



**Disclaimer:**

Market conditions can lead to substantial profit or loss. Investors are advised to seek adequate product and market knowledge as well as proper investment advice before trading. The material provided here is for general information purpose only. While care has been taken to ensure accuracy, the information furnished to reader with no warranty as to accuracy or completeness of its contents and on condition that any changes, omissions or errors shall not be made the basis for any claim, demand or cause for action.



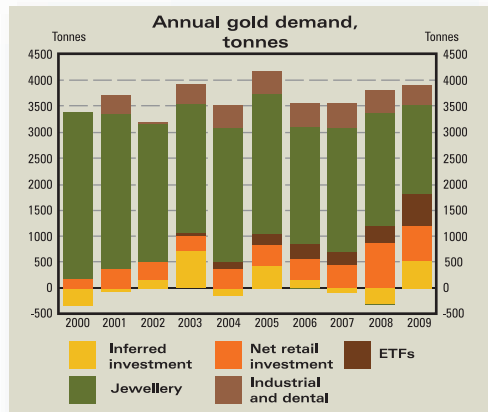
**NATIONAL STOCK EXCHANGE OF INDIA LIMITED**

Exchange Plaza, Bandra Kurla Complex, Bandra (East), Mumbai 400051, India  
Tel: +91 22 26598100 / 66418100 Fax: +91 22 26598120 E-mail: cc\_nse@nse.co.in Web site: www.nseindia.com



Gold has traditionally been extremely popular with Indians. Almost every household possess Gold in one form or the other and it forms part of important events like marriages, religious ceremonies etc. It is also an important asset, used as a currency and a commodity. Significantly, Gold is often bought to counter the effects of inflation and currency fluctuations. Portfolios containing gold are generally regarded as more robust and less volatile than those that do not. On the whole, gold is significantly less volatile than most commodities and many equity indices.

### Global Demand and price trend of Gold:



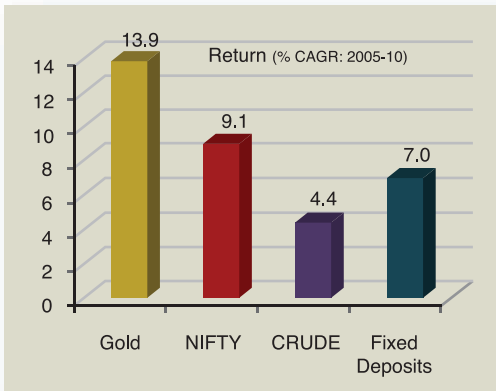
(Source: World Gold Council)

## What are Gold ETFs?

Gold ETFs are units representing physical gold, which may be in paper or dematerialized form. These units are traded on the exchange like a single stock of any company. Gold ETFs are intended to offer investors a means of participating in the gold bullion market without the necessity of taking physical delivery of gold, and to buy and sell that participation through the trading of a security on a stock exchange.

## Gold ETF Listed on NSE

Symbol	AMC	Unit/ Contract
GOLDBEES	Benchmark Mutual Fund	1Gram
GOLDSAHRE	UTI Mutual Fund	1Gram
KOTAKGOLD	Kotak Mutual fund	1Gram
RELGOLD	Reliance Mutual Fund	1Gram
QGOLDHALF	Quantum Mutual Fund	½ Gram
SBIGETS	SBI Mutual Fund	1Gram
RELIGAREGO	Religare Mutual Fund	1Gram
HGETF	HDFC Mutual Fund	1Gram



## How to trade:

Trading in Gold ETFs is very simple. It is similar to how you trade in equity shares, i.e. you need to register yourself with a broker having membership of the NSE, fill up the KYC form, open a demat account, post margins and then commence trading.

## Comparison ETF vs. Physical Gold:

Parameters	GETF	Jewellers	Banks
Purchase & sale mode	Demat Form	Bar / Coin/ Jewellery	Bar or Coin
Security of Asset	Taken Care by Fund	Investor's Concern	Investor's Concern
Transparency	Very High	Very Low	High
Impurity Risk	Nil	High	Nil
Pricing (for retail investors)	Transparent. Will be traded at NSE	Neither standard nor transparent	Not standard. Huge
Selling back	Sell back on exchange	Conditional and uneconomical	Markup,10-15% ideally Restricted
Bid Ask spread	Very Low	Very High	Can't sell back
Denomination	1 gram and in multiples of 1 gram	Available in standard denomination	Available in standard denomination
Wealth Tax	No	Yes	Yes
Long-term Capital Gains tax	Applicable after 1 year	Applicable after 3 year	Applicable after 3 year

## Benefits ETFs:

- **Transparent Pricing** - Investor gets best possible price while investing in Gold through Gold ETFs.
- **Easy Accessibility** - NSE has over more than 1,80,000 terminals spread across more than 1500 towns in the country.
- **Purity** - Since Gold ETFs are held in demat or paper form, they eliminate impurity issues associated with physical Gold.
- **Security** - There are no storage and security issues involved with Gold ETFs.

- **Available in smaller denomination** - Minimum investment for a GETF is one unit (which equals to 1 gm in most schemes), which is suitable for retail investors.
- **Allows easy asset allocation and diversification** - Investing in Gold as an asset class helps an investor diversify his portfolio.
- **Tax Benefits** -
  - No Sales tax/VAT/ STT is chargeable on investment in Gold made through ETF.
  - As the Units are traded on the stock Exchanges, the period of holding for an investor to be eligible for Long Term Capital Gains Tax is 1-year vs. 3 years in the case of physical Gold.

For live market rate on ETF listed on NSE please refer to the link below

<http://nseindia.com/content/etfsparks.htm>

## FAQ's:

### 1. *Who can use Gold ETFs?*

Due to unique structure of ETFs, all types of investors whether retail or institutional, long term or short term, can use it to their advantage.

### 2. *Are the Gold ETFs liquid enough?*

Yes, since Gold ETFs are actively traded on exchange, one can easily liquidate ones position whenever needed. Authorized Participants appointed by the AMC companies also help in providing liquidity by creating or redeeming ETFs based on demand or supply.

### 3. *What are the costs involved in trading GETF?*

One of the big advantages in investing in ETFs is that there is that it does not attract Securities Transaction Tax (STT). Since the ETFs are traded on exchange, all other costs involved are similar to trading in equities.



#### **4. Can gold be used as collaterals or margin?**

Yes, gold can be considered as collaterals or margin. Most of the financial institution accepts gold as collaterals or margin with some hair cut applicable. The applicable hair cut is published from time to time through circulars.

#### **5. Who will guarantee the purity bought?**

The authorized custodian (safe keeper) sources gold from LBMA (London Bullion Market Association) approved refiners on behalf of investors. The amount of physical gold held by the custodians in all schemes is of fineness (purity) of 99 parts per 1000. In other words, this gold is 99.5 per cent pure. This degree of purity is also called as 24 carat gold in general parlance. What's more the gold held with the custodian is fully insured.

### **Some basic terms involved in Gold ETFs:**

**NAV:** Stands for the Net Asset Value declared everyday by the Asset Management Company (AMC), which manages the ETFs. It is calculated by dividing the total value of the portfolio less any liabilities, by the number of fund ETFs outstanding.

**Bid:** The price at which the investor want to buy Gold ETF.

**Ask:** The price at which the investor want to sell Gold ETF.

**Creation:** The procedure of creating fresh Gold ETF whenever there is demand ETF from Authorised Participant (AP's).

**Redemption:** The procedure of buying back Gold ETF when ever there is supply ETF from AP's.

**Tracking error:** This is the difference in live quote of domestic price with that ETF (generally it ranges from is 0.05%-0.07%).

## About National Stock Exchange:

The National Stock Exchange (NSE) is India's leading stock exchange covering various cities and towns across the country. NSE was set up by leading institutions to provide a modern fully automated screen-based trading system with national reach. The Exchange has brought about unparalleled transparency, speed & efficiency, safety and market integrity. It has set up facilities that serve as a model for the securities industry in terms of systems, practices and procedures. NSE has played a catalytic role in reforming the Indian securities market in terms of microstructure, market practices and trading volumes. The market today uses state-of-art information technology to provide an efficient and transparent trading, clearing and settlement mechanism, and has witnessed several innovations in products & services viz. demutualisation of stock exchange governance, screen based trading, compression of settlement cycles, dematerialisation and electronic transfer of securities, securities lending and borrowing, professionalisation of trading members, fine-tuned risk management systems, emergence of clearing corporations to assume counter party risks, market of debt and derivative instruments and intensive use of information technology.

## Milestone:

<b>April 93</b>	Recognition as a stock exchange
<b>November 94</b>	Capital Market (Equities) segment goes live
<b>October 95</b>	Became largest stock exchange in the country
<b>April 96</b>	Launch of S&P CNX Nifty
<b>February 00</b>	Commencement of Internet Trading
<b>June 00</b>	Commencement of Derivatives Trading (Index Futures)
<b>June 01</b>	Commencement of trading in Index Options
<b>June 07</b>	NSE launches new index derivatives
<b>January 08</b>	Introduction of Mini Nifty derivative
<b>March 08</b>	Introduction of long term option contracts
<b>April 08</b>	Launch of Securities Lending & Borrowing Scheme, Launch of VIX
<b>August 08</b>	Commencement of Currency Futures Trading
<b>August 09</b>	Launch of Interest Rate Futures
<b>November 09</b>	Launch of Mutual Fund Service System
<b>December 09</b>	Commencement of settlement of corporate bonds
<b>February 10</b>	Launch of Currency Futures on additional currency pairs
<b>March 10</b>	Launch of Hang Sang ETF