भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA
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RBI/2013-14/187
A.P. (DIR Series) Circular No. 25 **August 14, 2013**
To,

All Category - I Authorised Dealer Banks

All Scheduled Commercial Banks which are Authorised Dealers (ADs) in Foreign Exchange/ All Agencies nominated for import of gold

Madam / Sir,

Import of Gold by Nominated Banks /Agencies/Entities

Attention of Authorised Persons is drawn to the Reserve Bank's A.P. (DIR Series) Circular No. 15 dated July 22, 2013 on the captioned subject. As per these instructions, certain restrictions were imposed on the import of various forms of gold by nominated banks/nominated agencies/ premier or star trading houses/SEZ units/EoUs which have been permitted to import gold for use in the domestic sector.

2. Government of India and the Reserve Bank of India have been receiving several requests for clarifications on the operational aspects of the scheme of imports put in place in terms of the above circular. There have also been representations to change certain aspects of the scheme. Taking into account all these representations and in consultation with the Government of India, it has been decided to issue the following clarifications/modifications in supersession of all the earlier instructions:

a) Import of gold in the form of coins and medallions is now prohibited.

b) It shall be incumbent on all nominated banks/nominated agencies and other entities to ensure that **at least one fifth, i.e., 20%,** of every lot of import of gold imported to the country is exclusively made available for the purpose of exports and the balance for domestic use. A working example of the operations of the 20/80 scheme envisaged in terms of the present instructions is given in the Annex. This shall be monitored by customs authorities, and will be implemented port-wise only.

c) Further, nominated banks/ nominated agencies and other entities shall make available gold for domestic use only to the entities engaged in jewellery business/bullion dealers and to banks authorised to administer the Gold Deposit Scheme against full upfront payment. In other words, supply of gold in any form to the domestic users other than against full payment upfront shall not be permitted.

d) The nominated banks/agencies/refineries and other entities shall ensure that there is no front loading of imports, particularly in the first and second lots of imports. Such imports shall be linked to normal quantities of gold supplied to the exporters by the nominated banks/agencies and shall not exceed the highest quantity supplied during any one year out of last three years. The quantity thus arrived at, however, will not be imported in one or two lots only. As a thumb rule, imports of more than maximum of two months of requirements of the exporters in a lot would be considered unusual. Illustratively, if the gold supplied to exporters by a bank during the last three years is say, 30 tonnes, 40 tonnes and 60 tonnes respectively, imports in terms of this circular shall be based on highest of three i.e. 60 tonnes.

Further, import of 50 tonnes(two months export of 10 tonnes for exports and 4 times the amount for domestic use, totalling 50 tonnes) will be considered unusual. In case of nominated banks not having a previous record of having supplied gold to the exporters they would need to seek prior approval from RBI before placing orders for import of gold for the first lot under the 20/80 scheme.

e) The 20/80 principle would also apply for the henceforth import of gold in any form/purity including gold dore, whereby 20 per cent of the gold imported shall be provided to the exporters. This will be administered and monitored at the refinery level for each consignment at the time of such imports. This will also be monitored by the customs authorities. The refinery shall make available for domestic use only to the entities engaged in jewellery business/bullion dealers and to the banks authorised to administer the Gold Deposit Scheme against full upfront payment and sale of gold against any other form of payment shall not be permitted. Further, the import of gold dore is permitted only against a licence issued by DGFT.

f) Any authorisation such as Advance Authorisation/Duty Free Import Authorization (DFIA) is to be utilised for import of gold meant for export purposes only and no diversion for domestic use shall be permitted.

3. Entities/units in the SEZ and EoUs, Premier and Star trading houses are permitted to import gold exclusively for the purpose of exports only.

4. AD Category I banks are advised to strictly ensure that foreign exchange transactions effected by / for their constituents are compliant with the above instructions. Head Offices of nominated agencies / International Banking Divisions of banks would be responsible for monitoring operations of the revised scheme taking into account transactions put through different centres. In respect of gold released for the purpose of exports, AD Category I banks will also put in place a special mechanism to monitor realization of export proceeds as per the extant regulations and any contraventions/ unusual developments in this regard should be reported forthwith to the concerned Regional Office of the Reserve Bank of India.

5. Government of India will be issuing separate instructions, if any, to the customs authorities/DGFT to operationalise and monitor the above requirements for import of gold.

6. The above instructions will come into force with immediate effect. Authorised dealers may please bring the contents of this circular to the notice of their constituents and customers concerned.

7. The directions contained in this circular have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act (FEMA), 1999 (42 of 1999), and are without prejudice to permissions / approvals, if any, required under any other law.

Yours faithfully

(Rudra Narayan Kar)
Chief General Manager-in-Charge

Annex

Working example of the operations of 20/80 scheme for import of gold

1. A nominated bank/agency/ any other entity ABC imports say 100 kg of gold, which shall be routed through custom bonded warehouses only. If considered necessary, the lot can be procured through two invoices – one for exporters (i.e.20%) and the other one for domestic users (80%).

2. Out of the above import of 100 kg, 20 kg gold held in the bonded warehouse can be got released in part or full to be made available to the exporters of gold against undertaking to customs authorities as is the practice now.

3. The balance 80 kg can be supplied in part or full to domestic entities engaged in jewellery business/bullion traders/banks operating the Gold Deposit Scheme against full upfront payment. In other words, no credit sale of gold in any form will be permitted for domestic use. In case, the nominated bank itself is operating the Gold Deposit Scheme, the bank is permitted to use out of 80 kg, a portion for regularising own open position in gold arising out of operations of the Gold Deposit Scheme.

4. Next lot of import of gold by ABC shall be permitted by the customs authorities only after the quantity earmarked for exporter clients (i.e. 20 per cent of the imported lot) is released to the exporters against their undertaking to fulfill the export commitments within the stipulated time.

5. The quantum of gold permitted to be imported in the third lot will be restricted to 5 times the quantum for which proof of export is submitted. For import of gold in the subsequent lots, the cycle may be repeated following the 20/80 principle.

Note: The same procedure is to be followed by the refineries and by any other entity importing gold in any other form/ purity and in the case of import of Gold Dore also.