



भारतीय रिज़र्व बैंक

RESERVE BANK OF INDIA

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RBI/2012-13/411

UBD.BPD.(PCB) Cir No.36/13.05.001/2012-13

February 6, 2013

The Chief Executive Officers
All Primary (Urban) Co-operative Banks

Madam / Dear Sir,

Bank Finance for Purchase of Gold

Please refer to our circular [UBD.PCB.Cir.No 24/13.05.001/08-09 dated November 10, 2008](#) on 'Advances against Pledge of Gold / silver ornaments' advising UCBs to observe certain safeguards while granting loan against pledge of gold/ silver ornaments.

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 UCBs 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 UCBs 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. We have been receiving references from UCBs enquiring whether loans against gold ornaments availed by small borrowers could be classified as priority sector advances. In this connection it is clarified that the purpose of the loans and/or the loan amount sanctioned are the criteria for classification as priority sector advances and not the security for the loan.

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चेतावनी: भारतीय रिज़र्व बैंक द्वारा ई-मेल, डाक, एसएमएस या फोन कॉल के जरिये कोई भी व्यक्तिगत जानकारी जैसे बैंक खाते का ब्यौरा, पासवर्ड आदि नहीं माँगा जाता है। यह धन रखने या देने का प्रस्ताव भी नहीं करता है। ऐसे प्रस्तावों का किसी भी प्रकार से जवाब मत दीजिए।

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For example, loans to small traders or small businessmen are essentially in the nature of working capital loan given primarily against the hypothecation of goods they deal with and therefore loan against gold jewellery to small businessmen may not necessarily be for undertaking trade or business.

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

Yours faithfully

(A. Udgata)
Chief General Manager- in – Charge
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.