

Draft Gold Monetization Scheme

I. Objective

The objectives of the Gold Monetization scheme are:

- i. To mobilize the gold held by households and institutions in the country.
- ii. To provide a fillip to the gems and jewellery sector in the country by making gold available as raw material on loan from the banks.
- iii. To be able to reduce reliance on import of gold over time to meet the domestic demand.

III. Scope

The scheme requires a vast set-up of infrastructure for facilitating easy and secure handling of gold. For this reason, it may be possible to launch it initially only in selected cities. Over time, as the infrastructure for assaying and refining of gold develops, the scheme can be extended to other cities.

IV. Scheme

The draft outline of the scheme detailed in this section, has been prepared after due deliberations and consultations with various stakeholders which includes banks, refineries, hallmarking centres, jewellers' associations; RBI; and various government departments. A schematic representation of the scheme is at Annexure-I.

Draft GMS

I. Purity Verification and Deposit of Gold

- Purity Testing Centres: There are at present 350 **Hallmarking Centres** that are Bureau of Indian Standards (BIS) certified spread across various parts of the country (List of the number of centres in each states is at Annexure-II). These centres may not necessarily be jewellers. They are engaged in certifying the purity of the gold that the jewellers manufacture on a daily basis and for which they charge a fee

from the jewellers. These Hallmarking Centres will act as ‘Purity Testing Centres’ for the GMS as they are well equipped to conduct a test of purity of the jewellery in a short span of time.

- **Preliminary Test:** In a Purity Testing Centre, a preliminary XRF machine-test will be conducted to tell the customer the approximate amount of pure gold. If the customer agrees, he will have to fill-up a Bank/KYC form and give his consent for melting the gold. If the customer does not agree to the XRF machine test, he can take his jewellery back at this stage. The time spent by the customer will be about 45 minutes in the centre up till this stage.
- **Fire Assay Test:** After receiving the customer’s consent for melting the gold for conducting a further test of purity, at the same collection centre, the gold ornament will then be cleaned of its dirt, studs, meena etc. The studs will be handed-over to the customer there itself. Net weight of the jewellery will be taken after such removals and told to the customer. Then, right in front of the customer the jewellery will be melted and through a fire assay, its purity will be ascertained. These centres have viewing galleries from where the customer can see the entire process. The time taken is expected not to exceed 3-4 hours.
- **Deposit of Gold:** When the results of the fire assay are told to the customer, he has a choice of either refusing to accept, in which case he can take back the melted gold in the form of gold bars, after paying a nominal fee¹ to that centre; or he may agree to deposit his gold (in which case the fee will be paid by the bank). If the customer agrees to deposit the gold, then he will be given a certificate by the collection centre certifying the amount and purity of the deposited gold.
- **Conditions:** The minimum quantity of gold that a customer can bring is proposed to be set at 30 grams, so that even small depositors are encouraged. Gold can be in any form (bullion or jewellery).

¹ The details of the fees as received from the Indian Association of Hallmarking Centres are at Annexure III. These are only indicative and may change after the consultative process is over.



II. Opening of Gold Savings Account with the banks.

- **Gold Savings Account:** When the customer produces the certificate of gold deposited at the Purity Testing Centre, the bank will in turn open a ‘Gold Savings Account’ for the customer and credit the ‘quantity’ of gold into the customer’s account. Simultaneously, the Purity Verification Centre will also inform the bank about the deposit made.
- **Interest payment by banks:** The bank will commit to paying an interest to the customer which will be payable after 30/60 days of opening of the Gold Savings Account. The amount of interest rate to be given is proposed to be left to the banks to decide. Both principal and interest to be paid to the depositors of gold, will be ‘valued’ in gold. For example if a customer deposits 100 gms of gold and gets 1 per cent interest, then, on maturity he has a credit of 101 gms.
- **Redemption:** The customer will have the option of redemption either in cash or in gold, which will have to be exercised in the beginning itself (that is, at the time of making the deposit).
- **Tenure:** The tenure of the deposit will be minimum 1 year and with a roll out in multiples of one year. Like a fixed deposit, breaking of lock-in period will be allowed.
- **Tax Exemption:** In the Gold Deposit Scheme (1999), the customers received exemption from Capital Gains Tax, Wealth tax and Income Tax. Similar tax exemptions are likely to be made available to the customers in the GMS after due examination.

III. Transfer of Gold to the Refiners

- **Refineries:** At present there are about 32 refineries in the country. The laboratories of some of these refineries are NABL accredited which means that the process that they adopt is certified. BIS has been asked by this Department to ascertain if it can conduct accreditation of the products being produced in these refineries also.
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- Transfer of gold to refineries: Purity Testing Centres will send the gold to the refiners. The refiners will keep the gold in their ware-houses, unless the banks prefer to hold it themselves.
- Payment: For the services provided by the refiners, they will be paid a fee by the banks, as decided by them, mutually.

IV. Utilization of Deposited Gold

- CRR/SLR: To incentivize banks, it is proposed that they may be permitted to deposit the mobilized gold as part of their CRR/SLR requirements with RBI. This aspect is still under examination.
- Foreign Currency: Banks may sell the gold to generate foreign currency. The foreign currency thus generated can then be used for onward lending to exporters / importers.
- Coins: Bank may convert mobilized gold into coins for onward sale to their customers
- Exchanges: Banks to buy and sell on domestic commodity exchanges, where mobilized gold can be delivered.
- Lending to jewellers: For lending to jewellers

V. Lending the Gold to the Jewellers

- Gold Loan Account: The jewellers, on the basis of the terms and conditions of the banks, will get a Gold Loan Account opened at the bank.
- Delivery of gold to jewellers: When a gold loan is sanctioned, the jewellers will receive physical delivery of gold from the refiners. The banks will in turn make the requisite entry in the jewellers' Gold Loan Account.
- Interest received by banks: The interest rate charged by the banks will have to cover the following:
 - ❖ Interest rate paid to the depositors of gold
 - ❖ Fee paid to the refiners and Purity Verification Centres.
 - ❖ Profit margin of the banks



- ❖ The banks can directly get gold from the international market on a consignment basis and lend it to the jewellers. If this route is more lucrative, then the entire purpose will get defeated. Thus, this aspect will also have to be kept in mind, while deciding the interest rate.

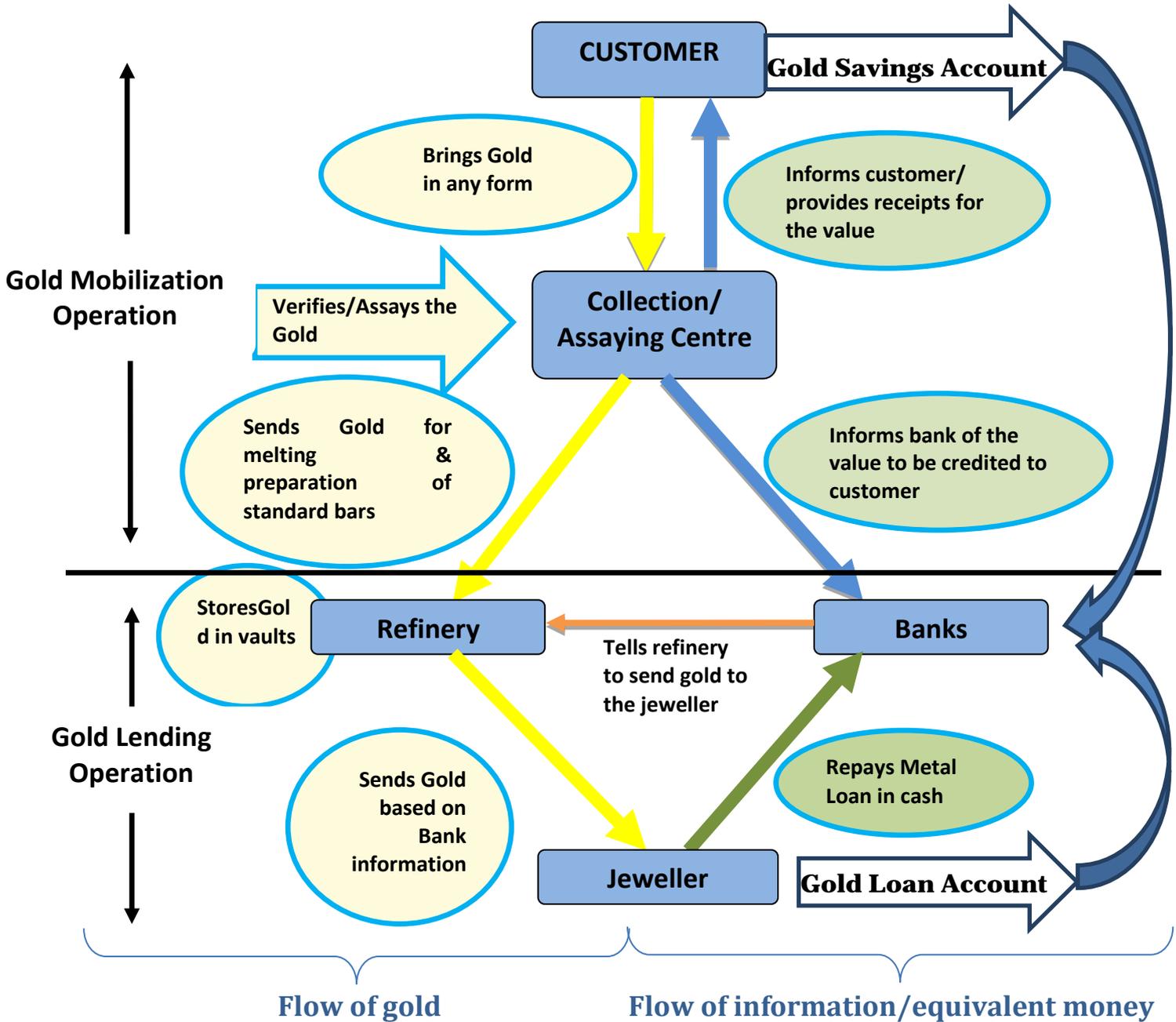
VI. MoU between Banks, Refiners and Purity Testing Centres

- The banks will enter into a tripartite MoU with refiners and purity testing centres, that are selected by them to be their partners in the scheme.
- The MoU will clearly lay down the details regarding payment of fee, services to be provided, standards of service and the details of the arrangements between the banks, refiners and purity testing centres.



Annexure I

DIAGRAMMATIC FLOW CHART





List of Collection Centres

Bureau of Indian Standards

State wise list of BIS recognized Assaying and Hallmarking Centres in operation and pending applications as on 31 March 2015

Sl. No.	State	No. of centres	Pending Applications
1.	ANDAMAN NICOBAR	0	
2.	ANDHRA PRADESH	19	
3.	ARUNACHAL PRADESH	0	
4.	ASSAM	1	
5.	BIHAR	3	
6.	CHANDIGARH	3	
7.	CHHATTISGARH	1	
8.	DADRA AND NAGAR HAVELI	0	
9.	DAMAN AND DIU	0	
10.	DELHI	25	4
11.	GOA	0	
12.	GUJARAT	27	3
13.	HARYANA	6	
14.	HIMACHAL PRADESH	1	
15.	JAMMU & KASHMIR	1	
16.	JHARKHAND	1	
17.	KARNATAKA	27	4
18.	KERALA	39	3
19.	LAKSHADWEEP	0	
20.	MADHYA PRADESH	5	
21.	MAHARASHTRA	38	2
22.	MANIPUR	0	
23.	MEGHALAYA	0	
24.	MIZORAM	0	
25.	NAGALAND	0	
26.	ODISHA	7	1
27.	PUDUCHERRY	1	
28.	PUNJAB	8	4
29.	RAJASTHAN	11	2
30.	SIKKIM	0	
31.	TAMIL NADU	57	
32.	TELANGANA	11	
33.	TRIPURA	0	
34.	UTTAR PRADESH	14	
35.	UTTARKHAND	1	
36.	WEST BENGAL	24	1
	Total	331	24



Annexure-III

SCHEDULE OF FEES

- 1) Melting charges :
 - a) Minimum charges/upto 100 gms - Rs. 500 per lot
 - b) 100 gms to 200 gms - Rs. 600
 - c) 200 gms to 300 gms - Rs. 700
 - d) 300 gms to 400 gms - Rs. 800
 - e) 400 gms to 500 gms - Rs. 900
 - f) 500 gms to 600 gms - Rs.1000
 - g) 600 gms to 700 gms - Rs. 1100
 - h) 700 gms to 800 gms - Rs.1200
 - i) 800 gms to 900 gms - Rs.1300
 - j) 900 gms to 1000 gms - Rs.1400
- 2) Testing/fire assaying charges - Rs. 300
- 3) Stone removal charges - at actuals
Minimum charge - Rs. 100
- 4) Melting loss - at actuals

(Information as received from Indian Association of Hallmarking Centres-this is only indicative and is subject to change after consultations)