# Review and Expansion of the Scope of the Securities and Exchange Board of India (Vault Managers) Regulations, 2021

## 1. Objective

1.1. The objective of this memorandum is to place before the Board a proposal for reviewing and expanding the scope of the Securities and Exchange Board of India (Vault Managers) Regulations, 2021 ("**VM Regulations**").

1.2. The proposal seeks to establish a comprehensive regulatory framework for the vaulting and safekeeping of physical bullion including gold, silver and other precious metals that underlies SEBI-specified bullion-related instruments.

1.3. It transitions the current framework – which is presently centered on physical gold deposited for Electronic Gold Receipts ("**EGRs**") – into a broader, product-neutral framework covering:

1.3.1. Physical bullion underlying Electronic Gold Receipts;

1.3.2. Bullion underlying Exchange Traded Funds ("**ETF**s")

1.3.3. Exchange Traded Derivatives with bullion as underlying; and

1.3.4. Other SEBI-specified bullion instruments.

1.4. It also introduces a common, comprehensive operational framework governing deposit, storage, safekeeping, identification, reconciliation, inspection, audit, insurance, withdrawal/delivery, and related activities across all such instruments.

## 2. Need for review

2.1. The Indian Securities market for physically backed precious metal investment products has expanded significantly over the past few years, leading to a substantial increase in the quantity of physical gold and silver held in custody on behalf of investors. Gold Exchange Traded Funds (ETFs), Silver ETFs and physically settled derivatives on gold and silver have witnessed sustained growth in assets under management, trading activity and investor participation.

2.2. The vaulting of underlying gold and silver backing these investment products are presently not covered under SEBI's regulatory framework for Vault Managers. Gold and Silver ETFs are required to maintain physical holdings of the underlying precious metals in accordance with the SEBI (Mutual Funds) Regulations and related circulars, while physically settled exchange traded derivatives on bullion require delivery and storage arrangements in accordance with exchange bye-laws and clearing corporation mechanisms. It was gathered from the discussions with Asset Management Companies, Custodians and Clearing Corporations, that majority of the physical gold and silver underlying these products are already being stored in the Vaults of the SEBI registered Vault Managers. As the value and quantity of precious metals held under custody continue to increase, these vaults have assumed systemic importance in safeguarding investor assets and ensuring the integrity of settlement and redemption mechanisms.

2.3. Despite the growing concentration of investor-owned precious metals in these storage facilities, such vaulting arrangements remain outside the scope of the SEBI (Vault Managers) Regulations, 2021, which currently regulate only vault managers dealing with gold deposited for issuance of Electronic Gold Receipts (EGRs). Consequently, a substantially larger quantity of gold and silver backing ETFs and derivatives on bullion is stored under contractual arrangements without being subject to the uniform governance, operational standards, risk management requirements, inspection framework, cyber resilience measures, insurance norms, business continuity requirements and regulatory supervision applicable to SEBI registered vault managers.

2.4. Given the rapid growth of physically backed precious metal products and the increasing concentration of investor assets in a limited number of vaults, extending the Vault Manager regulatory framework to cover storage of gold, silver and other precious metals underlying ETFs and derivatives on such bullion would mitigate operational risks, ensure regulatory consistency across similar custody activities and strengthen investor protection in the Indian securities market.

2.5. Accordingly, a review of the regulatory framework is proposed to establish harmonized requirements in respect of storage of all physical bullion including

gold, silver and such precious metals, which are the underlying of SEBI specified bullion related instruments and are held pursuant to SEBI regulatory requirements. Such an approach would ensure consistent standards relating to vault infrastructure, governance, eligibility criteria, operational controls, purity verification, insurance, cyber security, business continuity, audit, inspection, record maintenance and risk management across all regulated vaults. It would also facilitate effective supervision by SEBI, and enhance investor confidence by ensuring that all investor-owned bullion held for SEBI specified bullion related instruments are subject to a common and robust regulatory framework, irrespective of the product through which such exposure is obtained. This review of regulatory framework would involve amendments to the extant VM Regulations, 2021, and issuance of a consequent circular providing the framework and modalities for EGRs and operating guidelines for providing vaulting services in respect of all SEBI specified bullion related instruments. The said circular shall rescind the extant SEBI Master Circular for EGRs dated June 24, 2024.

2.6. A unified, product-neutral framework would ensure consistent standards for ownership, custody, insurance, etc. across all bullion-related instruments, thereby reducing systemic duplication and enhancing operational efficiency. This unified framework would bring the vaulting services provided for all types of bullion underlying SEBI specified bullion related instruments under SEBI's regulatory framework.

## 3. Extant Regulatory and Operational Framework

3.1. The regulatory framework for Vault Managers in India was introduced by the SEBI to establish a secure, transparent and standardized ecosystem for the storage of gold underlying Electronic Gold Receipts (EGRs) traded on recognized stock exchanges. The Board approved the Gold Exchange/ EGR segment framework and the VM Regulations on September 28, 2021. Pursuant to the Government of India's notification of EGRs as securities under the Securities Contracts (Regulation) Act, 1956 ("SCRA"), the VM Regulations were officially notified in December 2021.

3.2. SEBI (Vault Managers) Regulations, 2021: The VM Regulations prescribe a comprehensive regulatory framework covering registration, governance, net worth requirements, internal controls, etc. for vault managers. Some of the key aspects covered by the VM Regulations are, inter alia, as below:

3.2.1. Important definitions related to Vault Managers and EGR including, but not limited to, defining EGR, vaulting services, gold standards, etc.

3.2.2. Procedure related to registration of Vault Managers

3.2.3. Regulatory framework for:

3.2.3.1. Safekeeping of gold;

3.2.3.2. Maintenance of records;

3.2.3.3. Reconciliation of holdings;

3.2.3.4. Internal controls;

3.2.3.5. Audit and inspection;

3.3. SEBI Master Circular for Electronic Gold Receipts dated June 24, 2024

3.3.1. SEBI Master Circular for Electronic Gold Receipts (EGRs), consolidates the operating guidelines issued by SEBI under the VM Regulations, including prescribing procedures for deposit, storage, transfer and withdrawal of gold for the purpose of EGRs, creation and extinguishment of EGRs, periodic review, infrastructure requirements, etc. amongst others.

3.3.2. The extant master circular and framework is specific to EGR segment and does not contain provisions pertaining to vaulting services being provided for the bullion underlying other SEBI specified bullion related instruments viz. ETFs on bullion, derivatives on bullion, as currently available in the Indian Securities Market.

3.4. Within the EGR framework, SEBI registered Vault Managers function as a distinct category of intermediaries responsible for receiving, storing, safeguarding and facilitating the creation and extinguishment of EGRs through regulated vaulting infrastructure. At present, 3 Vault Managers are registered with SEBI for providing vaulting services for EGRs.

3.5. Simultaneously, trading in bullion has been enabled by SEBI through various bullion related instruments such as Derivative contracts on bullion, Exchange Traded Funds (ETFs) offered by Mutual Funds with bullion as underlying and Electronic Gold Receipts (EGRs) tradeable on stock exchanges. Investments in these SEBI specified bullion related instruments can be made through SEBI registered intermediaries and are governed by the regulatory framework prescribed by SEBI.

3.6. As the Indian bullion market continues to evolve with the growth of bullion related instruments such as Gold and Silver ETFs and derivatives backed by bullion, the existing vault manager framework may provide a strong regulatory base to support a broader range of instruments requiring secure custody of physical precious metals.

4. **Recommendations of CDAC**:

4.1. The proposal to expand the scope of the VM Regulations, together with the consequent issuance of a circular providing the framework and modalities for EGRs and operating guidelines for providing vaulting services in respect of all SEBI specified bullion-related instruments, was placed as an agenda item before the Commodity Derivatives Advisory Committee (CDAC) of SEBI in its 20th meeting held on August 03, 2026.

4.2. The CDAC deliberated on the proposal, including the need for a harmonized vaulting framework across EGRs, ETFs, derivatives on bullion and other bullion-related instruments, the systemic importance of vaults storing investor owned bullion, and the operating guidelines required to be issued to give effect to the expanded scope. Pursuant to deliberations on the aforesaid proposals, the committee recommended both the proposals.

**5. Public Consultation**

5.1. Based on the recommendations of CDAC, SEBI issued a Consultation Paper on “Review and expansion of the scope of SEBI (Vault Managers) Regulations,

2021" on August 11, 2026. In the aforesaid consultation paper, public comments were sought on the proposed amendments to the SEBI (Vault Managers) Regulations, 2021, and a consequent circular (hereafter referred to as "Consequential Circular") specifying the framework and operating guidelines for providing vaulting services to SEBI specified bullion related instruments.

5.2. A total of 122 comments have been received on the proposals made in the Consultation Paper. Out of these 45 comments were received on the proposed amendments to the regulations and all these comments received are in favour of the proposed amendments to the regulations. Further, 77 comments were received on the consequential circular, which shall be issued after notification of the amended SEBI (Vault Managers) Regulations, 2021.

5.3. Taking into consideration the recommendations of the CDAC, consultation paper, feedback received on the consultation paper and internal deliberations, the VM Regulations have been comprehensively reviewed and redrafted. The draft of the proposed SEBI (Vault Managers) (Amendment) Regulations, 2026 along with mapping to the extant SEBI (Vault Manages) Regulations, 2021, is placed at **Annexure A and B** respectively.

## 6. Recommendations and Proposal to the Board:

6.1. **Expansion of the scope of the Vault Managers Regulations**:

6.1.1. Extant Provisions:

6.1.1.1. The extant VM Regulations establish the regulatory framework for Vault Managers primarily in relation to physical gold deposited for the creation and trading of Electronic Gold Receipts (EGRs). The operational framework prescribes the Vault Manager's responsibilities for accepting physical gold, verifying its quality and quantity, facilitating creation and extinguishment of EGRs, enabling withdrawal and maintaining traceability.

6.1.1.2. The scope of the Regulations, however, is presently anchored to gold and EGRs and does not expressly extend to bullion underlying ETFs, bullion derivatives or other SEBI-specified bullion related instruments.

6.1.2. Proposal in the Consultation Paper:

6.1.2.1. Inclusion of new definitions of “Bullion”, “Bullion related instruments” and “Exchange Traded Funds”;

6.1.2.2. Currently, Chapter IV of the extant VM Regulations prescribes norms specific to EGRs and the same includes three regulations viz. Reg.17, 18 and 19 which inter alia specifies norms for deposit of gold for EGRs, creation of EGRs and withdrawal of gold specific to EGRs, respectively.

6.1.2.3. Amendments to existing definition of “Vaulting Services”;

6.1.2.4. Replacement of the extant gold and EGR related provisions with that of product neutral provisions;

6.1.2.5. Deletion of the definition of “Depositor” as it was specific to EGRs.

6.1.2.6. Suitable replacement of the term “Gold” with “Bullion” at multiple instances.

6.1.3. Public Comments:

6.1.3.1. All the comments are in agreement with the proposed expansion of the scope of the extant VM Regulations.

6.1.3.2. However, various commentators have provided suggestions with respect to the proposed amendments and the same have been suitably incorporated in the revised draft regulations. Further, 3 comments have been received suggesting to re-introduce and broaden the definition of “Depositors” in the VM Regulations.

6.1.4. Our Comments and Proposal: The proposed expansion is intended to establish a common and product-neutral regulatory framework for vaulting and safekeeping of physical bullion underlying SEBI-specified bullion-related instruments. With gold and silver underlying ETFs and physically settled bullion derivatives increasingly being held in specialised commercial vaults, bringing such vaulting activity within the SEBI framework would promote uniform standards of custody, traceability, operational controls and investor protection across bullion related instruments and avoid different regulatory

standards for substantially similar custody risks. Further, for the purpose of better clarity and implementation of the regulations, it is felt that the definition of “Depositor” may be retained and re-drafted to be applicable for all SEBI specified bullion related instruments. In view of the foregoing and pursuant to the analysis of the public comments received, the following amendments are proposed for approval of the Board:

6.1.4.1. Insertion of new definitions of “Bullion” [Reg. 2(1)(ea)];“Bullion related instruments” [Reg. 2(1)(eb)] and “Exchange Traded Funds” [Reg. 2(1)(ha)] to expressly bring EGRs, ETFs on bullion, derivatives on bullion and other Board-specified bullion instruments within scope of the Regulations.

6.1.4.2. Regulation 2(1)(m) (“Vaulting service”) amended to cover storage and safekeeping of bullion deposited for the purpose of bullion related instruments generally, and not EGRs alone.

6.1.4.3. In order to make the extant regulations product neutral and expand the scope of the same, the extant “Chapter IV – Electronic Gold Receipts” is proposed to be replaced with “Chapter IV - Bullion related Instruments”. Further, Reg.17 is proposed to be replaced with provisions creating an obligation to avail services of registered vault managers for storage of SEBI specified bullion related instruments. The regulation may also provide a transition period for the existing entities providing vaulting services for SEBI specified bullion related instruments to seek registration with SEBI as a Vault Manager. Additionally, the extant Reg. 18 is proposed to be replaced with a new regulation specifying the manner and procedures for providing vaulting services for bullion underlying bullion related instruments. Reg. 19 is proposed to be omitted.

6.1.4.4. The procedural requirements which are specified in the extant Regulation 17, 18 and 19 shall be specified by way of consequential circular.

6.1.4.5. Amended definition of “Depositor” is proposed as follows:

Reg. 2(1)(g): “Depositor” means a person who deposits the bullion with the vault in the manner as specified by the Board for bullion related instruments;”

6.1.4.6. Suitable amendments made to other regulations such as replacing the term “Gold” with “Bullion” at multiple instances; expanding various regulations to

cover bullion related instruments such as ETFs, Derivatives on Bullion, etc., under the scope of VM Regulations.

6.2. **Beneficial Owner:**

6.2.1. Extant Provisions:

6.2.1.1. The extant Regulations use the concepts of “beneficial owner” in the context of gold deposited for EGRs.

6.2.1.2. These concepts are reflected in provisions governing withdrawal and acknowledgement of receipt, indemnification, dispute resolution, safekeeping and other obligations of the Vault Manager, and are consequently tied to the EGR-specific structure of ownership and deposit.

6.2.2. Proposal in the consultation paper: Amendments to delete the definition of “Beneficial Owner” and replace the references of term “beneficial owner” with the term “owner” at various instances have been proposed in the regulations.

6.2.3. Public Comments: With respect to the said proposal, 3 comments have been received against the aforementioned proposed amendments. These comments have suggested to incorporate the definition of “Beneficial Owner” and expanding the same to incorporate owners for bullion underlying various SEBI specified bullion related instruments. While suggesting the same, the entities have explained that incorporation of the said definition would ensure coherence and avoid inconsistent interpretation.

6.2.4. Our proposal and comments: The EGR-specific terminology is not readily suited to ETFs, derivatives and other bullion related instruments, where the person or institution interacting with the Vault Manager may not fit the existing definitions of “beneficial owner”. In view of the foregoing and pursuant to the analysis of the public comments received, the following amendments are proposed for approval of the Board:

6.2.4.1. Based on the public comments, it is proposed to incorporate the definition of "Beneficial Owner" and references to the same at relevant instances, for maintaining the consistency and clear interpretation of the regulations.

6.2.4.2. Amendment to the definition of "Beneficial Owner" is proposed as follows:

Reg. 2(1)(d): "beneficial owner" in relation to, -

(i) Electronic Gold Receipts means a person whose name is recorded as a beneficial owner in the records of a depository or depository participant;

(ii) Exchange Traded Funds on bullion means the specific mutual fund scheme of such Exchange Traded Funds;

(iii) derivatives on bullion means the owner or holder of the derivative contracts as recorded by the clearing corporation;

## 6.3. **Gold Standards**

6.3.1. Extant Provisions: The extant Regulations prescribe a "Gold standard" linked to specifications of recognised stock exchanges. The Vault Manager is required to ensure that gold deposited in the vault for the purpose of EGRs conforms to the applicable standard and that gold delivered to the beneficial owner also conforms to the prescribed standards. Currently, the framework is specific to EGRs and gold underlying such EGRs.

6.3.2. Proposal in the consultation paper:

6.3.2.1. In the consultation paper the amendments to replace the definition and references to the term "Gold Standards" with "Bullion Delivery Standards" and relevant amendments in the Consequential Circular were proposed.

6.3.3. Public Comments: The comments received are broadly in favor of the proposed amendments to definition and references of "Gold Standards" in the regulations.

6.3.4. Our proposal and comments: A uniform standard-setting mechanism is required once the framework is expanded beyond EGRs to cover different

bullion-related instruments and different forms of bullion. In view of the foregoing and pursuant to the analysis of the public comments received, the following amendments are proposed for approval of the Board:

6.3.4.1. Amendment to the definition of “Gold Standards” prescribed in Reg. 2(1)(i) thereby replacing it with “Bullion Delivery Standards”, meaning the quality or standard of bullion specified by the Board, for different bullion related instruments (moving the standard-setting function from the stock exchanges to the Board).

6.3.4.2. Amendment to Regulation 12(4) thereby specifying: The Vault Manager shall ensure the quality specifications of the bullion at the time of deposit as per the Bullion Delivery Standards.

6.3.4.3. Amendment to Regulation 12(20): The Vault Manager shall ensure that delivery of bullion to the beneficial owner is in conformity with the bullion delivery standards.”

6.4. **Vaulting System:**

6.4.1. Extant Provisions: Currently, the VM Regulations do not contain any definition of Vaulting System.

6.4.2. Proposal in the consultation paper: In order to ensure consistent standards and quality of bullion underlying SEBI specified bullion related instruments which is stored in the Vaults, the proposed amendments to the regulations, inter alia, specified that the bullion has never exited the vaulting system. However, the definition of “Vaulting System” was not included in the proposed regulations.

6.4.3. Public Comments: During public consultation, 3 comments have been received suggesting to include a definition of “Vaulting System” in the regulations.

6.4.4. Our proposal and comments: Pursuant to the examination of the suggestions regarding inclusion of definition of “Vaulting System” it was felt that inclusion

of such definition may be appropriate as it would lead to further clarity to the regulations. This may also help to ensure that the bullion, which has been accepted as underlying for a SEBI specified instrument, does not move out of the network of vaults of SEBI registered Vault Managers.

6.4.4.1. Accordingly, it is proposed that the definition of “Vaulting System” may be incorporated as follows:

Reg. 2(1)(n): “Vaulting system” means the network of vaults established and maintained by a registered Vault Manager for providing vaulting services in relation to the bullion related instruments.

6.5. **Net Worth:**

6.5.1. Extant Provisions: The extant Regulations prescribe a minimum net worth of Rs. 50 crore as an eligibility condition for registration as a Vault Manager, forming part of the financial capacity requirements applicable to entities undertaking regulated vaulting services.

6.5.2. Proposal in the consultation paper: The minimum net worth requirement for Vault Managers was proposed to be increased from Rs.50 crore to Rs.75 crore.

6.5.3. Public Comments: While the public comments were broadly in agreement with the proposal, 4 comments were received to introduce a regulatory provision facilitating transition period for the applicability of the proposed regulations to the already registered Vault Managers giving them a grace period for increasing their net worth to the proposed amount.

6.5.4. Our proposal and comments: An enhancement in the net worth was proposed with the objective that expansion of scope of Vault Managers would materially increase the range and scale of assets and activities for which a Vault Manager may be responsible. An enhanced net worth requirement would strengthen the financial capacity and resilience of Vault Managers and is intended to be commensurate with the broader scope and responsibilities

under the expanded framework. Further, it may also be noted that the current net worth of the SEBI registered Vault Managers is already over the proposed requirement. In view of the foregoing and pursuant to the analysis of the public comments received, it is proposed that the Net worth requirement for Vault Managers, as prescribed in the VM Regulations may be enhanced from Rs.50 crore to Rs.75 crore.

6.6. **Security Policy:**

6.6.1. Extant Provisions: The extant Regulations require a Vault Manager to maintain a security policy for ensuring the safety of gold, including protection against theft or burglary, and to have procedures for dealing with losses arising from theft, fire, burglary, fraud, negligence and other force majeure events. The existing framework therefore addresses physical security and specified loss events but does not expressly identify terrorism or cyber-attacks as specific threats.

6.6.2. Proposal in the consultation paper:

6.6.2.1. Inclusion of risks pertaining to fire, fraud, negligence, terrorism and cyber – attack, in addition to the already specified risks, in the security policy related provisions of the VM Regulations.

6.6.2.2. Alignment between security policy and procedure for dealing with losses related provisions specified in the regulations.

6.6.3. Public Comments: While the comments received were largely in favour of the proposed amendments to the regulations, 2 comments suggested that the proposed cyber-security framework to be established by the Vault Managers to be brought in line with the extant SEBI specified Cyber Security and Cyber Resilience (CSCR) Framework.

6.6.4. Our proposal and comments: Since cyber security is dynamic and ever evolving, the suggestion with respect to the applicability of the CSCR framework to Vault Managers, is an operational matter and is not required to be incorporated in the regulations. Further, vaulting infrastructure holding

high-value bullion is exposed to a broader range of physical, technological and security threats. In view of the foregoing and pursuant to the analysis of the public comments received, the following amendments are proposed for approval of the Board:

6.6.4.1. Regulation 4(f)(v) amended: Security policy for ensuring the safety of bullion including from theft, burglary, fire, fraud, negligence, terrorism, cyber-attack or any other threat;

6.6.4.2. Regulation 4(f)(vi) amended: Procedure for dealing with losses including those caused due to theft, fire, burglary, fraud, negligence, terrorism, cyber-attack, as well as other force majeure events.

6.7. **Reconciliation:**

6.7.1. Extant Regulations:

6.7.1.1. The extant Regulations require the Vault Manager to devise procedures for periodic reconciliation of physical gold with its records and the records of the Depository, and to promptly resolve discrepancies between the electronic records and the physical gold.

6.7.1.2. The existing reconciliation framework is principally EGR-oriented and does not expressly extend to records maintained by Clearing Corporations or Asset Management Companies/Custodians in respect of other bullion related instruments.

6.7.2. Proposal in the consultation paper: Amendments have been proposed in the regulations to extend the reconciliation and discrepancy-resolution obligations to records maintained by the Depository, Clearing Corporation, or Asset Management Company/Custodian, as applicable, in respect of bullion related instruments.

6.7.3. Public Comments: The comments were unanimously in favour of the proposed amendments to the regulations.

6.7.4. Our proposal and comments: As a good practice and to ensure effective monitoring of records vis-a-vis actual bullion stored in the vaults, the following amendments are proposed for approval of the Board:

6.7.4.1. Regulations 4(f)(ix), 12(12) and 12(13) amended to extend the reconciliation of obligations to records maintained by the Depository, Clearing Corporation, or Asset Management Company/Custodian, as applicable, in respect of bullion related instruments.

6.8. **Insurance:**

6.8.1. Extant Provisions:

6.8.1.1. The extant Regulations require applicants seeking registration as Vault Managers to furnish financial information in Form A of the First Schedule.

6.8.1.2. The prescribed financial information does not presently include a specific disclosure of the insurance taken by the applicant in relation to its vaulting operations.

6.8.1.3. Further, detailed insurance related provisions for EGRs have currently been prescribed in the Master Circular for EGRs.

6.8.2. Proposal in the consultation paper:

6.8.2.1. Amendments have been proposed in the regulation to include the requirements of applicants seeking SEBI approval for being registered as a Vault Manager to also provide details of insurance taken at the time of submission of their application.

6.8.3. Public Comments: The public comments received are broadly in agreement with the proposed amendment to the regulations.

6.8.4. Our proposal and comments: Insurance is an important risk-mitigation mechanism for vaulting services involving high-value bullion. Requiring disclosure of insurance at the registration stage would enable the Board to have visibility into the applicant's insurance arrangements. It would also strengthen the information available for assessing the applicant's preparedness to undertake vaulting services. In view of the foregoing and

pursuant to the analysis of the public comments received, the following amendments are proposed for approval of the Board:

6.8.4.1. Clause 3 of the “Financial Information” section of Form A amended to insert a new disclosure requirement: “Details of insurance taken” – considering the importance of insurance cover to vaulting services.

6.9. **Segregation of Activities:**

6.9.1. Extant Provisions: Currently, the VM regulations specifies that the Vault Manager are required to clearly segregate their activities pertaining to EGRs from other businesses carried out by the Vault Managers.

6.9.2. Proposal in the consultation paper:

6.9.2.1. Provision pertaining to business-wise segregation of activities expanded to cover vaulting services provided for all SEBI specified bullion related instruments.

6.9.2.2. Insertion of additional provisions related to instrument-wise and entity-wise segregation of bullion stored by Vault Managers under these regulations.

6.9.3. Public Comments: The public comments received are broadly in agreement with the proposed amendments.

6.9.4. Our proposal and comments: In view of the foregoing and pursuant to the analysis of the public comments received, the following amendments are proposed for approval of the Board:

6.9.4.1. Amendment of Reg. 13 specifying Segregation of activities as below:

Reg. 13(1): Where a Vault Manager is carrying on any activity besides those laid down in these regulations, then the activities relating to his business as Vault Manager shall be separate and segregated from all other activities including earmarking separate space for storage of bullion underlying the bullion related instruments and storage of goods for its other businesses.

Reg. 13(2): The Vault Manager shall ensure that the bullion underlying the bullion related instruments stored in the Vaults is also segregated instrument-wise and entity-wise.

6.10. **Indemnification:**

6.10.1. Extant Regulations: The extant Regulations require the Vault Manager to indemnify the depositor or beneficial owner for losses caused in the course of providing vaulting services, in the manner specified by the Board. The extant framework is specific to gold stored for the purpose of EGRs.

6.10.2. Proposal in the consultation paper:

6.10.2.1. Amendments in the regulations wherein the obligation to indemnify the losses caused in the course of providing vaulting services for SEBI specified bullion related instruments has been laid on the Vault Manager.

6.10.3. Public Comments: The public comments are broadly in agreement with the proposed amendments to the regulations.

6.10.4. Our proposal and comments: In view of the foregoing and pursuant to the analysis of the public comments received, the following amendments are proposed for approval of the Board:

6.10.4.1. Amendment to Regulation 15 as follows:

Reg. 15: If any loss is caused in the course of providing vaulting services, the Vault Manager shall indemnify the beneficial owner for such losses, in the manner specified by the Board from time to time.

6.11. **Dispute and Grievance Resolution:**

6.11.1. Extant Provisions: The extant Regulations provide for disputes between a Vault Manager and a beneficial owner to be dealt with through a dispute resolution mechanism comprising mediation, conciliation or arbitration, in accordance with the procedure specified by the Board.

6.11.2. Proposal in the consultation paper:

6.11.2.1. The regulation 16(A) was proposed to be amended by replacing the term "beneficial owner" used in the extant regulations with the term "owner" in order to make these regulations and product neutral and cover all SEBI specified bullion related instruments.

6.11.3. Public Comments: While no specific comments were received with respect to the aforementioned proposed amendment, public comments have been received to retain the definition and references of the term "Beneficial Owner" and broaden them to include all SEBI specified bullion related instruments (as detailed at para 6.2 above).

6.11.4. Our proposal and comments: The dispute-resolution framework needs to use product-neutral terminology following the proposed expansion beyond EGRs. In view of the foregoing and pursuant to the analysis of the public comments received, the following is proposed for the approval of the Board:

6.11.4.1. As proposed at para 6.2.4 above, pursuant to reintroduction of the term "Beneficial Owner", no change is proposed in the VM Regulations.

6.12. **Inspection, audit and related provisions:**

6.12.1. Extant Provisions: Currently, the VM Regulations specify requirements of inspection and other related binding provisions for Depositories and Vault Managers and the same are specific to EGRs.

6.12.2. Proposal in the consultation paper:

6.12.2.1. Inclusion of provision granting power to SEBI to suo-motu inspect into the affairs of the Vault Manager,

6.12.2.2. Amending the binding provisions in case of Inspection, suitably creating the obligations on the Vault Managers and its directors, etc., during inspection.

6.12.2.3. Inclusion of obligation of cooperation by Vault Managers during any audit conducted by SEBI.

6.12.2.4. Including enabling provisions related to action which can be taken against the Vault Manager in case there is any contravention to SEBI issued circulars.

6.12.3. Public Comments: The comments received are broadly in agreement with the proposed amendments.

6.12.4. Our proposal and comments: In view of the foregoing and pursuant to the analysis of the public comments received, the following amendments are proposed for approval of the Board:

6.12.4.1. Regulation 20(d) amended: power of the Board extended - "to inspect suo-motu into the affairs of the Vault Manager, as may be deemed fit, in the interest of the securities market or in the interest of investors."

6.12.4.2. Regulation 25 (proviso) amended: "...the Vault Manager and its directors, officers or employees shall be bound…".

6.12.4.3. Regulation 27(a) amended: "…contravenes any of the provisions of the Act, the rules or regulations or circulars framed thereunder or these regulations."

6.12.4.4. Regulation 27(e) amended: "Does not co-operate in any audit, enquiry or inspection conducted by the Board."

6.13. **Compliance Officer:**

6.13.1. Extant Provisions: The extant VM Regulations do not prescribe appointment of a compliance officer. The requirement presently exists under the Master Circular for EGRs dated June 24, 2024, under which the compliance officer is responsible for monitoring compliance and related matters, but the requirement has not been incorporated in the Regulations themselves.

6.13.2. Proposal in the consultation paper: Amendments have been proposed in the regulations to include the provisions related to appointment of Compliance Officer by the Vault Managers and reporting requirements of such Compliance Officer.

6.13.3. Public Comments: The public comments received are broadly in favor of the proposed amendment to the regulations.

6.13.4. Our proposal and comments: Given the expanded scope and increased operational responsibilities of Vault Managers, the compliance function assumes greater importance. Elevating the existing compliance officer requirement from the Master Circular to the Regulations would strengthen the governance framework, provide a clear statutory basis for the function, and ensure accountability for monitoring compliance and investor grievance redressal. In view of the foregoing and pursuant to the analysis of the public comments received, the following amendments are proposed for approval of the Board:

6.13.4.1. Insertion of a new Regulation 14A specifying the requirements of appointing compliance officers and broad duties of compliance officers.

6.13.4.2. The requirement of having a compliance officer, presently found in the Master Circular for EGRs, is thus proposed to be elevated to the level of the Regulations.

6.14. **Specifying vaulting services related responsibilities to Market Infrastructure Institutions (MIIs)/ Intermediaries viz. Clearing Corporations (CCs), Asset Management Companies (AMCs), Custodians, in relation to the vaulting services for SEBI specified bullion related instruments.**

6.14.1. Extant Provisions:

6.14.1.1. The extant Regulations prescribe record-keeping obligations for the Vault Manager and, under the Code of Conduct in the Third Schedule, require promptness, confidentiality and cooperation in dealings with the beneficial owner and specified market participants such as other Vault Managers, depositories and clearing organisations.

6.14.1.2. The provisions do not expressly identify Asset Management Companies and Custodians as counterparties for these obligations.

6.14.2. Proposal in the consultation paper: Amendments have been proposed in the regulations such as extending the applicability of regulations, record keeping

requirements, obligations specified under Code of Conduct, etc., to CCs and AMCs/ Custodians, in addition to depositories.

6.14.3. Public Comments: The public comments are broadly in agreement with the proposed amendments.

6.14.4. Our proposal and comments: In view of the foregoing and pursuant to the analysis of the public comments received, the following amendments are proposed for approval of the Board:

6.14.4.1. Regulation 14(2)(f) amended: Details of instructions received from and sent to depositories, clearing corporations, asset management companies or custodians, as the case may be; and

6.14.4.2. Code of Conduct Clause (i) amended: be prompt in providing vaulting services to the beneficial owner of bullion, depositories, clearing corporations, asset management companies or custodians.

6.14.4.3. Code of Conduct Clause (x) amended: maintain confidentiality in respect of the information of the beneficial owner, depositories, clearing corporations, asset management companies or custodians.

6.14.4.4. Code of Conduct Clause (xii) amended: cooperation obligation – “extend to other Vault Managers, depositories, asset management companies or custodians and clearing organizations, all such co-operation that is necessary for the conduct of business in the areas of inter-vault settlements, transfer and withdrawal of bullion."

6.15. **Applicability of the proposed regulations:**

6.15.1. Extant Provisions: Currently, there is no provision in the extant VM Regulations which expressly specifies the applicability of the regulations on the Vault Managers.

6.15.2. Proposal in the consultation paper: A new regulation has been proposed which as an enforcing principle specifying the Depositories, CCs and AMCs/ custodians, to avail vaulting services for bullion underlying SEBI specified bullion related instruments, only from SEBI registered Vault Managers.

6.15.3. Public Comments: The public comments are broadly in agreement with the proposed amendments.

6.15.4. Our proposal and comments: In view of the foregoing and pursuant to the analysis of the public comments received, the following amendments are proposed for approval of the Board:

6.15.4.1. Insertion of Reg.2(A) which specifies the following:

2A. "These regulations shall apply to every Vault Manager undertaking or intending to undertake storage of bullion underlying the bullion related instruments as specified in these regulations."

6.16. **Consequential deletions to the extant regulations:**

6.16.1. Extant Regulations: The extant Regulations contain EGR-specific definitions relating to Accredited Refineries and Nominated Agencies and prescribe an EGR-specific operational structure, including provisions relating to creation of EGRs and withdrawal of gold. These provisions were designed for the original EGR framework and are not readily adaptable to a product-neutral framework covering multiple bullion related instruments.

6.16.2. Proposal in the consultation paper:

6.16.2.1. Deletion of EGR specific definitions, terminologies and procedural requirements such as definition of "Accredited Refineries" and "Nominated Agencies",

6.16.2.2. Deletion of procedure related to deposit of gold for EGRs, creation of EGRs and withdrawal of gold underlying EGRs from the regulations, and placing such provisions in the Consequential Circular.

6.16.3. Public Comments: The comments received on the proposed amendments are largely in favour of the proposed amendments. However, 3 comments have suggested to retain the definitions of "Accredited Refineries" and "Nominated Agencies" in the proposed regulations. In this regard, it may be noted that since these deleted provisions and definitions are specific to EGRs

and as the regulations are proposed to be product neutral, it is prudent to keep these definitions and provisions in the Consequential Circular instead of the VM Regulations.

6.16.4. Our Proposal and Comments: In order to expand the scope of the VM Regulations and to have product neutral regulations specifying the broad regulatory principles for various SEBI specified bullion related instruments, such deletions of EGR specific definitions, provisions, procedural requirements from the regulations, would simplify the Regulations while allowing the Board to prescribe instrument-specific operational modalities through circulars as the market evolves. In view of the foregoing and pursuant to the analysis of the public comments received, the following amendments are proposed for approval of the Board:

6.16.4.1. Deletion of definitions of “Accredited Refineries” [Reg. 2(1)(b)], and “Nominated Agencies” [Reg. 2(1)(j)] being specific to the EGR framework and not amenable to extension across all bullion related instruments.

6.16.4.2. Regulation 12(5) deleted, as it referenced Regulation 18, which is itself being deleted.

6.16.4.3. Regulations 17, 18 and 19 are proposed to be omitted as they prescribed specific provisions related to deposit of gold, creation of EGRs and withdrawal of gold; which were specific to EGRs. Instead, these specific procedural requirements shall be specified in the Consequential Circular in order to keep the regulations product neutral and covering provisions applicable to all SEBI specified bullion related instruments.

6.17. **Introduction of new provisions to bring in parity with other SEBI specified regulations:**

6.17.1. Extant Provisions: The extant VM Regulations do not contain an express provision empowering the Board to relax strict enforcement of a regulatory requirement in appropriate cases.

6.17.2. Proposal in the Consultation Paper:

6.17.2.1. Inclusion of provision of power to relax the strict enforcement of the regulations,

6.17.2.2. Inclusion of provision of power to issue circulars

6.17.2.3. Inclusion of provision of power to issue clarifications.

6.17.3. Public Comments: The public comments are broadly in agreement with the proposed amendments.

6.17.4. Our Proposal and Comments: In view of the foregoing and pursuant to the analysis of the public comments received, the following amendments are proposed for approval of the Board:

6.17.4.1. Regulation 28 amended: the Board "shall have the power to" issue suitable clarifications or guidelines;

6.17.4.2. new Regulation 28(A) inserted empowering the Board to specify norms, procedures, processes, manners or guidelines for implementation of the Regulations, by way of circulars.

6.17.4.3. New Regulation 28(B) inserted ("Power to relax the strict enforcement of the regulations") in line with the extant provisions specified by SEBI in SECC Regulations, 2018.

6.18. **Other consequential amendments:**

6.18.1. Extant Provisions: The extant Regulations contain provisions relating to registration, inspection, obligations of directors, officers and employees, default proceedings, and the Board's power to issue clarifications or guidelines. These provisions are presently framed for the existing EGR-centric framework and, in certain cases, require greater clarity or broader wording to operate effectively under the expanded framework. Further, Form A of the First Schedule presently requires disclosure of the number of staff members in the vault(s), but does not require detailed information such as their names, designations, educational qualifications or experience.

6.18.2. Proposal in the consultation paper: Amendments have been proposed in the regulations to bring in more clarity and standardization of the extant regulations such as specifying the requirements on applicants seeking registration as Vault Managers to provide information pertaining to the educational qualifications, etc., of their employees,

6.18.3. Public Comments: The public comments are broadly in agreement with the proposed amendments.

6.18.4. Our proposal and comments: In view of the foregoing and pursuant to the analysis of the public comments received, the following amendments are proposed for approval of the Board:

6.18.4.1. Reg. 5(2) amended for clarity: "...in connection with the grant of certificate of registration.".

6.18.4.2. Form A, clause 2(xv) amended to require, along with the number of staff members in the vault(s), their name, designation, educational qualifications and details of experience in the business.

6.18.4.3. On account of replacing the regulations prescribed in Chapter IV - EGRs of extant VM Regulations, it was observed that currently Reg.19(5) specifies obligations on Vault Managers in situations when the Vault managers refuse to hand over the bullion to the owner. As this is an important guiding principle for the operations of registered vault managers, hence the same is proposed to be suitably modified to apply to bullion underlying all Board specified bullion related instruments and is included at Reg. 12(23) and specifies that -"If a Vault Manager refuses or fails to hand over the bullion to the beneficial owner, the burden of proof shall lie on the Vault Manager to establish the existence of a lawful excuse for its refusal or failure to allow such withdrawal."

## 7. Proposals for consideration and approval of the Board

7.1. In view of the foregoing, the Board may consider and approve the proposals at 6.1.4, 6.2.4, 6.3.4, 6.4.4, 6.5.4, 6.6.4, 6.7.4, 6.8.4, 6.9.4, 6.10.4, 6.11.4, 6.12.4, 6.13.4, 6.14.4, 6.15.4, 6.16.4, 6.17.4 and 6.18.4 above. Further, the draft SEBI

(Vault Manages) (Amendment) Regulations, 2026 (Annexure A) are also submitted for consideration and approval of the Board. These proposed regulations shall come into force on the ninetieth day from the date of their publication in the Official Gazette.

7.2. If approved, the Board may authorise the Chairman, SEBI, to issue the SEBI (Vault Managers) (Amendment) Regulations, 2026.

7.3. Further, the Board may authorize the Chairman to take steps to implement the proposals with consequential, incidental and appropriate changes, including by way of issuance of circular, as may be required in this regard, and any subsequent revisions thereto based on the evolving market context.

**Annexure A**

**Draft SEBI (Vault Manages) (Amendment) Regulations, 2026**

**“(This has been excised for reasons of confidentiality. The amended regulations shall be notified after following the due process)”**

**Annexure B**

**Comparative analysis of extant and proposed Regulations**

**“(This has been excised for reasons of confidentiality.)”**