

PRESS INFORMATION BUREAU
GOVERNMENT OF INDIA

GOLD DEPOSIT & ETF SCHEMES LINKED TO UNFREEZE PART OF GOLD HELD UNDER ETF
IMPORT DUTY ON GOLD & PLATINUM RAISED TO 6 PERCENT
GOVERNMENT APPEALS TO THE PEOPLE TO MODERATE THEIR DEMAND FOR GOLD

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The Government has proposed to provide a link between the Gold ETF (Exchange Traded Fund) and the Gold Deposit Scheme. The objective is to unfreeze or release a part of the gold physically held by mutual funds under Gold ETFs and enable them to deposit the gold with banks under the Gold Deposit Scheme. The advantage will be that a part of the gold lying in stock will be brought into circulation and will partially meet the requirements of the gems and jewellery trade. It is hoped that, consequently, there will be a moderation in the quantity of gold that is imported into the country. This was announced by Shri Arvind Mayaram, Secretary, Ministry of Finance, Government of India, in New Delhi today.

Apart from Gold ETFs, the changes proposed to the Gold Deposit Scheme will make it attractive for individuals to deposit their idle gold with the banks under the Gold Deposit Scheme. The minimum quantity of gold that may be deposited will be reduced and the minimum tenure of deposit will be reduced to six months (from the present stipulation of three years). Banks have been advised to notify the changes in the Gold Deposit Scheme.

Government has consulted SEBI and RBI. The notification of the Gold Deposit Scheme will be modified by the Ministry of Finance. RBI will modify its guidelines reflecting these changes. SEBI will issue a circular enabling Gold ETFs to deposit part of the physical stock of gold held by them with banks under the Gold Deposit Scheme.

Government also appealed to the people to moderate their demand for gold. Gold imports in 2011-12 amounted to USD 56.5 Billion and, in the current fiscal year up to December, 2012, gold imports are estimated at USD 38 Billion.

In addition to providing a link between the Gold ETF and the Gold Deposit Scheme, Government has also decided to increase the import duty on gold and platinum from 4 per cent to 6 per cent with immediate effect. Consequential changes in additional customs duty and excise duty will be carried out in the notifications dealing with the import duty/excise duty on gold dore bars, gold ores and refined gold. The duties will be reviewed after some time if there is a moderation in the quantity of gold that is imported into the country.

Currently, there are two gold related schemes, namely, the **Gold Exchange Traded Fund (Gold ETF)** and the **Gold Deposit Scheme**, that are intended to channelize gold holdings into institutional channels. The Gold ETF is provided by mutual funds. Units are sold to subscribers through 'authorized participants' and are traded on the exchange. The units are backed by physical gold held by the mutual fund. Money collected under any Gold ETF shall be invested by the mutual fund primarily (a minimum of 90 per cent) in gold or gold related instruments notified by SEBI.

The Gold Deposit Scheme is offered by a number of banks. Banks accept gold deposited by clients. The gold is on-lent by the banks to the gems and jewellery trade. At the end of the deposit period, the depositor is entitled to a return of physical gold or its equivalent in cash at the current market price of gold.
