Gold Monetisation Scheme

- Troubled by the burgeoning gold import bill, the Finance Minister has announced the scheme in his Union Budget with an objective to mobilize gold held by households and use it for productive purposes and eventually reduce the gold import in long term. The scheme is set to modify the existing gold deposit and metal loan schemes.
- The Reserve Bank of India has finally come up with the guidelines for the implementation of the scheme. It authorizes all scheduled commercial banks to operate this scheme.

Meaning of Gold Monetisation

- Putting it quite simply, under this scheme, people deposit the gold into banks. Banks accept the same as regular deposits.
- Interest is accrued on the deposits and can be withdrawn in rupees. On maturity, the deposits can either be redeemed in gold or its rupee equivalent.
- Banks on the other hand, refine the gold into gold bars and either sell or lend them.
- Purchaser or borrowers include the Government or jewellers.

Objective of the Scheme

- The objective of the scheme is to mobilize a part of an estimated 20,000 tonnes of gold held by households and institutions in the country and to reduce India's reliance on the import of gold.

Who can Avail the Scheme ?

- The Scheme is open for resident Individuals, HUFs and Mutual Funds/Exchange Traded Funds.

Interest Rate under the Scheme

- The Interest rate to be offered is at the sole discretion of the banks. The designated banks are free to fix the interest rates on these deposits.

Deposit Limit 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 the precious metal of 995 fineness, the RBI said. There is no maximum limit for deposit under the scheme.

Time Limit for Deposits under the Scheme

- There are three maturity brackets notified under the scheme:

  - **Bracket A:** 1-3 years
  - **Bracket B:** 5-7 years
  - **Bracket C:** 12-15 years

***Note*:** Deposits under Bracket A are accepted by banks on their own account. Deposits under Bracket B and Bracket C are accepted by banks on behalf of the Government.

Why Different Brackets ?

From Investor's Perspective	***From Banker's Perspective***
• For deposits under Bracket A, maturity proceeds can either be **in gold or its rupee equivalent,** at the option of depositor. The option is to be exercised at the inception of the deposit itself. (Option once chosen cannot be changed)	• Gold received under Bracket A, is either sold off to Government, jewellers or other banks. It can either be lent to the Government or jewellers.
• For deposits under Bracket B & C, maturity proceeds shall **only be in the rupee equivalent.** No Gold.	• Gold received under Bracket B & C, are auctioned and the proceeds are deposited into the Government's Account.

Procedure for Opening a Gold Deposit

- Various agencies will be involved in the process which are yet to be notified. Essentially, a gold deposit scheme will involve following three parties:

  - **The Designated Banks:** (All Scheduled commercial banks)- The primary players, accepting deposits both on their own account and on Government's behalf.

- **The Collection and Purity Testing Centres(CPTC):** Gold is actually taken to these centres for verification and certification of quality and quantity. Once they issue a receipt, bankers create a deposit.
- **Refiners:** Deposited gold goes here. Each bank selectes a refiner. Gold deposited in CPTCs are transferred to the refiners for handling and redemption. Bankers pay an agreed upon charge for the services.

➢ So, an investor first approaches a CPTC, gets the gold verified for purity and quantity. CPTC issues a receipt for the deposit. The investor takes the receipt to the bank. Bank creates a gold deposit. The gold is then transferred to a refiner or is stored in the bank itself for further handling.

Supervision of the Scheme

➢ The government shall set up a supervisory mechanism after consulting with all the stakeholders involved.

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