

Dated:15th September, 2015

OFFICE MEMORANDUM

Subject: Introduction of 'Gold Monetization Schemes'.

The introduction of the 'Gold Monetization Schemes' (GMS) has been approved.

2. The guidelines of the 'Gold Monetization Schemes' (GMS) will be as under:

I. Introduction

The Gold Monetization Schemes provide different options to the people to monetize the gold, by modifying the already existing two schemes, namely, the Gold Deposit Scheme and the Gold Metal Loan Scheme, in light of past experience and fresh developments and feedback. Thus, the Gold Monetization Schemes comprise of the 'Revamped Gold Deposit Scheme' and the 'Revamped Gold Metal Loan' scheme, linked together.

II. Objectives

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 the 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 the domestic demand.

III. Scheme

The Gold Monetization Schemes consist of the 'Revamped Gold Deposit Scheme' and the 'Revamped Gold Metal Loan' scheme. The basic features of both the schemes are as follows:

REVAMPED GOLD DEPOSIT SCHEME (R-GDS): The revamped GDS will provide the depositors of gold, improved infrastructure (in terms of ease of depositing, faster processing, transparency) and greater flexibility in the terms and tenure of deposits.

i) *Collection, Purity Verification and Deposit of Gold under the revamped GDS:* The infrastructure for depositing the gold in the revamped scheme has been proposed to be improved considerably to make the process faster, easier and more transparent. The following will be the process for depositing gold:

(a) *Collection and Purity Testing Centres:* There are over 300 Assaying and Hallmarking Centres that are certified by BIS and are spread across various parts of the country (The list of the number of centres in each State is at Attachment-A). They are engaged in certifying the purity of the gold that the jewellers manufacture and for which they charge a fee from the jewellers. The Assaying and Hallmarking Centres are well equipped to conduct a test of purity of the jewellery in a short span of time. Out of these 331 Assaying and Hallmarking Centres only those Centres which will meet criteria as specified by BIS may act as Collection and Purity Testing Centres for purity of gold for the purpose of this scheme (Necessary instructions to the banks to this effect will be given). The number of such BIS approved centres is likely to increase over the period of time. The technology used in the Collection and Purity Testing Centres would be able to handle all cartages of gold as mentioned in IS 1417, that is Standard gold, Fine gold and 23, 22, 21, 20, 19, 18, 17, 16, 14, 9 carats of gold. Further, these Centres would be given instructions to ensure that the XRF machines employed by them are able to detect the presence of Iridium and Ruthenium in the jewellery as specified in the relevant Indian Standard.

(b) *Conditions:* The minimum quantity of gold that a customer can bring is proposed to be set at 30 grams, so that even small depositors are encouraged. Gold can be in any form (bullion or jewellery). There would be a BIS certified protocol of operations and

processes at all stages of purity verification and deposit of gold and when anomalies, if any, are observed there would be fines/penalty for offenders.

(c) Preliminary Test: A preliminary test will be done at the authorized Collection and Purity Testing Centres through an XRF test as detailed below:

(A) XRF machine-test and weighing of each article will be conducted to tell the customer the approximate purity of gold content in the article.

(B) Weighing and XRF of all articles would be done in the presence of the customer and the entire process will preferably be recorded by CCTV Camera. Customers would be allowed to see the readings of the weighing balance and the XRF machine.

(C) If the customer agrees, he/she will have to give his/her consent for melting of gold. Customers will be free to disagree for melting of any article after weighing and XRF test. The fee to be charged if any, at this stage may be informed to the customer before doing the XRF test.

(D) All such articles for which the customer has given his/her consent will be melted together.

(d) Fire Assay Test: After receiving the customer's consent for melting the gold for conducting a further test of purity, at the same collection centre, the gold ornament will then be cleaned of its dirt, studs, *meena*, etc. The studs, etc. will be handed-over to the customer there itself. The net weight of the jewellery will be taken after such removal and told to the customer. Arrangements for the jewellery to be melted and through a fire assay, its purity ascertained, in the presence of the customer would be made available. The time taken is expected not to exceed 4-5 hours.

(e) Deposit of Gold: When the results of the fire assay are told to the customer, he has a choice of either refusing to accept, in which case he can take back the melted gold, after paying a nominal fee to that centre; or he may agree to deposit his gold (in which case the fee will be paid by the bank). (The details of the fees, as received from the Indian

Association of Hallmarking Centres, are at Attachment-B. These are only indicative.) If the customer agrees to deposit the gold, then he will be given a certificate by the collection centre certifying the weight and purity of the deposited gold.

ii) *Gold Savings Account:* In the revamped scheme, a Gold Savings Account will be opened by customers at any time, with the KYC norms, as applicable, even prior to depositing gold at the Collection and Purity Testing Centres. This account would be denominated in grams of gold. When the customer produces the certificate of gold deposited at the Collection and Purity Testing Centres, the bank will credit the 'equivalent quantity of Standard gold of 995 fineness' of gold into the customer's account. In any case, the Collection and Purity Testing Centres will also inform the bank about the deposit made.

iii) *Transfer of Gold to the Refiners:* At present, there are about 32 refineries in the country. The laboratories of some of these refineries are NABL accredited which means that the process that they adopt is certified. BIS is developing protocols so that it can conduct accreditation of the products being produced in these refineries also.

- Transfer of Gold: The Collection and purity testing centres will send the gold to the refiners. The refiners will keep the gold in their ware-houses, unless the 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.
- Legal Agreement between Banks, Refiners and Collection and purity Testing Centres: 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. The Agreement will clearly lay down the details regarding payment of fee, services to be provided, standards of service and the details of the arrangements between the banks, refiners and collection and Collection and Purity Testing Centres.

iv) 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).

v) Interest rate: The amount of interest rate payable for deposits made for the short-term period would be decided by the banks on the basis of the 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 banks 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.

vi) 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.

vii) Utilization of deposited gold:

- ***Under medium and long-term deposit:*** (a) Auctioning: The gold deposited may be auctioned by RBI or MMTC or any other authorized agency by the Govt, at the earliest and amount realized will be used by GoI in lieu of government borrowing. (b) Replenishment of RBI's Gold Reserves: The deposited gold may be credited to RBI's

reserves. (c) Coins: Banks may provide the mobilized gold to MMTC for minting the Indian Gold Coins. (d) Lending to jewellers: Banks may lend to jewellers under the GML.

- **Under short-term deposit:** (a) Coins: Banks may provide the mobilized gold to MMTC for minting the Indian Gold Coins. (b) Lending to jewellers: Banks may lend to jewellers under the GML.

viii) Tax Exemption: Tax exemptions, same as those available under GDS, would be made available to the customers, in the revamped GDS, as applicable. Further, the depositors may be informed by the banks that as per CBDT instructions No. 1916 dated 11th May, 1994 (Attachment-C), in course of IT Search u/s 132, gold jewellery to the extent of 500 gms per married lady, 250 gms per unmarried lady and 100 gms per male member of the family, need not be seized by tax authorities, but the tax penalties, as applicable will be levied.

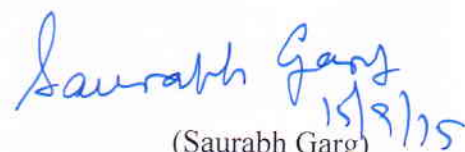
xi) Gold Reserve Fund: The difference between the current borrowing cost for the Government and the interest rate paid by the Government under the medium/long term deposit will be credited to the Gold Reserve Fund. This Fund will be used to absorb the price risk of the gold and pay back the amounts due to the depositor, based on the gold rates prevalent at the time of redemption. The modalities for payment of the redemption amount from 'Gold Reserve Fund' on the due date for maturity for onward payment to the depositor will be framed by RBI. The deposit of gold will not be hedged for the risks by the Govt. of India. All risks associated with gold price and currency will be borne by GoI through the 'Gold Reserve Fund'. The position may be reviewed in case the 'Gold Reserve Fund' becomes unsustainable.

REVAMPED GOLD METAL LOAN SCHEME

- i) **Gold Metal Loan Account:** A Gold Metal Loan Account, denominated in grams of gold will be opened by the bank for the jewellers. The gold mobilized through the revamped GDS, under the short-term option, will be provided to the jewellers on loan,

on the basis of the terms and conditions set-out by the banks under the guidance of RBI.

- ii) **Delivery of gold to jewellers:** When a gold loan is sanctioned, the jewellers will receive physical delivery of gold from the refiners. The banks will, in turn, make the requisite entry in the jewellers' Gold Loan Account.
 - iii) **Interest received by banks:** The interest rate charged on the GML will be decided by the banks (depending upon the interest rate paid to the depositors of gold, fee paid to refiners and Collection and purity testing centres and the profit margin of the banks), with guidance from the RBI.
 - iv) **Tenor:** The tenor of the GML earlier was 90 days, which was later extended to 180 days. Thus at present the limit stands at 180 days. Given that the minimum lock-in period for gold deposits will be 1 year, based on experience gained, this tenor of GML may be re-examined in future and appropriate modifications made, if required.
3. The diagrammatic representation of the GMS is given at annex.



(Saurabh Garg)

Joint Secretary to the Govt. of India

Tel: 2309 2420

To,

- i) Cabinet Secretary
- ii) All Secretaries to the Govt. of India
- iii) All Divisions of DEA

Copy to: Dr T.V.Somanathan, Joint Secretary to PM, South Block, New Delhi.

List of Collection CentresBureau of Indian Standards

State wise list of BIS recognized Assaying and Hallmarking Centres in operation and pending applications as on 31 March 2015

| Sl. No. | State | No. of centres | Pending Applications |
|---------|---------------------------|----------------|----------------------|
| 1. | ANDAMAN NICOBAR | 0 | |
| 2. | ANDHRA PRADESH | 19 | |
| 3. | ARUNACHAL PRADESH | 0 | |
| 4. | ASSAM | 1 | |
| 5. | BIHAR | 3 | |
| 6. | CHANDIGARH | 3 | |
| 7. | CHHATTISGARH | 1 | |
| 8. | DADRA AND NAGAR HAVELI | 0 | |
| 9. | DAMAN AND DIU | 0 | |
| 10. | DELHI | 25 | 4 |
| 11. | GOA | 0 | |
| 12. | GUJARAT | 27 | 3 |
| 13. | HARYANA | 6 | |
| 14. | HIMACHAL PRADESH | 1 | |
| 15. | JAMMU & KASHMIR | 1 | |
| 16. | JHARKHAND | 1 | |
| 17. | KARNATAKA | 27 | 4 |
| 18. | KERALA | 39 | 5 |
| 19. | LAKSHADWEEP | 0 | |
| 20. | MADHYA PRADESH | 5 | |
| 21. | MAHARASHTRA | 38 | 2 |
| 22. | MANIPUR | 0 | |
| 23. | MEGHALAYA | 0 | |
| 24. | MIZORAM | 0 | |
| 25. | NAGALAND | 0 | |
| 26. | ODISHA | 7 | 1 |
| 27. | PUDUCHERRY | 1 | |
| 28. | PUNJAB | 8 | 4 |
| 29. | RAJASTHAN | 11 | 2 |
| 30. | SIKKIM | 0 | |
| 31. | TAMIL NADU | 57 | |
| 32. | TELANGANA | 11 | |
| 33. | TRIPURA | 0 | |
| 34. | UTTAR PRADESH | 14 | |
| 35. | UTTARKHAND | 1 | |
| 36. | WEST BENGAL | 24 | 1 |
| | Total | 331 | 24 |

Schedule Of Fees

- 1) Melting charges :
 - a) Minimum charges/upto 100 gms - Rs. 500 per lot
 - b) 100 gms to 200 gms - Rs. 600
 - c) 200 gms to 300 gms - Rs. 700
 - d) 300 gms to 400 gms - Rs. 800
 - e) 400 gms to 500 gms - Rs. 900
 - f) 500 gms to 600 gms - Rs.1000
 - g) 600 gms to 700 gms - Rs. 1100
 - h) 700 gms to 800 gms - Rs.1200
 - i) 800 gms to 900 gms - Rs.1300
 - j) 900 gms to 1000 gms - Rs.1400
- 2) Testing/fire assaying charges - Rs. 300
- 3) Stone removal charges - at actuals
Minimum charge - Rs. 100
- 4) Melting loss - at actuals

(Information as received from Indian Association of Hallmarking Centres-this is only indicative and is subject to change)

Extracts from CBDT's Manual of Office Procedure, Vol-III, February, 2003)

22.2 Jewellery, ornaments and other valuable articles or things can be seized only if these represent undisclosed income or property. The Board's Instruction No. 1916 dated 11.05.1994 lay down the following guidelines for seizure of jewellery:-

- i. In the case of a wealth-tax assessee, gold jewellery and ornaments found in excess of the gross weight declared in the wealth-tax return only need be seized.
- ii. In the case of a person not assessed to wealth-tax, gold jewellery and ornaments to the extent of 500 gms. per married lady, 250 gms. per unmarried lady and 100 gms per male member of the family, need not be seized.
- iii. The Authorised Officer may, having regard to the status of the family and the custom and practices of the community to which the family belongs and other circumstances of the case, decide to exclude a larger quantity of jewellery and ornaments from seizure. This should be reported to the Director/Commissioner authorising the search at the time of furnishing the search report.
- iv. In all cases, a detailed inventory of the jewellery and ornaments found must be prepared, to be used for assessment purposes.

Diagrammatic Flow Chart

