

Press Communique
Sovereign Gold Bond Scheme 2016

Government of India, in consultation with the Reserve Bank of India, has decided to issue second tranche of Sovereign Gold Bonds. Applications for the bond will be accepted from January 18, 2016 to January 22, 2016. The Bonds will be issued on February 8, 2016. The Bonds will be sold through banks, Stock Holding Corporation of India Limited (SHCIL) and designated post offices. The borrowing through issuance of the Bond will form part of market borrowing programme of the Government of India.

It may be recalled that Honourable Finance Minister had announced in Union Budget 2015-16 about developing a financial asset, Sovereign Gold Bond, as an alternative to purchasing metal gold. Accordingly, the first tranche was open for subscription from November 05, 2015 to November 20, 2015. The features of the Bond are given below:

Sl. No	Item	Details
1	Product name	Sovereign Gold Bond 2016
2	Issuance	To be issued by Reserve Bank India on behalf of the Government of India.
3	Eligibility	The Bonds will be restricted for sale to resident Indian entities including individuals, HUFs, trusts, Universities and charitable institutions.
4	Denomination	The Bonds will be denominated in multiples of gram(s) of gold with a basic unit of 1 gram.
5	Tenor	The tenor of the Bond will be for a period of 8 years with exit option from 5 th year to be exercised on the interest payment dates.
6	Minimum size	Minimum permissible investment will be 2 units (i.e. 2 grams of gold).
7	Maximum limit	The maximum amount subscribed by an entity will not be more than 500 grams per person per fiscal year (April-March). A self-declaration to this effect will be obtained.
8	Joint holder	In case of joint holding, the investment limit of 500 grams will be applied to the first applicant only.
9	Frequency	The Bonds will be issued in tranches. Each tranche will be kept open for a period to be notified. The issuance date will also be specified in the notification.
10	Issue price	Price of Bond will be fixed in Indian Rupees on the basis of the previous week's (Monday-Friday) simple average of closing price of gold of 999 purity published by the India Bullion and Jewellers Association Ltd. (IBJA).

11	Payment option	Payment for the Bonds will be through cash payment upto a maximum of Rs. 20,000 or demand draft or cheque or electronic banking.
12	Issuance form	Government of India Stock under GS Act, 2006. The investors will be issued a Holding Certificate. The Bonds are eligible for conversion into demat form.
13	Redemption price	The redemption price will be in Indian Rupees based on previous week's (Monday-Friday) simple average of closing price of gold of 999 purity published by IBJA.
14	Sales channel	Bonds will be sold through banks, SCHIL and designated Post Offices, as may be notified, either directly or through agents.
15	Interest rate	The investors will be compensated at a fixed rate of 2.75 per cent per annum payable semi-annually on the initial value of investment.
16	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.
17	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.
18	Tax treatment	The interest on Gold Bonds shall be taxable as per the provision of Income Tax Act, 1961 (43 of 1961) and the capital gains tax shall also remain same as in the case of physical gold.
19	Tradability	Bonds will be tradable on exchanges/NDS-OM from a date to be notified by RBI.
20	SLR eligibility	The Bonds will be eligible for Statutory Liquidity Ratio.
21	Commission	Commission for distribution shall be paid at the rate of 1% of the subscription amount.

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