

Sovereign Gold Bond Scheme 2015

1. What is Sovereign Gold Bond (SGB)? Who is the issuer?

SGBs are government securities denominated in grams of gold. They are substitutes for holding physical gold. Investors have to pay the issue price in cash and the bonds will be redeemed in cash on maturity. The Bond is issued by Reserve Bank on behalf of Government of India.

2. Why should I buy SGB rather than physical gold? What are the benefits?

The quantity of gold for which the investor pays is protected, since he receives the ongoing market price at the time of redemption/ premature redemption. The SGB offers a superior alternative to holding gold in physical form. The risks and costs of storage are eliminated. Investors are assured of the market value of gold at the time of maturity and periodical interest. SGB is free from issues like making charges and purity in the case of gold in jewellery form. The bonds are held in the books of the RBI or in demat form eliminating risk of loss of scrip etc.

3. Are there any risks in investing in SGBs?

There may be a risk of capital loss if the market price of gold declines. However, the investor does not lose in terms of the units of gold which he has paid for.

4. Who is eligible to invest in the SGBs?

Persons resident in India as defined under Foreign Exchange Management Act, 1999 are eligible to invest in SGB. Eligible investors include individuals, HUFs, trusts, universities, charitable institutions, etc.

5. Whether joint holding will be allowed?

Yes, joint holding is allowed.

6. Can a Minor invest in SGB?

Yes. The application on behalf of the minor has to be made by his / her guardian.

7. Where can investors get the application form?

The application form will be provided by the issuing banks/designated Post Offices/agents. It can also be downloaded from the RBI's website. Banks may also provide online application facility.

8. What are the Know-Your-Customer (KYC) norms?

Know-Your-Customer (KYC) norms will be the same as that for purchase of physical form of gold. Identification documents such as Aadhaar card/PAN or TAN /Passport / Voter ID card will be required. KYC will be done by the issuing banks/Post Offices/agents.

9. What is the minimum and maximum limit for investment?

The Bonds are issued in denominations of one gram of gold and in multiples thereof. Minimum investment in the Bond shall be two grams with a maximum buying limit of 500 grams per person per fiscal year (April – March). In case of joint holding, the limit applies to the first applicant.

10. Can I buy 500 grams in the name of each of my family members?

Yes, each family member can hold the bond if they satisfy the eligibility criteria as defined at Q No.4.

11. Can I buy 500 grams worth of SGB every year?

Yes. One can buy 500 grams worth of gold every year as the ceiling has been fixed on a fiscal year (April-March) basis.

12. Is the limit of 500 grams of gold applicable if I buy on the Exchanges?

This document has been compiled as service to our clients. We recommend that you seek professional advise prior to initiating action on specific issues.

Lunawat & Co.

Chartered Accountants

E-mail: ca@lunawat.com, lunawat@vsnl.com.

Website: www.lunawat.com.

The limit of 500 grams per financial year is applicable even if the bond is bought on the exchanges.

13 What is the rate of interest and how will the interest be paid?

The Bonds bear interest at the rate of 2.75 per cent (fixed rate) per annum on the amount of initial investment. Interest will be credited semiannually to the bank account of the investor and the last interest will be payable on maturity along with the principal.

14. Who are the authorized agencies selling the SGBs?

Bonds are sold through scheduled commercial banks and designated Post Offices either directly or through their agents like NBFCs, NSC agents, etc.

15 Is it necessary for me to apply through my bank?

It is not necessary for the customer to apply through the bank where he/she has his/ her account. A customer can apply through another bank or Post Office.

16. If I apply, am I assured of allotment?

If the customer meets the eligibility criteria, produces a valid identification document and remits the application money on time, he/she will receive the allotment.

17. When will the customers be issued Holding Certificate?

The customers will be issued Certificate of Holding on the date of issuance of the SGB. Certificate of Holding can be collected from the issuing banks/Post Offices/agents or obtained directly from RBI on email, if email address is provided in the application form.

18. Can I apply online?

Yes. A customer can apply online through the website of the listed scheduled commercial banks.

19. At what price the bonds are sold?

Price of bond will be fixed in Indian Rupees on the basis of the previous week's (Monday – Friday) simple average price for gold of 999 purity published by the India Bullion and Jewellers Association Ltd. (IBJA). The issue price will be disseminated by the Reserve Bank of India

20. Will RBI publish the rate of gold applicable every day?

The price of gold for the relevant tranche will be published on RBI website two days before the issue opens.

21. What will I get on redemption?

On maturity, the redemption proceeds will be equivalent to the prevailing market value of grams of gold originally invested in Indian Rupees. The redemption price will be based on simple average of previous week's (Monday-Friday) price of closing gold price for 999 purity published by the IBJA.

22. How will I get the redemption amount?

Both interest and redemption proceeds will be credited to the bank account furnished by the customer at the time of buying the bond.

23. What are the procedures involved during redemption?

- The investor will be advised one month before maturity regarding the ensuing maturity of the bond.
- On the date of maturity, the maturity proceeds will be credited to the bank account as per the details on record.
- In case there are changes in any details, such as, account number, email ids, then the investor must intimate the bank/PO promptly.

This document has been compiled as service to our clients. We recommend that you seek professional advise prior to initiating action on specific issues.

Lunawat & Co.

Chartered Accountants

E-mail: ca@lunawat.com, lunawat@vsnl.com.

Website: www.lunawat.com.

24. Can I encash the bond anytime I want? Is premature redemption allowed?

Though the tenor of the bond is 8 years, early encashment/redemption of the bond is allowed after fifth year from the date of issue on coupon payment dates. The bond will be tradable on Exchanges, if held in demat form. It can also be transferred to any other eligible investor.

25. What do I have to do if I want to exit my investment?

In case of premature redemption, investors can approach the concerned bank/Post Office/agent thirty days before the coupon payment date. Request for premature redemption can only be entertained if the investor approaches the concerned bank/post office at least one day before the coupon payment date. The proceeds will be credited to the customer's bank account provided at the time of applying for the bond.

26. Can I gift the bonds to a relative or friend on some occasion?

The bond can be gifted/transferred to a relative/friend/anybody who fulfills the eligibility criteria (as mentioned at Q. no. 4). The Bonds shall be transferable in accordance with the provisions of the Government Securities Act 2006 and the Government Securities Regulations 2007 before maturity by execution of an instrument of transfer which is available with the issuing agents.

27. Can I use these securities as collateral for loans?

Yes, these securities are eligible to be used as collateral for loans from banks, financial Institutions and Non-Banking Financial Companies (NBFC). The Loan to Value ratio will be same as applicable to ordinary gold loan mandated by the RBI from time to time.

28. What are the tax implications on i) interest and ii) capital gain?

Interest on the Bonds will be taxable as per the provisions of the Income-tax Act, 1961(43 of 1961). Capital gains tax treatment will be the same as that for physical gold.

29. Is tax deducted at source (TDS) applicable on the bond?

TDS is not applicable on the bond. However, it is the responsibility of the bond holder to comply with the tax laws.

30. Who will provide other customer services to the investors after issuance of the bonds?

The issuing banks/Post Offices/agents through which these securities have been purchased will provide other customer services such as change of address, early redemption, nomination, etc.

31. What are the payment options for investing in the Sovereign Gold Bonds?

Payment can be made through cash/cheques/demand draft/electronic fund transfer.

32. Whether nomination facility is available for these investments?

Yes, nomination facility is available as per the provisions of the Government Securities Act 2006 and Government Securities Regulations, 2007. A nomination form is available along with Application form.

33. Is the maximum limit of 500 gms applicable in case of joint holding?

The maximum limit will be applicable for the first applicant in case of a joint holding for the specific application.

34. Are institutions like banks allowed to invest in Sovereign Gold Bonds?

There is no bar on investment by banks in Sovereign Gold Bonds. These will qualify for SLR.

35. Can I get the bonds in demat form?

The bonds can be held in demat account.

This document has been compiled as service to our clients. We recommend that you seek professional advise prior to initiating action on specific issues.

Lunawat & Co.

Chartered Accountants

E-mail: ca@lunawat.com, lunawat@vsnl.com.

Website: www.lunawat.com.

36. Can I trade these bonds?

The bonds are tradable on stock exchanges from the date to be notified by RBI. The bonds can also be sold and transferred as per provisions of Government Securities Act.

37. Can I get part repayment of these bonds at the time of exercising put option?

Yes, part holdings can be redeemed in multiples of one gm.

This document has been compiled as service to our clients. We recommend that you seek professional advise prior to initiating action on specific issues.

Lunawat & Co.

Chartered Accountants

E-mail: ca@lunawat.com, lunawat@vsnl.com.

Website: www.lunawat.com.