Government of India, in consultation with the Reserve Bank of India, has decided to issue Sovereign Gold Bonds 2016-17 – Series III. Applications for the bond will be accepted from October 24, 2016 to November 02, 2016. The Bonds will be issued on November 17, 2016. The Bonds will be sold through banks, Stock Holding Corporation of India Limited (SHCIL), designated post offices and recognised stock exchanges viz., National Stock Exchange of India Limited and Bombay Stock Exchange. The features of the Bond are given below:

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Item</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Product name</td>
<td>Sovereign Gold Bond 2016-17 – Series III</td>
</tr>
<tr>
<td>2</td>
<td>Issuance</td>
<td>To be issued by Reserve Bank India on behalf of the Government of India.</td>
</tr>
<tr>
<td>3</td>
<td>Eligibility</td>
<td>The Bonds will be restricted for sale to resident Indian entities including individuals, HUFs, Trusts, Universities and Charitable Institutions.</td>
</tr>
<tr>
<td>4</td>
<td>Denomination</td>
<td>The Bonds will be denominated in multiples of gram(s) of gold with a basic unit of 1 gram.</td>
</tr>
<tr>
<td>5</td>
<td>Tenor</td>
<td>The tenor of the Bond will be for a period of 8 years with exit option from 5th year to be exercised on the interest payment dates.</td>
</tr>
<tr>
<td>6</td>
<td>Minimum size</td>
<td>Minimum permissible investment will be 1 grams of gold.</td>
</tr>
<tr>
<td>7</td>
<td>Maximum limit</td>
<td>The maximum amount subscribed by an entity will not be more than 500 grams per person per fiscal year (April-March). A self-declaration to this effect will be obtained.</td>
</tr>
<tr>
<td>8</td>
<td>Joint holder</td>
<td>In case of joint holding, the investment limit of 500 grams will be applied to the first applicant only.</td>
</tr>
<tr>
<td>9</td>
<td>Issue price</td>
<td>Price of Bond will be fixed in Indian Rupees on the basis of simple average of closing price of gold of 999 purity published by the India Bullion and Jewellers Association Limited for the week (Monday to Friday) preceding the subscription period. <strong>The issue price of the Gold Bonds will be ₹50 less than the nominal value.</strong></td>
</tr>
<tr>
<td>10</td>
<td>Payment option</td>
<td>Payment for the Bonds will be through cash payment (upto a maximum of Rs. 20,000) or demand draft or cheque or electronic banking.</td>
</tr>
<tr>
<td>11</td>
<td>Issuance form</td>
<td>Government of India Stock under GS Act, 2006. The investors will be issued a Holding Certificate. The Bonds are eligible for conversion into demat form.</td>
</tr>
<tr>
<td>12</td>
<td>Redemption price</td>
<td>The redemption price will be in Indian Rupees based on previous week’s (Monday-Friday) simple average of closing price of gold of 999 purity published by IBJA.</td>
</tr>
<tr>
<td>13</td>
<td>Sales channel</td>
<td>Bonds will be sold through banks, Stock Holding Corporation of India Limited (SHCIL), designated post offices as may be notified and recognised stock exchanges viz., National Stock Exchange of India Limited and Bombay Stock Exchange, either directly or through agents.</td>
</tr>
<tr>
<td>14</td>
<td>Interest rate</td>
<td><strong>The investors will be compensated at a fixed rate of 2.50 per cent per annum payable semi-annually on the nominal value of investment.</strong></td>
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</tr>
<tr>
<td><strong>15</strong></td>
<td>Collateral</td>
<td>Bonds can be used as collateral for loans. The loan-to-value (LTV) ratio is to be set equal to ordinary gold loan mandated by the Reserve Bank from time to time.</td>
</tr>
<tr>
<td><strong>16</strong></td>
<td>KYC Documentation</td>
<td>Know-your-customer (KYC) norms will be the same as that for purchase of physical gold. KYC documents such as Voter ID, Aadhaar card/PAN or TAN /Passport will be required.</td>
</tr>
<tr>
<td><strong>17</strong></td>
<td>Tax treatment</td>
<td>The interest on Gold Bonds shall be taxable as per the provision of Income Tax Act, 1961 (43 of 1961). The capital gains tax arising on redemption of SGB to an individual has been exempted. The indexation benefits will be provided to long term capital gains arising to any person on transfer of bond</td>
</tr>
<tr>
<td><strong>18</strong></td>
<td>Tradability</td>
<td>Bonds will be tradable on stock exchanges/NDS-OM from a date to be notified by RBI.</td>
</tr>
<tr>
<td><strong>19</strong></td>
<td>SLR eligibility</td>
<td>The Bonds will be eligible for Statutory Liquidity Ratio purposes.</td>
</tr>
<tr>
<td><strong>20</strong></td>
<td>Commission</td>
<td>Commission for distribution of the bond shall be paid at the rate of 1% of the total subscription received by the receiving offices and receiving offices shall share at least 50% of the commission so received with the agents or sub agents for the business procured through them.</td>
</tr>
</tbody>
</table>

**Government of India**  
**Ministry of Finance**  
**Department of Economic Affairs**  
**Budget Division**  
North Block,  
New Delhi-110001  
Dated: the October 20, 2016.