

Statement on the feedback received for draft Amendment Circulars

Subject: Reserve Bank of India (Gold Metal Loans) Directions, 2025

1. Para 8: Nominated banks importing gold as per the provisions of the Master Direction – Import of Goods and Services, as updated from time to time, may extend import-linked GML to entities who either manufacture and/or sell jewellery in domestic and/or export markets (collectively hereinafter referred to as “jewellers”).

Provided that, jewellers who are not manufacturers themselves, may borrow under GML only for outsourcing their manufacturing of jewellery to any manufacturing firms/ artisans/ goldsmiths.

The draft Directions proposed to expand the scope of eligible borrowers by permitting banks to extend GML to jewellers who themselves are not exporters or manufacturers but outsource their manufacturing activity to other entities.

Feedback:

(i) It has been suggested to also consider extending GML to entities which use gold as a raw material, or as an input in their manufacturing or industrial processing activity.

RBI Comments: Not Accepted. The GML guidelines are primarily targeted at jewellery manufacturers and the demand from other sectors is not perceived to be significant. Nevertheless, it is mention-worthy that Reserve Bank has recently allowed need-based working capital finance to such non-jeweller borrowers, who use gold or silver as a raw material or as an input in their manufacturing or industrial processing activity. It has, therefore, been decided to retain the scope of the GML scheme as proposed in the draft Directions.

(ii) Suggestions have been made to prescribe criteria for accepting domestic non-manufacturers to ensure uniformity and having differentiated norms for manufacturers and non-manufacturers.

RBI Comments: Not Accepted. It is an operational matter, better left to the discretion of individual banks to frame their own policies.

2. Para 13: A bank shall put in place mechanism to monitor end-use of the gold being lent to borrowers under GML scheme and ensure that the gold borrowed under GML scheme is neither sold nor exported by borrowers in raw form.

Feedback:

(i) Clarity has been sought on the term 'raw form'.

RBI comments: Accepted. The term 'gold in raw form' has been replaced with the term 'Primary Gold' as defined under extant regulations.

(ii) Suggestion has also been made on prescribing the methodology for monitoring end-use.

RBI Comments: Not Accepted. It is an operational matter, better left to the discretion of individual banks to frame their own policies.

3. Para 14: A bank may extend GML to jewellers who are not their regular customers by accepting stand-by letter of credit (SBLC) or bank guarantee (BG) denominated in INR, issued by other scheduled commercial banks.... ensuring the following:

i. The SBLC / BG shall be extended only on behalf of domestic jewellery manufacturers.

Feedback: A suggestion has been made that SBLC may be extended on behalf of domestic manufacturers as well as exporter jewellers.

RBI Comments: Accepted. The para has been rephrased to enable extension of GML based on SBLC/BG to all jewellers, including exporter jewellers.

4. Para 17: For all GML other than lending to jewellery exporters, a bank may fix a repayment tenor as per its policy, subject to a ceiling of 270 days.

The draft Directions proposed to extend the ceiling of repayment tenor for Gold Metal Loan (GML) extended to domestic jewellery manufacturers from 180 days to 270 days.

Feedback: Feedback from stakeholders generally welcomed the proposal to extend repayment tenor for GML to 270 days, as it will better align with jewellery inventory cycles and ease liquidity management, especially for MSME jewellers. However, some comments also highlighted that increase in GML repayment period will require enhanced monitoring and sound risk management. It has been suggested to align the repayment tenor with the working capital cycle of the jewellery units.

RBI Comments: Accepted. The repayment tenor of GML extended to jewellers, other than jewellery manufacturers, shall be fixed by the lending bank, in alignment with working capital cycle of the jeweller, subject to a ceiling of 270 days.

5. Annex 1 of the draft Directions prescribed a template for periodic supervisory reporting on GML

Feedback: A clarification has been sought on whether weighted average rate of interest is to be calculated on loan amount sanctioned or disbursed.

RBI comments: Accepted. The template has been revised to require disclosure of weighted average rate of interest only on the basis of loan disbursement amount, instead of sanctioned amount. Further, the periodicity of reporting has been increased from monthly to quarterly.