

Features of the SGB Offering (Tranche 6: 24th Oct'2016 to 2nd Nov, 2016)

- ✓ Government securities denominated in grams of gold (1 unit = 1 gram)
- ✓ Issued by the Reserve Bank of India on behalf of the Government of India
- ✓ Investors will earn returns linked to gold price
- ✓ Additionally fixed interest of 2.5% p.a. payable semi-annually on the amount of initial investment
- ✓ The Bonds carry Sovereign guarantee in terms value equivalent to investment in units of gold and periodic interest payment
- ✓ Minimum investment: 1 gms • Maximum investment: 500 gms
- ✓ Available in DEMAT & Paper form
- ✓ Tradable on National Stock Exchange of India Limited (NSE)
- ✓ Tenure: 8 years with an exit option from 5th year
- ✓ Issuance through trading members of NSE

What are the benefits of buying these bonds in comparison to physical gold?

- ✓ Here, investors buy gold in paper; hence there is no need of checking the quality of gold as that is a major hurdle when purchasing gold from jewellers.
- ✓ Further no storage/locker/insurance charges are payable in case of SGB.
- ✓ Apart from this, the investor has to face counterparty risk while selling their physical holding of the yellow metal which is not the case here.

COMPARISON OF PHYSICAL GOLD, GOLD ETF AND SOVEREIGN GOLD BONDS :

Points	Physical Gold	Gold ETF	Sovereign Gold Bonds
Returns	Lower than return on gold	Lower than return on gold	Lower than return on gold
Safety	Risk on handling physical gold	High	High
Purity of Gold	Purity of gold always remains a question	High as it is in Electronic Form	High as it is in Electronic Form
Wealth Tax	Wealth tax applicable at 1% on the total valuation of the asset every year	Not Applicable	Not Applicable
Capital Gain	Long term capital gain tax applicable after 3 years	Long term capital gain tax applicable after 3 years	Long term capital gain tax applicable after 3 years (No Capital gain tax if held till maturity)
Collateral Against Loan	Yes	No	Yes
Tradability/ Exit Route	Conditional	Tradable on Exchange	Tradable on Exchange Redemption - 5th year onwards with Gol
Storage Cost	High	Very Low	Very Low