



भारतीय रिज़र्व बैंक  
RESERVE BANK OF INDIA

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February 07, 2013

The Chairmen / CEOs of all  
State and Central Co-operative Banks

Madam / Dear Sir,

**Bank Finance for Purchase of Gold**

State and Central Co-operative Banks grant loans for various purposes against the security of gold / gold ornaments as part of their lending policy.

2. In terms of announcements made in paragraph 102 and 103 (extract enclosed) of the Second Quarter Review of Monetary Policy 2012-13 on October 30, 2012, the significant rise in import of gold in recent years is a cause of concern as direct bank financing for purchase of gold in any form viz., bullion/primary gold/jewellery/gold coin, etc., would lead to fuelling of demand of gold for speculative purposes. It was therefore proposed that other than working capital finance, banks would not be permitted to finance purchase of gold in any form.

3. As you are aware, presently State and Central Co-operative Banks are permitted to grant loans against pledge of gold ornaments, but not permitted to grant any advance for purchase of gold in any form. In view of the concerns mentioned in para 2 above, it is reiterated that State and Central Co-operative Banks should not grant any advance for purchase of gold in any form, including primary gold, gold bullion, gold jewellery, gold coins, units of gold Exchange Traded Funds (ETF) and units of gold Mutual Funds.

4. Please acknowledge receipt of this circular to the Regional office concerned.

Yours faithfully,

(C.D. Srinivasan)  
Chief General Manager  
Encl. as above

## **Extract of Second Quarter Review of Monetary Policy 2012-13**

### **Bank Finance for the Purchase of Gold and Advances against Gold**

**102.** In terms of extant guidelines, no advances should be granted by banks against gold bullion to dealers/traders in gold if, in their assessment, such advances are likely to be utilised for purposes of financing gold purchase at auctions and/or speculative holding of stocks and bullion. In this context, the significant rise in imports of gold in recent years is a cause for concern as direct bank financing for purchase of gold in any form *viz.*, bullion/primary gold/jewellery/gold coin could lead to fuelling of demand for gold for speculative purposes. The Monetary Policy Statement of April 2012 announced the constitution of a Working Group (Convenor: Shri K.U.B. Rao) to study issues relating to gold imports and gold loans by Non-Banking Financial Companies (NBFCs) in India. The Working Group submitted its draft report in August 2012. Pending a decision on its recommendations, it is proposed to advise banks that:

- other than working capital finance, banks are not permitted to finance purchase of gold in any form.

**103.** Detailed guidelines in this regard are being issued separately.