OFFICE MEMORANDUM

Subject: Amendments/ Revamping of “Gold Monetisation Scheme”.

In continuation to this Department’s OM No. 20/6/2015-FT dated 15th September, 2015 regarding Guidelines on Revised Gold Deposit Scheme i.e. ‘Gold Monetisation Scheme’ (GMS) and subsequent amendments in GMS issued from time to time, it is further intimated that following Amendments in Gold Monetization Scheme and Gold Metal Loan have been approved by the competent authority for immediate implementation:

A. Revamped Gold Deposit Scheme (R-GDS):

a. Enhancement of Participation by banks in GMS

(i) All Public Sector Banks shall be advised to participate in GMS and provide the Revamped Gold Deposit Scheme on demand.
(ii) At-least, one third branches of Public Sector Banks in all towns, shall be designated as GMS service branches.
(iii) Regular training on GMS will be provided to at least 2 staff of the PSB branches dealing by IBA/NIBM.
(iv) Private Banks will also be requested to participate in this scheme.
(v) Master directives providing for the above may be issued by RBI and directions to PSBs by DFS.

b. Dematerialisation of MTGD and LTGD Deposit Certificates to make them tradeable and Mortgageable

(i) In the first stage, issue of MTGD and LTGD Deposit Certificates by banks will be moved to a secure digital platform, to be developed by State Bank of India on behalf of Government of India. Banks will also dematerialise STBD certificates issued by them.
(ii) Thereafter, a regulated securities depository will be designated by SBI to hold R-GDS certificates in digital demat form.
(iii) Accordingly, R-GDS deposit certificates shall be made tradable and transferable like SGBs to make R-GDS an investor friendly product.
(iv) Banks will be permitted to provide loans against MTGD and LTGD certificates.
c. Incentivise jewellers to participate in R-GDS - Jewellers/Refiners to be engaged as Gold Mobilisation Agents and CPTCs.

(1) Jewellers as Collection and Purity Testing Centres (CPTCs):
(i) Jewellers/Jeweller chains will also be encouraged to set up BIS approved Collection & Purity testing centres (CPTCs) under GMS.
(ii) Participating Banks and Refineries will take steps to enter into agreement with sufficient number of CPTCs so that GMS can be offered in significantly larger number of branches.
(iii) As collection and purity assaying centres, jewellers/Jeweller chains will be paid in line with current guidelines for CPTCs.

(2) Jewellers /Refiner as GMS Mobilisation, Collection & Testing Agent (GMCTA)
(i) Where Jewellers or Refiners function as Gold Mobilisation, Collection & Testing Agents (GMCTA), they shall assay, refine, undertake vaunting, movement of refined Gold to banks as per the revised Bi-partite agreement.
(ii) Jewellers/Refiners certified as CPTCs by BIS alone will be considered by banks as GMCTA. Additional eligibility conditions may be set by IBA (Annexure-1).
(iii) Banks will continue to be paid the commission of 1% as incentive and handling charges of 1.5% if all services are provided by banks as are being provided by them at present. However, in case gold handling/ mobilizing services are provided by the registered jewellers the Banks shall pay a maximum of 1.5% as incentive/handling charges to the mobilizing agents for the functions performed by them.
(iv) IBA shall issue detailed guidelines including eligibility conditions, incentive/handling charges to the GMCTAs and standard operating procedures in consultation with stakeholders. Indicative guidelines for examination of IBA are given in Annexure -1.

d. Interest payment in respect of STBD
Interest in STBD will be denominated and paid in INR Terms only.

d. Reduction of Minimum Deposit under R-GMS:
The minimum deposit at any one time shall now be 10 grams of raw gold (bars, coins, jewellery excluding stones and other metals). There is no maximum limit for deposit under the R-GDS as per current guidelines in force.

f. Banks to be permitted to buy standard locally refined/ sourced gold from refineries and Gold Spot Exchanges.
(i) Banks will be allowed to buy standard gold bullion from BIS/NABL certified refineries implementing LBMA or India Good Delivery Standards (IGDS) notified by BIS.
(ii) Banks will be allowed to import gold via IFSC IBE Platform and domestic gold spot exchanges, as and when these exchanges are operational.
(iii) RBI, SEBI and IFSCA may issue necessary directives, including appropriate accreditation and risk management processes.
g. Development of Robust GMS Digital Platform for Transparency & Traceability

(i) A secure online workflow solution for GMS shall be launched, including a portal and mobile app covering all GMS processes including deposit / redemption processes, accounting, internal control, GML, etc.
(ii) SBI will be tasked to establish, operate and maintain this digital platform, for which SBI will be provided a one-time grant to meet capex and recurring grant for operations and maintenance costs. This digital platform will integrate MLTGD Depositors with banks, CPTCs, RBI, SPMCIL and Depositories etc.

h. Interbank lending

(i) Interbank lending of IGDS/LBMA standard Bullion will be allowed to enable meet Gold Metal Loan (GML) obligations, reducing the need to lease gold from international markets.
(ii) RBI may issue necessary guidelines in this regard.

i. Public Communications and Awareness Program

Benefits of GMS, including details of tax and other benefits, will be communicated periodically to citizens through:
(i) Periodic multimedia advertisement campaign throughout the year in all key languages.
(ii) Annual Budget will be provided by DEA based on an annual media plan prepared by IBA.
(iii) GMS portal and Mobile app (being developed by SBI) will enable grievance redressal.
(iv) Training for Jewellers/CPTCs/Banks staff on GMS will be organised by DFS.
(v) GMS will be included as part of Financial Literacy programs of RBI and Government.

j. Use of MLTGD Gold under GMS for Bullion Leasing under GML

(i) Gold mobilised under MLTGD will be used for leasing to banks for online lending under GML.
(ii) SBI is designated as the custodian of MLTGD Gold and will operate a scheme of gold leasing using R-GDS bullion to other banks for onlending for Gold Metal Loans.
(iii) SBI will use services of SPMCIL to refine MLTGD gold, whenever required, and use the standard gold bullion for leasing to banks.
(iv) Detailed guidelines for SBI and SPMCIL will be issued separately. SBI and SPMCIL will send detailed proposals for the same immediately.
(v) Till such time SBI takes over as custodian, MMTC shall continue its functions under GMS as per existing arrangements.

B. Revamped Gold Metal Loan (R-GML)

a. Repayment of GML in lots of 1 KG will be allowed by all participating banks.

b. Repayment of gold loan under GML using locally sourced IGDS standard bullion also will be allowed, with safeguards prescribed by regulators (RBI and IFSC Authority). RBI and IFSCA may issue necessary guidelines.
c. Gold Metal Loan will be made available to all jewellers with a valid Working Capital Credit limit
   (i) Gold deposited in STBD as well as Gold bullion leased from MLTGD deposits may be used by banks for GML lending.
   (ii) All Public Sector Banks participating in GMS, will offer GML using GMS bullion leased from SBI.
   (iii) RBI may issue enabling instructions, including private banks as well.

2. RBI, SEBI and IFSCA may take steps to issue necessary Master Directions. Concerned Ministries, Banks, SBI, IBA and SPMCIL may also take further necessary action.

3. This issues with approval of Finance Minister.

(Surinderpal Singh)
Joint Secretary to Govt. of India
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To,
(i) Governor, RBI.
(ii) Secretary, Department of Financial Services.
(iii) Secretary, Department of Commerce.
(iv) Secretary, Department of Consumer Affairs.
(v) All State Chief Secretaries.
(vi) Chairman, SEBI.
(vii) Chairman, IFSCA.
(viii) Chairman, State Bank of India.
(ix) AS & FA, Department of Economic Affairs.
(x) Director General, Bureau of Indian Standards (BIS).
(xi) CEO, Indian Banks Association (IBA).
(xii) CMD, Security Printing and Minting Corporation of India Ltd. (SPMCIL).

Copy to:
(i) Shri Saurabh Shukla, Director, PMO, South Block, New Delhi.
(ii) Shri. Vipul Bansal, PS to FM, North Block, New Delhi.
(iii) Shri Binod Kumar, PS to MoS, North Block, New Delhi.
(iv) Cabinet Secretariat.
(v) All Divisions of DEA.
Annexure-I

Indicative Guidelines for participation of Jewellers/ Refiners in GMS as Gold Mobilisation, Collection & Testing Agents (GMCTA).

a) A Gold Mobilisation Collection & Testing Agent (GMCTA) may be a reputed Jeweller/Reputed Jeweller Chain registered with BIS as a CPTC, which is authorized by the designated bank to act as GMCTA on its behalf, and is authorized by bank based on certain criteria, laid down for the purpose, by IBA/bank.

b) Collection and Purity Testing processes in force applicable to CPTCs may be applied to GMCTAs with regard to purity testing and assaying processes.

c) Criteria and process for empanelment of Jewellers as Gold Mobilising Agents may include minimum annual turnover, purity assaying & testing equipment applicable to CPTCs, existing standard GML account with a bank, minimum experience and credit history which may be finalized by IBA in consultation with RBI, banks and jewellers.

d) Jewellers interested to work as GMCTA may be required to deposit specified security with the designated bank as given in the Bipartite/tripartite Agreement or SoP to be prepared by IBA in this regard. Maximum exposures to be provided to jewellers may be based on the security provided by them.

e) The option of book adjustment (debit entry) of R-GDS deposited by customers by the GMCTA to the bank through within the sanctioned limit of a valid GML account of the GMCTA concerned (model suggested by CII and GJEPC) may be examined. The model completely eliminates issues like purity tolerance limits, costs of refining/transportation/vaulting and risks involved in physical transfer of R-GDS gold from GMCTA to bank. To eliminate exposure, the banks could consider contra leasing of same quantity of gold from SBI, custodian of GMS Gold.

f) For performing services of GMCTA, Jewellers/refiners may provide services including Collection of gold from Customer, Purity Testing, Assaying, Refining, Converting gold into tradable bars, providing the refined gold at the Bank branch or designated vault as defined in a revised Bipartite/Tripartite Agreement to be finalised by IBA in this regard. IBA shall specify the services which shall be rendered by GMCTAs and handling charges shall also be specified for each service in percentage point to be paid to GMCTA, the maximum total handling charges being 1.5% to be decided based on the services provided. Banks will continue to get 1% as commission.

g) Jewellers as GMCTA may outsource some of the functions like refining of gold etc. but they shall remain responsible for the purity and weight of deposited gold/ receipt issued to the bank, for issuance of GDS Certificate, as per Bipartite/Tripartite Agreement with the Bank. Tolerance limits etc., may be built into the agreements.

h) The responsibility of issuing gold deposit certificate to the customers and redemption of these gold deposits will be with the banks as has been in practice at present. A GMS portal will be operationalized by SBI to be used by all Participating banks, GMCTAs, SBI, Government, etc. for carrying out GMS processes. A suitable risk management system shall be laid down by RBI.

i) Customer shall have the choice of availing services of any of the CPTC/GMCTA contracted by a participating bank. Names, numbers, locations of CPTCs/GMCTAs shall be published in the bank GMS web-pages and GMS web portal.