

Gold Monetization Scheme (GMS):

Objective:

- To mobilise Gold from Households and Institutions.
- To Use the same in productive purposes.
- To reduce reliance on Gold imports in the long run.

Definitions - under GMS:

- **CPTC:** The Collection and Purity Testing Centre certified by the BIS and notified by the Central Government
- **Refiners:** Accredited by the National Accreditation Board for Testing and calibration Laboratories (NABL) and notified by Central Government.
- **Designated Bank:** All scheduled Commercial Banks (excluding RRBs).
- **Nominated Bank:** Bank authorized by RBI to import Gold.
- **Gold Deposit Account:** An account opened with a designated bank and denominated in grams of gold.
- **STBD:** Short Term Bank Deposit made under the GMS with designated Bank for a short term period of 1-3 years. Treated as bank's on-balance sheet liability.
- **MLTGCD:** Medium and Long Term Government Deposit made under GMS with designated Bank in the account of the Central Government for a medium term 5-7 years and Long Term 12-15 years. Not reflected in balance sheet of the bank.

Types of Deposit Accounts:

- Short Term Bank Deposit (STBD): **1 to 3 years.**
- Medium Term Government Deposit (MTGD): **5 to 7 years**
- Long Term Government Deposit (LTGD): **12 to 15 years**

Interest Calculation and Payment Methodology:

- Option for Annual or Cumulative at Maturity.
- Simple interest for Annual interest Payout.
- Annual Compounding for Cumulative at Maturity
- Deposits with broken periods carries interest at (A) plus (B)
 - A) For Completed years: Yearly Interest.
 - B) Break Period: For the remaining days
- Formula for Interest Calculation: $D/360 * ROI$ (D=Days)

Rate of Interest:

- **STBD:**
 - Bank decides the ROI
 - Present ROI: 0.75% P.A
- **MTGD & LTGD:**
 - Central Government decides the ROI
 - RBI notifies the Rates.
 - Present ROI: MTGD: 2.25% P.A & LTGD :2.50% P.A

Lock-in- Period & Penalties:

- **STBD:**
 - 1 Year Minimum Lock-in-Period.
 - 0.25% Premature Penalty after Lock-in-Period.
- **MTGD:**
 - 3 Years Minimum Lock-in-Period.
 - >3 to <5 Years: Applicable ROI for MTGD at the time of deposit minus 0.375%.
 - >=5 to <7Years: Applicable ROI for MTGD at the time of deposit minus 0.250%.
- **LTGD:**
 - 5 Years Lock-in-Period.
 - >5 to <7 Years: Applicable ROI for MTGD at the time of deposit minus 0.250%.
 - >=7 to<12Years: Applicable ROI for LTGD at the time of deposit minus 0.375%.
 - >=12to<15Years: Applicable ROI for LTGD at the time of deposit minus 0.375%.

Premature Withdrawal:

- **STBD, MTGD & LTGD:**
 - Allowed after Lock-in-Period only.
 - Deposit Plus accrued Interest after levying Penalty.
 - Payment either in Gold or in INR at the discretion of the Bank.
 - Fractional Quantity in INR only.

Redemption:

- **STBD:**
 - Maturity redemption shall be Principal + Interest.
 - Payment either in Gold or INR at the option of the depositor.
 - Option should be given at the time of deposit and it is irrevocable.
- **MTGD & LTGD:**
 - Maturity redemption shall be Principal + Interest.
 - Payment of principal shall be either in Gold or INR at the option of the depositor
 - Interest shall be paid in INR only at the value of the Gold prevailing at the time of deposit.

Opening Gold Deposit Account (process):

- Resident Indians [Individuals, HUFs, Proprietorship & Partnership firms, Trusts including Mutual Funds/Exchange Traded Funds registered under SEBI (Mutual Fund) Regulations and Companies, charitable institutions, Central Government, State Government or any other entity owned by Central Government or State Government] can make deposits under the scheme. Joint deposits of two or more eligible depositors are also allowed under the scheme and the deposit in such case shall be credited to the joint deposit account opened in the name of such depositors.
- The minimum deposit under the scheme at any one time shall be raw gold (bars, coins, jewellery excluding stones and other metals) equivalent to 10 grams of gold of 995 fineness.

There is no maximum limit for deposit under the scheme. All transactions under the scheme with the designated bank shall be in gold of 995 fineness.

- The opening of Gold Deposit account is subject to same rules with regard to customer identification as are applicable to any other deposit account.
- The deposit of gold may be tendered at CPTCs and at Banks .The gold will be tested at CPTC and on confirmation from the customer; the same will be melted and assayed at CPTC.
- CPTC will issue a certificate signed by authorized signatories of the center showing the equivalence of 995 fitness of standard gold.
- The depositor shall produce the receipt at the Designated Branch. Upon receipt the Bank will issue safe custody receipt to the customer.
- The CPTC will send the melted gold to authorized Refiners for refinement and conversion into tradable gold bar.
- Designated Branch will issue gold deposit receipt on receiving confirmation from refinery. The receipt will be issued up to 3 decimal points in gram.
- Interest on deposits under the scheme will start accruing from the date of conversion of gold deposited into tradable gold bars after refinement or 30 days after the receipt of gold at the CPTC, as the case may be, whichever is earlier.
- During the period commencing from the date of receipt of gold by the CPTC or the designated branch, as the case may be, to the date on which interest starts accruing in the deposit, the gold accepted by the CPTC or the designated branch of the bank shall be treated as an item in safe custody held by the designated bank.
- The conversion rate will be decided by crossing the London AM fixing for GOLD / USD rate with the Rupee-US Dollar reference rate announced by RBI on that day. The prevalent custom duty for import of gold will be added to above value to arrive at the final value of gold.
- This approach will also be followed for valuation of gold at any subsequent valuation date and for conversion of gold into Indian Rupee under the scheme.
