



CIRCULAR

SEBI/HO/CDMRD/DMP/CIR/P/2022/07

January 10, 2022

**The Managing Directors / Chief Executive Officers  
All Recognized Stock Exchanges and Clearing Corporations  
All Registered Depositories  
All Registered Vault Managers**

Dear Sir / Madam,

**Sub: Framework for operationalizing the Gold Exchange in India**

1. SEBI Board in its meeting held on September 28, 2021 approved the framework for Gold Exchange and SEBI (Vault Managers) Regulations, 2021.
2. Government of India vide [Gazette notification S.O. 5401 \(E\) dated December 24, 2021](#), has declared “electronic gold receipts” as ‘securities’ under Section 2(h)(ia) of the Securities Contracts (Regulation) Act 1956, and vide Gazette notification dated December 31, 2021, [SEBI \(Vault Managers\) Regulations, 2021](#), have been notified, paving the way for operationalizing of Gold Exchange. The framework for the proposed Gold Exchange is listed at [Annexure 1](#).
3. The stock exchange/s desirous of trading in electronic gold receipts (EGRs) may apply to SEBI for approval of trading of EGRs in new segment.
4. The Circular shall come into force with immediate effect.
5. The Exchanges are advised to:
  - 5.1. take steps to make necessary amendments to the relevant bye-laws, rules and regulations for the implementation of the same,
  - 5.2. bring the provisions of this circular to the notice of the members of the Exchange and also to disseminate the same on their website,
  - 5.3. communicate to SEBI, the status of the implementation of the provisions of this Circular.



**भारतीय प्रतिभूति और विनिमय बोर्ड**  
**Securities and Exchange Board of India**

6. This Circular is issued in exercise of powers conferred under Section 11 (1) of the Securities and Exchange Board of India Act, 1992, to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.
7. This Circular is available on SEBI website [www.sebi.gov.in](http://www.sebi.gov.in) under the category “Circulars” and “Info for Electronic Gold Receipts”.

Yours faithfully,

**Naveen Sharma**  
**General Manager**  
**Division of Market Policy**  
**Commodity Derivatives Market Regulation Department**  
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**Annexure 1: Framework for Gold Exchange in India**

1. **Instrument:** The instrument for trading in Gold Exchange/Segment shall be referred to as 'Electronic Gold Receipts' (EGR) which has been notified as 'securities' under Section 2(h)(iia) of the Securities Contracts (Regulation) Act 1956.
2. New and existing recognized stock exchanges may launch and deal in EGRs, in a new segment.
3. **Structure of the transactions:** The entire transaction has been divided into following three tranches:
  - 3.1. First Tranche: Creation of EGR
  - 3.2. Second Tranche: Trading of EGR on stock exchange/s
  - 3.3. Third Tranche: Conversion of EGR into Physical Gold
4. **Details of transactions in first tranche are as follows:**
  - 4.1. Creation of Common Interface: A common interface will be developed by Depositories, which will be made accessible to all the entities i.e., Vault Managers, Depositories, Stock Exchanges and Clearing Corporations.
  - 4.2. Supply of the physical gold:
    - 4.2.1. The supply of the physical gold, to be converted into EGR, shall be the fresh deposit of gold, coming into the vaults, either through imports or through stock exchange/s accredited domestic refineries.
    - 4.2.2. The existing deposit of gold lying in the vaults, which meets the aforesaid criteria and has never been out of the vaulting infrastructure, can be considered for conversion into EGR.
    - 4.2.3. Vault managers shall ensure that 'gold' to be converted into EGR meets the aforementioned criteria.
  - 4.3. Standard of gold: The 'gold' which complies either with LBMA Good Delivery Standard or with the India Good Delivery Standard, or any other standard specified by SEBI, will be eligible under this framework.



**4.4. First Tranche → Creation of EGR:**

- 4.4.1. The Vault Manager on receipt of physical gold shall record the relevant information in the common interface and create the EGR. The EGR shall be created at the behest of the depositor (or owner of the gold) intending to convert physical gold into EGR.
- 4.4.2. The Vault Manager shall ensure that no EGR is created without the presence of corresponding physical gold in its vaults.
- 4.4.3. The EGR shall reflect in the demat account of the beneficial owner maintained with the Depository Participant.
- 4.4.4. The Depository shall take necessary action to make EGR/s tradeable on the stock exchange/s.
- 4.4.5. The Vault Manager and the Depository shall regularly reconcile the data of EGR's created and the corresponding physical gold lying in the vaults. Additionally, the Depository shall inspect the physical gold deposited in the vault/s at periodic intervals. The details of aforementioned periodicity shall be issued by SEBI in due course.

**5. Second Tranche → Trading of EGR on stock exchange/s are as follows:**

- 5.1. The stock exchanges shall allow trading of the EGR's on continuous basis. Further, the Depositories shall share information pertaining to the creation of EGR/s, with the stock exchanges and clearing corporations on a periodic basis. The details of such periodicity shall be issued by SEBI in due course.
- 5.2. The Clearing Corporation shall settle the trades executed on the stock exchange/s, by way of transferring EGR/s and cash to the buyer and seller of EGR/s, respectively.

**6. Third Tranche → Conversion of EGR into Physical Gold are as follows:**

- 6.1. Beneficial owner of EGR intending to obtain physical gold against the EGR/s shall request the Depository for the same. The Depository, in turn shall forward such request/s to the Vault Manager. The Vault Manager after delivering the gold to the beneficial owner and simultaneously extinguishing such EGR/s, shall share the required data with the Depository for reconciliation.



- 6.2. The Depository, in turn, shall send the information about the extinguished EGR/s, to the stock exchange/s and clearing corporation/s to carry out necessary revision in the records.
- 6.3. If there are any disputes, related to quality of physical gold, at the time of withdrawal of physical gold, the same would be dealt with by obtaining quality report from empaneled assayer. However, once the physical gold is outside the vaulting infrastructure, no dispute related to quality of gold shall be entertained / resolved under this framework.
7. **Product denomination:** Stock exchanges may launch contracts with different denomination for trading and / or conversion of EGR into gold.
8. **Trading features:** EGRs shall have same trading features as available to “securities” defined under SCRA, 1956.
9. **Fungibility and Inter-operability between the Vault Managers:**
- 9.1. Fungibility means, the EGR’s created by the Vault Manager/s, shall not be linked with the unique bar reference number of the physical gold, i.e., gold deposited against EGR1 can be delivered against conversion of EGR2 into gold (for the same contract specifications).
- 9.2. “Inter-operability between Vault Managers” means the physical gold deposited at one location of a Vault Manager, can be withdrawn from different location of same or different Vault Manager (depending on the availability of physical gold).
- 9.3. The aforementioned provisions would allow the Depository to facilitate withdrawal of physical gold from the preferred vault location of the buyer, to the extent possible, and possibly, save upon the cost of withdrawal of gold from the vaults.
10. **Withdrawal Center:** To increase the reach of Gold Exchange, all existing branches of vault managers may be allowed as ‘collection and/or withdrawal center’, which meets the safety standards, as specified by the SEBI. The details of withdrawal centers shall be available on the websites of depositories and vault managers.



11. **Storage (vaulting) and Withdrawal Charges:** The storage and withdrawal charges shall be levied by the vault managers and be collected by the depository from the beneficial owner of EGR's, for onward payment to the Vault Managers. The charges shall be disclosed by the Vault Managers upfront to the public at large.
12. **Empanelment of assaying agencies:** Clearing Corporations shall empanel / accredit assaying agencies for checking the purity of gold, if required by the beneficial owner of the EGR at the time of withdrawal of gold from the vaults. However, the charges towards assaying, transportation and assaying charges, shall be borne by such beneficial owner. Such assaying charges shall be disclosed upfront to the public at large.
13. **Logistic service providers:** Investors are encouraged to utilize their own trusted means of transportation for movement of gold from vaults to their preferred location. To facilitate the same, Vault Managers, at their discretion, may provide a list of logistic service providers on their website with relevant contact details. However, SEBI or Vault Manager shall not be responsible for any dispute/s arising from transportation / movement of gold, irrespective of the choice of logistic service provider.

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