the University

Literary Artistic & Scientific Accomplishments

Reading experience of the literary works of national poet Ramdhari Singh Dinkar; write articles for newspapers and Doordarshan; and Doctoral research work on the topic of "Begusarai Ka Aitihāsik Sarvekshan"

Social And Cultural Activities

Has been office bearer to a number of cultural organisations in Bihar, including Sir Ganesh Dutt Parishad, Swami Sahajanand Saraswati Sansthan, Bihar Volleyball Association etc.

Special Interests

Public Service, fighting for the public issues

Sports and Clubs

Office bearer, Bihar Volleyball Association

Countries Visited

Russia (on the occasion of November Revolution)



भारत का राजपत्र

The Gazette of India

असाधारण

EXTRAORDINARY

भाग II—खण्ड 3—उप-खण्ड (i)

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NEW DELHI, FRIDAY, OCTOBER 30, 2015/ KARTIKA 8, 1937

वित्त मंत्रालय

(आर्थिक कार्य विभाग)

अधिसूचना

नई दिल्ली, 30 अक्टूबर, 2015

सा.का.नि 827(अ).—भारतीय प्रतिभूति अधिनियम, 2006 (2006 का 38) की धारा 3 के खंड (iii) द्वारा प्रदत्त शक्तियों का प्रयोग करते हुए, केंद्रीय सरकार एतद्वारा निम्नलिखित स्कीम बनाती है,
नामत:-

1. संक्षिप्त नाम और आरंभ—(1) इस स्कीम का नाम साँवरेन स्वर्ण बांड स्कीम, 2015 होगा।

(2) यह सरकारी राजपत्र में अपने प्रकाशन की तारीख से प्रवृत्त होगी।

2. परिभाषा— इस स्कीम में, जब तक संदर्भ से अन्यथा अभिप्रेत न हो, -

(क) "प्रपत्र" का अर्थ है, इस स्कीम के साथ संलग्न प्रपत्र;

(ख) "प्राप्तकर्ता कार्यालय" का अर्थ है, इस स्कीम के अनुबंध 1 में यथानिर्दिष्ट राष्ट्रीयकृत बैंकों, अनुसूचित निजी बैंकों, अनुसूचित विदेशी बैंकों के कार्यालय अथवा शाखाएं तथा विनिर्दिष्ट डाकघर जो भी अधिसूचित किए जाएं;

(ग) "स्टॉक प्रमाणपत्र" का अर्थ है, सरकारी प्रतिभूति अधिनियम, 2006 की धारा 3 के अनुसार भारत सरकार स्टॉक के रूप में निर्गमित स्वर्ण बांड।

3. निवेश हेतु पात्रता— (1) इस स्कीम के अंतर्गत, स्वर्ण बांडों का स्वामित्व भारत में निवासी व्यक्ति द्वारा, एक व्यक्ति के तौर पर, ऐसे व्यक्ति के रूप में, अथवा अवयस्क शिशु की ओर से, अथवा किसी अन्य व्यक्ति के साथ संयुक्त रूप से धारित किया जा सकेगा।

स्पष्टीकरण— इस पैराग्राफ के प्रयोजनार्थ-

(i) शब्द "व्यक्ति" का वही अर्थ होगा जो विदेशी मुद्रा प्रबंधन अधिनियम, 1999 (1999 का 42) की धारा 2 के खंड (प) में यथापरिभाषित है;

(ii) शब्द "भारत में निवासी व्यक्ति" का वही अर्थ होगा जो विदेशी मुद्रा प्रबंधन अधिनियम, 1999 (1999 का 42) की धारा 2 के खंड (फ) में यथापरिभाषित है;

MINISTRY OF FINANCE
(Department of Economic Affairs)
NOTIFICATION

New Delhi, the 30th October, 2015

G.S.R.827 (E). — In exercise of the powers conferred by clause (iii) of section 3 of the Government Securities Act, 2006 (38 of 2006), the Central Government hereby makes the following Scheme, namely: -

1. Short title and commencement.— (1) This scheme may be called the Sovereign Gold Bonds Scheme, 2015.

(2) It shall come into force on the date of its publication in the Official Gazette.

2. Definition.— In this Scheme, unless the context otherwise requires, —

(a) "Form" means a form appended to this Scheme;

(b) "receiving office" means the offices or branches of Nationalised Banks, Scheduled Private Banks, Scheduled Foreign Banks as specified in Annexure I to this Scheme and designated Post Offices as may be notified;

(c) "Stock Certificate" means the Gold Bond issued in the form of Government of India Stock in accordance with section 3 of the Government Securities Act, 2006.

3. Eligibility for Investment.— (1) The Gold Bonds under this Scheme may be held by a person resident in India, being an individual, in his capacity as such individual, or on behalf of minor child, or jointly with any other individual.

Explanation.— For the purposes of this paragraph, —

(i) the expression "person" shall have the same meaning as defined in clause (u) of section 2 of the Foreign Exchange Management Act, 1999 (42 of 1999);

(ii) the expression "person resident in India" shall have the same meaning as defined in clause (v) of section 2 of the Foreign Exchange Management Act, 1999 (42 of 1999).

4. Form of subscription and pricing.— (1) Subscription shall be in the form of denominated units of one gram of Gold or multiples thereof:

Provided that the minimum limit of subscription in the Bond shall be of two grams and maximum limit of subscription shall be of five hundred grams per person per fiscal year:

Provided further that in case of joint holding, the above limits shall be applicable to the first applicant only.

(2) The issue price of Gold Bonds shall be made in Indian Rupees on the basis of simple average of closing price of gold of 999 purity of previous week (Monday to Friday) published by the India Bullion and Jewellers Association Limited.

5. Procedure for making application for subscription to Gold Bonds.— (1) Every Subscriber who is desirous of making subscription to the Gold Bonds shall apply to any receiving office in Form 'A' or in any other form as near as thereto, stating clearly the grams of gold and full name and address of the applicant.

(2) Every application shall contain such documents and particular as specified in the instructions contained in the Application Form.

(3) On receipt of an application under sub paragraph 1, the receiving office shall issue an acknowledgment receipt in Form 'B', if all requirements of the application are fulfilled.

(4) An incomplete application is liable to be rejected if all requirements of the application are not fulfilled within period specified in paragraph 6.

6. Date and form of issue of Gold Bonds.— (1) The Gold Bonds shall be issued on the 26th day of November, 2015 in the form of a Stock Certificate as specified in Form 'C'.

(2) The Gold Bonds shall be eligible to be converted into De-mat form.

7. Period of subscription.— the Subscription of the Gold Bond under this Scheme shall open on and from the 5th day of November, 2015 and shall close on the 20th day of November, 2015;

Provided that the Central Government may, with prior notice, close the Scheme before the period specified above.

8. Interest.— (1) The interest on the Gold Bonds shall commence from the date of its issue and shall

have a fixed rate of interest at 2.75 percent per annum on the amount of initial investment.

(2) The interest shall be payable in half-yearly rests and the last interest shall be payable along with the principal on maturity.

9. Receiving Offices.— The receiving office specified in Annexure I shall be authorised to receive applications for the Bonds either directly or through agents.

10. Payment Options.— (1) All payments for Gold Bond shall be accepted in Indian Rupees through cash or demand draft or cheque or electronic banking.

(2) Where payment is made through cheque or demand draft, the same shall be drawn in favour of the receiving office.

11. Redemption.— (1) The Gold Bond shall be repayable on the expiration of eight years from the 26th November, 2015, the date of the issue of Gold Bonds:

Provided that premature redemption of Gold Bond may be permitted from fifth year from the date of issue of such Gold Bond on the date on which interest is payable.

(2) On maturity, the Gold Bonds shall be redeemed in Indian Rupees and the redemption price shall be based on simple average of closing price of gold of 999 purity of previous week (Monday to Friday) published by the India Bullion and Jewellers Association Limited.

(3) The receiving office shall inform the investor of the date of maturity of the Gold Bond one month before its maturity.

12. Eligibility for Statutory Liquidity Ratio.— The investment in the Gold Bonds under this Scheme shall be eligible for Statutory Liquidity Ratio.

13. Loan against Bonds.— (1) The Gold Bonds under this Scheme may be used as collateral security for any loan.

(2) The Loan to Value ratio as applicable to any ordinary gold loan mandated by the Reserve Bank of India shall also apply to the Gold Bond under this Scheme.

(3) The lien on the bond shall be marked in the depository by the authorised banks.

14. Tax Treatment.— The interest on the Gold Bond shall be taxable as per the provisions of the Income-tax Act, 1961 (43 of 1961) and the capital gains tax shall also remain the same as in the case of physical gold.

15. Nomination.— Nomination and its cancellation shall be made in Form 'D' and Form 'E', respectively, in accordance with the provisions of the Government Securities Act, 2006 (38 of 2006) and the Government Securities Regulations, 2007, published in part III, Section 4 of the Gazette of India dated the 1st December, 2007.

16. Transfer of Gold Bonds.—The Gold Bonds in the form of Stock Certificate is transferable by execution of an Instrument of transfer as in Form 'F', in accordance with the provisions of the Government Securities Act, 2006 (38 of 2006) and the Government Securities Regulations, 2007, published in part III, Section 4 of the Gazette of India dated the 1st December, 2007.

17. Trading in Gold Bonds.—The Gold Bonds shall be eligible for trading from such date as may be notified by the Reserve Bank of India.

18. Commission for distribution.—Commission for distribution shall be paid at the rate of rupee one per hundred of the total subscription received by the receiving offices on the applications received and receiving offices shall share at least 50% of the commission so received with the agents or sub agents for the business procured through them.

19. All other terms and conditions specified in the notification of Government of India in the Ministry of Finance (Department of Economic Affairs) vide number F. No.4(13) W&M/2008, dated the 8th October, 2008 shall apply to the Gold Bond issued under this scheme.

By Order of the President of India

[F. No. 4(19)-W&M/2014]

PRASHANT GOYAL, Jt. Secy.



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA
www.rbi.org.in

RBI/2015-16/211

Master Direction No.DBR.IBD.No.45/23.67.003/2015-16

October 22, 2015

Gold Monetisation Scheme, 2015

In exercise of the powers conferred on the Reserve Bank of India (RBI) under Section 35A of the Banking Regulation Act, 1949 and in pursuance of the Central Government notification issued vide Office Memorandum F.No.20/6/2015-FT dated September 15, 2015 regarding “**Gold Monetization Scheme (GMS)**”, the RBI being satisfied that it is in the public interest, so to do, hereby issues this Direction to all Scheduled Commercial Banks (excluding Regional Rural Banks).

CHAPTER – I

PRELIMINARY

1.1 Objective

GMS, which modifies the existing ‘Gold Deposit Scheme’ (GDS) and ‘Gold Metal Loan Scheme (GML), is intended to mobilise gold held by households and institutions of the country and facilitate its use for productive purposes, and in the long run, to reduce country’s reliance on the import of gold.

1.2. Short title and commencement

- i. This Direction shall be called the **Reserve Bank of India (Gold Monetization Scheme) Direction, 2015**.
- ii. All Scheduled Commercial Banks excluding RRBs will be eligible to implement the Scheme.
- iii. The banks intending to participate in the Scheme should formulate a comprehensive policy with approval of the board to implement it.

1.3 Definitions

In this Direction, unless the context otherwise requires, the following terms shall bear the meanings assigned to them below:

- i. **Collection and Purity Testing Centre (CPTC)** - The collection and assaying centres certified by the Bureau of Indian Standards (BIS) and notified by the Central Government for the purpose of handling gold deposited and redeemed under GMS.
- ii. **Designated bank** – All Scheduled Commercial Banks (excluding RRBs) that decide to implement the Scheme.
- iii. **Gold Deposit Account** – An account opened with a designated bank under the Scheme and denominated in grams of gold.
- iv. **Medium and Long Term Government Deposit (MLTGD)** - The deposit of gold made under the GMS with a designated bank in the account of the Central Government for a medium term period of 5-7 years or a long term period of 12-15 years or for such period as may be decided from time to time by the Central Government.
- v. **Nominated bank** – A Scheduled Commercial Bank authorized by RBI to import gold under the extant Foreign Trade Policy.
- vi. **Refiners** – The refineries accredited by the National Accreditation Board for Testing and Calibration Laboratories (NABL) and notified by the Central Government for the purpose of handling gold deposited and redeemed under GMS.
- vii. **Scheme** - Gold Monetization Scheme, 2015 which includes Revamped Gold Deposit Scheme (R-GDS) and Revamped Gold Metal Loan Scheme (R-GML).
- viii. **Short Term Bank Deposit (STBD)** - The deposit of gold made under the GMS with a designated bank for a short term period of 1-3 years.

Chapter II

Revamped Gold Deposit Scheme (R-GDS)

2.1 Basic features

2.1.1 General

- i. This scheme will replace the existing Gold Deposit Scheme, 1999. However, the deposits outstanding under the Gold Deposit Scheme will be allowed to run till maturity unless these are withdrawn by the depositors prematurely as per existing instructions.
- ii. All designated banks will be eligible to implement the scheme.
- iii. The principal and interest of the deposit under the scheme shall be denominated in gold.
- iv. Persons eligible to make a deposit - Resident Indians (Individuals, HUFs, Trusts including Mutual Funds/Exchange Traded Funds registered under SEBI (Mutual Fund) Regulations and Companies) can make deposits under the scheme. Joint deposits of two or more eligible depositors are also allowed under the scheme and the deposit in such case shall be credited to the joint deposit account opened in the name of such depositors. The existing rules regarding joint operation of bank deposit accounts including nominations will be applicable to these gold deposits.
- v. All deposits under the scheme shall be made at the CPTC. However, at their discretion, banks may accept the deposit of gold at the designated branches, especially from the larger depositors.
- vi. Interest on deposits under the scheme will start accruing from the date of conversion of gold deposited into tradable gold bars after refinement or 30 days after the receipt of gold at the CPTC or the bank's designated branch, as the case may be, whichever is earlier.
- vii. During the period commencing from the date of receipt of gold by the CPTC or the designated branch, as the case may be, to the date on which interest starts accruing in the deposit, the gold accepted by the

CPTC or the designated branch of the bank shall be treated as an item in safe custody held by the designated bank.

- viii. On the day the gold deposited under the scheme starts accruing interest, the designated banks shall translate the gold liabilities and assets in Indian Rupees by crossing the London AM fixing for Gold / USD rate with the Rupee-US Dollar reference rate announced by RBI on that day. The prevalent custom duty for import of gold will be added to the above value to arrive at the final value of gold. This approach will also be followed for valuation of gold at any subsequent valuation dates and for the conversion of gold into Indian Rupees under the Scheme.
- ix. Reporting – The designated banks need to submit a monthly report on GMS to the RBI in the prescribed format.

2.1.2 Acceptance of deposits

- i. The minimum deposit at any one time shall be 30 grams of raw gold (bars, coins, jewellery excluding stones and other metals). There is no maximum limit for deposit under the scheme.
- ii. All gold deposits under the scheme, whether tendered at the CPTC or the designated branches, shall be assayed at CPTC:
Provided that the designated banks are free not to subject the standard good delivery gold accepted directly at branches to fire assaying at the CPTC.

2.2 Types of deposits

There shall be two different gold deposit schemes as under:

2.2.1 Short Term Bank Deposit (STBD)

- i. All provisions of para 2.1 above shall apply to this deposit.
- ii. The deposit will be made with the designated banks for a short term period of 1-3 years (with a roll over in multiples of one year) and will be treated as their on-balance sheet liability.

- iii. The deposit will attract CRR and SLR requirements as per applicable instructions of RBI from the date of credit of the amount to the deposit account. However, the stock of gold held by banks in their books will be an eligible asset for meeting the SLR requirement in terms of RBI Master Circular - Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR) dated 1 July 2015.
- iv. The designated banks may, at their discretion, allow whole or part premature withdrawal of the deposit subject to such minimum lock-in period and penalties, if any, as may be determined by them.
- v. The designated banks are free to fix the interest rates on these deposits. The interest shall be credited in the deposit accounts on the respective due dates and will be withdrawable periodically or at maturity as per the terms of the deposit.
- vi. Redemption of principal and interest at maturity will, at the option of the depositor be either in Indian Rupee equivalent of the deposited gold and accrued interest based on the price of gold prevailing at the time of redemption, or in gold. The option in this regard shall be made in writing by the depositor at the time of making the deposit and shall be irrevocable:
Provided that any premature redemption shall be in Indian Rupee equivalent or gold at the discretion of the designated bank.

2.2.2 Medium and Long Term Government Deposit (MLTGD)

- i. All provisions of guidelines at para 2.1 above will apply to this deposit.
- ii. The deposit under this category will be accepted by the designated banks on behalf of the Central Government. The receipts issued by the CPTC and the deposit certificate issued by the designated banks shall state this clearly.
- iii. This deposit will not be reflected in the balance sheet of the designated banks. It will be the liability of Central Government and the designated banks will hold this gold deposit on behalf of Central Government until it is transferred to such person as may be determined by the Central Government.

- iv. The deposit can be made for a medium term period of 5-7 years or a long term period of 12-15 years or for such period as may be decided from time to time by the Central Government. The rate of interest of such deposit will be decided by Central Government and notified by Reserve Bank of India from time to time. The designated banks may allow whole or part premature withdrawal of the deposit subject to such minimum lock-in period and penalties, if any, as determined by the Central Government.
- v. Redemption of the deposit including interest accrued will be only in Indian Rupee equivalent of the value of the gold and accumulated interest as per the price of gold prevailing at the time of redemption.
- vi. The gold received under MLTGD will be auctioned by the agencies notified by Government and the sale proceeds will be credited to Government's account held with RBI.
- vii. Reserve Bank of India will maintain the Gold Deposit Accounts denominated in gold in the name of the designated banks that will in turn hold sub-accounts of individual depositors.
- viii. The details of auctioning and the accounting procedure will be notified by Government of India.

2.3 Opening of gold deposit accounts

The opening of gold deposit accounts shall be subject to the same rules with regard to customer identification as are applicable to any other deposit account. Depositors who do not already have any other account with the designated bank, shall open a gold deposit account with the designated banks with zero balance at any time prior to tendering gold at the CPTC after complying with KYC norms as prescribed by Reserve Bank of India.

The designated banks will credit the STBD or MLTGD, as the case may be, with the amount of 995 fineness gold as indicated in the advice received from CPTC, after 30 days of receipt of gold at the CPTC, regardless of whether the depositor submits the receipt for issuance of the deposit certificate or not.

2.4 Collection and Purity Testing Centres

- i. The Central Government will notify a list of BIS certified CPTCs under the Scheme.
- ii. The designated banks will be free to select and authorize the CPTCs out of the list notified by the Central Government for handling gold as their agents based on their assessment of the credit worthiness of these centres. (Please see paragraph 2.6 for tripartite agreement among banks, refineries and CPTCs).
- iii. Each designated bank authorizing a CPTC to collect deposit of gold on its behalf shall ensure that its name is included in the list of such banks displayed by the CPTC.
- iv. The schedule of fees charged by the CPTCs shall be displayed at a prominent place at the centre.
- v. Before tendering the raw gold to a CPTC, the depositor shall indicate the name of the designated bank with whom he would like to place the deposit¹.
- vi. After assaying the gold, the CPTC will issue a receipt signed by authorised signatories of the centre showing the standard gold of 995 fineness on behalf of the designated bank indicated by the depositor. Simultaneously, the CPTC will also send an advice to the designated bank regarding the acceptance of deposit.
- vii. The 995 fineness equivalent amount of gold as determined by the CPTC will be final and any difference in quantity or quality found after issuance of the receipt by the CPTC including at the level of the refinery due to refinement or any other reason shall be settled among the three parties viz., the CPTC, the

¹ The Indian Banks' Association (IBA) has agreed to design appropriate standard documentations in connection with the GMS including application form for tendering raw gold to the assaying centers, description of the physical appearance and other characteristics of the gold, the recording of the results of XRF by the assaying centre, customer's consent for melting the gold for fire-assaying, customer's consent for making the final deposit, the Final Receipt to be issued to the depositor and any other documents that may be considered by the banks. The entire set of documents should be made available to the depositor upfront and should include all the terms and conditions of the scheme including the schedule of charges. The documentation should be posted on IBA's website and should also be available in physical form at the CPTCs.

- refiner and the designated bank in accordance with the terms of the tripartite agreement.
- viii. The depositor shall produce the receipt showing the 995 fineness equivalent amount of gold issued by the CPTC to the designated bank branch, either in person or through post.
 - ix. On submission of the deposit receipt by the depositor, the designated bank shall issue the final deposit certificate on the same day or 30 days after the date of the tendering of gold at the CPTC, whichever is later.
 - x. The assaying process at the CPTC is described in Annex-1.

2.5 Transfer of gold to the Refiners

- i. The designated banks will be free to select the refiners based on their assessment regarding the credibility of these entities.
- ii. The CPTCs will transfer the gold to the refiners as per the terms and conditions set out in the tripartite agreement.
- iii. The refined gold may, at the option of the designated bank, be kept in the vaults maintained by the refiners or at the branch itself.
- iv. For the services provided by the refiners, the designated banks will pay a fee as decided mutually.
- v. The refiners shall not collect any charge from the depositor.

2.6 Tripartite agreement between the designated banks, refiners and CPTCs

- i. Every designated bank shall enter into a legally binding tripartite agreement with the refiners and CPTCs with whom they tie up under the Scheme.
- ii. The agreement shall clearly lay down the details regarding payment of fees, services to be provided, standards of service, the details of the arrangement regarding movement of gold and rights and obligations of all the three parties in connection with the operation of the Scheme.

2.7 Utilization of gold mobilized under GMS

2.7.1 Gold accepted under STBD

Without prejudice to the generality of the uses of the gold mobilised under the STBD, the designated banks may

- i. sell the gold to MMTC for minting India Gold Coins (IGC), to jewellers and to other designated banks participating in GMS; or
- ii. lend the gold under the GML scheme to MMTC for minting India Gold Coins (IGC) and to jewellers.

2.7.2 Gold accepted under MLTGD

- i. Gold deposited under MLTGD will be auctioned by MMTC or any other agency authorized by the Central Government and the sale proceeds credited to the Central Government's account with RBI.
- ii. The entities participating in the auction may include RBI, MMTC, banks and any other entities notified by the Central Government in this regard.
- iii. Gold purchased by designated bank under the auction may be utilized by them for any purposes indicated at para 2.7.1 above.

2.8 Risk management

- i. The designated banks are allowed to access the International Exchanges, London Bullion Market Association or make use of Over-the-counter contracts to hedge exposures to bullion prices subject to the guidelines issued by RBI.
- ii. The designated banks should put in place suitable risk management mechanisms including appropriate limits to manage the risk arising from gold price movements in respect of their net exposure to gold.

2.9 Oversight over the CPTCs and Refineries

- i. The Central Government, in consultation with BIS, NABL, RBI and IBA, may put in place appropriate supervisory mechanism over the CPTCs and the refiners so as to ensure observance of the standards set out for these centres by Government (BIS and NABL).
- ii. The Central Government may take appropriate action including levy of penalties against the non-compliant CPTCs and refiners.
- iii. The Central Government may also put in place appropriate grievance redress mechanism regarding any depositor's complaints against the CPTCs.
- iv. The complaints against the designated banks regarding any discrepancy in issuance of receipts and deposit certificates, redemption of deposits, payment of interest will be handled first by the bank's grievance redress process and then by the Banking Ombudsman of RBI.

Chapter III

GMS - linked Gold Metal Loan (GML) Scheme

3.1.1 General

- i. The gold mobilized under STBD may be provided to the jewellers as GML. The designated banks can also purchase the gold auctioned under MLTGD and extend GML to the jewellers.
- ii. The jewellers will receive the physical delivery of gold either from the refiners or from the designated bank, depending on the place where the refined gold is stored.
- iii. The existing Gold (Metal) Loan (GML) Scheme operated by nominated banks in terms of paragraph 2.3.12 of the RBI Master Circular on Loans and Advances dated July 1, 2015 will continue in parallel with GMS-linked GML scheme. All prudential guidelines for the existing GML Scheme as prescribed in the Master Circular as amended from time to time will also be applicable to the new Scheme.
- iv. The designated banks other than the nominated banks shall be eligible to import gold only for redemption of the gold deposits mobilised under the STBD.

3.1.2 Interest to be charged

The designated banks are free to determine the interest rate to be charged on GMS-linked GML.

3.1.3 Tenor

The tenor of GMS-linked GML will be the same as under the extant GML scheme.

sd/-

Rajinder Kumar
Chief General Manager

Annex 1

Assaying process at the CPTCs

- I. The fees to be charged by a CPTC shall be informed to the customer before doing the XRF test.
- II. There will be a BIS certified protocol of operations and processes at all stages of purity verification and deposit of gold which are as under:
 - i. XRF machine-test and weighing of all articles shall be done in the presence of the customer and will be recorded by CCTV Camera.
 - ii. After XRF test, the customer will be given the option to disagree with the preliminary test or withdraw the tendered gold or he will give his consent for melting and fire assay test.
 - iii. On receipt of the customer consent, the gold ornaments will be cleaned of its dirt, studs, meena etc. and thereafter, the purity of the tendered gold will be ascertained through a fire assay test in the presence of the customer.
 - iv. In case the customer agrees with the result of the fire assay test, he will exercise his option to deposit the gold with the bank and in that case the fee charged by the centre will be paid by the bank. However, in case of any disagreement with the fire assay result, the customer will be given the option to take back the melted gold after paying a nominal fee to the centre.
 - v. In case the customer exercises the option to deposit the gold, he will be provided a certificate by the CPTC certifying the weight of the gold tendered in equivalence of 995 fineness of gold.
 - vi. On receipt of this certificate from the customer, the bank will credit the equivalent quantity of Standard gold of 995 fineness in to the depositor's account.
 - vii. Simultaneously, the CPTC has also to inform the bank about the details of the deposit made by the customer.



RESERVE BANK OF INDIA
Department of Banking Regulation
Central Office
Mumbai-400 001

RBI/2015-16/221
DBR.IBD.BC.52/23.67.003/2015-16

November 3, 2015

All **Scheduled Commercial Banks** (excluding RRBs)

Dear Sir/Madam,

Gold Monetisation Scheme, 2015- Amendment

In exercise of the powers conferred under Section 35A of the Banking Regulation Act, 1949, the Reserve Bank of India hereby directs that the Reserve Bank of India (**Gold Monetisation Scheme, 2015**) Master Direction No.DBR.IBD.No.45/23.67.003 2015-16 dated October 22, 2015 be modified as under:

The existing sub paragraph 2.1.2 (i) shall be amended as follows:

“The minimum deposit at any one time shall be 30 grams of raw gold (bars, coins, jewellery excluding stones and other metals). There is no maximum limit for deposit under the scheme.”

Rajinder Kumar
Chief General Manager



RESERVE BANK OF INDIA
Department of Banking Regulation
Central Office
Mumbai-400 001

RBI/2015-16/220

DBR.IBD.BC.53/23.67.003/2015-16

November 3, 2015

All Scheduled Commercial Banks (excluding RRBs)

Dear Sir/Madam,

Gold Monetisation Scheme, 2015- Interest Rate

Please refer to the Reserve Bank of India Master Direction No.DBR.IBD.No.45/23.67.003/ 2015-16 dated October 22, 2015 on **Gold Monetisation Scheme (GMS), 2015.**

2. In this connection, it is notified in terms of Section 2.2.2 (iv) of the above Master Direction that the Central Government has fixed the rate of interest on **Medium and Long Term Government Deposit (MLTGD)** under the GMS as follows:

- i. On medium term deposit – 2.25% p.a.
- ii. On long term deposit – 2.50% p.a.

3. A copy of the list of the Collection and Purity Testing Centres (CPTCs) and the Refiners participating in the GMS, as notified by the Government of India, is given in Annex.

Rajinder Kumar
Chief General Manager

Encls: As above

AnnexureNote for pad

DBR, RBI has sought information from 24 major banks regarding mobilization of gold deposit under Gold Monetization Scheme. Out of those 24 banks, 11 banks have furnished the desired information as on December 14, 2015, which is tabulated below.

	Short term deposit		Medium term deposit		Long term deposit	
	No of depositor	Weight in grams	No of depositor	Weight in grams	No of depositor	Weight in grams
Temple/Trust	0	0	0	0	0	0
Individual/HUF	4	1679.024	10	8808.611	1	2000
MF/Gold ETF	2	500000	0	0	0	0
Others	0	0	0	0	0	0
	No of depositor	Weight in grams				
Total of Short term deposit	6	501679.024				
Total of medium term deposit	10	8808.611				
Total of Long term deposit	1	2000				
Total	17	512487.635				