

**GOVERNMENT OF INDIA
FINANCE AND COMPANY AFFAIRS
LOK SABHA**

UNSTARRED QUESTION NO:833
ANSWERED ON:22.11.2002
FORWARD TRADING IN GOLD
MANIKRAO HODLYA GAVIT

Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:

- (a) whether the Reserve Bank of India has permitted forward trading in gold;
- (b) if so, the details thereof;
- (c) whether it will have any impact on rates of gold in the country;
- (d) if so, the extent thereof;
- (e) whether this will also have any impact on the economy of the country; and
- (f) if so, the details thereof?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE & COMPANY AFFAIRS (SHRI ANANDRAO V. ADSUL)

(a) & (b): According to the Reserve Bank of India (RBI) at the time of formulation of the Gold Deposit Scheme in 1999, the Central Government, vide its notification dated 19th August, 1999 exempted all forward contracts for the sale and purchase of gold within the country from the operation of the provisions of the Forward Contracts (Regulation) Act, 1952, if one of the parties of the contract is RBI or a scheduled bank authorized by RBI to deal in gold. However, RBI stipulated that banks launching the scheme could enter into forward contracts only with those banks that are authorised to import gold. In effect this meant that banks could not enter into such contracts with their clients. However, banks have now gained sufficient experience in dealing with gold and have established prudent risk management procedures. Thus, RBI has allowed banks to enter into forward contracts in gold with their clients, subject to certain conditions.

(c) to (f): The RBI is of the view that the move is not expected to make any impact as such on gold prices or the economy.