



Gold Monetisation Scheme

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In a move to revive the flagging Gold Monetisation Scheme, the **Reserve Bank of India (RBI)** has made it easier for depositors to hand over their holdings of Gold.

RBI has liberalised the GMS, 2015, allowing depositors to directly deposit their bullion with either banks, refiners or Collection and Purity Testing Centres (CPTCs).

- Earlier, the Banks, CPTCs and Refineries had to sign a tripartite agreement for this.
- **Temples, High Networth Individuals (HNIs)** and entities like fund houses, trusts and even government entities **would now find it easier to deal directly with banks** instead of CPTCs.

Gold Monetisation Scheme

- The scheme was launched in November 2015 along with sovereign gold bonds and India gold coins.
- It **facilitates the depositors of gold to earn interest** on their metal accounts. Once the gold is deposited in metal account, it starts earning interest on the same.
- Under the scheme, a depositor gets **2.25% interest annually** for a short-term deposit of one year to three years. Medium- and long-term deposits get 2.5% interest rate.
- **Objective:** To mobilize the gold held by households and institutions in the country to put this gold into productive use and in the long run to reduce the current account deficit by reducing the country's reliance on imports of gold to meet the domestic demand.
- Along with GMS, a **Sovereign Gold Bond Scheme** (an alternative to purchasing metal gold) and development of Indian Gold Coin, were also announced.
- **Banks may accept the deposit of gold at designated branches**, especially from larger depositors.

- The RBI also further relaxed norms under the scheme by which banks, at their discretion, can, allow the depositors to deposit their gold directly with the refiners. This suits the temples also, as it is estimated that they may be holding around 4,000 tonnes of gold and are capable of depositing gold in tonnes under the scheme.
- Several depositors had earlier complained that banks are not taking an interest in accepting deposits under the GMS in many cities even from large depositors. Banks had hardly publicised that they run the GMS.
 - The RBI has stated that **banks have to identify branches in all states** and union territories where they can accept deposits.
 - All designated banks have now been mandated by the RBI to **give adequate publicity to the scheme through their branches**, websites and other channels.

Background

- The GMS scheme had been able to garner only 16 tonnes of gold as deposits in the last four years. This was largely because of banks' apathy towards it and also due to practical difficulties of banks in dealing with collection-hallmarking centres.
- The current scheme mandates that customers have to first approach the CPTCs which are approved by the **Bureau of Indian Standards**.
- These centres had issued depositors purity certificate on gold deposited, and based on the centres' certificate, a bank was supposed to open a deposit account and credit gold.
- CPTCs sent the gold to a refinery which gave the final purity certificate and converted the yellow metal into bars.

Source: Business Standard