

# SEBI board clears frameworks for gold, social stock exchanges

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Sebi's board on Tuesday cleared a proposal for setting up a gold exchange wherein the yellow metal will be traded in the form of electronic gold receipts and the bourse will help in having a transparent domestic spot price discovery mechanism.

The instruments representing gold will be called Electronic Gold Receipts (EGRs) and will be notified as securities, Sebi Chairman Ajay Tyagi said at a press conference after the board meeting.

"EGRs will have the trading, clearing and settlement features akin to any other securities," he said.

Any recognised stock exchange, existing as well as new, can launch trading in EGRs in a separate segment. The denomination for trading of EGR and conversion of EGR into gold can be decided by the stock exchanges with the approval of Sebi.

The gold exchange, encompassing the entire ecosystem of trading of EGR and physical delivery of gold, is expected to create a vibrant gold ecosystem in India, Sebi said.

According to the regulator, the exchange would be a national platform for buying and selling EGRs with underlying standardised gold in India and also create a national pricing structure for gold.

"The gold exchange is expected to offer a host of benefits for the value chain participants as well as for the entire gold market ecosystem such as efficient and transparent price discovery, investment liquidity, assurance in the quality of gold etc," Sebi noted.

The clearing corporation will settle the trades executed on the stock exchanges by way of transferring EGRs and funds to the buyer and seller respectively.

The EGR holder can continue to hold the EGRs as long as intended since EGRs will have perpetual validity. Such holder at his discretion can also withdraw the underlying gold from the vaults upon surrender of EGRs.

To lower the costs associated with withdrawal of gold from the vaults, Sebi said EGRs will be made "fungible" and "interoperability between vault managers" will be allowed.

Spelling out the criteria for vault managers, Sebi said vault manager should be a body incorporated in India and should have a net worth of at least Rs 50 crore.

The vault manager will be registered and regulated as a Sebi intermediary for providing vaulting services meant for gold deposited to create EGRs.

The obligations of the vault manager include accepting deposits, storage and safekeeping of gold, creation as well as withdrawal of EGR, grievance redressal and periodic reconciliation of physical gold with the records of depository.

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Presenting the Budget for 2021-22, Finance Minister Nirmala Sitharaman had said that Sebi will be the regulator for gold exchange and Warehousing Development and Regulatory Authority (WDRA) will be strengthened to set up the commodity market ecosystem.

Besides, the regulator has decided to relax eligibility requirements related to shares having superior voting rights, Tyagi said.

On the social stock exchange, Tyagi said a proposal has been cleared for the creation of this exchange for fundraising by social enterprises.

Tyagi further said he cannot specify the timeline for such exchange, and will coordinate with the government to take it ahead. "If there is any violation of regulations in Zee-Sony merger case, we will look into it," said Tyagi after the board meeting.

The board also cleared a proposal to amend de-listing framework after an open offer and Investors Charter for securities market.

Sebi also decided to relax eligibility requirements related to superior voting rights shares. Sebi board approved proposal to amend de-listing framework after open offer

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