

Sovereign Gold Bond Scheme 2017-18--Series I

Government of India is set to launch the Sovereign Gold Bond Scheme 2017-18--Series I. Applications for the bond will be accepted from April 24, 2017 to April 28, 2017. The bonds will be issued on 12 May.

Features:

- According to the Reserve Bank of India (RBI), the issue price for sovereign gold bonds, which open for subscription on April 24, 2017, has been fixed at Rs2,901 per gram of gold.
- The bonds would earn an interest of 2.75% per annum, payable every six months on initial investment.
- The tenor of the bond will be for a period of 8 years with exit option from fifth year to be exercised on the interest payment dates.
- SGBs are government securities denominated in grams of gold, issued by Reserve Bank on behalf of Government of India
- They are substitutes for holding physical gold.
- Payment for the Bonds will be through cash payment (up to a maximum of Rs. 20,000) or demand draft or cheque or electronic banking.
- The customers will be issued Certificate of Holding on the date of issuance of the SGB.
- The Bonds are issued in denominations of one gram of gold and in multiples thereof. Minimum investment in the Bond shall be one gram with a maximum buying limit of 500 grams per person per fiscal year (April – March).
- On maturity, the redemption proceeds will be equivalent to the prevailing market value of grams of gold originally invested in Indian Rupees.
- The bond will be tradable on the exchanges, if held in demat form.
- The bonds will be sold through banks, post offices, Stock Holding Corporation of India (SHCIL), and recognised stock exchanges—National Stock Exchange (NSE) and BSE.

Advantages:

- The bond can be used as collateral for availing loans.
- In case the SGBs are encashed by an individual on expiry of 8 years, no capital gains tax is payable. But in case the SGBs are sold before the maturity date on the exchanges, then this exemption is not applicable

- There is no cost of holding physical gold in terms of locker.
- There is a sovereign guarantee to get back the gold at the market price at the time of maturity.
- Sovereign Gold Bonds provide two ways of returns. First regular interest of on invested capital every six months and the second in the form of capital gains at the time of redemption in case the price at the time of redemption is higher.
- The Bonds will be eligible for Statutory Liquidity Ratio purposes.

The government launched the Sovereign Gold Bond Scheme in November 2015 as an alternative to purchasing metal gold. The scheme intends to reduce the demand for physical gold and mobilise the idle gold held by households and institutions in the country and to put this gold into productive use in the long run. This will help reduce the current account deficit by reducing the country's reliance on the import of gold to meet the domestic demand. Till date, the government has issued seven tranches of SGBs mobilising 6,410 kg of gold, as per data furnished last month.

The table shows the details of the previous issues of the sovereign gold bonds.

	Issued date	Issue price	Bond sold	Total value
1st tranche	26 Nov 2015	2,682 per gram	915.95 Kg	250 crore
2nd tranche	08 Feb 16	2,600 per gram	2872.3 kg	726 crore
3rd tranche	29 March 2016	2,916 per gram	1128 kg	329 crore
4th tranche	05 Aug 16	3,119 per gram	2950 kg	919 crore
5th tranche	30 Sep 16	3,150 per gram	2435 kg	768 crore
6th tranche	17 Nov 16	3,007 per gram	3550 kg	1067 crore
7th tranche	17 March 2017	2893 per gram	8126 kg	2351 crore

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