



CIRCULAR

CIR/IMD/DF/04/2013

February 15, 2013

**All Mutual Funds/Asset Management Companies (AMCs)/
Trustee Companies/Boards of Trustees of Mutual Funds/
All Depositories**

Sir/ Madam,

**Sub: Gold Exchange Traded Fund Scheme (Gold ETFs)
Investment in Gold Deposit Scheme (GDS) of Banks**

1. SEBI (Mutual Funds) Regulations, 1996, (MF Regulations) permits Gold Exchange Traded Fund scheme (Gold ETFs) to invest primarily in:
 - a) Gold
 - b) Gold related instruments – Regulation 2(mc) of MF Regulations stipulates that gold related instruments are such instruments having gold as underlying, as are specified by SEBI from time to time.

Please also refer to SEBI circular no. SEBI/IMD/CIR No.4/58422/2006 dated January 24, 2006, issued in this regard.

2. It has now been decided to designate Gold Deposit Scheme (GDS) of banks as one such gold related instrument. Investment in GDS of banks by Gold ETFs of mutual funds will be subject to following conditions:
 - a. The total Investment in GDS will not exceed 20% of total asset under management of such schemes.
 - b. Before investing in GDS of banks, mutual funds shall put in place a written policy with regard to investment in GDS with due approval from the Board of the Asset Management Company and the Trustees. The policy should have provision to make it necessary for the mutual funds to obtain prior approval of



their trustees for each investment proposal in GDS of any Bank. The policy shall be reviewed by mutual funds, at least once a year.

- c. Gold certificates issued by Banks in respect of investments made by Gold ETFs in GDS shall be held by the mutual funds only in dematerialized form.

- 3. This circular is issued in exercise of the powers conferred under Section 11 (1) of the Securities and Exchange Board of India Act 1992, read with the provision of Regulation 77 of SEBI (Mutual Funds) Regulation, 1996 to protect the interests of investors in securities and to promote the development of, and to regulate the securities market

Yours faithfully,

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