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Link: http://www.afternoondc.in/afternoondc/business-investment/bullion-lending/article_23034

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Coverage Page:



The screenshot shows a Mozilla Firefox browser window displaying the website 'Afternoon Dispatch & Courier'. The article title is 'Bullion Lending' and the author is Prithviraj Kothari, Managing Director of RSBL and current president of the Bombay Bullion Association (BBA). The article discusses the practice of bullion lending, where gold or silver is lent out, and notes that this has been prevalent in the Indian market since centuries but in an unstructured way. It mentions that nowadays, with structured products available, investors need not worry about purity, storage charges, theft, and insurance hassles. The article also highlights the opportunity for dual income from price appreciation and lending income. The website layout includes a navigation menu, a search bar, and several advertisements on the right side.

Coverage:

Bullion Lending

Monday, April 25, 2011



Prithviraj kothari

Managing Director, RSBL and current president Bombay Bullion Association. (BBA)

As people buy apartments and give them on rent, people can also buy gold or silver and lend them out. This is termed as 'Bullion Lending'. The lending of bullion had been prevalent in the Indian market since centuries but always in an unstructured way. It was carried out purely on the basis of trust and hence involved risks.

Nowadays, with a structured product available in the Indian market, the investors need not even worry about purity, storage charges, theft and insurance hassles. So, the people have an easy opportunity for dual income- from the likely price appreciation

and from the lending income.

“There were so many investors wanting to invest anything between Rs. 10-50 lakh in real assets like real estate. However, considering the high prices of real estate, lack of liquidity, sensitivity of the investments, lack of regulations etc, they preferred to invest in gold and silver but didn’t have the right product to do so,” said Ketan Kothari, Director, RSBL. “Availability of a structured bullion lending product in the Indian market which gives an additional lending income, apart from the benefits of likely price appreciation and liquidity, the investors look no further,” he added. As per London Bullion Market Association (LBMA), the price of gold and silver rose by 28% and 133% year-on-year respectively till April 15, 2011 in US dollar terms, on the London fix.

The modern way of bullion lending involves a hassle free process of buying pure gold and silver at wholesale market prices. A professional management company acts on the investors’ behalf and lends gold and silver to third parties against adequate security. These third parties are professional bullion market participants who become eligible for borrowing only after thorough KYC.

The borrower pays a certain lending income to the management company, and the majority income thereof is passed to the investors. The borrowers can return only those gold or silver bars, which are approved under the London Bullion Market Association (LBMA)’s Good Delivery Bar system. Normally, they are imported and bought through international banks and never taken out of the vaulting channels. This protects the interests of the investors as far as reliability is concerned. Independent audit is carried out on the stock in the vault. Details of the audit, statement of applicable charges and the income earned is sent to the investors regularly.

Investors’ risks are only limited to the extent of any price depreciation in gold or silver. Also, the storage is done in secured and insured vaults. Additionally, if the investor wants to put the gold or silver to actual use – like jewellery or utensils, he/she may withdraw his/her holdings at any time. The investors will also be able to sell back their gold and silver at competitive market prices at any given point of time without taking physical delivery.

As an additional feature, structured bullion lending products also provide the investors an option of simply buying and storing the bullion in the vaults without lending it. If in the future, the investors want to lend it out, they can do so by instructing the management company accordingly.

There is no doubt that structured bullion lending products are set to revolutionize gold and silver investments in the near future.