**Question**

**1- Is there any available gold ETF or digital gold option that is 100% halal to invest in?**

Yes. There are Sharia compliant Gold ETFs available to invest. They are available both in India and internationally.

**Question**

**2- What are the conditions for Gold ETFs or any other Gold products to be shariah compliant?**

The most reliable reference for Gold investment in the modern world for SHariah compliant investors is AAOIFI Shariah Standard 57 on Gold.

AAOIFI Shariah Standard 57 (co-written with the World Gold Council) requires Gold must be fully owned (either physical or constructive basis), immediately settled, equal in weight and purity as well as completed hand-to-hand to be considered truly Shariah-compliant.

In the case of constructive possession, the gold has to be fully allocated. Allocation can be done through either a T+0 settlement, or the receipt of a certificate or confirmation of specific bar ownership

**Question**

**3- What are the Shariah approved ways of investing in Gold ?**

1. Physical Gold: This includes tangible Gold investment bars, coins or jewellery.

Pros: Tangible asset, no counterparty risk, historically reliable

Cons: Storage costs, security risks, no income

To remain Halal, the transaction must involve full payment and prompt delivery. Avoid schemes with delayed delivery or instalment plans that add extra fees. Under AAOIFI, Gold needs to attain a specific level of purity in order to be considered Halal.

2. Halal ETFs (Gold-Backed) : Some Halal ETFs track the price of Gold and are backed by physical holdings. A few are structured to meet Shariah standards, although you should always verify their Fatwa.

Pros: Convenient, liquid, easy to trade

Cons: Management fees, indirect ownership

Always check that the ETF is physically backed, avoids Riba and is approved by a recognised Shariah board. Usually, you can trade Gold-Backed ETFs through an investment app.

3. Islamic Gold Investment Accounts: Some Islamic banks allow you to open a Gold Investment Account where you accumulate grams of Gold rather than traditional currency. Examples include Maybank Islamic Gold Account and KFH Gold Account.

Pros: Affordable entry point, real ownership

Cons: Limited availability, potential fees

Make sure the provider offers full transparency on pricing and Shariah compliance.

4. Gold-Backed Sukuk Some sukuk are structured with Gold as the underlying asset, offering periodic income while maintaining Shariah compliance.

Pros: Income-generating, asset-backed

Cons: Limited exposure to the Gold spot price

These are best for investors who want income as well as Halal exposure to Gold.

**Question**

**4-What is the function of Gold in a Shariah compliant investment portfolio**

Gold serves three key functions in a Shariah compliant investment portfolio

:

Preserving capital during inflation and uncertainty

Diversifying risk across asset classes

Aligning with Islamic values of wealth protection

However, Gold isn’t a growth asset. It doesn’t generate income, and its value can fluctuate based on global demand and currency strength.

That’s why Gold is best seen as a complementary asset, not the core of your Halal portfolio.

**Question**

**5-What are the key checks to be done while investing in Gold ina SHraha compliant way :**

Leverage and speculation: Many Gold products (like Contracts for Difference and futures) involve margin trading, which violate Shariah

No real ownership: Some platforms let you “invest” in Gold without actually owning any physical metal

Riba-bearing structures: Avoid Gold investments that involve earning or paying Riba

Under AAOIFI, Zakat of Income from Gold is obligatory when Shariah rules are met.

**Question**

**6-Is investing in gold halal or haram?**

Investing in gold is halal if done according to Shariah principles. Physical gold is permissible when bought with immediate payment and delivery. However, some gold products like futures or margin trades, may involve Riba or Gharar, which are not compliant. For halal investing, focus on physical gold, Shariah-compliant ETFs, or gold-backed sukuk.

**Question**

**7-Are gold ETFs Shariah-compliant?**

Some gold ETFs are Shariah-compliant, but not all. To be halal, the ETF must be backed by physical gold, avoid Riba-based structures, and follow Islamic rules on ownership and settlement. Always check if the ETF has been reviewed or certified by a recognised Shariah board.

**Question**

**8-What is the AAOIFI standard for gold investment?**

AAOIFI Shariah Standard 57 requires that gold must be physically owned, fully paid for and delivered without delay. It also stipulates that the Gold must be equal in weight and purity as well as allocated. This ensures gold investments follow Islamic principles. Shariah-compliant options include physical gold, an approved ETF, and gold-backed sukuk.

**Question**

**9-How can Shariah compliant investors invest in gold ?**

Shariah compliant investors can invest in gold by choosing Shariah-compliant options like physical gold with immediate payment and delivery, approved gold ETFs backed by real assets, Islamic gold investment accounts, or gold-backed sukuk. All investments should avoid Riba, Gharar, and delayed settlement.

**Question**

**10-What is the difference between halal gold investment and paper gold?**

Halal gold investment involves real ownership of physical gold, with immediate payment and delivery. Paper gold usually refers to contracts or products that track gold prices but don’t give actual ownership, and may involve Riba or Gharar. Not all paper gold is Shariah-compliant.

**Question**

**11-Gold ETF are not Sharia certified by any Shariah audit firms. How can an investor make sure that the ETF he invested continue to be Sharia compliant?**

A Shariah compliant investor can use the below checklist to Monitor Shariah Compliance of a Gold ETF

100% Physical Gold Backing

The ETF should hold actual physical gold, not gold derivatives, futures, or synthetic instruments.

Check the ETF factsheet or annual report to confirm the total gold held vs. units issued.

No Interest-Bearing Activities (No Riba)

Ensure that idle cash (from subscriptions or redemptions) is not parked in interest-bearing accounts or bonds.

Review the ETF's cash management policy in its disclosures.

No Gold Leasing or Lending

The ETF should not lease or lend gold to third parties.

Confirm this in the investment mandate or notes to financial statements.

T+0 or Spot Settlement Only

Trades must settle immediately (same-day). T+2 settlement (standard in most markets) may violate Shariah conditions for gold trade.

Redemption in Physical Gold

Ideally, the ETF should allow investors to redeem in physical gold, not just cash.

Lack of this option may make it non-compliant per some scholars.

Transparency & Independent Auditing

The ETF must undergo regular independent audits to verify that the physical gold is actually held in secure vaults.

Look for audit reports or custodian certifications.

Avoid ETFs with Derivatives, Swaps, or Leveraging

These instruments involve gharar (excessive uncertainty) and are not permissible.

Ongoing Self-Screening or Use Tools

Use platforms like Islamicly or Zoya (if available for the ETF) to track compliance manually.

**Question**

**12-Is there a Sharia screening calculator available for gold ETF? Or What are the key conditions used in India for certifying Gold ETFs**

The key conditions used in India by prominent certifying agency TASIS for certifying Gold ETFs as Shariah compliant, are:

Backing by Physical Gold

The Gold ETF must be backed by physical gold, which is securely stored by a custodian. This ensures that the investment corresponds to actual gold holdings, a fundamental Shariah requirement.

Investment in Money Market Instruments

The proportion of the fund's investment in money market instruments should not exceed 1.5% of the Assets Under Management (AUM). This limit helps avoid involvement in excessive non-compliant financial instruments.

Interest Income Limit

The interest (riba) income earned by the fund should be capped at 3% of the total income, maintaining the prohibition on earning impermissible interest as per Shariah principles.

Physical Delivery Rights

Investors, particularly large investors, have the right to demand physical delivery of gold equivalent to their ETF units against redemption, ensuring real ownership and possession consistent with Islamic law.This information genralyy is available in the Scheme Information Document (SID) of the Gold ETF.

Ongoing Compliance and Certification

TASIS performs regular Shariah audits and monitoring to ensure the ETF continues to meet these conditions. Certification is not a one-time event but involves periodic review and renewal based on audit findings. SO ensure that the Shariah certification you are referring is recent.

**Question**

**13- According to Sharia, physical Gold backing is essential for Sharia compliant Gold ETFs. How can we verify whether these ETFs are backed by physical gold?**

1. Check the ETF’s Factsheet or Offer Document or Scheme Information Document (SID)

Look for terms like "100% physically backed", "allocated gold", or "fully backed by bullion".

Avoid ETFs that mention synthetic replication, futures, or unallocated gold — these are not compliant.

2. Review Custodian & Vault Information

Legitimate physically-backed ETFs disclose their vaulting partner (e.g., Brink’s, HSBC, ICICI Bank, etc.).

They should mention the exact location of the gold vault and the custodian’s name.

Example: “Gold is stored in LBMA-accredited vaults in London under the custody of XYZ Bank.”

3. Inspect the ETF’s Annual Report or Holdings Disclosure

The ETF should provide:

Total quantity of gold held (in kg or tonnes).

Value of physical gold vs. fund NAV.

Regular independent audit confirmation of gold holdings.

4. Look for Physical Redemption Option

Shariah prefers that investors can redeem in actual gold.

If the ETF does not offer this, it may not meet stricter interpretations.

Some ETFs (like in UAE or Malaysia) allow physical withdrawal of gold bars.

**Question**

**14- Are gold ETF 100% buying and holding physical stock?**

Gold ETFs typically buy and hold physical gold to back their units, but whether they hold 100% physical gold can vary depending on the fund and its structure

Gold ETFs in India generally represent ownership of physical gold bars with 99.5% purity stored securely by the fund’s custodian. For example, one unit of a Gold ETF usually equals 1 gram of physical gold

Although most Gold ETFs buy and hold physical gold matching the units outstanding, some portion of the fund’s assets (usually a small amount) may be held in very liquid money market instruments for operational liquidity and expense payments. The investment in non-gold instruments is typically limited . Generally Shariah compliance certification checks the portion of fund allocated to non Gold assets (like money market instruments) and puts a cap like 1.5% in the case of TASIS certification.

**Question**

**15- How can we ensure that the interest income of a particular Gold ETF is within 3%?**

This can be checked in the annual or half yearly reports of the Gold ETFs. Search for interest income. Some funds may not give detailed disclosures. In such cases it is better to rely on Sharia certification of reliable agencies like TASIS who may have more detailed information about these funds through their channels.

**Question**

**16- Can the investor request redeem physical gold instead of cash?**

No . Retail investors in India cannot redeem Gold ETF units for physical gold .

Indian Gold ETFs (like SBI, Nippon, HDFC, ICICI, Kotak) allow redemption only in cash, based on the prevailing NAV (Net Asset Value).

Physical redemption is typically allowed only for large institutions or Authorized Participants (APs), and even then only in large lot sizes (e.g., 1 kg or more).

**Question**

**17-Is Zakat due on Gold ETFs?**

Yes. If a Gold ETF represents **real, physical gold holdings**, Zakat is due, just like on physical gold. Many scholars consider these as zakatable assets, provided the ETF avoids riba, gharar, and meets Shariah criteria

**Question**

**18- How is Zakat of Gold ETFs calculated .**

Zakat on Gold ETFs is calculated at 2.5% of the market value of the ETF holding, assuming the total zakatable assets meet the Nisab threshold.  
The Nisab is determined by combining the value of all zakatable assets in the same category (such as stocks, funds, gold, cash, and similar assets).  
If the total value exceeds the Nisab (equivalent to approximately 85g of gold or 612g of silver), then Zakat is due on the full amount.

**Question**

**19-Is there a Zakath calculator available online for Gold ETFs?**

Zakat on Gold ETFs is calculated at 2.5% of the market value of the ETF holding.

Hence no separate caluclatoir is not needed. You may use any reliable Zakath calculator and Gold ETF market value held by you needs to be added along with zakatable assets in the same category (such as stocks, funds, gold, cash, and similar assets

**Question**

**20- Are there any other gold ETFs available in Qatar that do not involve interest?**

There are no publicly listed Gold ETFs based in Qatar as of August 2025. You will have to check with your local bank or securities trader on the internationally investible Gold ETFs from Qatar.

**Question**

**21- How can investors verify that their gold investment provider follows recognized ethical sourcing and responsible mining standards?**

The typical Statement of Investment Disclosure (SID)  or regular public disclosures of major Gold ETFs generally do not provide detailed information on responsible sourcing, ethical mining, or full supply chain traceability within their standard documents. These documents mainly cover fund structure, investment objectives, physical gold backing, expense ratios, redemption rights, and asset allocation.

However, responsible sourcing and compliance with ethical mining standards are often addressed in:

* Separate ESG, sustainability, or responsible investing reports published by the fund providers or their custodians.
* Specific ESG policy statements or investor guides released alongside or outside the SID.
* Independent certifications or adherence to recognized frameworks such as the London Bullion Market Association (LBMA) Responsible Sourcing Programme, which is sometimes mentioned in product disclosures or on the provider’s website.

Investors are advised to find such documents and do their own research. They will have to contact the fund house directly or check the vault/custodian and refinery’s ESG practices separately to verify ethical compliance

**Question**

**22- Are there transparent disclosures of all fees, terms, and the actual provenance of gold, ensuring there are no hidden charges or unverified claims about ethical sourcing?**

Gold ETFs generally provide transparent disclosures of fees, terms, and the provenance of gold, but the extent and detail can vary depending on jurisdiction and the fund provider. Here's what is typically available and how investors can verify these details:

* Fees and Terms Disclosure
* Gold ETFs are required to disclose all management fees, expense ratios, and any redemption or transaction fees clearly in their product disclosure statements or Scheme Information Documents (SIDs). For example, many ETFs provide detailed fee structures publicly in their official documents like the iShares Physical Gold ETF Product Disclosure Statement or specific fund brochures (e.g., Albilad Gold ETF disclosures show fees and terms explicitly).
* Regulatory frameworks such as SEBI in India or the Corporations Act in Australia enforce transparency obligations including periodic financial reports and disclosures of the Net Asset Value (NAV), distributions, and expenses.
* Physical Gold Backing and Provenance
* Reputable Gold ETFs back their units with allocated physical gold bars stored securely in custodial vaults, and this is confirmed through regular audits by independent statutory auditors. They publish details about the purity and storage of gold, ensuring transparency regarding the physical gold backing the ETF.
* While SIDs or typical annual reports do not always detail the gold’s mining provenance or ethical sourcing fully, fund providers often reference adherence to recognized responsible sourcing frameworks or third-party certifications in separate ESG or sustainability reports, rather than in basic disclosure documents.
* Ethical Sourcing and Responsible Mining Claims
* Explicit details about ethical sourcing or responsible mining standards are not usually found in primary fund disclosures such as SIDs or statutory filings but may be available in dedicated ESG/sustainability reports published by the fund provider or custodian. These may describe traceability, certifications (e.g., LBMA Responsible Gold Guidance), or external audit results on mining and sourcing practices.
* As noted in previous answers, the gold provenance and ethical sourcing transparency often require review of these separate disclosures beyond traditional prospectus or financial statements.
* No Hidden Charges
* The regulatory regime governing mutual funds and ETFs typically mandates full disclosure of all fees and charges related to the fund. Regular updates through half-yearly or annual financial reports enhance fee transparency. Investors can monitor these reports or official fund communications to ensure no hidden fees are present

**Question**

**23- Does the gold investment product have independent auditing or third-party verification for both physical holdings and compliance with ethical standards?**

Yes, Gold ETFs generally undergo independent auditing and third-party verification for both their physical gold holdings and compliance with ethical standards, though the scope and detail of the ethical compliance verification can vary.

Physical Gold Auditing and Verification:

* Major Gold ETFs like SPDR Gold Trust (GLD) conduct regular independent audits of their physical gold holdings. These audits verify the quantity, purity, and physical presence of gold bars stored in secure vaults operated by custodians like HSBC or JPMorgan in locations including London, New York, and Zurich.
* The audits are performed by third-party audit firms and reported to the fund’s trustees, ensuring transparency and investor confidence that each ETF share corresponds to the appropriate amount of physical gold.
* The gold held typically meets quality standards such as those set by the London Bullion Market Association (LBMA) for Good Delivery gold bars.
* These ETFs publish bar lists and hold assets predominantly (>99%) in physical metal, with only minor cash holdings for operational needs

**Question**

**24- What is the security for Gold ETFs?**

The security for Gold ETFs primarily comes from the secure storage of physical gold that backs the ETF units, along with robust auditing and custodial practices:

Secure Storage of Physical Gold

Gold ETFs hold physical gold bars (typically 99.5%+ pure) stored in highly secure vaults operated by top-tier custodians such as HSBC, JPMorgan, or specialized storage providers. These vaults are located in key financial centers (London, New York, Zurich, etc.) with state-of-the-art physical security measures including surveillance, restricted access, and insurance coverage. The gold is held in allocated accounts that specifically identify bars owned by the ETF, ensuring clear ownership and protection.

Investors do not hold physical gold themselves; instead, the fund provider ensures the safekeeping of the gold backing the ETF shares, relieving individual investors of storage and theft risks.

Independent Third-Party Audits

Regular independent audits are conducted to verify the physical presence, purity, and quantity of gold backing the ETFs. Audit firms inspect and reconcile gold bar inventories and confirm compliance with Good Delivery standards (such as those set by the London Bullion Market Association). This auditing transparency provides investor confidence that the ETF maintains sufficient physical gold to cover all outstanding shares.

Digital Ownership and Custodial Controls

Investors hold digital units of the ETF representing their ownership in the physical gold without the complexities and risks of storing physical metal themselves. Custodians operate under strict commercial and legal frameworks to ensure responsible gold handling, with protocols that minimize counterparty and operational risks.

Risk Considerations

While physical gold is securely held, Gold ETFs carry some counterparty risk as they depend on the financial institutions managing storage and operations. Investors should consider the reputation and stability of the custodians and fund managers involved

**Question**

**25- What measures are in place to ensure client asset protection, both legally and physically, so that customer holdings are safeguarded against misuse or loss in the case of Gold ETFs?**

Measures to ensure client asset protection for Gold ETFs from both regulatory and end-customer perspectives include the following key components:

* Legal Safeguards and Regulatory Requirements
* Financial regulators impose strict client asset protection rules on authorized firms handling client assets (including Gold ETFs). These rules require client assets to be segregated from the firm’s own assets and held in trust or custody for the clients exclusively, preventing misuse or insolvency risk spillover.
* Firms must have regulatory permissions explicitly to hold or control client assets and comply with client money and safe custody provisions as detailed in regulatory frameworks (e.g., Conduct of Business Modules in various jurisdictions).
* Regulators (such as securities commissions or financial authorities) conduct ongoing supervision via mandatory reporting, independent audits of client asset controls, and ad hoc inspections to enforce compliance and prevent misappropriation.
* Custodial and Physical Security of Gold Holdings
* Gold ETFs hold physical gold bars in allocated and segregated accounts with reputable third-party custodians (such as HSBC, JPMorgan) who maintain high-standard vault security, insurance coverage, and strict chain-of-custody controls. This prevents loss or theft of the underlying physical gold backing the ETF units[Previous conversation].
* Custodianship arrangements are subject to regulatory scrutiny and oversight, ensuring that client gold holdings are not mingled with the custodian’s own assets and remain available to investors.
* Independent third-party audits verify the presence, purity, and quantity of physical gold regularly (often annually), publishing audit confirmations to provide transparency and protect investor interests[Previous conversation].
* Segregation and Reconciliation of Client Assets
* Firms handling Gold ETFs must segregate client assets from proprietary funds and periodically reconcile holdings with custodian records to ensure accurate accounting and prevent asset mismanagement.
* Clear records are maintained to attribute ownership rights to clients specifically and to avoid co-mingling of assets.
* Disclosure and Client Consent Mechanisms
* Clients are informed transparently about the nature of asset protection, custody arrangements, redemption rights, and any applicable risks. Any waiver or modification of client asset protection requires explicit, recorded client consent after clear disclosure of its implications.
* Clients have rights to call for redelivery or transfer of their assets under specific conditions.
* Operational Controls and Risk Management
* Firms implement internal risk management systems and controls designed to safeguard client assets against fraud, theft, or operational failures. This may include cybersecurity, personnel controls, and regulatory compliance programs.
* Regulators often require whistle-blowing channels and governance oversight to report and mitigate risks related to client assets.
* Insurance and Compensation Schemes
* Some jurisdictions or custodians provide insurance policies covering physical gold holdings against loss or damage. Additionally, investor compensation schemes may back client assets up to specified limits in case of firm insolvency or fraud, subject to local regulations.

**Question**

**26 -Is SEBI regulating gold ETF? what are the key Gold ETF regulatory measures in India**

Yes, Gold ETFs are regulated by SEBI (Securities and Exchange Board of India) in India.

Key regulatory measures governing Gold ETFs in India under SEBI's Mutual Fund Regulations include:

* Registration and Listing:  
  Gold ETFs are mutual fund schemes registered with SEBI and listed on stock exchanges like NSE and BSE, trading like shares.
* Physical Gold Backing:  
  SEBI mandates that a minimum of 95% of the Gold ETF portfolio must be invested in physical gold or gold-related instruments. Physical gold is procured as standardised 1 kg bars of 995 purity and must comply with LBMA Good Delivery standards.
* Permitted Holdings:  
  Gold ETFs may hold up to 0-5% of their assets in cash or cash equivalents for operational needs. Gold-related instruments such as Exchange Traded Commodity Derivatives (ETCDs) backed by physical gold on regulated Indian exchanges may also form a small part of holdings.
* Custodianship and Storage:  
  Physical gold is stored securely in vaults in India under custodians registered with SEBI, such as Deutsche Bank. The gold is stored in allocated accounts identified for the ETF, ensuring segregation and safety.
* Auditing:  
  Statutory auditors appointed by the fund conduct physical verification of gold in the vaults at least every six months. Custodians' internal audits also verify holdings monthly, ensuring stringent checks on physical gold stocks.
* Valuation and Pricing:  
  SEBI has proposed uniform valuation norms for gold ETFs, aligning them with domestic commodity exchange spot prices to ensure transparent and localized price discovery.
* Disclosure:  
  Fund schemes disclose in their Scheme Information Documents (SIDs) the investment objectives, details of gold purity, redemption mechanisms, fees/expense ratios, and audit processes to ensure investor transparency.
* Investor Protection:  
  Legal provisions require segregation of client assets, custodial safekeeping, and periodic regulatory oversight to protect investor interests and prevent misuse or loss.

**Question**

**27- Why should I invest in ETF, if I am a small scale investor and I can keep gold coins physically?**

For a small-scale investor, investing in a Gold ETF instead of holding physical gold coins offers several practical benefits:

No Storage Hassle or Risk: Gold ETFs don’t require you to worry about storing physical gold safely, avoiding risks of theft, loss, or damage. The physical gold backing ETFs is securely stored by custodians in vaults with insurance.

Lower Costs: Investing in physical gold typically involves making charges, storage fees, insurance, and sometimes purity-related concerns. Gold ETFs eliminate these extra costs, resulting in more cost-effective gold exposure.

Ease of Trading & Liquidity: Gold ETFs trade on stock exchanges like stocks, allowing you to buy or sell them easily at market prices during trading hours. Physical gold can be harder to liquidate quickly at fair prices and often involves additional transaction costs.

Small Investment Size Allowed: You can start investing in Gold ETFs with as little as buying one unit (usually 1 gram or less). This flexibility suits small investors who may not want to buy full gold coins or bars.

Transparent Pricing & Portfolio Visibility: Gold ETFs track gold prices transparently, and fund houses provide regular disclosures about holdings and valuations. With physical gold coins, price discovery and purity verification can be less transparent.

Tax Efficiency: Gold ETFs may offer better tax treatment on long-term capital gains compared to physical gold, which can help improve overall returns.

Portfolio Diversification & Inflation Hedge: Gold ETFs provide a convenient way to diversify your portfolio with gold's inflation hedge properties without owning or managing physical assets.

**Question**

**28 -What are the differences between a gold ETF and a mutual fund. Which is less risky?**

The key differences between a Gold ETF and a Gold Mutual Fund are as follows:

|  |  |  |
| --- | --- | --- |
| Feature | Gold ETF | Gold Mutual Fund |
| Investment Vehicle | Trades on stock exchanges like stocks. | Invests primarily in Gold ETFs and other gold-related securities (some thematic funds also invest in mining stocks). |
| Underlying Asset | Physical gold bullion or gold futures (mostly physical gold). | Invests in gold ETFs, gold mining/refining companies, or gold assets. |
| Investment Minimum | Typically minimum purchase equals price of 1 gram of gold; must invest in whole units. | Allows smaller minimum investments often starting as low as ₹500 via SIPs or lumpsum. |
| Account Requirements | Requires Demat and trading account to buy/sell units on exchange. | No Demat account needed; can invest directly through mutual fund platforms. |
| Trading & Liquidity | Traded throughout the day on exchanges; intra-day trading possible. | Redemption based on end-of-day NAV; traded only once per day after NAV calculation. |
| Cost & Expense Ratio | Lower expense ratios (usually 0.5% to 1%) and no entry/exit loads; brokerage and Demat charges apply. | Generally higher expense ratios (around 1% to 1.2% or more); may have entry and exit loads. |
| Investment Method | Lump sum purchases; SIP options less common but emerging. | Systematic Investment Plan (SIP) and lump sum options available. |
| Pricing Transparency | Real-time market price fluctuates throughout the day with underlying gold price. | Price based on daily NAV calculated at market close. |
| Redemption | Can be sold on exchange anytime during trading hours; physical gold delivery possible for large investors in some ETFs. | Redemption at NAV post market close; no direct physical gold delivery option. |
| Taxation | Long-term capital gains after 36 months, no Securities Transaction Tax (STT) on sale of ETF units (varies by jurisdiction). | Taxed as mutual funds; STT applicable. |
| Convenience and Safety | Eliminates the need for physical gold storage; safe custody by custodian. | Also does not require physical gold storage; managed by fund house. |
| Suitability | Suitable for investors who want to trade gold like stock and have flexibility and real-time liquidity. | Better for investors preferring SIPs, smaller amounts, and simpler investing without Demat. |

Which is Less Risky?

Both Gold ETFs and Gold Mutual Funds carry relatively similar market risk since both track gold prices. However:

• Gold ETFs involve some additional risks related to stock exchange trading such as liquidity risk (on exchanges), price volatility intraday, and Demat account risks. The physical gold backing provides intrinsic security against price risk.

• Gold Mutual Funds have less trading risk and are more suitable for long-term investors who prefer systematic and passive investing without managing a Demat account, leading to lower operational complexity.

Neither form inherently involves credit or default risk because both invest in gold assets backed by physical gold or securities.

In terms of overall risk to the investor’s capital, they are quite similar, with risk primarily linked to gold price fluctuations. Operationally, Gold Mutual Funds may be simpler and less exposed to market timing risk for small investors, while Gold ETFs offer more liquidity but require trading discipline.

**Question**

**29- Considering the safety of storage and tax benefits, what is the advisable percentage we should allocate to physical, digital, and ETF gold products?**

Considering the safety of storage and tax benefits, the advisable allocation percentage among physical, digital, and Gold ETF products typically depends on the investor's convenience, risk tolerance, and investment goals, but financial experts often suggest the following guidance:

* Overall Gold Allocation in Portfolio:  
  Most financial advisors recommend allocating about 8-15% of your total investment portfolio to gold as a hedge against inflation and diversification.
* Physical Gold:  
  Physical gold (coins, bars, jewelry) offers tangible asset ownership and cultural value but involves storage risks, security costs, and potential making charges. For small to moderate investors, allocating about 20-40% of your gold exposure to physical gold can balance emotional and traditional preferences with manageable security and liquidity concerns.
* Gold ETFs:  
  Gold ETFs provide secure, cost-effective, and highly liquid exposure backed by physical gold held securely in vaults. Given tax benefits on long-term holdings and no storage hassle, allocating around 40-60% of your gold investment in Gold ETFs is advisable for convenience, transparency, and ease of trading.
* Digital Gold and Gold Mutual Funds:  
  Digital gold platforms offer immediate buying and selling in small quantities with low cost but may lack full regulatory oversight or assured physical backing. Gold mutual funds can also be considered for diversification but may have higher expense ratios. A modest allocation of 10-20% in digital gold or gold mutual funds can add flexibility but should be balanced against the regulatory reliability.

**Question**

**30- I have heard that, in the case of locker theft, banks will not reimburse the full value of the gold, but only a certain fixed amount, not the actual value. In this context, which institutions ensure full value compensation in such incidents?**

In the Indian context, banks do not reimburse the full actual value of gold lost in locker thefts. Instead, regulatory and customary practice limits compensation to a maximum of 100 times the annual locker rent. For example, if annual locker rent is ₹3,000, the maximum compensation payable will be ₹3,00,000 regardless of the actual value of gold stolen.

This means that bank lockers are not insured for the full value of the contents by default, and customers bear the risk of any loss exceeding this capped compensation. Banks are only liable to pay this compensation if negligence or fault on the bank’s part in security or operations is proven. If the theft happens without bank negligence, they are generally not liable.

Regarding financial institutions or other entities that ensure full value compensation for gold held in investment products like Gold ETFs:

* Gold ETFs are backed by physical gold custody held with professional custodians in secure vaults. Custodians are regulated entities bound to maintain allocated physical gold for the ETF units outstanding.
* The custody arrangements and gold holdings in Gold ETFs are subject to rigorous independent audits and regulatory oversight (e.g., by SEBI in India), providing assurance that ETF units represent actual gold holdings.
* Investors in Gold ETFs hold units with their holdings digitally recorded and backed by physical gold securely stored. There is no direct equivalent of "locker theft" risk since investors don't hold physical gold personally.
* In case of any mishandling or custodian default, recovery or insurance arrangements are typically part of custodial frameworks and regulatory safeguards overseen by SEBI to protect investors.
* Unlike banks’ lockers, Gold ETF custodians provide much greater investor protection through legal segregation, auditing, and regulated custody rather than a fixed compensation limit.