

RBI wants stricter norms for gold import firms

The restriction on gold import by banks was likely to be extended to gold import houses, also known as premier trading houses, Reserve Bank of India (RBI) sources said. In the annual policy review, earlier this month, RBI had imposed restriction on import of the yellow metal by banks to rein in the country's widening current account deficit (CAD). This move opened a huge revenue opportunity for import houses, which do not face any restriction. They are now charging hefty premium on gold sales to retailers.

"We are in talks with the commerce ministry to extend the restriction to gold import firms," a top central bank official said, requesting anonymity. Bankers said the objective behind putting restriction on gold imports was not being met, as nominated agencies were kept out of the revised norms.

In recent weeks, the premium on gold, the difference between domestic and international gold prices, had shot up to as high as \$40 an ounce from less than \$2 an ounce due to supply disruptions in the market following the RBI directive. Banks have also alerted the central bank about this anomaly and requested it to address the issue.

Currently, banks are permitted to import gold on consignment basis, unfixed price basis and loan basis, but only for the purpose of export and not for domestic use.

Import of the yellow metal, which is resulting in widening the CAD, has been a huge concern for both the government and central bank. Current account deficit soared to a record high of 6.7 per cent of gross domestic product in the quarter ended December 2012.

However, Finance Minister P Chidambaram had said the CAD was likely to come down to "more tolerable and acceptable" levels in 2012-13 once the fourth quarter numbers were out. A current account deficit of 2.5 per cent is seen as a comfort level of RBI.

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