

SEBI CLEARS NORMS FOR GOLD EXCHANGES

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Go for gold: Electronic receipt holders can withdraw gold from the vaults after surrendering the receipts. file photo

The Securities and Exchange Board of India (SEBI), on Tuesday approved the framework for a gold exchange as well as for vault managers, facilitating trading in securities tied to the yellow metal.

The markets regulator's approval for the proposals made in the Union Budget paves the way for gold exchanges to be set up for trading in 'Electronic Gold Receipts' (EGRs) like in the case of other securities.

Existing stock exchanges will be allowed to provide the platform for trading of EGRs, SEBI said after a board meeting in Mumbai.

The denomination for trading the EGRs and conversion of EGRs into gold would be decided by the exchanges with the approval of SEBI, Chairman Ajay Tyagi said, while addressing the media. The clearing corporation would settle the trades executed on the exchanges by way of transferring EGRs and funds to the buyer and seller, respectively, he said.

Vault managers

EGR holders, at their discretion, could withdraw the underlying gold from the vaults after surrendering the EGRs. SEBI-accredited vault managers would be responsible for the storage and safekeeping of gold deposits, creation of EGRs, withdrawal of gold, grievance redressal and periodic reconciliation of physical gold with the records of depository. The vault manager would have to have a net worth of at least Rs. 50 crore.

On the broader objective of such exchanges, Mr. Tyagi said, "India is a net importer of gold. We are price takers and not price setters. The whole idea is to move from being price takers to be price setters. Price discovery at the exchanges will lead to... transparency in gold pricing."

Mr. Tyagi added that the exchanges would enable transparent price discovery, investment liquidity and assurance in the quality of gold. SEBI also cleared norms for social exchanges.

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