

## **5. Sovereign Gold Bonds Scheme 2019 - 2020**

**Prelims: Economics- Banking; Governance- Schemes, Policies**

**Mains: GS-III- Indian Economy and Issues Relating to Planning, Mobilization of Resources, Growth, Development and Employment.**

### **Why in News?**

- ▶▶ The Government of India, in consultation with the Reserve Bank of India, has decided to issue Sovereign Gold Bonds.

### **Sovereign Gold Bond Scheme:**

- ▶▶ The SGB will be issued in six tranches from October 2019 to March 2020
- ▶▶ The Bonds will be sold through:
  - ❖ Scheduled Commercial banks (except Small Finance Banks and Payment Banks)
  - ❖ Stock Holding Corporation of India Limited (SHCIL)
  - ❖ Designated post offices
  - ❖ Recognised stock exchanges viz., National Stock Exchange of India Limited and Bombay Stock Exchange Limited
- ▶▶ The main features of the SGB are:
  - ❖ It will be issued by Reserve Bank India on behalf of the Government of India.
  - ❖ The Bonds will be restricted for sale to resident individuals, Universities, Charitable Institutions, HUFs and Trusts
  - ❖ The tenor of the Bond will be for a period of 8 years with exit option after 5th year to be exercised on the interest payment dates.
  - ❖ The minimum permissible investment will be 1 gram of gold.
  - ❖ The maximum limit of subscribed shall be 4 KG for individual and HUF each and 20 Kg for trusts and similar entities per fiscal (April-March) notified by the Government from time to time.
  - ❖ In case of joint holding, the investment limit of 4 KG will be applied to the first applicant only.
  - ❖ The investors will be compensated at a fixed rate of 2.50 % per annum payable semi-annually on the nominal value.
  - ❖ Bonds can be used as collateral for loans.