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Sovereign Gold Bond Scheme

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Why is in news? Sovereign Gold Bond Scheme 2023-24 (Series II) – Issue Price

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.

The quantity of gold for which the investor pays is protected, since he receives the ongoing market price at the time of redemption/ premature redemption.

The SGB offers a **superior alternative to holding gold** in physical form.

The **risks and costs of storage are eliminated**.

Investors are assured of the market value of gold at the time of maturity and periodical interest.

SGB is **free from issues** like making charges and purity in the case of gold in jewellery form.

The bonds are held in the books of the RBI or in demat form eliminating risk of loss of scrip etc.

There **may be a risk of capital loss** if the market price of gold declines. However, the **investor does not lose in terms of the units of gold** which he has paid for.

Eligible to invest:

Persons resident in India as defined **under Foreign Exchange Management Act, 1999** are eligible to invest in SGB.

Eligible investors include individuals, HUFs, trusts, universities and charitable institutions. Individual investors with subsequent change in residential status from resident to non-resident may continue to hold SGB till early redemption/maturity.

Bonds are sold through offices or branches of Nationalised Banks, Scheduled Private Banks, Scheduled Foreign Banks, designated Post Offices, Stock Holding Corporation of India Ltd. (SHCIL) and the authorised stock exchanges either directly or through their agents.

Limit for investment:

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 limit of subscription of 4 kg for individuals, 4 kg for HindUndivided Family (HUF) and 20 kg for trusts and similar entities notified by the government from time to time per fiscal year (April – March).

In case of joint holding, the limit applies to the first applicant. The annual ceiling will include bonds subscribed under different tranches during initial issuance by Government and those purchased from the secondary market.

The ceiling on investment will not include the holdings as collateral by banks and other Financial Institutions

Benefits:

Bonds can be used as collateral for loans.

The SGB offers a superior alternative to holding gold in physical form.

The risks and costs of storage are eliminated.

Investors are assured of the market value of gold at the time of maturity and periodical interest.

SGB is free from issues like making charges and purity in the case of gold in jewellery form.

Disadvantages of Investing in SGB:

This is a long term investment unlike physical gold which can be sold immediately.

Sovereign gold bonds are listed on exchange but the trading volumes are not high, therefore it will be difficult to exit before maturity.