

# Sovereign Gold Bond Scheme 2019 -20

June 24, 2019

**Syllabus:** Inclusive growth and issues arising from it

The Government of India, in consultation with the Reserve Bank of India (RBI), has decided to issue the Sovereign Gold Bonds. The Sovereign Gold Bonds will be issued every month from June 2019 to September 2019 as per the calendar specified below:

S.No	Tranche	Date of Subscription	Date of Issuance
1	2019-20 Series-I	June 03-07, 2019	June 11, 2019
2	2019-20 Series-II	July 08-12, 2019	July 16, 2019
3	2019-20 Series-	August 05-09, 2019	August 14, 2019
4	2019-20 Series-	September 09-13, 2019	September 17, 2019

**The Bonds will be sold through** Scheduled Commercial banks(except Small Finance Banks and Payment Banks), Stock Holding Corporation of India Limited (SHCIL), designated post offices, and recognised stock exchanges viz., National Stock Exchange of India Limited and Bombay Stock Exchange Limited.

**The features of the Bond are:**

- **Issuance:** To be issued by Reserve Bank India on behalf of the Government of India.
- **Eligibility:**The Bonds will be restricted for sale to resident individuals, HUFs, Trusts, Universities and Charitable Institutions
- **Denomination:** The Bonds will be denominated in multiples of gram(s) of gold with a basic unit of 1 gram.
- **Tenor:** The tenor of the Bond will be for a period of 8 years with exit option after 5th year to be

exercised on the interest payment dates.

- **Minimum size:** Minimum permissible investment will be 1 gram of gold.
- **Maximum limit:** The maximum limit of subscribed shall be 4 KG for individual, 4 Kg for HUF and 20 Kg for trusts and similar entities per fiscal (April-March) notified by the Government from time to time. A self-declaration to this effect will be obtained. The annual ceiling will include bonds subscribed under different tranches during initial issuance by Government and those purchased from the Secondary Market.
- **Joint holder:** A self-declaration to this effect will be obtained. The annual ceiling will include bonds subscribed under different tranches during initial issuance by Government and those purchased from the Secondary Market.
- **Joint holder:** In case of joint holding, the investment limit of 4 KG will be applied to the first applicant only.
- **Issue price:** Price of Bond will be fixed in Indian Rupees on the basis of simple average of the closing price of gold of 999 purity, published by the India Bullion and Jewellers Association Limited for the last 3 working days of the week preceding the subscription period. The issue price of the Gold Bonds will be Rs.50 per gram less for those who subscribe online and pay through digital mode.
- **Payment option:** Payment for the Bonds will be through cash payment (up to a maximum of Rs. 20,000) or demand draft or cheque or electronic banking.
- **Issuance form:** The Gold Bonds will be issued as Government of India Stock under the Government Securities Act, 2006. The investors will be issued a Holding Certificate for the same. The Bonds are eligible for conversion into demat form.
- **Redemption price:** The redemption price will be in Indian Rupees based on previous 3 working days simple average

of closing price of gold of 999 purity published by IBJA.

- **Sales channel:** Bonds will be sold through Commercial banks, Stock Holding Corporation of India Limited (SHCIL), designated post offices (as may be notified) and recognised stock exchanges viz., National Stock Exchange of India Limited and Bombay Stock Exchange, either directly or through agents.
- **Interest rate:** The investors will be compensated at a fixed rate of 2.50 per cent per annum payable semi-annually on the nominal value.
- **Collateral:** Bonds can be used as collateral for loans. The loan-to-value (LTV) ratio is to be set equal to ordinary gold loan mandated by the Reserve Bank from time to time.
- **KYC documentation:** Know-your-customer (KYC) norms will be the same as that for purchase of physical gold. KYC documents such as Voter ID, Aadhaar card/PAN or TAN /Passport will be required. Every application must be accompanied by the 'PAN Number' issued by the Income Tax Department to individuals and other entities.
- **Tax treatment:** The interest on Gold Bonds shall be taxable as per the provision of 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 term capital gains arising to any person on transfer of bond.
- **Tradability:** Bonds will be tradable on stock exchanges within a fortnight of the issuance on a date as notified by the RBI.
- **SLR eligibility:** Bonds acquired by the banks through the process of invoking lien/hypothecation/pledge alone, shall be counted towards Statutory Liquidity Ratio.
- **Commission:** Commission for distribution of the bond shall be paid at the rate of 1% of the total subscription received by the receiving offices and receiving offices shall share at least 50% of the

commission so received with the agents or sub agents for the business procured through them.