Sovereign Gold Bond scheme

14th April, 2018

The government of India has announced that the first tranche of Sovereign Gold Bond scheme for the current year 2018-19 will shortly be opened for subscription.

About the Sovereign Gold Bond Scheme:

The sovereign gold bond was introduced by the Government in 2015. While the Government introduced these bonds to help reduce India's over dependence on gold imports, the move was also aimed at changing the habits of Indians from saving in physical form of gold to a paper form with Sovereign backing.

Key facts:

Eligibility: The bonds will be restricted for sale to resident Indian entities, including individuals, HUFs, trusts, universities and charitable institutions.

Denomination and tenor: The bonds will be denominated in multiples of gram(s) of gold with a basic unit of 1 gram. The tenor will be for a period of 8 years with exit option from the 5th year to be exercised on the interest payment dates.

Minimum and Maximum limit: The minimum permissible investment limit will be 1 gram of gold, while the maximum limit will be 4 kg for individual, 4 kg for HUF and 20 kg for trusts and similar entities per fiscal (April-March) notified by the government from time to time.

Joint Holder: In case of joint holding, the investment limit of 4 kg will be applied to the first applicant only.

Collateral: Bonds can be used as collateral for loans. The loan-to-value (LTV) ratio is to be set equal to ordinary gold loan mandated by the Reserve Bank from time to time.

What's important?

- For Prelims: Features of the SGB scheme.
- For Mains: The scheme and its significance for India.

To be looked in UPSC Paper 2 Topic: Inclusive growth and issues arising from it.