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RESERVE BANK OF INDIA

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RBI issues direction on implementation of Gold Monetisation Scheme (GMS), 2015

The Reserve Bank of India today issued a Direction to all Scheduled Commercial Banks (excluding Regional Rural Banks) on implementation of the [Gold Monetisation Scheme, 2015](#) notified by the Central Government.

The Scheme

The GMS 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 the depositors prematurely withdraw them.

Resident Indians (Individuals, HUF, Trusts including Mutual Funds/Exchange Traded Funds registered under SEBI (Mutual Fund) Regulations and Companies) can make deposits under the scheme.

The minimum deposit at any one time shall be raw gold (bars, coins, jewellery excluding stones and other metals) equivalent to 30 grams of gold of 995 fineness. There is no maximum limit for deposit under the scheme. The gold will be accepted at the Collection and Purity Testing Centres (CPTC) certified by Bureau of Indian Standards (BIS) and notified by the Central Government under the Scheme. The deposit certificates will be issued by banks in equivalence of 995 fineness of gold.

The principal and interest of the deposit under the scheme will be denominated in gold.

The designated banks will accept gold deposits under the Short Term (1-3 years) Bank Deposit (STBD) as well as Medium (5-7 years) and Long (12-15 years) Term Government Deposit Schemes. While the former will be accepted by banks on their own account, the latter will be on behalf of Government of India. There will be provision for premature withdrawal subject to a minimum lock-in period and penalty to be determined by individual banks.

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 and whichever is earlier.

During the period 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.

Reserve requirements

The short term bank deposits will attract applicable cash reserve ratio (CRR) and statutory liquidity ratio (SLR). However, the stock of gold held by the banks will count towards the general SLR requirement.

KYC to apply

The opening of gold deposit accounts will be subject to the same rules with regard to customer identification as are applicable to any other deposit account.

Utilisation of gold mobilised under GMS

The designated banks may sell or lend the gold accepted under STBD to MMTC for minting India Gold Coins (IGC) and to jewellers, or sell it to other designated banks participating in GMS. The gold deposited under MLTGD will be auctioned by MMTC or any other agency authorised by the Central Government and the sale proceeds credited to the Central Government's account with the Reserve Bank. The entities participating in the auction may include the Reserve Bank, MMTC, banks and any other entities notified by the Central Government. Banks may utilise the gold purchased in the auction for purposes indicated above.

Risk Management

Designated banks should put in place a suitable risk management mechanism, including appropriate limits, to manage the risk arising from gold price movements in respect of their net exposure to gold. For this purpose, they have been 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 the Reserve Bank.

Grievance redress

Complaints against 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 Reserve Bank's Banking Ombudsman.

It may be recalled that the Government of India announced the Gold Monetisation Scheme vide its Office Memorandum F.No.20/6/2015-FT dated September 15, 2015. The objective of the Scheme is 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. The Reserve Bank has issued the Direction to banks in exercise of powers conferred on it under Section 35 A of the Banking Regulation Act, 1949.

The list of CPTCs and Refiners is under finalization and will be notified by Central Government soon. Indian Banks Association is finalizing the necessary documentation including the tripartite agreements to be entered into by the designated banks, CPTCs and the Refiners under the Scheme. Banks are also putting in place the requisite systems and procedures to implement the scheme. The exact date of implementation will be announced by RBI in the next few days.

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