The Chairman & Managing Director
All Scheduled Commercial Banks,
(Excluding RRBs)
Designated Post Offices
Stock Holding Corporation of India Ltd. (SHCIL)
National Stock Exchange of India Ltd. & Bombay Stock Exchange Ltd.

Dear Sir/Madam,

Sovereign Gold Bonds- Maximum Limit of Investment and Acceptance as Collateral- Clarification

As you are aware, the Sovereign Gold Bond Scheme was notified by GOI in exercise of the powers conferred by clause (iii) of section 3 of the Government Securities Act, 2006 (38 of 2006). The scheme specifies that the maximum limit of subscription to the bonds will be 500 gm, per person per fiscal year. With respect to the scheme, we have been receiving queries from banks and others about the feasibility of lending against the bonds and whether the restrictions on subscription would extend to acquisitions through transfers etc.

In this regard, it is clarified that:

a. The Sovereign Gold Bonds (SGB) are government securities issued under section 3 (iii) of the government securities Act. As the holder of an SGB can therefore create a pledge, hypothecation or lien against the security (in accordance with the provisions of the G-Sec Act 2006/ G.Sec Regulations, 2007), the SGBs may be used as collateral security for any loan.

b. Banks and other eligible holders can acquire more than 500 gms. of SGBs in a fiscal year, through transfers etc., including transfers arising out of recovery proceedings.

Yours faithfully,

(Rajendra Kumar)
General Manager