

Headlines: NSE to start gold bond trading in cash segment

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With the Reserve Bank of India (RBI) and Securities and Exchange Board of India clearing the decks for trading in sovereign gold bonds, trading in the instrument will commence on the National Stock Exchange of India's (NSE) cash segment from Monday.

The Sovereign Gold Bond Scheme was announced by the Government of India in October 2015. The first tranche will now be available for trading. RBI has appointed NSE the 'receiving office' for collecting subscription bids.

Investors will get returns linked to the gold price and an additional fixed interest rate of 2.75 per cent a year, paid semi-annually. The bonds will carry a sovereign guarantee on both the redemption amount and interest payable.

The minimum investment size in the secondary market will be as low as one gramme. The reference price for trading will be gold of 0.999 purity. The tenor of the bond is eight years, with a put option available from the fifth year.

Long-term capital gains tax is applicable for redemption after three years but zero if redeemed after full maturity. There will be no tax deducted at source on interest accrual. The investment can also be used as collateral for bank loans.

"NSE is expecting large retail (from non-wealthy individuals) acceptance, as this product is a better substitute for physical gold. We expect the product to work well, keeping in mind NSE's retail distribution capabilities," said Huzan Mistry, strategic business head, currency & fixed income, NSE.

The BSE exchange has also got RBI approval for acting as a receiving office for the scheme. The exchange plans to offer an online bidding platform for collecting bids from members and their clients for the bond issue and has begun mock bidding sessions.

