



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA

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RBI/2012-13/509

DBOD. No. Dir. BC. 96 /13.03.00/ 2012-13

May 27, 2013

All Scheduled Commercial Banks
(excluding RRBs)

Dear Sir/Madam

Lending against Gold

Please refer to paragraph 98 of the Monetary Policy Statement 2013-14 announced on May 3, 2013 (extract enclosed) on lending against gold, proposing to restrict the facility of advances against the security of gold coins per customer to gold coins weighing up to 50 gms.

2. As per extant instructions contained in our circular DBOD.Leg.BC.95/ C.124 (P) - 78 dated July 22, 1978, banks should not grant any advance against gold bullion. Banks are currently permitted to grant advances against gold ornaments and jewellery subject to Board approved policies in terms of our circular DBOD.No.BC.138/21.01.023/94 dated November 22, 1994. Since specially minted gold coins sold by banks may not be in the nature of "bullion" or "primary gold", it was indicated in the mailbox clarification dated April 5, 2011 that there would be no objection to the bank granting loans against these coins. However, as pointed out in the monetary policy statement, there is a risk that some of these coins would be weighing much more, thereby circumventing the Reserve Bank's guidelines regarding restriction on grant of advance against gold bullion. Accordingly, it is advised that while granting advance against the security of specially minted gold coins sold by them, banks should ensure that the weight of the coin(s) does not exceed 50 grams per customer and the amount of loan to any customer against gold ornaments, gold jewellery and gold coins (weighing up to 50 grams) should be within the Board approved limit.

बैंकिंग परिचालन और विकास विभाग, केंद्रीय कार्यालय, 13 माला, शहीद भगतसिंह मार्ग, मुम्बई 400001

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हिंदी आसान है, इसका प्रयोग बढ़ाएँ

3. In this context, we have also been receiving references from certain banks asking whether advance against units of gold Exchange Traded Funds (ETF) and gold Mutual Funds is permitted. As these products are backed by bullion/primary gold, it is clarified that the restriction on grant of loan against “gold bullion” stipulated in terms of our circular dated July 22, 1978 referred to at para 2 above, will also be applicable to grant of advance against units of gold ETFs and units of gold Mutual Funds.

4. All other instructions issued in this regard will remain unchanged.

Yours faithfully,

Sd/-

(Prakash Chandra Sahoo)
Chief General Manager

Encl: As above

Extract of Monetary Policy Statement 2013-14

98. As per extant instructions, banks are currently permitted to grant advances against gold ornaments and other jewellery and against specially minted gold coins sold by banks. However, no advances can be granted by banks for purchase of gold in any form, including primary gold, gold bullion, gold jewellery, gold coins, units of gold exchange traded funds and units of gold mutual funds. While there may not be any objection to grant of advances against specially minted gold coins sold by banks, there is a risk that some of these coins would be weighing much more, thereby circumventing the Reserve Bank's guidelines regarding restrictions on grant of advance against gold bullion. Accordingly, it is proposed to:

- restrict the facility of advances against the security of gold coins per customer to gold coins weighing up to 50 gms.

Detailed guidelines will be issued by end-May 2013.