

DRAFT FOR COMMENTS

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Reserve Bank of India (Gold Metal Loans) Directions, 2025

A. Introduction

1. The Gold Metal Loan (GML) scheme was launched in 1998 as per Export Import Policy 1997-2002 and the Hand Book of Procedures of the Exim Policy to address the need of working capital finance of the jewellery industry. Over time, the scope of the GML scheme has been broadened to cater to the changing business requirement of the jewellery industry. Prudential and conduct related guidelines have subsequently been issued to ensure that lenders manage the risks inherent in extending gold metal to borrowers as well as in sourcing the gold.
2. As part of moving towards a more principle based regulatory framework and with a view to harmonizing the regulations applicable for domestic jewellers with those of jewellery exporters, the revised instructions on GML scheme are issued in this comprehensive Directions on Gold Metal Loan Scheme.
3. The regulatory objectives behind these revised Directions are to: (i) consolidate the GML related regulations; (ii) fill up certain regulatory gaps in prudential aspects; (iii) expand the scope of the Scheme; and (iv) provide more operational freedom to banks in framing their policy on GML.

B. Powers Exercised and Commencement

4. In exercise of the powers conferred by the sections 21 and 35A of the Banking Regulation Act, 1949, the Reserve Bank of India, being satisfied that it is necessary and expedient in the public interest and in the interest of depositors to do so, hereby, issues these instructions hereinafter specified.
5. Instructions issued *vide* these Directions shall be applicable with effect from April 1, 2026. Banks may however decide to implement the framework in entirety from an earlier date.

C. Definitions

6. In these Directions, unless the context otherwise requires, the terms herein shall bear the meanings assigned to them as given below:
 - i. **“Gold Metal Loans”** (GML) refers to loans extended by eligible banks to specified borrowers in the form of gold metal.
 - ii. **“Import-linked GML”** are GML extended by nominated banks authorized to import gold, where the source of gold metal lent is gold imported by them, and where repayment has to be necessarily in cash.
 - iii. **“GMS-linked GML”** are GML extended by designated banks under the Gold Monetization Scheme, 2015 (GMS), utilizing – (i) the gold deposit accepted by them as Short Term Bank Deposit under the GMS, or (ii) gold borrowed from other designated banks under GMS, and where the repayment can be either in gold or in cash or in a combination of both.
7. All other expressions unless defined herein shall have the same meanings as have been assigned to them under the Banking Regulation Act, 1949 or the Reserve Bank of India Act, 1934, or any statutory modification or re-enactment thereto or in other relevant regulations issued by the Reserve Bank or as used in commercial parlance, as the case may be.

D. Eligible Banks

8. Nominated banks importing gold as per the provisions of the [Master Direction – Import of Goods and Services](#), as updated from time to time, may extend import-linked GML to entities who either manufacture and/or sell jewellery in domestic and/or export markets (collectively hereinafter referred to as “jewellers”).

Provided that, jewellers who are not manufacturers themselves, may borrow under GML only for outsourcing their manufacturing of jewellery to any manufacturing firms/ artisans/ goldsmiths.
9. Designated banks implementing the GMS may extend GMS-linked GML to following categories of borrowers:
 - i. Jewellers for the purposes as specified in para 8 above, and
 - ii. MMTC Limited for minting India Gold Coins (IGC)

E. General Instructions

10. A bank shall lay down a lending and risk management policy for GML which shall, *inter alia*, prescribe the categories of GML which the bank desires to undertake, a limit on the quantity of gold that may be lent per borrower as well as total quantity of such loans that may be outstanding at any point of time. The policy shall also lay down the detailed due-diligence requirements for deciding the eligibility of GML borrowers and their credit requirements.
11. GML shall be subject to capital adequacy and other prudential requirements applicable to a lender, similar to any other loan exposure. For all prudential and accounting purposes, GML shall be valued daily at an amount arrived at by converting the gold quantity lent into Indian Rupees by crossing LBMA (London Bullion Market Association) Gold AM price fixing for Gold/ US Dollar rate with the Indian Rupee-US Dollar reference rate.
12. GML shall not involve any direct or indirect liability of the borrowers towards the lenders' source of the gold, *i.e.*, the overseas supplier of gold (consignor) or the GMS gold deposit account holder.
13. A bank shall put in place mechanism to monitor end-use of the gold being lent to borrowers under GML scheme and ensure that the gold borrowed under GML scheme is neither sold nor exported by borrowers in raw form.
14. A bank may extend GML to jewellers who are not their regular customers by accepting stand-by letter of credit (SBLC) or bank guarantee (BG) denominated in INR, issued by other scheduled commercial banks that maintain business accounts of the jewellers, notwithstanding any provisions of the [Reserve Bank of India \(Non-Fund Based Credit Facilities\) Directions, 2025 dated August 06, 2025](#). Such arrangements shall be subject to independent credit assessments by both the GML providing bank and the SBLC/BG issuing bank, ensuring the following:
 - i. The SBLC / BG shall be extended only on behalf of domestic jewellery manufacturers.
 - ii. The SBLC / BG shall cover at all times the full value of the quantity of gold borrowed by these entities, with adequate margin being maintained at all times consistent with the volatility of the gold prices.

- iii. The SBLC/BG issuing bank and the GML providing bank may evolve a mechanism to monitor and review the exposures on an ongoing basis.
 - iv. The exposure assumed by the GML providing bank shall be deemed as an exposure on the SBLC / BG issuing bank for all prudential purposes.
- 15.A lender may decide interest rates on GML based on costs of procuring and holding gold, and relevant spreads as per their interest rate policies.

F. Repayment of GML

16. In case of lending to jewellery exporters, the repayment tenor of GML shall be fixed by a bank subject to the terms and conditions of the extant Foreign Trade Policy (FTP) and the Handbook of Procedures of the FTP.
17. For all GML other than lending to jewellery exporters, a bank may fix a repayment tenor as per its policy, subject to a ceiling of 270 days.
18. Repayment of GML (both principal and interest amounts) shall be made in INR, calculated on the basis of prevailing value of the gold lent.

Provided that, in respect of GMS-linked GML, the lender shall also provide an option to the borrower to repay a part or full of the 'principal amount' in physical gold, provided:

- i. repayment is made using locally sourced IGDS (India Good Delivery Standard)/ LGDS (LBMA's Good Delivery Standards) gold;
- ii. gold is delivered on behalf of the borrower to the lender directly by the refiner or a central agency, acceptable to the lender, without the borrower's involvement;
- iii. the loan agreement contains details of the option to be exercised by the borrower, acceptable standards and manner of delivery of gold for repayment;
- iv. the borrower is apprised upfront, in a transparent manner, of the implications of exercising the option.

G. Disclosures, Repeal and Amendments

19. A lender shall report the GML data to the Reserve Bank of India on a monthly basis by 7th day of the following month as per the format given in [Annex 1](#).

20. Circulars mentioned in [Annex 2](#) shall stand repealed from the effective date of these Directions.

(Vaibhav Chaturvedi)
Chief General Manager

Supervisory Return on Gold Metal Loans (GML)

GML Category →		Import-linked GML			GMS-linked GML [#]		
Borrower Type ↓	Details of Loans						
		Quantity in grams	Value in ₹ Cr	Weighted average rate of interest	Quantity in grams	Value in ₹ Cr	Weighted average rate of interest
Jewellery exporters	Loans sanctioned during the month						
	Loans outstanding at the end of the month						
Other jewellers	Loans sanctioned during the month						
	Loans outstanding at the end of the month						
MMTC Limited	Loans sanctioned during the month						
	Loans outstanding at the end of the month						
#Include GML sourced out of: (i) gold deposit accepted by designated banks as Short Term Bank Deposit under the GMS; and (ii) gold borrowed from other designated banks under GMS.							

Annex 2**List of Circulars repealed with the Issuance of these Directions**

Sr. No.	Circular No.	Date of Issue	Subject
1	<u>DBOD.No.IBS.1519/23.67.001/98-99</u>	31 December 1998	Gold Loan
2	<u>DBOD No.....IBS .3161/23.67.001.98-99</u>	25 June 1999	Gold Loan against Bank Guarantee/Letter of Credit issued by other banks
3	<u>DBOD.No.IBD.BC.33/23.67.001/2005-06</u>	05 September 2005	Gold (Metal) Loan
4	<u>DBOD.No.IBD.BC.71/23.67.001/2006-2007</u>	03 April 2007	Gold (Metal) Loan – tenor of
5	<u>DBOD.No.IBD.BC.104/23.67.001/2013-14</u>	02 April 2014	Gold (Metal) Loans (GMLs)
6	<u>Master Direction No.DBR.IBD.No.45/23.67.003/2015-16</u>	22 October 2015	Gold Monetization Scheme, 2015 [Para 2.9.1(ii)-(iii), Chapter III and Annex-2 Part C only]
7	<u>DOR.CRE(DIR).REC.24/23.67.001/2021-22</u>	23 June 2021	Gold (Metal) Loans – Repayment
