

FAQs on SGB

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Background:

The Sovereign Gold Bond Scheme was launched by Government of India in November 2015, under Gold Monetization Scheme. Under the scheme, issues are made open for subscription in tranches by RBI in consultation with GOI. RBI Notifies the terms and conditions for the scheme from time to time. The subscription for SGB shall be open as per a predefined calendar. The applicable rate of SGB shall be declared through a Press Release by RBI before every new tranche.

The Exchange has received approval from the Reserve Bank of India (RBI) for acting as a Receiving Office for the Sovereign Gold Bond (SGB) Issuance and will collect bids from members for their client for the SGB Issuance.

With an objective to facilitate orderly collection of bids through Stock Exchange mechanism, an online bid collection facility is available to trading members on existing web-based E-IPO platform.

FAQs:**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. What are the benefits of buying SGB over physical gold?

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. How to access the SGB Platform?

All trading members of the capital market segment are eligible to participate on the SGB Platform. Trading members already having access to the web based NSE E-IPO bidding platform can use their existing user ids for accessing the tab "Gold Bonds" in the platform for participating in SGBs subscription. For members who do not have access to NSE E-IPO, the Exchange has enabled an Admin User. On logging in as Admin User, members shall be presented with the Electronic Undertaking under the "Gold Bonds" tab. To participate in SGBs subscription, members are required to accept this undertaking by clicking on "I Accept Terms & Conditions" button. Members will have to log in to the Admin User and create required branches and Users (if not created earlier) to participate in the subscription. After completing this process, members shall be able to enter subscription requests from a User login.

4. Who are the eligible participants on the SGB platform?

All Trading Members of Capital Market Segment of NSEIL and such other entities as may be notified by NSEIL from time to time shall be eligible to participate in the platform for issuances of SGBs.

5. What are bidding hours for SGB issuance?

The bidding hours for any SGB Issuance shall be from 10am to 5pm during the period the said SGB Issuance remains open, or as may be specified/extended by NSEIL in relation to SGBs issuance.

6. What is the minimum investment quantity of subscription in SGB?

The minimum investment in SGBs shall be 1 (one) gram for a Client

7. What is the maximum investment quantity of subscription in SGB?

There is a maximum buying limit of 4000 (four thousand) grams for individual and HUF investor category and 20000 (twenty thousand) grams for Trust and similar entities notified by government per fiscal year (i.e., from the first day of April of any calendar year to the last day of March of the subsequent calendar year), or as may be otherwise specified by the GOI/RBI/NSEIL from time to time. In case of joint holdings, the limit shall apply 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.

8. How SGB Issuance is informed to the Market?

The details and terms of any SGB Issuance shall be as specified by the GOI/RBI/NSEIL from time to time. The Exchange shall issue circular for intimation to the market participants regarding any upcoming SGB subscription.

9. How is the price for an upcoming SGB determined?

The price of SGB for the respective tranche will be published on RBI website one day before the issue opens.

10. At what price is SGB Issued?

The nominal value of Gold Bonds shall be in Indian Rupees fixed 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 last 3 business days of the week preceding the subscription period.

11. How will the SGB security be made available to the investors?

Participants can choose between Depository Mode and Physical mode to place the bid on behalf of their investors. In case of Depository Mode, RBI will credit the Gold Bonds to the Client's demat account. In case of Physical Mode, RBI will issue a physical Gold Bond Certificate to the clients.

12. Can SGB be traded?

The bonds are tradable from a date to be notified by RBI. (It may be noted that only bonds held in de-mat form with depositories can be traded in stock exchanges) The bonds can also be sold and transferred as per provisions of Government Securities Act, 2006. Partial transfer of bonds is also possible.

13. Is PAN / DP mismatch modification allowed for SGB during issue period?

Exchange shall be validating DP and PAN details throughout the issue period for any mismatch. On the last day of issue, mismatch modification session shall be kept on the same day post the bidding hours. The same shall be mentioned in the circular issued. Either DP details or PAN (Any One) shall be allowed to be modified.

14. Can a SGB bid once placed be cancelled?

Cancellation of bid shall be allowed till last date of the issue period.

15. Can a SGB bid once placed be withdrawn?

In case the client of the member fails to provide funds, the participant can withdraw a bid submitted on next day of the bidding day (T+1), before the funds are collected by NCL. The detailed procedure of bid withdrawal is provided in circular ref no. NSE/CMTR/32831 dated July 18, 2016.

16. What is the Uniform File Upload facility?

The Exchange has provided additional bulk upload facility – “Uniform file upload (csv)” similar to existing IPO bidding format, along with existing bulk upload format to participants to enter bids. A single bulk upload shall allow New Entry/Modification/Cancellation based on transaction status.

17. Is a Bulk upload facility for Client Details available in the physical mode?

In case of Physical mode, participants have to first enter all client details in client master by creating a client code. The bulk upload facility is provided to update the client master. The file shall be in pipe separated format with one header record and one or more detailed records with .txt as file name extension. The file format of bulk upload is available as Annexure-1 in circular ref no. NSE/CMTR/32831 dated July 18, 2016.