Retail investors can put money in govt securities, T-Bills, Sovereign Gold Bond

Mumbai | Updated on November 13, 2021

Retail investors can make investments via two routes — primary issuance of G-Secs and secondary market

Retail investors can invest a minimum of ₹10,000 and in multiples thereof in Central Government Securities (CG), State Government Securities (SG) and Treasury Bills (T-Bills) under the Reserve Bank of India's 'Retail Direct Scheme', a web-based investment platform, which was launched on Friday.

In the case of Sovereign Gold Bond (SGB), the minimum investment unit is 1 gram.

The maximum limit per bid specified by RBI is ₹2 crore for CG/T-Bill and 1 percent for SG. The scheme to bring G-Secs within easy reach of the common man, allows one active bid per retail client in the non-competitive portion for respective Security.

Online platform

Under the Scheme, which was launched in virtual mode by Prime Minister Narendra Modi, retail individual investors can invest in G-Secs using the online portal (https://rbiretaildirect.org.in) by opening a Retail Direct Gilt (RDG) account with RBI.

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Under primary issuance of G-Secs, investors can place bid as per the non-competitive scheme for participation in primary auction of G-Secs and procedural guidelines for Sovereign Gold Bond (SGB) issuance.

For secondary market investment, investors can buy and sell G-Secs on Negotiated Dealing System - Order Matching ('Odd Lot' and 'Request for Quotes' segments).

Primary dealers will be providing buy-sell quotes for investors wanting to buy or sell G-Secs. No fee will be charged for opening and maintaining RDG account with RBI. Further, no fee will be charged by the aggregator (Clearing Corporation of India Ltd) for submitting bids in the primary auctions. Fee for payment gateway etc., as applicable, will be borne by the registered investor.

Payments for transactions can be done using saving bank account through internet-banking or Unified Payments Interface (UPI).

Investor support

The RBI said investors can get help on the portal itself and also through a toll-free telephone number 1800–267-7955 (10am to 7pm) and email.

Investor services include provisions for transaction and balance statements, nomination facility, pledge or lien of securities and gift transactions. No fees will be charged for facilities provided under the scheme.

Marzban Irani, CIO-Fixed Income, LIC Mutual Fund, observed that awareness needs to be created to attract retail investors into the G-Sec market. Retail investor should be well informed how the G-Sec market works.

Nitin Shanbhag, Senior Executive Group VP, Motilal Oswal Private Wealth, observed that the Government Securities (G-Sec) market is dominated by Institutional investors such as Banks, Insurance companies, Mutual Funds, etc. with lot sizes of ₹5 crore and higher.

Hence this segment was largely inaccessible to retail participants. G-Sec market records highest volumes within the fixed income market since they offer a risk-free rate, hence no credit risk.

Shanbhag said: "Retail investors could thus far participate in G-Secs only through Debt Mutual Funds, although with limited options. Further, in Debt funds, investors have to invest with a minimum 3-year investment horizon through the Growth option to qualify for long term capital gains at the rate of 20 per cent with indexation benefit."

The RBI Retail Direct Scheme will enable retail investors to invest in G-Secs across various tenors with flexible investment horizons and with the ability to get regular cash flows through risk-free coupons, he added.

Bal Krishna Piparaiya, Principal Director, Brickwork Ratings, noted that the Retail Direct Scheme in G-Sec for individual buyers is a much-awaited positive reform and will forge a paradigm shift in the bond market, spiking up demand for government bonds and lowering the cost of the government borrowing (which has so far been higher than banks' deposit rates), going forward.