

Retail direct Scheme

RBI Retail Direct Scheme announced by the RBI is a one-stop solution to facilitate investment in government securities by individual investors.

The Reserve Bank of India - RBI launched the Retail Direct Scheme on 12th July 2021. In February 2021 proposed to allow retail investors to open gilt accounts with the central bank to invest in Government securities directly and without the help of intermediaries.

Retail Direct Scheme - Overview

1. Under the scheme RBI Retail Direct, the retail investors will be allowed to open retail direct gilt accounts (RDG) directly with the central bank.
2. A “Gilt Account” means an account opened and maintained for holding Government securities, by an entity or a person. A Gilt Account is similar to a bank account, except that the RDG account is debited or credited with treasury bills or government securities instead of money.
3. As part of continuing efforts to increase retail participation in government securities for improving ease of access by retail investors through online access to the government securities market – both primary and secondary. Check out the [Difference between Primary and Secondary Market](#) on the linked page.
4. RBI seeks to democratize the ownership of government debt securities beyond banks and managers of pooled resources such as mutual funds.
5. Under the scheme -
 - Retail investors (individuals) will have the facility to open and maintain the ‘Retail Direct Gilt Account’ (RDG Account) with RBI.
 - Retail Investor is a non-professional investor who buys and sells securities or funds that contain a basket of securities such as mutual funds and Exchange Traded Funds (ETFs).
 - RDG Account can be opened through an ‘Online portal’ provided for the purpose of the scheme.
6. Government securities, for the purpose of this scheme, mean securities issued in the form of stock by credit to the SGL/CSGL account maintained with RBI as defined under Section 3(iii) of Government Securities Act 2006. These include:
 - Government of India [Treasury Bills](#); (Central Government issues both treasury bills and bonds or dated securities).
 - Government of India dated securities;
 - Sovereign Gold Bonds (SGB);
 - State Development Loans - SDLs (bonds and dated securities issued by the State Government).

What are Government Securities?

1. A tradable instrument issued by the Central or State Government.
2. It is acronymed as G-Sec.
3. It carries no risk
4. Short Term G-Sec (Treasury Bills) with original maturity of less than one year
5. Long Term Government Security (Govt bonds or dated securities) with original maturity of one year or more than one year.

Scope of the Retail Direct Scheme

RBI Retail Direct' is a comprehensive scheme which provides the following facilities to retail investors in government securities market through an online portal:

- Open and maintain a 'Retail Direct Gilt Account' (RDG Account)
- Access to primary issuance of Government securities
- Access to NDS-OM. NDS-OM means RBI's screen based, anonymous electronic order matching system for trading in Government securities in the secondary market. The RBI introduced the NDS-OM in August 2005.

Eligibility for RBI Retail Direct Scheme

(a) Retail investors, can register under the Scheme and maintain a RDG Account, if they have the following:

1. Rupee savings bank account maintained in India;
2. Permanent Account Number (PAN) issued by the Income Tax Department;
3. Any OVD for KYC purpose
4. Valid email id; and
5. Registered mobile number.

(b) Non-Resident retail investors eligible to invest in Government Securities under Foreign Exchange Management Act, 1999 are eligible under the scheme.

(c) The RDG account can be opened singly or jointly with another retail investor who meets the eligibility criteria.

Importance of Retail Direct Scheme India

1. A vast pool of domestic savings will be financed when direct retail participation in the government securities market is allowed. This could be a game-changer in India's investment market.
2. The process of trading in government securities will smoothen for small investors thus retail participation in G-Secs will rise leading to improved ease of access.
3. This measure together with relaxation in mandatory Hold To Maturity (securities that are purchased to be owned until maturity) provisions will facilitate smooth completion of the government borrowing programme in 2021-22.

Other Measures to Increase G-Secs Investment by Retail

- Stock exchanges to act as aggregators and facilitators of retail bids.
- Introducing non-competitive bidding in primary auctions.
 - The bidder in Non-competitive bidding would be able to participate in the auctions of dated G-Sec without having to quote the yield or price in the bid.
- Permitting specific retail segments in the secondary market.