

Frequently Asked Questions (FAQs)

Sovereign Gold Bond Scheme

1. What is Sovereign Gold Bond (SGB)? Who is the issuer?

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.

2. Why should I buy SGB rather than physical gold? What are the benefits?

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.

3. Are there any risks in investing in SGBs?

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.

4. Who is eligible to invest in the SGBs?

Persons resident in India as defined under Foreign Exchange Management Act, 1999 are eligible to invest in SGB. Hence, on www.icicidirect.com only resident individuals and HUFs would be allowed to invest in SGBs. Other client categories like corporate, partnership firms, LLPs, trusts, etc. would not be allowed to invest.

5. Whether joint holding will be allowed?

The joint holders if any in the linked demat account would also be joint holders for investment in SGB. For investment account holders without demat account, only single holder option would be available.

6. How can investors invest in the SGB ?

Investors can apply for the SGB online post login to their ICICIdirect.com account.

7. What are the Know-Your-Customer (KYC) norms?

Know-Your-Customer (KYC) norms will be the same as that for purchase of physical form of gold. Identification documents such as Aadhaar card/PAN or TAN /Passport / Voter ID card will be required. Customer's KYC documents as available with ICICI direct will be required. Customer's KYC documents as available with ICICI direct will be shared with the issuer hence no separate KYC need to be done for existing ICICI direct customers.

8. What is the minimum and maximum 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 grams with a maximum buying limit of 500 grams per person per fiscal year (April – March). In case of joint holding, the limit applies to the first applicant.

9. Can I buy 500 grams in the name of each of my family members?

Yes, each family member can hold the bond if they satisfy the eligibility criteria as defined at Q No.4.

10. Can I buy 500 grams worth of SGB every year?

Yes. One can buy 500 grams worth of gold every year as the ceiling has been fixed on a fiscal year (April-March) basis.

11. Is the limit of 500 grams of gold applicable if I buy on the Exchanges?

The limit of 500 grams per financial year is applicable even if the bond is bought on the exchanges.

12 What is the rate of interest and how will the interest be paid?

The Bonds bear interest at the rate of 2.50 per cent (fixed rate) per annum on the amount of initial investment. Interest will be credited semiannually by the issuer to the bank account of the investor and the last interest will be payable on maturity along with the principal.

13. If I apply, am I assured of allotment?

The allotment is subject to meeting of the eligibility criteria and availability of the application money as per RBI notifications.

14. When will the customers be issued Holding Certificate?

The Certificate of Holding shall be emailed only to those customers who hold investment account with ICICI Securities without any linked demat a/c. Demat account credit would be the default option for all customers with active linked demat a/c. Client may select his/her preferred demat a/c at the time of placing order in case of multiple demat accounts.

15. Can I apply online?

Yes. A customer can apply online through the ICICI direct website post login.

16. At what price the bonds are sold?

Price of Bond will be fixed in Indian Rupees on the basis of simple average of closing price of gold of 999 purity published by the India Bullion and Jewellers Association Limited for the week (Monday to Friday) preceding the subscription period. **The issue price of the Gold bonds will be ₹ 50 per gram less than the nominal value.**

17. What will I get on redemption?

On maturity, the redemption proceeds will be equivalent to the prevailing market value of grams of gold originally invested in Indian Rupees. The redemption price will be based on simple average of previous week's (Monday-Friday) price of closing gold price for 999 purity published by the IBJA.

18. How will I get the redemption amount?

Both interest and redemption proceeds will be credited to the bank account furnished by the customer at the time of buying the bond.

19. What are the procedures involved during redemption?

- The investor will be advised one month before maturity regarding the ensuing maturity of the bond.
- On the date of maturity, the maturity proceeds will be credited to the bank account furnished by the customer at the time of buying the bond.

20. Can I encash the bond anytime I want? Is premature redemption allowed?

Though the tenor of the bond is 8 years, early encashment/redemption of the bond is allowed after fifth year from the date of issue on coupon payment dates. The bond will be tradable on Exchanges, if held in demat form. It can also be transferred to any other eligible investor.

21. What do I have to do if I want to exit my investment?

In case of premature redemption, investors can approach the concerned bank/Post Office/agent thirty days before the coupon payment date. Request for premature redemption can only be entertained if the investor approaches the concerned bank/post office at least one day before the coupon payment date. The proceeds will be credited to the customer's ICICI direct linked bank account provided at the time of applying for the bond.

22. Can I gift the bonds to a relative or friend on some occasion?

The bond can be gifted/transferable to a relative/friend/anybody who fulfills the eligibility criteria (as mentioned at Q. no. 4). The Bonds shall be transferable in accordance with the provisions of the Government Securities Act 2006 and the Government Securities Regulations 2007 before maturity by execution of an instrument of transfer which is available with the issuing agents.

23. Can I use these securities as collateral for loans?

Yes, these securities are eligible to be used as collateral for loans from banks, financial Institutions and Non-Banking Financial Companies (NBFC). The Loan to Value ratio will be same as applicable to ordinary gold loan mandated by the RBI from time to time.

24. What are the tax implications on i) interest and ii) capital gain?

Interest on the Bonds will be taxable as per the provisions of the Income-tax Act, 1961(43 of 1961).

Capital gain tax arising on redemption of SGBs to an individual has been exempted.

If sold in secondary market, capital gains arising on such transaction will be taxed @ of 20% with indexation if sold on or after 3 years and would be subject to marginal tax rate if sold before 3 years.

25. Is tax deducted at source (TDS) applicable on the bond?

TDS is not applicable on the bond. However, it is the responsibility of the bond holder to comply with the tax laws.

26. Who will provide other customer services to the investors after issuance of the bonds?

ICICI Bank will provide other customer services after issuance of the bonds. The bondholder to approach the nearest ICICI Bank branch.

27. What are the payment options for investing in the Sovereign Gold Bonds?

For investments through ICICIDirect.com online the payment will be made online from customer's linked bank account.

28. Whether nomination facility is available for these investments?

Yes. If the Client wishes to appoint or change a nominee, the Client will be required to download the applicable nomination form from www.icicidirect.com, and send the duly completed form to ICICI Securities or ICICI Bank. Client will not be able to appoint nominee online at the time of making application. In case of demat credit of SGBs, nominee in demat would be able to claim the SGBs like any other security from the Depository Participant in case of death of the holder. However, such nominee shall have to follow the transmission process as specified by RBI for redeeming the SGBs since demat nominee would not be registered with RBI

29. Is the maximum limit of 500 gms applicable in case of joint holding?

The maximum limit will be applicable for the first applicant in case of a joint holding for the specific application.

30. Can I trade these bonds?

The bonds are tradable on stock exchanges from the date to be notified by RBI. The bonds can also be sold and transferred as per provisions of Government Securities Act. However, ICICIdirect.com reserves the right to enable or disable any listed security for trading at its own discretion.

31. Can I get part repayment of these bonds at the time of exercising put option?

Yes, part holdings can be redeemed in multiples of one gm.

34. Can I get the bonds in demat form?

The bonds can be held in demat account by making a specific request for the same at the time of application.

Till the process of dematerialization is completed, the bonds will be held in RBI's books. The facility for conversion to demat will also be available subsequent to allotment of the bond.