

## Sovereign Gold Bonds (SGB)

### What are SGBs ?

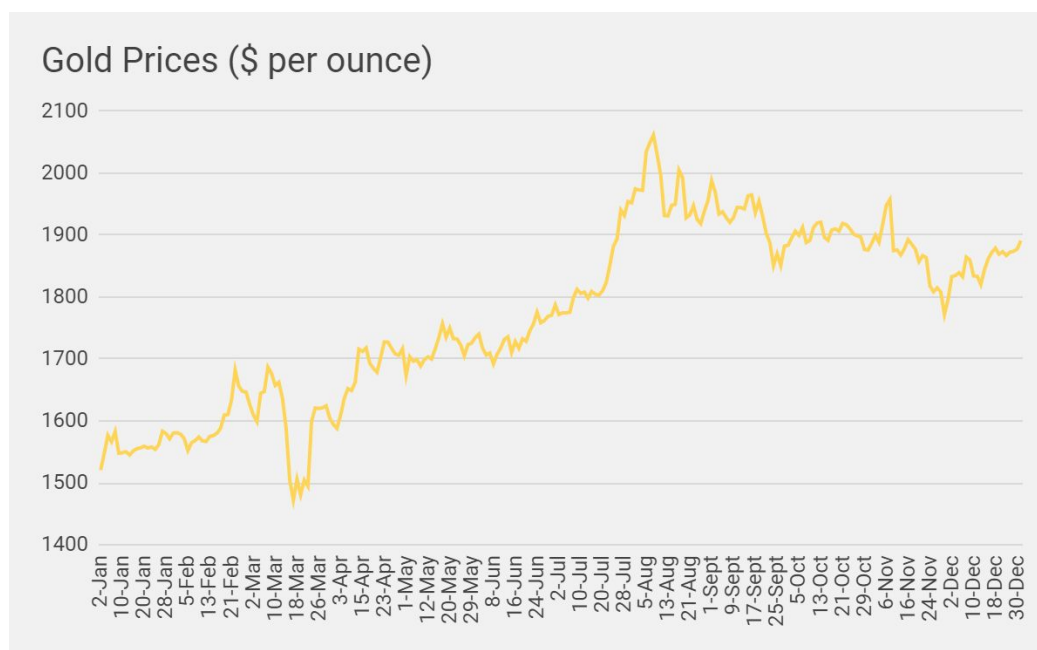
SGBs are government securities denominated in grams of gold. They are substitutes for holding physical gold. Investors have to pay the issue price in cash and the bonds will be redeemed in cash on maturity. The Bond is issued by Reserve Bank on behalf of Government of India.

### Why invest in Gold now ?

Yellow metal has always been in demand since ages as it is considered a safe haven in times of turbulence and a hedge against inflation. Gold has gained more than 28% this year, taking advantage of uncertainties and fraught global outlook which boosted demand of the metal as safe haven.

As we approach 2021, gold will remain in focus, as central banks across the globe have pledged to keep rates low and easy liquidity to aid growth. The latest instalment of the stimulus package from the US government will add to the existing dollar liquidity in the system and may end up weakening the greenback

The efficacy of the vaccine, proper implementation of the vaccination process in developing countries, low-interest rate regime, and the global central bank's stance on liquidity will guide gold prices in 2021.



### Forthcoming Sovereign Gold Bond Issuances

Tranche	Date of Subscription	Date of Issuance
SGB 2020-21 Series X	January 11-15, 2021	January 19, 2021
SGB 2020-21 Series XI	February 01- 05, 2021	February 09, 2021
SGB 2020-21 Series XII	March 01- 05, 2021	March 09, 2021

## Features of Sovereign Gold Bonds

<b>Interest Rate</b>	The Sovereign Gold Bonds offer an interest rate of 2.50% per annum payable semi-annually. Interest will be credited semi-annually to the bank account of the investor.
<b>Eligible Investors</b>	The Bonds will be restricted for sale to resident Indian entities including Resident Individuals, HUFs, Trusts, Universities, Charitable Institutions and minors applying (through their guardian).
<b>Minimum application criteria</b>	1 unit (i.e. 1 gram of gold).
<b>Maximum application limit</b>	Not be more than 4kg for individuals/HUFs and 20kgs for trusts per fiscal year (April-March).
<b>Tenor</b>	The tenor of the Bond will be for a period of 8 years with exit option after the 5th year of the date of issue and such repayments shall be made on the next interest payment dates.
<b>Redemption price</b>	The sovereign gold bonds will be redeemed for cash at the end of the investment tenure. Redemption will take place at the prevailing gold price (based on simple average of closing price of gold of 999 purity of previous 3 business days from the date of repayment, published by the IBJA), giving the investor the value of the bond plus capital appreciation/depreciation from increase/fall in gold price.
<b>Premature redemption</b>	From 5th year, investors can approach the concerned bank/Post Office/agent thirty days before the coupon payment date. Request for premature redemption can only be entertained if the investor approaches the concerned bank/post office at least one day before the coupon payment date.
<b>Liquidity</b>	Liquidity is available from secondary markets as these bonds are mandated to be listed on BSE and NSE. However, the liquidity of the past issues are quite low and restricted only to few tranches. Most of the past series of SGBs are trading at a discount to the gold prices due to lack of liquidity and depth in the market.
<b>Nomination facility</b>	Yes. Nomination and its cancellation shall be made in Form 'D' and Form 'E', respectively.
<b>Loan against Bonds</b>	Available. The loan-to-value (LTV) ratio is to be set equal to ordinary gold loan mandated by the Reserve Bank from time to time.
<b>Transfer</b>	The Bonds shall be transferable by execution of an Instrument of transfer as in Form 'F'.
<b>Taxation</b>	Interest on the Gold Bonds shall be taxable as per the provisions of the Income-tax Act, 1961 (43 of 1961). The capital gains tax arising on redemption of these bonds to an individual is exempted. The indexation benefits will be provided to long terms capital gains arising to any person on transfer of bond.