

XIV. DEBT INSTRUMENTS & GOVERNMENT SECURITIES

1. What types of debt instruments are available in CDSL for dematerialization?

All types of debt instruments like Bonds, Debentures, Commercial Papers, Certificate of Deposit, government securities etc. irrespective whether these instruments are listed/unlisted/private placed can be dematerialized if they are admitted in CDSL.

2. Who handles issue management, settlement of trades, and distribution of interest and redemption proceeds to subscribers of Government Securities?

Public Debt office of Reserve Bank of India handles all the issues.

3. Who are the subscribers to the issue of G-Sec?

The eligibility criteria are specified in the respective Government notifications. Usually any person is eligible to invest in Government securities. Mostly banks, primary dealers, non banking financial companies, financial institutions, PF trust, money market mutual funds and corporate are the subscribers to the issue of G-Sec.

4. What are the options available to the investor for holding government securities?

The options available to the investor for holding g-sec are:

- a. In the form of physical certificates.
- b. In the form of book entry. i.e. in the form of credit to an account maintained by the investor at RBI or any other approved entity. This form is known as SGL form and the approved entity is known as SGL account holder/ CSGL account holder. (Subsidiary General Ledger account holder/Constituents Subsidiary General Ledger account holder).

5. Is CDSL an SGL account holder?

Yes. CDSL is an SGL account holder. The BOs can therefore hold, transfer and transact in G-SEC through their demat accounts held with CDSL through their DPs.

6. Can all types of debt instrument be held in same demat account?

Yes. All types of debt instrument can be held in same demat account along with equity and government securities.

7. How can a BO convert existing physical certificates into electronic form or how can a BO holding balances with any other entity e.g. Federal Bank, Axis Bank etc. in a book entry form transfer the same to his existing CDSL demat account?

Conversion/ Transfer can be done through dematerialization process in CDSL.

8. Is partial dematerialization of a physical certificate allowed?

No. Partial dematerialization of a physical certificate is not allowed.

9. Can separate ISINs/loan codes be dematerialized through a single demat request form for G-sec (DRF-GS)?

No. Separate DRF-GS (Demat Request Form for Government securities) to be used for different ISINs / loan codes.

10. Can G-sec whose ISIN is not activated in CDSL be dematerialized?

Yes. DP shall be required to inform CDSL the details of the ISIN vide a standard letter as per the prescribed format for activation of the concerned ISIN.

11. Should the DP deface / mutilate the physical g-sec certificates received for dematerialization?

The DP should not deface / mutilate the g-sec certificates received for dematerialization.

12. What is "Value Free Transfer" of G-sec?

The transfer of G-sec held by a BO with some other SGL/CSGL account holder to his BO account with CDSL or vice-versa is known as Value Free transfer. Such transfer does not involve any consideration.

13. Can g-sec be rematerialized?

Yes. G-sec can be rematerialized in case the BO/investor desires to convert the government securities held in electronic form into physical certificates or the securities are to be transferred from SGL account /CSGL account at CDSL to CSGL account of another CSGL account holder.

14. What are the charges levied by CDSL for rematerialization?

No charges are levied by CDSL to its DPs for rematerialization of G-SECS i.e. for transfer from CSGL account at CDSL to CSGL account of another CSGL account holder.

15. Is transfer of G-SEC through inter depository permitted?

RBI has permitted inter depository transfers. The modalities for the same is being worked upon by both the depositories.

16. Is there any other procedure to transfer G-SEC holdings between depositories?

Yes. By way of dematerialization and rematerialization, government securities can be transferred between two depositories. Rematerialization of the concerned securities in NSDL has to be done and then the same has to be Dematerialized in CDSL after due reporting to RBI through the reporting system.

17. What is the procedure for transfers of G-SECS between two demat accounts within the same depository?

The procedure for off-market transfers in G-SECS is the same as for equities and other securities.

18. What is Sovereign Gold Bond (SGB)? Who is the issuer?

SGBs are government securities denominated in grams of gold. They are substitutes for holding physical gold. Investors have to pay the issue price in cash and the bonds will be redeemed in cash on maturity. The Bond is issued by Reserve Bank on behalf of Government of India.

19. Why should I buy SGB rather than physical gold? What are the benefits?

The quantity of gold for which the investor pays is protected, since he receives the ongoing market price at the time of redemption/ premature redemption. The SGB offers a superior alternative to holding gold in physical form. The risks and costs of storage are eliminated. Investors are assured of the market value of gold at the time of maturity and periodical interest. SGB is free from issues like making charges and purity in the case of gold in jewellery form. The bonds are held in the books of the RBI or in demat form eliminating risk of loss of scrip etc

20. Who is eligible to invest in the SGBs?

Persons resident in India as defined under Foreign Exchange Management Act, 1999 are eligible to invest in SGB. Eligible investors include individuals, HUFs, trusts, universities and charitable institutions, etc.

21. Whether joint holding will be allowed?

Yes, joint holding is allowed

22. Can a Minor invest in SGB?

Yes. The application on behalf of the minor has to be made by his/her guardian.

23. What are the Know-Your-Customer (KYC) norms?

Know-Your-Customer (KYC) norms will be the same as that for purchase of physical form of gold. Identification documents such as Aadhaar card/PAN or TAN /Passport / Voter ID card will be required. KYC will be done by the issuing banks/SHCIL offices/Post Offices/agents. No separate KYC will be needed for receiving bank's own customers.

24. Can an investor hold more than one investor ID for subscribing to the Sovereign Gold Bond?

No. An investor can have only one unique investor Id linked to any of the prescribed identification documents. The unique investor ID is to be used for all the subsequent investments in the scheme. For holding securities in dematerialized form, quoting of PAN in the application form is mandatory.

25. Who are the authorized agencies selling the SGBs?

Bonds are sold through offices or branches of Nationalised Banks, Scheduled Private Banks, Scheduled Foreign Banks, designated Post Offices, Stock Holding Corporation of India Ltd. (SHCIL) and the authorised stock exchanges either directly or through their agents.

26. If I apply, am I assured of allotment?

If the customer meets the eligibility criteria, produces a valid identification document and remits the application money on time, he/she will receive the allotment.

27. Will RBI publish the rate of gold applicable every day?

The price of gold for the relevant tranche will be published on RBI website two days before the issue opens.

28. What will I get on redemption?

On maturity, the Gold Bonds shall be redeemed in Indian Rupees and the redemption price shall be based on simple average of closing price of gold of 999 purity of previous 3 business days from the date of repayment, published by the India Bullion and Jewelers Association Limited.

29. How will I get the redemption amount?

Both interest and redemption proceeds will be credited to the bank account furnished by the customer at the time of buying the bond.

30. What are the procedures involved during redemption?

- The investor will be advised one month before maturity regarding the ensuing maturity of the bond.
- On the date of maturity, the maturity proceeds will be credited to the bank account as per the details on record.
- In case there are changes in any details, such as, account number, email ids, then the investor must intimate the bank/SHCIL/PO promptly.

31. Can I encash the bond anytime I want? Is premature redemption allowed?

Though the tenor of the bond is 8 years, early encashment/redemption of the bond is allowed after fifth year from the date of issue on coupon payment dates. The bond will be tradable on Exchanges, if held in demat form. It can also be transferred to any other eligible investor.

32. What do I have to do if I want to exit my investment?

In case of premature redemption, investors can approach the concerned bank/SHCIL offices/Post Office/agent thirty days before the coupon payment date. Request for premature redemption can only be entertained if the investor approaches the concerned bank/post office at least one day before the coupon

payment date. The proceeds will be credited to the customer's bank account provided at the time of applying for the bond.

33. Can I gift the bonds to a relative or friend on some occasion?

The bond can be gifted/transferrable to a relative/friend/anybody who fulfills the eligibility criteria (as mentioned at Q.no. 20). The Bonds shall be transferable in accordance with the provisions of the Government Securities Act 2006 and the Government Securities Regulations 2007 before maturity by execution of an instrument of transfer which is available with the issuing agents.

34. Can I use these securities as collateral for loans?

Yes, these securities are eligible to be used as collateral for loans from banks, financial Institutions and Non-Banking Financial Companies (NBFC). The Loan to Value ratio will be the same as applicable to ordinary gold loan prescribed by RBI from time to time. Granting loan against SGBs would be subject to decision of the bank/financing agency, and cannot be inferred as a matter of right.

35. Who will provide other customer services to the investors after issuance of the bonds?

The issuing banks/SHCIL offices/Post Offices/Designated stock exchanges/agents through which these securities have been purchased will provide other customer services such as change of address, early redemption, nomination, grievance redressal, transfer applications etc.

36. What are the payment options for investing in the Sovereign Gold Bonds?

Payment can be made through cash (upto ₹ 20000)/cheques/demand draft/electronic fund transfer.

37. Whether nomination facility is available for these investments?

Yes, nomination facility is available as per the provisions of the Government Securities Act 2006 and Government Securities Regulations, 2007. A nomination form is available along with Application form. An individual Non - resident Indian may get the security transferred in his name on account of his being a nominee of a deceased investor provided that:

- i. the Non-Resident investor shall need to hold the security till early redemption or till maturity; and
- ii. the interest and maturity proceeds of the investment shall not be repatriable.

38. Can I get the bonds in demat form?

Yes. The bonds can be held in demat account. A specific request for the same must be made in the application form itself.

Till the process of dematerialization is completed, the bonds will be held in RBI's books. The facility for conversion to demat will also be available subsequent to allotment of the bond.

39. Can I trade these bonds?

The bonds are tradable from the date notified by RBI. (It may be noted that only bonds held in de-mat form with depositories can be traded in stock exchanges) The bonds can also be sold and transferred as per provisions of Government Securities Act, 2006