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Gold Monetization Scheme, 2015

In exercise of the powers conferred on the Reserve Bank of India (RBI) under Section 35A of the Banking Regulation Act, 1949 and in pursuance of the Central Government notification issued vide Office Memorandum F.No.20/6/2015-FT dated September 15, 2015 regarding “**Gold Monetization Scheme (GMS)**”, the RBI being satisfied that it is in the public interest, so to do, hereby issues these Directions to all Scheduled Commercial Banks (excluding Regional Rural Banks).

CHAPTER – I
PRELIMINARY

1.1 Objective

GMS, which modifies the existing ‘Gold Deposit Scheme’ (GDS) and ‘Gold Metal Loan Scheme (GML), is intended to mobilise gold held by households and institutions of the country and facilitate its use for productive purposes, and in the long run, to reduce country’s reliance on the import of gold.

1.2. Short title and commencement

- i. These Directions shall be called the **Reserve Bank of India (Gold Monetization Scheme) Directions, 2015.**
- ii. All Scheduled Commercial Banks excluding RRBs will be eligible to implement the Scheme.

- iii. The banks intending to participate in the Scheme should formulate a comprehensive policy with approval of the board to implement it.

1.3 Definitions

In these Directions, unless the context otherwise requires, the following terms shall bear the meanings assigned to them below:

- i. **Collection and Purity Testing Centre (CPTC)** - The collection and assaying centres certified by the Bureau of Indian Standards (BIS) and notified by the Central Government for the purpose of handling gold deposited and redeemed under GMS.
- ii. **Designated bank** – All Scheduled Commercial Banks (excluding RRBs) that decide to implement the Scheme.
- iii. **Gold Deposit Account** – An account opened with a designated bank under the Scheme and denominated in grams of gold.
- iv. **Medium and Long Term Government Deposit (MLTGD)** - The deposit of gold made under the GMS with a designated bank in the account of the Central Government for a medium term period of 5-7 years or a long term period of 12-15 years or for such period as may be decided from time to time by the Central Government.
- v. **Nominated bank** – A Scheduled Commercial Bank authorized by RBI to import gold under the extant Foreign Trade Policy.
- vi. **Refiners** – The refineries accredited by the National Accreditation Board for Testing and Calibration Laboratories (NABL) and notified by the Central Government for the purpose of handling gold deposited and redeemed under GMS.
- vii. **Scheme** - Gold Monetization Scheme, 2015 which includes Revamped Gold Deposit Scheme (R-GDS) and Revamped Gold Metal Loan Scheme (R-GML).
- viii. **Short Term Bank Deposit (STBD)** - The deposit of gold made under the GMS with a designated bank for a short term period of 1-3 years.

Chapter II

Revamped Gold Deposit Scheme (R-GDS)

2.1 Basic features

2.1.1 General

- i. This scheme will replace the existing Gold Deposit Scheme, 1999. However, the deposits outstanding under the Gold Deposit Scheme will be allowed to run till maturity unless these are withdrawn by the depositors prematurely as per existing instructions.
- ii. All designated banks will be eligible to implement the scheme.
- iii. The principal and interest on STBD shall be denominated in gold. In the case of MLTGD the principal will be denominated in gold. However, the interest on MLTGD shall be calculated in Indian Rupees with reference to the value of gold at the time of the deposit¹.
- iv. Persons eligible to make a deposit - Resident Indians [Individuals, HUFs, Proprietorship & Partnership firms², Trusts including Mutual Funds/Exchange Traded Funds registered under SEBI (Mutual Fund) Regulations, Companies, charitable institutions, Central Government, State Government or any other entity owned by Central Government or State Government]³ 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 existing rules regarding joint operation of bank deposit accounts including nominations will be applicable to these gold deposits.
- v. All deposits under the scheme shall be made at the CPTC. Provided that⁴, at their discretion, banks may accept the deposit of gold at the designated branches, especially from the larger depositors. Banks may identify at least one branch in a State/Union Territory where they have presence to accept the deposits under the Scheme.⁵

¹ Modified vide [Circular DBR.IBD.BC.74/23.67.001/2015-16 dated January 21, 2016](#). Before amendment, it read as “The principal and interest of the deposit under the scheme shall be denominated in gold”.

² Inserted vide [Circular DBR.IBD.BC.74/23.67.001/2015-16 dated January 21, 2016](#).

³ Inserted vide [Circular DBR.IBD.BC.19 /23.67.001/2018-19 dated January 9, 2019](#).

⁴ Replaced the word “however”.

⁵ Inserted vide [Circular DBR.IBD.BC.13/23.67.001/2019-20 dated August 16, 2019](#).

Provided further that banks may, at their discretion, also allow the depositors to deposit their gold directly with the refiners that have facilities to carry out final assaying and to issue the deposit receipts of the standard gold of 995 fineness to the depositor.⁶

- vi. 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 or the bank's designated branch, as the case may be, whichever is earlier.
- vii. 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.
- viii. On the day the gold deposited under the scheme starts accruing interest, the designated banks shall translate the gold liabilities and assets in Indian Rupees 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 the above value to arrive at the final value of gold. This approach will also be followed for valuation of gold at any subsequent valuation dates and for the conversion of gold into Indian Rupees under the Scheme.
- ix. Designated banks shall inform the RBI of their decision to participate in the Scheme as soon as the policy to implement the scheme is approved by their Board. They shall also report to the RBI the gold mobilized under the scheme by all branches in a consolidated manner on a monthly basis as per the format given in the Annex-2.⁷
- x. Tax implications on GMS shall be as notified by the Central Government from time to time.⁸
- xi. The quantity of gold will be expressed up to three decimals of a gram.⁹

⁶ Inserted vide [Circular DBR.IBD.BC.74/23.67.001/2015-16 dated January 21, 2016](#)

⁷ Modified vide [Circular DBR.IBD.BC.74/23.67.001/2015-16 dated January 21, 2016](#). Before amendment, it read as "Reporting – The designated banks need to submit a monthly report on GMS to the RBI in the prescribed format."

⁸ Inserted vide [Circular DBR.IBD.BC.74/23.67.001/2015-16 dated January 21, 2016](#).

⁹ Inserted vide [Circular DBR.IBD.BC.74/23.67.001/2015-16 dated January 21, 2016](#)

- xii. All designated banks shall give adequate publicity to the Scheme through their branches, websites and other channels¹⁰

2.1.2 Acceptance of deposits

- i. The minimum deposit at any one time shall be 30 grams of raw gold (bars, coins, jewellery excluding stones and other metals). There is no maximum limit for deposit under the scheme.
- ii. All gold deposits under the scheme, whether tendered at the CPTC or the designated branches, shall be assayed at CPTC:
Provided that the designated banks are free not to subject the standard good delivery gold accepted directly at branches to fire assaying at the CPTC.

2.2 Types of deposits

There shall be two different gold deposit schemes as under:

2.2.1 Short Term Bank Deposit (STBD)

- i. All provisions of para 2.1.1 above shall apply to this deposit.
- ii. The short term deposits shall be treated as bank's on-balance sheet liability. These deposits will be made with the designated banks for a short period of 1-3 years (with a facility of roll over). Deposits can also be allowed for broken periods (e.g. 1 year 3 months; 2 years 4 months 5 days; etc.). The rate of interest payable in the case of deposits for maturities with broken periods shall be calculated as the sum of interest for the completed year plus interest for the number of remaining days at the rate of $D/360 \times \text{ARI}$

Where, ARI= Annual Rate of Interest
D= Number of days¹¹

- iii. The deposit will attract CRR and SLR requirements as per applicable instructions of RBI from the date of credit of the amount to the deposit account. However, the stock of gold held by banks in their books will be an eligible asset for meeting the SLR requirement in terms of [RBI Master Circular - Cash Reserve Ratio \(CRR\) and Statutory Liquidity Ratio \(SLR\) dated 1 July 2015.](#)

¹⁰ Inserted vide [Circular DBR.IBD.BC.13/23.67.001/2019-20 dated August 16, 2019.](#)

¹¹ Modified vide [Circular DBR.IBD.BC. 109 /23.67.001/2017-18 dated June 7, 2018.](#) Before amendment, it read as "The deposit will be made with the designated banks for a short term period of 1-3 years (with a roll over in multiples of one year) and will be treated as their on-balance sheet liability."

- iv. The designated banks may, at their discretion, allow whole or part premature withdrawal of the deposit subject to such minimum lock-in period and penalties, if any, as may be determined by them.
- v. The designated banks are free to fix the interest rates on these deposits. The interest shall be credited in the deposit accounts on the respective due dates and will be withdrawable periodically or at maturity as per the terms of the deposit.
- vi. Redemption of principal and interest at maturity will, at the option of the depositor be either in Indian Rupee equivalent of the deposited gold and accrued interest based on the price of gold prevailing at the time of redemption, or in gold. The option in this regard shall be made in writing by the depositor at the time of making the deposit and shall be irrevocable:

Provided that any premature redemption shall be in Indian Rupee equivalent or gold at the discretion of the designated bank.

2.2.2 Medium and Long Term Government Deposit (MLTGD)

- i. All provisions of guidelines at para 2.1 above will apply to this deposit.
- ii. The deposit under this category will be accepted by the designated banks on behalf of the Central Government. The receipts issued by the CPTC and the deposit certificate issued by the designated banks shall state this clearly.
- iii. This deposit will not be reflected in the balance sheet of the designated banks. It will be the liability of Central Government and the designated banks will hold this gold deposit on behalf of Central Government until it is transferred to such person as may be determined by the Central Government.
- iv. Other features of the Medium and Long Term Government Deposit (MLTGD) shall be as under:¹²

(a) Maturity

¹³The Medium Term Government Deposit (MTGD) can be made for 5-7 years and Long Term Government Deposit (LTGD) for 12-15 years or for such period

¹² Inserted vide [Circular DBR.IBD.BC.109/23.67.001/2017-18 dated June 7, 2018](#).

¹³ Modified vide [Circular DBR.IBD.BC.74/23.67.001/2015-16 dated January 21, 2016](#). Before amendment, it read as "The deposit can be made for a medium term period of 5-7 years or a long term period of 12-15 years or for such period as may be decided from time to time by the Central Government. The rate of interest of such deposit will be decided by Central Government and notified by Reserve Bank of India from time to time.

as may be decided by the Central Government from time to time. Deposits can also be allowed for broken periods (e.g. 5 years 7 months; 13 years 4 months 15 days; etc.).

(b) Rate of interest:

- The rate of interest on such deposit will be decided by Central Government and notified by Reserve Bank of India from time to time. The current rate of interest as notified by the Central Government are as under:
 - (i) On medium term deposit – 2.25% p.a.
 - (ii) On long term deposit – 2.50% p.a.
- The rate of interest payable in the case of deposits for maturities with broken periods shall be calculated as the sum of interest for the complete year plus interest for the number of remaining days at the rate of $D/360 \times \text{ARI}$

Where, ARI= Annual Rate of Interest

D= Number of days

(c) The periodicity of interest payment

The periodicity of interest payment on these deposits is annual and shall be paid on 31st March every year. A depositor will have an option to receive payment of simple interest annually or cumulative interest at the time of maturity, in which case it will be compounded annually. This option shall be exercised at the time of deposit.

(d) Minimum lock-in period

A Medium Term Government Deposit (MTGD) is allowed to be withdrawn any time after 3 years and a Long Term Government Deposit (LTGD) after 5 years.

(e) Interest on premature withdrawal

The amount payable to the depositor on premature withdrawal after lock-in period shall be calculated as a sum of **(A) and (B)**, as indicated below:

(A) Actual market value of the gold deposit on the day of withdrawal.

(B) Interest payable on the value of the gold at the time of deposit as under.¹⁴

The designated banks may allow whole or part premature withdrawal of the deposit subject to such minimum lock-in period and penalties, if any, as determined by the Central Government.”

¹⁴ An illustration of the interest calculation as under:

Type of deposit	Lock-in period (years)	Actual period for which the deposit has run (years)	
		>3 and < 5	≥5 and < 7
MTGD	3	Applicable rate for MTGD at the time of deposit minus 0.375%	Applicable rate for MTGD at the time of deposit minus 0.25%

Type of deposit	Lock-in period (years)	Actual period for which the deposit has run (years)		
		>5 and < 7	≥ 7 and < 12	≥12 and < 15
LTGD	5	Applicable rate for MTGD at the time of deposit minus 0.25%	Applicable rate for LTGD at the time of deposit minus 0.375%	Applicable rate for LTGD at the time of deposit minus 0.25%

- v. In the case of MLTGD, the redemption of principal at maturity shall, at the option of the depositor, be either in Indian Rupee equivalent of the value of deposited gold at the time of redemption, or in gold. However, any pre-mature redemption of MLTGD shall be only in INR.¹⁵ Where the redemption of the deposit is in gold, an administrative charge at a rate of 0.2% of the notional redemption amount in terms of INR shall be collected from the depositor. However, the interest accrued on MLTGD shall be calculated with reference to the value of gold in terms of Indian Rupees at the time of deposit and will be paid only in cash.¹⁶
- vi. The gold received under MLTGD will be auctioned by the agencies notified by Government and the sale proceeds will be credited to Government's account held with RBI.

Type of deposit	Lock-in period (years)	Actual period for which the deposit has run (years)		
		>3 and < 5	≥ 7 and < 12	≥12 and < 15
MTGD	Position as on date	2.250%-0.375% = 1.875%		2.250%-0.250% = 2.00%
LTGD	Position as on date	2.250%-0.250% = 2.00%	2.500%-0.375%=2.125%	2.500%-0.250%=2.25%

¹⁵ Inserted vide [Circular DBR.IBD.BC. 109 /23.67.001/2017-18 dated June 7, 2018](#).

¹⁶ Modified vide [Circular DBR.IBD.BC.89/23.67.001/2015-16 dated March 31, 2016](#). Before amendment, it read as "Redemption of the deposit including interest accrued will be only in Indian Rupee equivalent of the value of the gold and accumulated interest as per the price of gold prevailing at the time of redemption."

- vii. Reserve Bank of India will maintain the Gold Deposit Accounts denominated in gold in the name of the designated banks that will in turn hold sub-accounts of individual depositors.
- viii. The details of auctioning and the accounting procedure will be notified by Government of India.
- ix. ¹⁷Central Government has decided that with effect from November 5, 2016, designated banks will be paid handling charges (including gold purity testing, refining, transportation, storage and any other relevant costs) for MLTGD at a flat rate of 1.5% and commission at the rate of 1% of the rupee equivalent of the amount of gold mobilized under the scheme until further notice.¹⁸

Explanation: For the purpose of computing the charges and commission payable to banks, the rupee equivalent of the gold deposited shall be calculated based on the price of gold prevailing at the time of deposit.

2.3 Opening of gold deposit accounts

The opening of gold deposit accounts shall be subject to the same rules with regard to customer identification as are applicable to any other deposit account. Depositors who do not already have any other account with the designated bank, shall open a gold deposit account with the designated banks with zero balance at any time prior to tendering gold at the CPTC after complying with KYC norms as prescribed by Reserve Bank of India.

The designated banks will credit the STBD or MLTGD, as the case may be, with the amount of 995 fineness gold as indicated in the advice received from CPTC, after 30 days of receipt of gold at the CPTC, regardless of whether the depositor submits the receipt for issuance of the deposit certificate or not.

2.4 Collection and Purity Testing Centres

- i The Central Government will notify the list of BIS certified CPTC / Refiners under the Scheme and shall be communicated to the banks through Indian Banks' Association (IBA).¹⁹

¹⁷ Inserted vide [Circular DBR.IBD.BC.74/23.67.001/2015-16 dated January 21, 2016](#)

¹⁸ Modified vide [Circular DBR.IBD.BC.109/23.67.001/2017-18 dated June 7, 2018](#).

¹⁹ Modified vide [Circular DBR.IBD.BC.74/23.67.001/2015-16 dated January 21, 2016](#). Before amendment, it read as "The Central Government will notify a list of BIS certified CPTCs under the Scheme."

- ii The designated banks will be free to select and authorize the CPTCs out of the list notified by the Central Government for handling gold as their agents based on their assessment of the credit worthiness of these centres. (Please see paragraph 2.6 for tripartite agreement among banks, refineries and CPTCs).
- iii Each designated bank authorizing a CPTC to collect deposit of gold on its behalf shall ensure that its name is included in the list of such banks displayed by the CPTC.
- iv The schedule of fees charged by the CPTCs shall be displayed at a prominent place at the centre.
- v Before tendering the raw gold to a CPTC, the depositor shall indicate the name of the designated bank with whom he would like to place the deposit.²⁰
- vi After assaying the gold, the CPTC will issue a receipt signed by authorised signatories of the centre showing the standard gold of 995 fineness on behalf of the designated bank indicated by the depositor. Simultaneously, the CPTC will also send an advice to the designated bank regarding the acceptance of deposit.
- vii The 995 fineness equivalent amount of gold as determined by the CPTC will be final and any difference in quantity or quality found after issuance of the receipt by the CPTC including at the level of the refinery due to refinement or any other reason shall be settled among the three parties viz., the CPTC, the refiner and the designated bank in accordance with the terms of the tripartite agreement.
- viii The depositor shall produce the receipt showing the 995 fineness equivalent amount of gold issued by the CPTC to the designated bank branch, either in person or through post.
- ix On submission of the deposit receipt by the depositor, the designated bank shall issue the final deposit certificate on the same day or 30 days after the date of the tendering of gold at the CPTC, whichever is later.
- x The assaying process at the CPTC is described in Annex-1.

²⁰ The Indian Banks' Association (IBA) has agreed to design appropriate standard documentations in connection with the GMS including application form for tendering raw gold to the assaying centres, description of the physical appearance and other characteristics of the gold, the recording of the results of XRF by the assaying centre, customer's consent for melting the gold for fire-assaying, customer's consent for making the final deposit, the Final Receipt to be issued to the depositor and any other documents that may be considered by the banks. The entire set of documents should be made available to the depositor upfront and should include all the terms and conditions of the scheme including the schedule of charges. The documentation should be posted on IBA's website and should also be available in physical form at the CPTCs.

2.5 Transfer of gold to the Refiners

- i. The designated banks will be free to select the refiners (list notified by Government is attached) based on their assessment regarding the credibility of these entities.
- ii. The CPTCs will transfer the gold to the refiners as per the terms and conditions set out in the tripartite agreement.
- iii. The refined gold may, at the option of the designated bank, be kept in the vaults maintained by the refiners or at the branch itself.
- iv. For the services provided by the refiners, the designated banks will pay a fee as decided mutually.
- v. The refiners shall not collect any charge from the depositor.

2.6 Tripartite agreement between the designated banks, refiners and CPTCs

- i. Every designated bank shall enter into a legally binding tripartite agreement with the refiners and CPTCs with whom they tie up under the Scheme.
- ii. The agreement shall clearly lay down the details regarding payment of fees, services to be provided, standards of service, the details of the arrangement regarding movement of gold and rights and obligations of all the three parties in connection with the operation of the Scheme.
- iii. The tripartite agreement shall have enabling provision for direct deposit of gold with the refineries as well. In the alternate, banks shall enter into bipartite agreements with the refiners, stating out the terms of that arrangements besides the tripartite agreement.²¹

2.7 Utilization of gold mobilized under GMS

2.7.1 Gold accepted under STBD

Without prejudice to the generality of the uses of the gold mobilised under the STBD, the designated banks may

- i. sell the gold to MMTC for minting India Gold Coins (IGC), to jewellers and to other designated banks participating in GMS; or

²¹ Inserted vide [Circular DBR.IBD.BC.74/23.67.001/2015-16 dated January 21, 2016](#)

- ii. Lend the gold under the GML scheme to MMTC for minting India Gold Coins (IGC) and to jewellers.

2.7.2 Gold accepted under MLTGD

- i. Gold deposited under MLTGD will be auctioned by MMTC or any other agency authorized by the Central Government and the sale proceeds credited to the Central Government's account with RBI.
- ii. The entities participating in the auction may include RBI, MMTC, banks and any other entities notified by the Central Government in this regard.
- iii. Gold purchased by designated bank under the auction may be utilized by them for any purposes indicated at para 2.7.1 above.

2.8 Risk management

- i. The designated banks are allowed to access the International Exchanges, London Bullion Market Association or make use of Over-the-counter contracts to hedge exposures to bullion prices subject to the guidelines issued by RBI.
- ii. The designated banks should put in place suitable risk management mechanisms including appropriate limits to manage the risk arising from gold price movements in respect of their net exposure to gold.

2.9 Oversight over the CPTCs and Refineries

- i. The Central Government, in consultation with BIS, NABL, RBI and IBA, may put in place appropriate supervisory mechanism over the CPTCs and the refiners so as to ensure observance of the standards set out for these centres by Government (BIS and NABL).
- ii. The Central Government may take appropriate action including levy of penalties against the non-compliant CPTCs and refiners.
- iii. The Central Government may also put in place appropriate grievance redress mechanism regarding any depositor's complaints against the CPTCs.
- iv. The complaints against the designated banks regarding any discrepancy in issuance of receipts and deposit certificates, redemption of deposits, payment of interest will be handled first by the bank's grievance redress process and then by the Banking Ombudsman of RBI.

Chapter III
GMS - linked Gold Metal Loan (GML) Scheme

3.1.1 General

- i. The gold mobilized under STBD may be provided to the jewellers as GML. The designated banks can also purchase the gold auctioned under MLTGD and extend GML to the jewellers.
- ii. The jewellers will receive the physical delivery of gold either from the refiners or from the designated bank, depending on the place where the refined gold is stored.
- iii. The existing Gold (Metal) Loan (GML) Scheme operated by nominated banks in terms of paragraph 2.3.12 of the RBI Master Circular on Loans and Advances - Statutory and Other Restrictions dated July 1, 2015 will continue in parallel with GMS-linked GML scheme. All prudential guidelines for the existing GML Scheme as prescribed in the Master Circulars amended from time to time will also be applicable to the new Scheme.
- iv. The designated banks other than the nominated banks shall be eligible to import gold only for redemption of the gold deposits mobilised under the STBD.

3.1.2 Interest to be charged

The designated banks are free to determine the interest rate to be charged on GMS-linked GML.

3.1.3 Tenor

The tenor of GMS-linked GML will be the same as under the extant GML scheme.

Annex 1

Assaying process at the CPTCs

- I. The fees to be charged by a CPTC shall be informed to the customer before doing the XRF test.
- II. There will be a BIS certified protocol of operations and processes at all stages of purity verification and deposit of gold which are as under:
 - i. XRF machine-test and weighing of all articles shall be done in the presence of the customer and will be recorded by CCTV Camera.
 - ii. After XRF test, the customer will be given the option to disagree with the preliminary test or withdraw the tendered gold or he will give his consent for melting and fire assay test.
 - iii. On receipt of the customer consent, the gold ornaments will be cleaned of its dirt, studs, meena etc. and thereafter, the purity of the tendered gold will be ascertained through a fire assay test in the presence of the customer.
 - iv. In case the customer agrees with the result of the fire assay test, he will exercise his option to deposit the gold with the bank and in that case the fee charged by the centre will be paid by the bank. However, in case of any disagreement with the fire assay result, the customer will be given the option to take back the melted gold after paying a nominal fee to the centre.
 - v. In case the customer exercises the option to deposit the gold, he will be provided a certificate by the CPTC certifying the weight of the gold tendered in equivalence of 995 fineness of gold.
 - vi. On receipt of this certificate from the customer, the bank will credit the equivalent quantity of Standard gold of 995 fineness in to the depositor's account.
 - vii. Simultaneously, the CPTC has also to inform the bank about the details of the deposit made by the customer.