

Sebi Flags Risks in Digital Gold Investments: What Investors Should Know

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Digital Gold Latest News

- The **Securities and Exchange Board of India (SEBI)** has warned the public against investing in digital and e-gold products, which have gained popularity amid rising gold prices and the ease of online ownership.
- SEBI cautioned that, despite being marketed as safe alternatives to physical gold, digital gold investments are unregulated and fall outside any legal oversight, exposing investors to significant financial risks.

Digital Gold and its Popularity

- Digital gold enables investors to **buy, sell, and store gold electronically** without physically holding it.
- Its price is linked to physical gold and **transactions are recorded using blockchain technology**.
- It offers easy access, low entry amounts, and no storage hassles, allowing quick liquidation or conversion into coins, bars, or jewellery when needed.

- The recent 59% surge in gold prices, with MCX spot gold rising from ₹76,577 to ₹1.22 lakh per 10 gm in a year, has significantly boosted investor interest in digital and e-gold products.

Why SEBI Issued a Caution on Digital Gold Investments

- SEBI noted that many online platforms are promoting digital and e-gold products as easy, convenient alternatives to physical gold.
- However, the regulator clarified that **these products are not recognised as securities** and **do not fall under its regulatory framework** or commodity derivatives laws.
- Since digital gold remains unregulated, investors lack legal protection or oversight, making such investments risky and potentially misleading.

Why Digital Gold Is Considered Risky for Investors

- SEBI warned that digital gold operates outside any regulatory oversight, leaving investors without legal protection or recourse under securities market laws.
- These products carry counterparty and operational risks, meaning investors could lose money if the platform defaults.
- Unlike gold ETFs or commodity derivatives, digital gold doesn't require demat accounts or margin deposits, making it easy to access but riskier.
- Offered widely by jewellers and online platforms, digital gold's popularity—amplified by social media marketing—has grown rapidly, prompting Sebi's caution against its unregulated and high-risk nature.

Regulated Gold Investment as an Option

- Experts recommend that investors avoid unregulated digital gold and instead choose Sebi-regulated products to ensure safety and transparency.
- Sebi allows **gold investments through Gold ETFs, exchange-traded commodity derivatives, and Electronic Gold Receipts (EGRs)** — all of which are traded on regulated exchanges like MCX and NSE under strict risk management and margin frameworks.
- These regulated avenues, along with **Sovereign Gold Bonds (SGBs)**, offer secure trading, transparent pricing, and clearing corporation guarantees, significantly reducing counterparty and operational risks compared to unregulated digital gold platforms.

Source: **IE** | **NDTV** | **IT**

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