

Electronic Gold Receipts (EGR)

A New Way to Invest in Gold

Introduction

What is an EGR?

- An Electronic Gold Receipt (EGR) is a digital asset that represents ownership of physical gold. EGRs are issued by banks and other financial institutions, and they can be bought and sold on exchanges just like stocks and bonds.

How does an EGR work?

- When you buy an EGR, you are essentially buying a claim on a certain amount of physical gold. The gold is held by the EGR issuer, and you can redeem your EGR for physical gold at any time.

Benefits of investing in EGRs

- There are several benefits to investing in EGRs, including:
- **Portability:** EGRs are digital assets, so they can be easily bought and sold online. This makes them a more convenient investment than physical gold, which can be difficult to store and transport.
- **Liquidity:** EGRs are traded on exchanges, which means that they are highly liquid. This means that you can easily buy and sell EGRs without having to worry about finding a buyer or seller.
- **Diversification:** EGRs can be used to diversify your investment portfolio. Gold is a non-correlated asset, which means that it does not move in the same direction as stocks and bonds. This can help to reduce your risk and improve your returns.



The Regulatory Framework

Who regulates EGRs?

- The Securities and Exchange Board of India (SEBI) regulates EGRs.

What are the rules and regulations for EGRs?

EGRs are protected by the following rules and regulations:

- EGRs must be issued by a registered issuer.
- EGRs must be backed by physical gold.
- EGRs must be traded on a recognized stock exchange.
- EGRs must be subject to SEBI's investor protection regulations.

How are EGRs protected?

- EGRs are protected by the following mechanisms:
- The physical gold backing EGRs must be held in a secure vault.
- EGRs must be traded on a transparent and orderly market.
- EGRs must be subject to SEBI's investor protection regulations, which include rules against fraud and market manipulation.



The Regulatory Framework

Additional Details

Here are some additional details about each of these rules and regulations:

- **Issuer registration:** Only registered issuers are authorized to issue EGRs. Registration with SEBI requires the issuer to meet certain standards of financial strength and operational capability.
- **Physical gold backing:** EGRs must be backed by physical gold. The gold must be held in a secure vault and must be easily accessible to the EGR holder in the event of a redemption request.
- **Trading on a recognized stock exchange:** EGRs must be traded on a recognized stock exchange. This ensures that EGRs are traded in a transparent and orderly market.
- **Investor protection regulations:** EGRs are subject to SEBI's investor protection regulations. These regulations include rules against fraud and market manipulation. They also include rules that require issuers to provide investors with certain disclosures about the EGRs.

Investing in EGRs

How to buy an EGR

- To buy an EGR, you will need to open a demat account with a broker that offers trading in EGRs. Once you have a demat account, you can place a buy order for an EGR through your broker.

How to sell an EGR

- To sell an EGR, you will need to place a sell order for an EGR through your broker. Once your sell order is executed, you will receive the proceeds of the sale in your demat account.

What are the risks of investing in EGRs?

There are a number of risks associated with investing in EGRs, including:

- **Market risk:** The price of EGRs can fluctuate, just like the price of any other security. This means that you could lose money if the price of EGRs falls.
- **Storage risk:** The physical gold backing EGRs is held in a secure vault. However, there is always a risk that the gold could be stolen or damaged.
- **Liquidity risk:** EGRs are a relatively new product, and they may not be as liquid as other securities. This means that it may be difficult to sell your EGRs quickly if you need to.

Taxation of EGRs

How are EGRs taxed?

- EGRs are taxed as capital assets. This means that when you sell an EGR, the profit or loss you make is taxed as capital gains. Short-term capital gains are taxed at your marginal tax rate, while long-term capital gains are taxed at a lower rate.

What are the tax benefits of investing in EGRs?

- There are a few tax benefits to investing in EGRs. First, long-term capital gains are taxed at a lower rate than short-term capital gains. Second, you can claim a deduction for any losses you make on the sale of EGRs. Third, you can defer capital gains taxes on EGRs until you sell them, if you hold them in a gold exchange-traded fund (ETF).

Taxation of EGRs

Here are some additional details about the tax treatment of EGRs:

- Short-term capital gains are taxed at your marginal tax rate, which is the same rate that you pay on your income. For example, if you are in the 22% tax bracket, you will pay 22% capital gains tax on any short-term gains you make from selling EGRs.
- Long-term capital gains are taxed at a lower rate than short-term capital gains. For gains on assets held for more than 365 days, the long-term capital gains tax rates are:
 - 0% for taxpayers in the 10% and 12% income tax brackets
 - 15% for taxpayers in the 22%, 24%, and 32% income tax brackets
 - 20% for taxpayers in the 35% and 37% income tax brackets
- Losses on the sale of EGRs can be used to offset gains on other investments, or to reduce your taxable income.
- Deductions for losses on the sale of EGRs are limited to the amount of capital gains you have realized in the current year and the previous three years.
- Deferred capital gains taxes can be achieved by holding EGRs in a gold ETF. When you sell shares of a gold ETF, you will only be taxed on the capital gains that have accrued since you purchased the shares. This can be a significant advantage if you expect the price of gold to rise in the future.

Conclusion

The future of EGRs

EGRs are a relatively new investment product, but they have the potential to become a more popular way to invest in gold.

This is because EGRs offer a number of advantages over physical gold, such as:

- They are more convenient to store and transport.
- They are more liquid, meaning they can be bought and sold more easily.
- They are more affordable, as they do not require the purchase of a physical gold bar or coin.

As the popularity of EGRs grows, it is likely that more and more investment options will become available. This could include EGRs that track the price of gold, or EGRs that offer exposure to a basket of precious metals.

Conclusion

How to choose the right EGR for you

When choosing an EGR, there are a few factors to consider:

- The price of the EGR.
- The fees charged by the issuer.
- The liquidity of the EGR.
- The track record of the issuer.

It is important to compare the prices of different EGRs before making a decision. You should also consider the fees charged by the issuer, as these can vary significantly. The liquidity of the EGR is also important, as you want to be able to buy and sell the EGR easily. Finally, you should research the track record of the issuer to make sure they are a reputable company

Conclusion

Where to learn more about EGRs

- There are a number of resources available to learn more about EGRs. You can find information on the websites of investment firms, government agencies, and financial publications. You can also find books and articles on the subject.

Here are a few resources to get you started:

- **Securities and Exchange Board of India (SEBI):** The SEBI is the regulatory body for the Indian securities market. They have a website with information on EGRs.
- **Gold ETFs:** There are a number of gold ETFs available in India. These ETFs track the price of gold, and can be a good way to invest in gold without having to buy physical gold.
- **Books:** There are a number of books available on the subject of EGRs. These books can provide you with more in-depth information on the topic.
- **Articles:** There are a number of articles available on the subject of EGRs. These articles can provide you with more up-to-date information on the topic.

References

<https://www.sebi.gov.in/legal/master-circulars/jun-2023/master-circular-on-electronic-gold-receipts-egr-72195.html>

Disclaimer

- This presentation is general reading and educational purposes only and should not be construed as investment advice.
- The information in this presentation is not guaranteed to be accurate or complete.
- You should consult with a financial advisor before making any investment decisions.