

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:4650
ANSWERED ON:21.02.2014
LOAN AGAINST GOLD
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Will the Minister of FINANCE be pleased to state:

- (a) whether the Government / Reserve Bank of India (RBI) has recently directed the banks to change their loan policy against gold;
- (b) if so, the details thereof;
- (c) whether the RBI has stipulated any conditions for the loan against gold by banks; and
- (d) if so, the details thereof and the reasons therefor?

Answer

The Minister of State in the Ministry of Finance (Shri Namo Narain Meena)

(a) to (d): Reserve Bank of India (RBI) vide their circular dated 20.01.2014 advised all Scheduled Commercial Banks that banks should continue to observe necessary and usual safeguards and should also frame a suitable policy for lending against gold jewellery with the approval of their Board of Directors. As a prudential measure, it has been decided to prescribe a Loan to Value (LTV) Ratio of not exceeding 75 percent for banks' lending against Gold jewellery (including bullet repayment loans against pledge of gold jewellery). Therefore, henceforth loans sanctioned by banks should not exceed 75 per cent of the value of gold ornament and jewellery. The circular is available on RBI website www.rbi.org.in.

RBI has also advised, vide their circular dated 19.11.2012, that no advances should be granted by banks for purchase of gold in any form, including primary gold, gold bullion, gold jewellery, gold coins, units of gold Exchange Traded Funds (ETF) and units of gold Mutual Funds. Banks can provide finance for genuine working capital requirements of jewellers. This circular is also available on RBI website www.rbi.org.in.