

## 1. Why is there is a sudden rush to withdraw physical gold from London Vaults? Is the physical gold of our India domiciled Gold ETFs also stored in London?

Gold has become more valuable in the USA than in other parts of the world as many gold traders as well as investors anticipate that supply will reduce if tariffs make imports of gold costlier. This is one of the reasons for a sudden increase of withdrawal of gold from London to be moved into the USA. The physical gold is not a very easy asset to move since there are many logistical constraints and security issues. Hence there are certain pre-defined slots when one can initiate such movement of physical gold. With this background, some investors who are owning gold which is stored in London, could be facing some challenges in withdrawing such physical gold held in their vaults.

However, if you are investing in any of the India-domiciled Gold ETFs, other than the price movement of gold, you do not need to worry about these issues of the gold seen in the portfolio of the Gold ETFs. None of the physical gold is held in London or any other location outside India. The main vaults of the leading custodians who store gold for India-domiciled Gold ETFs are located in Mumbai and Ahmedabad.



*This photo is not of any Custodian Vault – due to security reasons no gadgets or camera or phones are allowed  
This photo is sourced from the official website of RBI Museum [therbimuseum.rbi.org.in](http://therbimuseum.rbi.org.in)*

## 2. What is the legal standing of Gold ETFs in India? Who regulates Gold ETFs?

A Gold ETF is an exchange-traded fund (ETF) domiciled in India, listed and traded on the NSE and BSE, just like shares of any listed company. Gold ETFs in India are regulated by our local securities markets regulator, the SEBI – Securities and Exchange Board of India. Gold ETFs are registered under the SEBI Mutual Fund Regulations, 1996.

In accordance with the SEBI Regulations it is mentioned in the Scheme Information Memorandum or SID of Gold ETFs, that the portfolio can hold only a small portion as Cash and Cash Equivalents which is between 0-5%, hence at all times minimum 95% of the portfolio would be invested in Gold and Gold Related Instruments.

## 3. What could be covered under “Gold Related Instruments”?

Most of the Gold ETFs invest only in physical Gold. However, SEBI Guidelines permit investment in “Gold Related Instruments” which would include Exchange Traded Commodity Derivatives or ETCDs having gold as the underlying as the most commonly used instrument. However, since the permissible cash holding is only upto 5%, it would enable the Gold ETF portfolio to hold a very small proportion in ETCDs. Further, such ETCDs are also domiciled and regulated in India and have a backing of the physical commodities in accordance with the regulated exchanges where they are traded such as the MCX.

## 4. What does the Fund Manager do with the money received from investors?

The Fund Manager purchases standardised 1 kg gold bars with 995 purity, meeting LBMA (London Bullion Market Association) “Good Delivery” standards. This represents the highest quality and standards in physical gold.

## 5. Where is the physical gold stored?

The Fund Manager engages a third-party custodian for the physical settlement and storage of gold, which is kept in a secure vault locally here in India. Some of the leading globally reputed Custodians such as Deutsche Bank act as the custodian for Gold ETFs. None of the physical gold is held in London or any other location outside India. The main vaults of the leading custodians are located in Mumbai and Ahmedabad.

## 6. What are the audit processes at the vaults where the gold is stored?

The statutory auditors appointed by the Fund Manager of the Gold ETFs conducts physical verification of the vault once in every six months. Additionally, the Custodian has its own audit mechanisms in place, with their internal auditors conducting a physical verification of the vault once a month. This ensures that the gold stored by the Gold ETFs is regularly reviewed and adds an additional layer of scrutiny to the process, further safeguarding the gold stored in the vaults.

## 7. Can some gold bars which are fake or of lower purity come in the holdings?

The Custodian will accept physical gold only if it is in compliance with the “Good Delivery” norms of LBMA and the entire chain of documents is reviewed by the Custodian so as to adequately indicate the purity of the gold deposited with it.

## 8. How does the custodian verify the golds purity and quality?

A complete document trail is verified to ascertain the purity, quality and ownership of the physical gold, before the bar is accepted by the custodian. Each gold bar must bear the stamp of one of the Gold Refiners who is accredited by LBMA, as well as the Assayer’s stamp and logo. The “Assayer” is an institution which has the expertise to verify metals and the LBMA recognizes certain institutions as approved assayers for verifying physical gold. Each bar must also have a unique serial number, which should be included in the Refiner’s certificate. The original Refiner’s certificate, supplied by the gold bar vendors, must confirm the quantity and purity of the gold and accompany the physical bars. Additionally, the Master Airway Bill, Packing List, Bar Numbers from the Vaulting Agent, Bill of Entry, and Invoice are also thoroughly verified.

## 9. What if there is some theft at the Custodian vaults?

There is a possibility that the physical Gold could be lost, damaged or stolen, despite having robust processes and controls at the end of the custodian. The physical Gold held by the Custodian is also insured. The custodian will insure and cover all such risks. There is no direct insurance premium paid by the Gold ETF, but the insurance charges come as a part of the overall custody holding charges.

## 10. What happens when I invest in Silver ETFs?

A very similar approach is followed for Silver ETFs. However, for silver there is no such global logistics and operational constraint currently being faced.

# Is My Gold Safe?

*Investing in India-domiciled Gold ETFs*

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**DSP**  
MUTUAL FUND

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