

**Press Information Bureau  
Government of India  
Ministry of Finance**

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09-September-2015 14:46 IST

**Introduction of Gold Monetization Schemes**

The Union Cabinet chaired by the Prime Minister, Shri Narendra Modi, today gave its approval for introduction of Gold Monetization Schemes (GMS), as announced in the Union Budget 2015-16.

The objective of introducing the modifications in the schemes is to make the existing schemes more effective and to broaden the ambit of the existing schemes from merely mobilizing gold held by households and institutions in the country to 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 domestic demand.

GMS would benefit the Indian gems and jewellery sector which is a major contributor to India's exports. In fiscal year 2014-15, gems and jewellery constituted 12 per cent of India's total exports and the value of gold items alone was more than \$13 billion (provisional figures).

The mobilized gold will also supplement RBI's gold reserves and will help in reducing the government's borrowing cost.

The revamped Gold Deposit Scheme (GDS) and the Gold Metal Loan (GML) Scheme involves changes in the scheme guidelines only. The risk of gold price changes will be borne by the Gold Reserve Fund that is being created. The benefit to the Government is in terms of reduction in the cost of borrowing, which will be transferred to the Gold Reserve Fund.

The scheme will help in mobilizing the large amount of gold lying as an idle asset with households, trusts and various institutions in India and will provide a fillip to the gems and jewellery sector. Over the course of time this is also expected to reduce the country's dependence on the import of gold. The new scheme consists of the revamped GDS and a revamped GML Scheme.

### **Revamped Gold Deposit Scheme**

#### **Collection, Purity Verification and Deposit of Gold under the revamped GDS:**

Out of the 331 Assaying and Hallmarking Centres spread across various parts of the country, those which will meet criteria as specified by Bureau of Indian Standards (BIS) will be allowed to act as Collection and Purity Testing 1 Centres for purity of gold for the purpose of this scheme. The minimum quantity of gold that a customer can bring is proposed to be set at 30 grains. Gold can be in any form (bullion or jewellery). The number of these centres is expected to increase with time.

#### **Gold Savings Account:**

In the revamped scheme, a Gold Savings Account will be opened by customers at any time, with KYC norms, as applicable. This account would be denominated in grams of gold.

#### **Transfer of Gold to Refiners:**

Collection and purity testing centres will send the gold to the refiners. The refiners will keep the gold in their ware-houses, unless banks prefer to hold it themselves. For the services provided by the refiners, they will be paid a fee by the banks, as decided by them, mutually. The customer will not be charged.

The banks will enter into a tripartite Legal Agreement with refiners and Collection and Purity Testing Centres that are selected by them to be their partners in the scheme.

#### **Tenure:**

The deposits under the revamped scheme can be made for a short-term period of 1-3 years (with a roll out in multiples of one year); a medium-term period of 5-7 years and a long-term period, of 12-15 years (as decided from time to time). Like a fixed deposit, breaking of lock-in period will be allowed in either of the options and there would be a penalty

on premature redemption (including part withdrawal).

**Interest rate:**

The amount of interest rate payable for deposits made for the short-term period would be decided by banks on basis of prevailing international lease rates, other costs, market conditions etc. and will be denominated in grams of gold. For the medium and long-term deposits, the rate of interest (and fees to be paid to the bank for their services) will be decided by the government, in consultation with the RBI from time to time. The interest rate for the medium and long-term deposits will be denominated and payable in rupees, based on the value of gold deposited.

**Redemption:**

For short-term deposits, the customer will have the option of redemption, for the principal deposit and interest earned, either in cash (in equivalent rupees of the weight of deposited gold at the prices prevailing at the time of redemption) or in gold (of the same weight of gold as deposited), which will have to be exercised at the time of making the deposit. In case the customer will like to change the option, it will be allowed at the bank's discretion. Redemption of fractional quantity (for which a standard gold bar/coin is not available) would be paid in cash. For medium and long-term deposits, redemption will be only in cash, in equivalent rupees of the weight of the deposited gold at the prices prevailing at the time of redemption. The interest earned will however be based on the value of gold at the deposit on the interest rate as decided.

**Utilization:**

The deposited gold will be utilized in the following ways:

- Under medium and long-term deposit
  - Auctioning
  - Replenishment of RBIs Gold Reserves
  - Coins
  - Lending to jewelers
- Under short-term deposit
  - Coins
  - Lending to jewelers
- **Tax Exemption:** Tax exemptions, same as those available under GDS would be made available to customers, in the revamped GDS, as applicable.
- **Gold Reserve Fund:** The difference between the current borrowing cost for the Government and the interest rate paid by the Government under the medium/long term deposit will be credited to the Gold Reserve Fund.
- **Revamped Gold Metal Loan Scheme**
- **Gold Metal Loan Account:** A Gold Metal Loan Account, denominated in grams of gold, will be opened by the bank for jewelers. The gold mobilized through the revamped GDS, under the short-term option, will be provided to jewelers on loan, on the basis of the terms and conditions set-out by banks, under the guidance of RBI.
- **Delivery of gold to jewelers:** When a gold loan is sanctioned, the jewelers will receive physical delivery of gold from refiners. The banks will, in turn, make the requisite entry in the jewelers' Gold Loan Account. Interest received by banks: The interest rate charged on the GML will be decided by banks, with guidance from the RBI.

**Tenor:** The tenor of the GML at present is 180 days. Given that the minimum lock-in period for gold deposits will be one year, based on experience gained, this tenor of GML may be re-examined in future and appropriate modifications made, if required.

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