Frequently Asked Questions

Sovereign Gold Bond Scheme

(Updated as on April 13, 2018)

1. **What is Sovereign Gold Bond (SGB)? Who is the issuer?**

SGBs are government securities denominated in grams of gold. They are substitutes for holding physical gold. Investors have to pay the issue price in cash and the bonds will be redeemed in cash on maturity. The Bond is issued by Reserve Bank on behalf of Government of India.

2. Why should I buy SGB rather than physical gold? What are the benefits?

The quantity of gold for which the investor pays is protected, since he receives the ongoing market price at the time of redemption/ premature redemption. The SGB offers a superior alternative to holding gold in physical form. The risks and costs of storage are eliminated. Investors are assured of the market value of gold at the time of maturity and periodical interest. SGB is free from issues like making charges and purity in the case of gold in jewellery form. The bonds are held in the books of the RBI or in demat form eliminating risk of loss of scrip etc.

3. Are there any risks in investing in SGBs?

There may be a risk of capital loss if the market price of gold declines. However, the investor does not lose in terms of the units of gold which he has paid for.

4. Who is eligible to invest in the SGBs?

Persons resident in India as defined under Foreign Exchange Management Act, 1999 are eligible to invest in SGB. Eligible investors include individuals, HUFs, trusts, universities and charitable institutions.

5. Whether joint holding will be allowed?

Yes, joint holding is allowed.

6. Can a Minor invest in SGB?

Yes. The application on behalf of the minor has to be made by his/her guardian.

7. Where can investors get the application form?

The application form will be provided by the issuing branch. It can also be downloaded from the RBI's website. Banks may also provide online application facility.

8. What are the Know-Your-Customer (KYC) norms?

Know-Your-Customer (KYC) norms will be the same as that for purchase of physical form of gold. Identification documents such as Aadhaar card/PAN or TAN /Passport / Voter ID card will be required. KYC will be done by the banks. No separate KYC will be needed for receiving bank's own customers.

9. Can an investor hold more than one investor ID for subscribing to the Sovereign Gold Bond?

No. An investor can have only one unique investor Id linked to any of the prescribed identification documents. The unique investor ID is to be used for all the subsequent investments in the scheme. For holding securities in dematerialized form, quoting of PAN in the application form is mandatory.

10. What is the minimum and maximum limit for investment?

The Bonds are issued in denominations of one gram of gold and in multiples thereof. Minimum investment in the Bond shall be one gram with a maximum limit of subscription of 4 kg for individuals, 4 kg for Hindu Undivided Family (HUF) and 20 kg for trusts and similar entities notified by the government from time to time per fiscal year (April – March). In case of joint holding, the limit applies to the first applicant. The annual ceiling will include bonds subscribed under different tranches during initial issuance by Government and those purchased from the secondary market. The ceiling on investment will not include the holdings as collateral by banks and other Financial Institutions

11. Can each member of my family buy 4Kg in their own name?

Yes, each family member can buy the bonds in his/her own name if they satisfy the eligibility criteria as defined at Q No.4.

12. Can an investor/trust buy 4 Kg/20 Kg worth of SGB every year?

Yes. An investor/trust can buy 4 Kg/20 Kg worth of gold every year as the ceiling has been fixed on a fiscal year (April-March) basis.

13. Is the maximum limit of 4 Kg applicable in case of joint holding?

The maximum limit will be applicable to the first applicant in case of a joint holding for that specific application.

14. What is the rate of interest and how will the interest be paid?

As announced by Reserve Bank of India for each SGB Tranche (Series) will be applicable. Presently, the Bonds bear interest at the rate of 2.50 per cent (fixed rate) per annum on the amount of initial investment. Interest will be credited semi-annually to the bank account of the investor and the last interest will be payable on maturity along with the principal.

15. Who are the authorized agencies selling the SGBs?

Bonds are sold through offices or branches of Nationalised Banks, Scheduled Private Banks, Scheduled Foreign Banks, designated Post Offices, Stock Holding Corporation of India Ltd. (SHCIL) and the authorised stock exchanges either directly or through their agents.

16. If I apply, am I assured of allotment?

If the customer meets the eligibility criteria, produces a valid identification document and remits the application money on time, he/she will receive the allotment.

17. When will the customers be issued Holding Certificate?

The customers will be issued Certificate of Holding on the date of issuance of the SGB. Certificate of Holding can be collected from the issuing banks/SHCIL offices/Post Offices/Designated stock exchanges/agents or obtained directly from RBI on email, if email address is provided in the application form.

18. Can I apply online?

Yes. A customer can apply online through the website of the listed scheduled commercial banks. The issue price of the Gold Bonds will be ▪ 50 per gram less than the nominal value to those investors applying online and the payment against the application is made through digital mode.

19. At what price the bonds are sold?

The nominal value of Gold Bonds shall be in Indian Rupees fixed on the basis of simple average of closing price of gold of 999 purity, published by the India Bullion and Jewelers Association Limited, for the last 3 business days of the week preceding the subscription period.

20. Will RBI publish the rate of gold applicable every day?

The price of gold for the relevant tranche will be published on RBI website two days before the issue opens.

21. What will I get on redemption?

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 3 business days from the date of repayment, published by the India Bullion and Jewelers Association Limited.

22. How will I get the redemption amount?

Both interest and redemption proceeds will be credited to the bank account furnished by the customer at the time of buying the bond.

23. What are the procedures involved during redemption?

- The investor will be advised one month before maturity regarding the ensuing maturity of the bond.
- On the date of maturity, the maturity proceeds will be credited to the bank account as per the details on record.
- In case there are changes in any details, such as, account number, email ids, then the investor must intimate the concerned Branch of the Bank promptly.

24. Can I encash the bond anytime I want? Is premature redemption allowed?

Though the tenor of the bond is 8 years, early encashment/redemption of the bond is allowed after fifth year from the date of issue on coupon payment dates. The bond will be tradable on Exchanges, if held in demat form. It can also be transferred to any other eligible investor.

25. What do I have to do if I want to exit my investment?

In case of premature redemption, investors can approach the concerned branch of the bank thirty days before the coupon payment date. Request for premature redemption can only be entertained if the investor approaches the concerned branch of the bank at least one day before the coupon payment date. The proceeds will be credited to the customer's bank account provided at the time of applying for the bond.

26. Can I gift the bonds to a relative or friend on some occasion?

The bond can be gifted/transferable to a relative/friend/anybody who fulfills the eligibility criteria (as mentioned at Q.no. 4). The Bonds shall be transferable in accordance with the provisions of the Government Securities Act 2006 and the Government Securities Regulations 2007 before maturity by execution of an instrument of transfer which is available with the issuing agents.

27. Can I use these securities as collateral for loans?

Yes, these securities are eligible to be used as collateral for loans from banks, financial Institutions and Non-Banking Financial Companies (NBFC). The Loan to Value ratio will be the same as applicable to ordinary gold loan prescribed by RBI from time to time. Granting loan against SGBs would be subject to decision of the bank/financing agency, and cannot be inferred as a matter of right.

28. What are the tax implications on i) interest and ii) capital gain?

Interest on the Bonds will be taxable as per the provisions of the Income-tax Act, 1961 (43 of 1961). The capital gains tax arising on redemption of SGB to an individual has been exempted. The indexation benefits will be provided to long terms capital gains arising to any person on transfer of bond.

29. Is tax deducted at source (TDS) applicable on the bond?

TDS is not applicable on the bond. However, it is the responsibility of the bond holder to comply with the tax laws.c

30. Who will provide other customer services to the investors after issuance of the bonds?

Concerned branch of the issuing bank through which these securities have been purchased will provide other customer services such as change of address, early redemption, nomination, grievance redressal, transfer applications etc.

31. What are the payment options for investing in the Sovereign Gold Bonds?

Payment can be made through cash (upto ▪ 20000)/cheques/demand draft/electronic fund transfer.

32. Whether nomination facility is available for these investments?

Yes, nomination facility is available as per the provisions of the Government Securities Act 2006 and Government Securities Regulations, 2007. A nomination form is available along with Application form. An individual Non - resident Indian may get the security transferred in his name on account of his being a nominee of a deceased investor provided that:

i. the Non-Resident investor shall need to hold the security till early redemption or till maturity; and
ii. the interest and maturity proceeds of the investment shall not be repatriable.

33. Can I get the bonds in demat form?

Yes. The bonds can be held in demat account. A specific request for the same must be made in the application form itself.

Till the process of dematerialization is completed, the bonds will be held in RBI's books. The facility for conversion to demat will also be available subsequent to allotment of the bond.

34. Can I trade these bonds?

The bonds are tradable from a date to be notified by RBI. (It may be noted that only bonds held in de-mat form with depositories can be traded in stock exchanges) The bonds can also be sold and transferred as per provisions of Government Securities Act, 2006

35. Can I get part repayment of these bonds at the time of exercising put option?

Yes, part holdings can be redeemed in multiples of one gm.