

## GOLD EXCHANGES

# Gold exchanges: SEBI notifies regulations for vault managers

K.R.Srivats (<https://www.thehindubusinessline.com/profile/author/K-R-Srivats-16722/>) | Updated on January 04, 2022

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SEBI lists out new regulations which are effective December 31, 2021.

Markets regulator SEBI has notified the regulations, setting out the norms and obligations for vault managers who looks to provide vaulting services for the gold traded through electronic gold receipts (EGR) at the proposed gold exchanges.

Under the new regulations, effective from December 31, 2021, every person looking to carry out the business of a vault manager would have to get themselves registered with SEBI.

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The vault manager would be regulated as a SEBI intermediary for providing vaulting services meant for gold deposited to create EGRs.

The obligations of the vault manager include accepting deposits, storage and safekeeping of gold, creation as well as withdrawal of EGR, grievance redressal and periodic reconciliation of physical gold with the records of depository.

It maybe recalled that the finance ministry had recently notified electronic gold receipts (EGRs), the instrument representing gold, as “securities”, paving the way for the launch of gold exchanges. These EGRs will have trading, clearing and settlement features akin to any other securities.

The gold exchange, encompassing the entire ecosystem of trading of EGR and physical delivery of gold, is expected to create a vibrant gold ecosystem in India.

The Finance Minister Nirmala Sitharaman had in the Union Budget for 2021-22 announced that SEBI would be the regulator for gold exchanges.

Indications are now that the existing bourses – BSE and NSE—would set up dedicated gold trading platform as a separate segment.

### **Eligibility criteria**

To be a registered vault manager, SEBI has now stipulated that the applicant would have to be a corporate body incorporated in India and should have the minimum net worth of ₹ 50 crore.

The vault managers are required to have systems for recording all transactions in electronic form pertaining to vaulting services.

They need to maintain the documents to ensure that gold is traceable; details of storage, transfer and withdrawal of gold; purity, quantity and weight of deposited gold; and creation and extinguishment of EGRs.

Further, they need to preserve these records and documents for a minimum period of five years. Also, they need to abide by the code of conduct specified by the regulator.

### **Gold Deposit**

With regard to deposits of gold into vaults, SEBI said any one desirous to create EGRs will have to place a request for the deposit of the gold with the registered vault manager, who would ensure compliance with the gold standard, weigh the gold bars and check necessary documentation at the time of deposit of gold.

The vault manager or any person authorised on this behalf will ensure that the gold is deposited only through an accredited refinery or a nominated agency.

### EGR Creation

With regard to the creation of EGR, SEBI said every vault manager will have a common interface with the depository to create and extinguish EGR.

Upon acceptance of the gold from the depositor, the vault manager will create an EGR in such depositor's name as beneficial owner by entering details in the common interface.

### Gold withdrawal

On withdrawal of gold, the regulator said the beneficial owner seeking to withdraw gold from the vault will have to place a request with the depository.

The depository, after satisfying the payment of charges due to the vault manager, will intimate its approval for withdrawal of gold to the concerned vault manager.

Upon receipt of communication from the depository, the vault manager will hand over the gold and extinguish the EGRs.

The regulator has the right to undertake inspection of the books of accounts, records, documents and deposits of gold of the vault manager in order to inspect into the affairs of such manager in the interest of the securities market, among others.

Before ordering an inspection, the regulator will have to give at least 10 days' notice to the vault manager.

Published on January 03, 2022