

## **LOAN POLICY - GOLD LOANS**

The Loan Policy shall act as the guide for the management of the company to conduct the business within the acceptable risk and keeping in mind, the long term profitability and stability of lending operations. The policy inter alia will be in consonance with the guidelines issued by Reserve Bank of India and the prevailing Government directives.

### **OBJECTIVES**

The main objectives of the loan policy will be

1. To ensure a healthy growth of loan portfolio with quality assets and a balanced profit
2. To comply with the regulatory requirements /directives of the govt under Loan to value, capital adequacy interest rates etc.,
3. To lay down controls for monitoring credit exposures
4. To inculcate and develop internal values in the business of gold loan
5. To lay down systems and procedure, appraisal standards at various levels with sturdy internal controls.
6. To build in necessary mechanism for protection of collaterals from any possible loss
7. To lay down necessary risk management practices and audit procedure
8. To ensure that the company maintains a competitive edge
9. To constantly upgrade the skills of the operating staff at all levels
10. To ensure an inclusive growth with a better Corporate Social responsibility

### **NATURE AND TYPE OF GOLD LOANS**

1. The company will normally accept used House Hold jewellery as security. New Gold ornaments may also be accepted provided the ownership is established to the satisfaction of the sanctioning authority subject to laid down controls.
2. The company shall design loan schemes within the regulatory guidelines of RBI keeping in view the income recognition and asset classification norms. Such schemes will be got approved by the Board or by a delegated authority of the board.

3. Suitable norms covering the inherent risk factors (Eg. Restricted prohibited items, large no of same items, heavy weight items etc.,) will be formulated and got approved internally. Loans against Bars, Coins, Biscuits may not be considered in line with RBI directives for which necessary systems will be put in place.
4. The tenure of the loan will be decided in line with the market practice and applicable regulatory guidelines.
5. Sanction of loans against gold will be done on the same working day and disbursed as quick as possible
6. Due diligence requirement with regard to number, nature of items regulatory requirements for the loan and customer satisfaction will be the bench mark.
7. Interest rate and other charges shall comply to the regulatory requirement and an interest rate policy may also be evolved in due course.

#### **LOAN APPLICATION FORM/ LOAN SANCTION LETTER**

- 1) Loan shall be disbursed only against a fully completed and properly filled and signed application form. The application complying with the FPC and KYC guidelines will be prepared in vernacular language and every loan shall have an independent application.
- 2) The various loan scheme available at any given time with its details regarding loan, Interest, Overdue interest etc., will be made known to the applicant and a scheme of customer preference within the available products will be offered .
- 3) Immediately upon sanction of loan, the customer will be given a pawn ticket which will be prepared in duplicate. The pawn ticket will serve as a receipt for the gold ornaments pledged by the borrower. The pawn ticket will also contain the terms and conditions governing the loan on its reverse side which will be got signed by the borrower for having accepted the same. The pawn ticket will be prepared in duplicate and

- 4) while the original will be handed over to the borrower, the duplicate shall be kept with the application for reference/ records.
- 5) The original of the pawn ticket will be got collected back at the time of settlement of the pledge along with the acknowledgement for having received back the ornaments.
- 6) Procedure governing the release of ornaments without production of original Pawn ticket and release of ornaments to third party against the written request of the borrower will be got approved internally by the Whole Time Director .

## **KNOW YOUR CUSTOMER**

In compliance with the RBI directive all customer availing loan facility shall be requested to submit documents to prove their identity and address proof. Documents in support of (KYC) compliance need to be submitted at the time of availing the first loan based on which a customer will be accepted and an unique customer ID created. Thereafter the “customer ID” will be made use of for subsequent sanctions at any of the branches of the company or for any other product / service of the company.

Such “customer ID” may also be reviewed and updated after a reasonable period which may be three years for now.

The company will also endeavour to verify the Aadhar proofs submitted with UIDAI as measure of better risk management in due course

- a) Loan will be sanctioned only after compliance of KYC policy as laid down by the company. The KYC policy as approved by the board already and implemented and in practice in the company will be applicable to gold loans also.
- b) In the case of customers whose overall exposure limits exceeds Rupees five lacs, the copy of the Pan card will be obtained and the PAN Number kept on record
- c) Clear and visible photograph of the borrower using the web camera will be captured and stored in the system.
- d) Adequate due diligence shall be ensured to verify the ownership of the ornament pledged for any loan .There should be prima face no

Circumstance to indicate that the title of the applicant to the ornaments proposed to be pledged is defective.

e) A valid pledge and charge over the security shall be created only after ensuring the ownership of gold in line with the regulatory requirement. Towards this requirement suitable clauses may be added in the loan documents and got signed by the customer before the disbursement of the loan. The title of the gold ornaments will be got satisfied before it is accepted as security.

However in the case of gold ornaments it may not be easy to confirm the ownership in a “fool proof” manner as in the case of immovable properties/ Machinery/ vehicle etc., To tide over this , and also to be in line with regulatory requirements as regards methods of establishment of ownership, measures such as undertaking in the application form, collection of other relevant documents like Bills, receipts etc., authorisation letter in the case of ornaments of third parties may be resorted to. A meaningful interaction with the customer / and other prima facie checks will be done towards this end without offending the loan applicant.

#### **APPRAISAL OF SECURITY (GOLD) AND DELEGATION OF FINANCIAL POWERS:**

- a) Gold ornaments shall be accepted as security only after appraisal by the staff members before the loans are sanctioned.
- b) Gold ornaments of purity below 70% will not be accepted for pledge.
- c) The appraisal techniques to be followed by the staff such as nitric acid test, sound/ smell etc., will be circulated among staff and compliance of which will be monitored .Coloured gold ornaments may not be accepted for pledge.
- d) Necessary facilities will be provided in the branch for appraisal.
- e) A risk graded system based on the quantum of loan for pre-disbursement appraisal will be followed. The guiding principle being the larger loans will be appraised by senior staff/ reappraised and smaller loans by the junior staff. However, all loans will be inter alia appraised by two employees as mentioned in the table below. The Whole Time Director may modify the limit set for the employees based on the operational convenience which may be reported to the board in its

immediate next meeting for post facto approval. The following will be the initial delegation for appraisal.

**Amount of loan    Initial appraisal by designated    Employee Final  
reappraisal**

Below Rs.20000/-	Business executive	ABM
Above Rs.20000/-	Business executive/ ABM	BM

**LOAN TO VALUE PER GRAM**

a) The LTV will be in compliance with the directives of RBI from time to time. Flexibility in the fixation of differential LTV for specific categories/ segment/ geographical locations may be provided within the overall LTV ceiling. Such proposals will be approved by the Whole Time Director.

b) The maximum eligible loan amount per pledge will be calculated based on the weight of the gold ornaments, net of stone weight and subject to deductions for the lower purity of ornaments and impurities and wastages deductions applicable and , will be approved by the Whole Time Director and circulated for compliance.

c) As a general rule, considering the risk gradation the LTV and interest rate will be co related and low LTV loans may attract a lower rate of interest. Schemes prepared based on the guiding principle will be placed before the board for Ratification from time to time.

d) The Whole Time Director may permit deviations in interest rate/ LTV /tenor etc., on exceptional cases based on branch recommendations. Such deviations will be reported to be approved and implemented by the Whole Time Director which will be the board for confirmation in the Course.

**High value loans/ Maximum exposure per borrower:**

- 1) The focus and emphasis will be to broad base and acquire small/ medium value loans considering the benefits to the society and for risk mitigation.
- 2) High value loan to individual borrowers will be controlled and monitored separately. Limits up to which branches may sanction to a single borrower will be defined and reviewed periodically.

Beyond the powers of the branch will be recommended and got approved by the Whole Time Director. A structured format for recommending such loans will be prescribed

- a) All such sanctions by Whole Time Director will be reported to the immediate next board meeting for confirmation. Limits
- b) In the case of all limits above Rs.10 lakhs, the company may do an independent KYC verification utilising the services of an external agency which will cover profiling / address verification as a risk mitigation measure.
- c) It shall further be ensured that the maximum exposure on any single borrower does not exceed Rs. 1 Crore (A single borrower will be defined as an individual, family unit, closely associated group, firm or a limited company).
- d) Within the prudential limit mentioned under (c) to large value customers, (limits of 10 Lacs and above) shall not exceed 15% of the total portfolio on any given date

### **HIGH VALUE INDIVIDUAL EXPOSURES-DELEGATION OF FINANCIAL POWERS**

<b>Permissible limits branch</b>	<b>Enhanced exposure limit</b>	<b>Sanctioning authority</b>	<b>Confirming authority</b>
<b>5 Lakhs</b>	<b>1 Crore</b>	<b>Whole time director</b>	<b>Board</b>

The Whole Time Director will be delegated with the authority to vest the necessary powers of sanction to various functionaries within the above limits and in his absence the MD will be exercising the powers.

### **RESTRICTION/ PROHIBITION ON LENDING TO CERTAIN CATEGORIES OF PERSONS:**

- a) Loans to categories of customers perceived to carry more than the normal risk will be restricted. For eg. Loans to jewellers, goldsmiths etc., will be individually controlled and credit decisions to such categories will be approved by the Whole Time Director after due diligence.

- b) Loan to staff members against pledge of gold will be restricted to Rs.50,000/- per employee. All other terms and conditions applicable to such loans will be followed without exception. Loans above this limit will be got approved by Whole time Director.
- c) Loans to borrowers having a history of pledging low quality ornaments/ spurious ornaments/ stolen ornaments will not be entertained. Tolerance limits of material loss will be fixed internally and got approved by the Whole Time Director Procedure for blocking / delisting customer IDs beyond the tolerance limit will be implemented. The company will maintain and update a list of such blocked customers as a risk management practice.

### **CUSTODY OF GOLD**

- a) As an internal control mechanism, gold ornaments and cash in safe will always be in the joint custody of two officials/ employees of the branch. Suitable control shall be in place to ensure that the same official/ employee does not hold both the keys even if at different points of time during posting in the same branch.
- b) The duplicate keys shall be retained by the head office or suitable arrangements may be made by Ho for the safe custody.
- c) A proper and systematic procedure should be laid down for handing over charge from one official arising out of leave, transfer, resignation etc., No custodian will be relieved of charge unless the gold pockets are subjected to verification and confirmation with the inventory.

Overnight storage of gold ornaments will be in burglar proof safes. In the case of branches with strong rooms of RBI specification, it will be held in steel almirahs with dual lock facility. Interim storage in the counter during transaction time will be to the minimum possible time and pockets must be moved to safe at the earliest opportunity.

## **SECURITY**

The branches must be equipped with electronic security system with CCTV facility covering the entire area of operation and the safe room besides Safe room door. The safe room door will be provided with a door access lock with a sensor for the strong room door. Burglar alarm with fire sensors will also be provided.

## **INSURANCE**

All gold ornaments kept in the safe/ counters and in transit will be insured against burglary, fidelity and transit and the ornaments will be insured for replacement value taking into account the wastages and making charges involved.

## **TAKE OVER OF LOANS**

Take over of gold loans from other companies, banks etc., will also be considered for KYC compliant customers. Suitable guidelines with adequate risk mitigation measures will be formed and will be approved by the Whole Time Director

## **FUNDING OF ASSETS**

Capital adequacy norms as stipulated by the RBI shall be complied with by the company. To supplement owned funds, Company may resort to bank borrowings/ Credit lines and NCD resources for funding the gold loans, to be



adequate to match the growth plans. Tenure of such borrowing should be as for as possible to match the maturity of gold loan products.

## **RECOVERY OF LOANS, SENDING OF NOTICES, AUCTION OF SECURITIES**

It will be the endeavour of the company to educate and encourage prompt servicing of interest and prompt repayment. Hence as a matter of fair practice, monitoring of repayments will be accorded priority. To ensure this, the company may send periodical reminders to the customers by letters or through SMS without compromising the confidentiality of the transaction.

- b) The company will also ensure personal follow up where needed to recover the overdue.
- c) In case of overdue accounts where the borrowers are recalcitrant and where the borrower's asset values are found to be inadequate, the company shall resort to realise the value through auction process.
- d) The Whole Time Director shall put UP a draft auction policy for the approval of the board complying with the prevailing guidelines of RBI.

## **SHARING OF CREDIT INFORMATION/ CLASSIFICATION OF CUSTOMERS**

- a) Appropriate systems will be put in place to identify and classify customers into special categories such as special mention accounts as stipulated by RBI. The company shall ensure that the credit information as required by RBI will be reported from time to time within the prescribed time limit.
- b) "Non-co-operative borrowers" as categorised by RBI directives will be identified and reported to CRILC (Central Repository of Information of Large Credit) within such time as has been specified by RBI. Before reporting the same, the customer shall be provided adequate time as prescribed by RBI to clarify their stand before being classified so. Adequate provisioning in respect

of these loans and new resources to any other company/ firms promoted by such borrowers will be made as per RBI prescriptions.

C) While sharing information with CRILC it will be ensured that relevant details with PAN number Aadhar No. Voter ID number etc., will be shared wherever they are available.

d) The quality of such data will be ensured and efforts will be made constantly to improve the quality.

### **USAGE OF CREDIT INFORMATION**

The company will endeavour to collect and make use of information from any of the credit information companies before taking credit exposures beyond 25 Lacks

### **MISCELLANEOUS TERMS**

a) Loan will be disbursed by way of a single one time debit to the respective account and will be monitored for servicing of contract and prompt settlement.

b) Terms and conditions governing the loan will be in compliance to the FPC of the company.

c) Loans to directors, their relatives and related entities shall be within the guidelines prescribed by the RBI,

d) Loan to persons of doubtful integrity, customers engaging in unlawful activities/ illegal business (If known) shall not be entertained notwithstanding the securities offered

e) The company will encourage disbursement of loan through the Bank accounts of the borrowers by electronic transfer or by issue of cheques. Disbursement of loan in cash will be restricted to the limits prescribed by RBI from time to time.

The approved loan policy will be published in the company's website.