

FREQUENTLY ASKED QUESTIONS (FAQs)

GOLD EXCHANGE IN INDIA

Disclaimer: The FAQs are general in nature and meant for general reading and educational purpose only. For detailed guidelines and norms governing the Gold Exchange, please refer to the Regulations and Circulars on the SEBI website. These FAQs are updated as on September 2022.

1. What is Gold Exchange?

The Gold Exchange is a national platform for buying and selling Electronic Gold Receipt (EGR) in India with underlying standardized gold. The participants can trade in gold in the form of EGRs and the price discovery will happen based on domestic supply and demand.

2. What is EGR segment?

The stock exchanges can either set up a new stock exchange for trading of EGR or can launch EGR in the existing exchange infrastructure but in a separate segment. Hence, the term 'EGR segment' is used interchangeably for the term 'gold exchange'

3. What is EGR?

EGR is an electronic receipt issued by the Vault Manager against the gold deposited with them. EGR is notified as a "security" and will be traded on the stock exchange like any other security.

4. What are the requirements to trade in EGR?

The client can trade in EGR online by registering with a stock broker. Further, the client shall have a trading and demat account for trading in EGR.

5. How to identify which broker provides services for trading in EGR?

The list of Stock Brokers dealing in different segments is available on SEBI website and the same shall be available for EGR segment in due course on the following link:

<https://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognised=yes>

6. Does a client need gold to trade in EGR?

No. The trading and settlement on stock exchange takes place in the electronic gold receipt i.e. EGR.

7. Is each EGR backed by the physical gold?

Yes, each of the EGRs is backed by the physical gold which is stored with the Vault Managers.

8. What is the source of gold which can be converted into EGR?

Two routes through which gold can enter into EGR ecosystem for conversion into EGR are as mentioned below:

- First, the gold entering the country through Import and stored with the registered Vault Manager.
- Secondly, the gold refined by domestic refineries, which are registered with BIS and accredited with stock exchanges. The gold coming from these refineries should confirm to India Good Delivery Standard for creation of EGR.

The gold coming into the system through the abovementioned two routes shall be traceable.

9. Are there any limits on maximum amount of gold that can be deposited by one investor?

No.

10. Which standard of gold is currently acceptable for conversion into EGR?

Currently, gold confirming to Good Delivery Standard notified by London Bullion Market Association (LBMA) and Bureau of Indian Standard (BIS) is allowed for conversion of gold into EGR.

11. What is the purity and denomination of gold allowed to be converted into EGR?

The purity and denomination of gold, which can be converted into EGR, will be decided and specified by the stock exchanges in the contract specifications of EGR.

12. Can deposit unit be different from the trading unit of EGR?

Yes. The trading unit can be smaller than the deposit unit of EGR. The details of trading unit and deposit unit will be available in the contract specifications of EGR.

13. How will the settlement of EGR take place?

The settlement of EGR will be done on T+1 rolling basis.

The trades on the stock exchange will be settled by way of transferring funds to the seller and EGR to the buyer. The EGR will be transferred in the demat account of the buyer.

14. Is it compulsory to take physical delivery of gold after settlement of EGR?

No. It is the discretion of the buyer of EGR whether to take physical delivery of gold or not. The buyer can continue to hold the EGR in demat account for further trading or take the physical delivery of gold from the Vault Manager.

15. Are there any charges for withdrawal of Gold?

The Vault Manager can levy charges for withdrawal of gold.

16. What is the cut-off time for deposit and withdrawal of gold?

The cut off time for deposit of gold to create EGR and for withdrawal of gold is 03:00 PM.

17. After deposit of gold, when will EGR be available for trading?

For gold deposited with Vault Manager till 03:00 PM on their working day, the EGR will be available for trading by start of next trading day. For gold deposited after 03:00 PM, the EGR will be available for trading by second trading day of such deposit.

18. Who is the Vault Manager? What is their role?

Vault Manager is a new entity registered by SEBI for providing vaulting services for gold deposited for the purpose of creation of EGR.

The services provided by the Vault Managers are threefold:

- Storage and withdrawal of gold underlying EGR
- Creation and Extinguishment of EGR
- Safety and security of the underlying Gold

19. Which entities are registered by SEBI as Vault Managers?

At present, two Vault Managers viz. Sequels Logistics Private Limited (SLPL) and Brinks' India Private Limited (BIPL) are registered with SEBI.

The locations and addresses of the recognized vaults will be made available on the websites of the respective Vault Managers and the depositories namely NSDL and CDSL

20. What is the cost of storing gold with the Vault Manager?

The deposit and storage charges will be levied by the Vault Manager for storing gold in the vault. The charges should be clearly displayed on the website of the Vault Manager and the Depositories.

21. Who will bear the storage charges for the physical gold underlying the EGR?

The storage charges will be borne by the beneficial owner (BO) of the EGRs as at the end of each settlement cycle.

22. How will the storage charges of the Vault Managers be paid by the BO of the EGR?

The storage charges will be collected by the Depository through the Depository Participants, for onward payment to the Vault Managers.

23. What is the role of Depositories with regard to EGR segment?

Depositories i.e. NSDL and CDSL will hold the EGRs of the beneficial owners in the dematerialized form.

Further, the Depository will regularly reconcile, with the Vault Manager, the data of EGR's created and the corresponding physical gold lying in the recognized vaults. The Depository will

also inspect the physical gold (underlying the EGR) deposited in the recognized vault/s at periodic intervals.

24. While taking delivery of gold, will the same gold bar on which the concerned EGR was created, be delivered?

The EGR's created by the Vault Manager/s is not linked with the unique bar number of the physical gold but only represents the purity and weight of the gold. Thus, the gold delivered will be of same purity and weight as represented by the EGR, but may not necessarily be of the same unique bar number.

25. Does the BO have to take delivery of gold from the same Vault Manager location where concerned EGR was created?

SEBI has allowed Inter-operability between Vault Managers. This means that physical gold, against the EGR, can be withdrawn from different location of the same or different Vault Manager (depending on the availability of physical gold).

26. Can the investor choose the location of vault manager for deposit and/or withdrawal of gold?

Yes. The investor can select location of the recognized vault for deposit or withdrawal of gold. However, only for withdrawal of gold, the request will also depend upon the availability of gold at the concerned Vault Manager location.

27. When will EGR be extinguished?

The EGRs will be extinguished by the Vault Manager upon delivery of the gold to the investor.

28. Are off market transactions allowed in EGR?

Yes.

29. Can EGR be pledged or hypothecated?

Yes.

30. Are there margins requirements for trading in EGR?

Yes.

The margin requirements are laid down in SEBI circular on "Risk management Framework in EGR segment" dated April 11, 2022. The circular can be accessed at the following link:

https://www.sebi.gov.in/legal/circulars/apr-2022/comprehensive-risk-management-framework-for-electronic-gold-receipts-egr-segment_57925.html

31. How is it determined as to which purity and weight of gold will be given to beneficial owner at the time of withdrawal of gold?

The purity and weight of gold which will be delivered to the beneficial owner will be as per the EGR held by the BO and it is the responsibility of the Vault Manager to ensure that the purity and weight of gold is as specified in the concerned EGR.

32. Can a client get the gold assayed before taking delivery?

Yes. The client can place a request with the Vault Manager for assaying of the gold before taking delivery of gold, and before taking gold outside the premises of the Vault.

33. What is the recourse in case of dispute related to quality of gold?

In case assayer certifies that the gold is not as per the quality specified in EGR, the stock exchanges will ensure that the concerned domestic refinery makes good of the loss to the BO.

34. Who will bear the assaying charges and transportation charges from/to Vault Manager Location to assayer location?

The assaying and transportation charges will be borne by the BO of EGR.

35. What is the complaint resolution system available?

The investors seeking redressal of their grievances may file their complaints with the Stock Exchanges, Clearing Corporations, Depositories or the Vault Managers depending on the type of grievance. Alternatively, the investor may file the complaint on the SCORES portal of SEBI.
