

GOLD LOAN POLICY



IFL GOLD LOAN

A unit of IFL HOUSING FINANCE LIMITED

{REGISTERED WITH NATIONAL HOUSING BANK (NHB)}

1. PURPOSE AND APPLICABILITY

To provide loans to customers against gold jewellery as collateral security to be termed as “Gold Loan” hereinafter. The loan is given as a demand loan.

The purpose of this document is to define the Gold Loan Policy for the Company for processing the Loan against collateral of Gold Jewellery. This is a living document and supposed to be updated on a regular basis. This policy is applicable to all type of gold loan given by IFL. Further it shall also ensure the compliance with KYC guidelines of RBI.

The loan can be extended to anyone who is having short term fund requirements like working capital for establishment/ expansion of business activity or meeting personal liquidity requirements or domestic needs including medical expenses etc. Loans shall not be used for any speculative or illegal or unlawful purposes violating the laws of the Country.

2. TENURE OF THE LOAN

All Gold Loans can be sanctioned for a maximum tenor of 12 months unless otherwise specified under a particular scheme duly approved by the Managing Director of the Company.

3. ELIGIBLE CUSTOMER

Any individual who is the lawful owner of the Gold Jewellery offered as security as per the declaration of ownership submitted by him and fulfilling the KYC norms of the company in compliance with the RBI guidelines.

Ownership of the Gold will be determined by the company as under:-

- a. Before disbursement of the loan, branch executives shall enquire with the customers about the ownership of the jewellery being pledged for loan and the loan should be granted only after they are convinced about the genuineness of the borrower and his capacity to own that much quantity of gold. In addition to the above, customers are also required to sign a Declaration of ownership of jewellery offered as security for the loan.
- b. Where the gold jewellery pledged by a borrower at any time, IFL shall perform verification of the ownership of the jewellery. The ownership verification may be verified either through original receipts for the jewellery pledged or any other document justifying ownership of the jewellery. However, in each and every case, self-declaration regarding ownership is must. (For eg. Inherited, received as gift, purchased etc).

4. PRE-SANCTION FACTORS TO BE CONSIDERED

IFL shall not grant any loan against bullion/ primary gold and gold coins or for purchase of gold in any form

including primary gold, gold bullion, gold jewellery, gold coin, units of Exchange Traded Funds (ETF) and units of gold mutual fund.

IFL shall maintain a Loan-to-Value (LTV) ratio not exceeding 75 percentage for loan granted against the collateral of gold jewellery. The value of gold jewellery for the purpose of determining the maximum permissible loan amount shall be the intrinsic value of gold content as explained in the Valuation and no other cost elements shall be added thereto.

5. VALUATION

The gold jewellery accepted as collateral shall be valued by the following method:

- (i) The gold jewellery accepted as collateral shall be valued by taking into account the preceding 30 days' average of the closing price of 22 carat gold as per the rate as quoted by the Bombay Bullion Association Ltd. (BBA) or the historical spot gold price data publicly disseminated by a commodity exchange regulated by the Forward Markets Commission.
- (ii) If the purity of the gold is less than 22 carats, the company shall translate the collateral into 22 carat and state the exact grams of the collateral. In other words, jewellery of lower purity of gold shall be valued proportionately.
- (iii) IFL, while accepting gold as collateral, shall give a certificate to the borrower on their letterhead, of having assayed the gold and state the purity (in terms of carats) and the weight of the gold pledged. The certificate shall be handed over to the borrower and a copy of it shall be retained with the gold ornament pledged.
- (iv) The certified purity shall be applied both for determining the maximum permissible loan and the reserve price for auction.

6. QUANTUM OF FINANCE

Quantum of finance will be decided on the basis of net weight of gold of 22 carat ornaments tendered as security, its purity and subject to RBI guidelines regarding loan to value. Minimum amount per Cust Id: ₹ 3000 (Rupees Three Thousand only) and Maximum amount per pledge : ₹ 1,00,00,000 (Rupees One Crore Only)

Quantum and Purity of gold that can be pledged and deductions to be considered:

- The minimum net weight of Gold Jewellery that can be considered for pledge is 1 grams.
- The ornaments shall be of minimum 18 carat purity. The company shall convert the collateral into 22 carat, as per RBI guidelines.
- The weight of pearl, coral or any other stone or foreign material other than gold contained or forming part of the ornament irrespective of its value shall be deducted from the gross weight of the ornaments to arrive at the net weight for calculating the eligibility for the loan.
- Any jewellery having stone percentage of 50% and above shall not be eligible for loan (after converting weight into 22 carat purity).

7. INTEREST AND CHARGES

The Board, or the Managing Director shall review the interest rates and other charges periodically and make necessary revisions as per the business requirements. Any revision in interest shall only be with prospective effect.

Interest and other charges to be levied on the loan shall be as per the schemes formulated and amended from time to time. The interest rates shall be decided based on gradation of risk, the underlying principle being higher the risk, higher the interest. The maximum rate for the interest rate shall be 30% p.a.

The interest shall be calculated for the actual number of days the loan remains outstanding, including the date of disbursement of loan and the date of closure. A rebate in interest rate may be provided for encouraging timely repayment of interest or closure of the loan on or before the specified tenor as per the scheme. The rate of interest shall be fixed.

A grace period up to 5 days on due date in any loan scheme may be allowed in payment of dues at the discretion of the Managing Director of the Company

For the purpose of calculation of interest, a year will be reckoned as 360 days and a month as 30 days.

Interest rates applicable on gold loans may frequently change due to external factors.

The power of approving scheme lies with Managing Director.

Note: The rate of interest in Gold loan business shall not be linked to IFL-HFR and shall be dependent on the schemes approved by the Managing Director.

➤ **OTHER CHARGES**

In addition to interest, the Company may levy other charges as below. The rate at which such charges are to be levied shall be decided by the Board or Managing Director for fixing interest rates and other charges.

- a) Processing charges
- b) Notice Charges
- c) Charges for loss of Pawn Ticket
- d) Auction related charges:
 - i) Auction Notice charges
 - ii) Advertisement and Printing & Stationery Charges
 - iii) Auction Charges
- e) Any other charges as decided by the Board

In case customer closes the loan within 7 days of booking, minimum 7 days interest is charged, however foreclosure charges are “zero”.

➤ **PENAL CHARGE**

In the event of failure on the part of the borrower to close the loan along with interest and other charges on the due date or within the grace period permitted, penal charges as decided by the Board / Managing Director from time to time and intimated to the borrower shall be charged over and above the regular interest prospectively.

8. SUSPICIOUS TRANSACTIONS

It is always presumed that the person who hold the jewellery is the legal owner of the jewellery, as it is difficult to verify ownership of gold without original receipt or invoice for purchase of jewellery. Due to this, it is very difficult to identify the fraudulent transactions.

Following guidance to be considered for identifying suspicious transactions where no document is furnished for the Jewellery pledged by the borrower;

- In case of new customer carrying jewellery exceeding 20 grams, and his residential address as per KYC documents is different from the area of operation of the branch then additional precautions should be taken by the branch before processing the loan.
- The branch officials should inquire the reasoning for approaching different branch and further ensure about the genuineness of reasons.
- No gold loan should be granted, in case the branch officials are not convinced about the reasons given by such customer.
- If the prospective customer introduces himself by giving the reference of any existing customer, then also he should fulfil the condition required for granting the loan, then only gold loan should be granted to such customer.

9. DOCUMENTATION

- a) Loan Application (including Consent to obtain Aadhaar details for authentication with UIDAI for “eKYC” purpose)
- b) Demand Promissory Note
- c) Customer KYC Form
- d) Loan Receipt
- e) Pledge Slip
- f) List of pledged Gold Ornaments
- g) Terms and Conditions Letter, which also includes declarations and undertakings by the borrower and acknowledged by him and any other documents that may be specified by the Company.
- h) Any one or more of the Documents specified by the company in compliance with RBI Circulars as address/ ID proof for completing the KYC of the customer.
- i) Key Fact Statement (KFS)

Documentation across all branches must be standardized.

10. KNOW YOUR CUSTOMER (KYC) NORMS

PARTICULARS	DOCUMENTS
Identity Proof and Address Proof:	Officially Valid Document (OVD): Passport, Driving Licence, Proof of Possession of Aadhar Card, the voter’s Identity Card issued by the Election Commission of India, Job Card issued by NREGA duly signed by an officer of the State Government and letter issued by the National Population Register containing details of name and address. AND Permanent Account Number or the equivalent e-document thereof or Form No. 60 as defined in Income Tax Rules, 1962.

NOTE:	<p>Where the OVD furnished by the customer does not have updated address, the following documents or the equivalent e-documents thereof shall be deemed to be OVDs for the limited purpose of proof of address:-</p> <ol style="list-style-type: none"> utility bill which is not more than two months old of any service provider (electricity, telephone, post-paid mobile phone, piped gas, water bill); property or Municipal tax receipt; pension or family pension payment orders (PPOs) issued to retired employees by Government Departments or Public Sector Undertakings, if they contain the address; letter of allotment of accommodation from employer issued by State Government or Central Government Departments, statutory or regulatory bodies, public sector undertakings, scheduled commercial banks, financial institutions, and listed companies and leave and license agreements with such employers allotting official accommodation; <p>The customer shall submit OVD with a current address within a period of three months of submitting the documents specified for the limited purpose as above. In case if the customer wants to provide a current address, different from the address as per the identity information available in the Central Identities Data Repository, customer may give a self-declaration to the effect.</p>
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Note:

- PAN Card is to be mandatorily taken for all the transactions above Rs. 5 Lakhs. Online verification of PAN shall also be done as per RBI guidelines.
- Standardized documents to be taken in all the branches.
- It is advised to the customers that in order to comply with the PML Rules, in case of any update in the documents submitted by the customer at the time of establishment of business relationship / account-based relationship and thereafter, as necessary, customers shall submit to the REs the update of such documents. This shall be done within 30 days of the update to the documents for the purpose of updating the records at Company' end.

11. JEWELLERY HANDLING

- Gross weight of the jewellery to be taken and appraised for assessing the purity. Purity Check shall be conducted as per the various methods prescribed by the Company (i.e. water test, rubbing gold on stone, sound test or by an imported machinery) to make sure that the jewellery offered for pledge is of an acceptable level of purity.
- Net weight of the jewellery to be arrived at after deducting the weight of stones embedded in the ornament. Appraiser to sign the appraisal form as proof of having done the appraisal.
 - Jewellery to be packed securely along with the weight slip and kept in the strong room/ safe.
 - Separate packets to be prepared for each loan.
 - Pledged Jewellery shall be insured by the Company.

12. ISSUANCE OF CERTIFICATE OF PURITY

IFL, while pledging the gold jewellery as security for the loan, shall state the purity (in terms of carats) and weight of the gold pledged in the sanction letter/pawn ticket given to the borrower and it

will be treated as Certificate of purity.

The said certificate shall be applied for the limited purpose of determining the maximum permissible loan and arriving at the reserve price for auction.

13. SAFETY AND SECURITY MEASURES

Utmost care is to be taken to ensure the safety of the ornaments pledged by the customer. With this in view the following arrangements shall be in place in all the Branches.

- b) Strong rooms or FBR safes.
- c) Armed guard(s)/ watchman at vulnerable Branches as decided by the Company.
- d) Burglar alarms, Closed Circuit Cameras and such other devices as deemed necessary shall be installed in vulnerable Branches.
- e) Insurance cover against burglary/ fire/ natural calamities or such other risks the Company may decide to insure against.
- f) The adequacy of the safety measures put in place as also the insurance cover shall be reviewed on an ongoing basis.

Note:-

- a. No new branch/es shall be opened without suitable arrangements for security and for storage of gold jewellery, including safe deposit vault.
- b. IFL shall obtain prior approval of the RBI to open branches exceeding 1000.

13. ITEMS NOT TO BE CONSIDERED FOR ACCEPTING AS SECURITY FOR THE LOAN

- a. Melted bar/ Primary Gold
- b. Jewellery of a temple/ church or any religious institutions.
- c. Items having stone percentage of 50% and above from its gross weight.
- d. Items where the borrower is unable to give a proof or declaration of ownership.
- e. Items which are not permitted to be taken as security by RBI

14. RELEASE OF JEWELLERY

- a) Jewellery shall be released to the same customer on receipt of full dues including the principal, interest, penal interest and other charges, if any.
- b) Release, whether partial or in full can be done only after verification of signature, original KYC documents & customer copy of the original pawn ticket (Token).
- c) If the pawn ticket/token is lost then indemnity on stamp paper of required value to be obtained before release of pledged jewellery.
- d) In case the customer is deceased, the ornament will be delivered to the legal heirs as per the procedure stipulated by the Company for settlement of Deceased Loan accounts.

15. FRAUD PREVENTION

- a) All kinds of fraudulent activities or attempt to defraud, whether it is by the employees or outsiders,

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must be brought to the knowledge of the Management as soon as it is detected for proper action as per company guidelines.

- b) Attempt by any suspicious customer trying to pledge stolen/ spurious jewellery should immediately be reported to the Head of the Deptt. / Vice President- Gold Loan or any other officer deputed by the management.
- c) Inspection: All Branches will be periodically inspected and audited by internal auditor at intervals specified by the Company. The audit Department will, at random, verify the quantity and purity of gold ornaments accepted by Branches for pledge. He will also audit various accounting procedures followed at Branches and ensure that the procedures and circular instructions issued by the Company from time to time are strictly being adhered to.

16. MONITORING DEPARTMENT

A Gold Loan monitoring department shall be constituted consisting of at least three members (Vice President- Gold Loan, Senior manager, Manager) which shall perform the following tasks:

- a) Review and decide the interest rates and other charges of Gold Loan schemes.
- b) Monitoring of LTV.

17. AUCTION

- a) In case of occurrence of event of default (due to depletion in security value, low quality/spurious gold, non-repayment of interest within due date etc) or if the loan account is not closed on completion of tenure, even after sending reminders through SMS, notices/ registered notices at frequencies stipulated by the Company, the ornaments will be auctioned after giving a minimum of 14 days' prior notice by way of an auction notice sent by an authorized auctioneer. Auctioneers shall be approved by the Board.
- b) The auction will be announced to the public through advertisements published in at least 2 newspapers, one in vernacular language and another in a national daily newspaper.
- c) IFL Housing Finance, its Group Companies and its other related entities will not be allowed to take part as a bidder in auction to ensure that there is an arms-length relationship in all transactions during an auction process. The borrower, if he chooses, can participate in the auction process complying with the conditions stipulated by the Company/ auctioneer.
- d) appropriated towards the loan outstanding. The Company may decide to recover the shortfall, if any, after such appropriation by various steps including legal action. Excess, if any, shall be refunded to the customer. GST as applicable will be recovered.
- e) Company shall provide full details of the value fetched in the auction and the outstanding dues adjusted and any amount over and above the loan outstanding shall be payable to the borrower.
- f) Auction Procedure: Procedure as outlined in the auction policy approved by the Board to be followed.

18. STAFF TRAINING

All the employees, as soon as they are inducted into the Company, shall be trained on the methods of assessing the purity of the ornaments. A refresher programme will be conducted to keep them updated.

19. NO MISLEADING ADVERTISEMENT

The company will not issue misleading advertisements like claiming the availability of loans in a matter of 2-3 minutes.

20. DISCLOSURES

- a. The company shall disclose in the balance sheet the percentage of such loans against collateral of gold jewellery to total assets.
- b. The Loan Agreement shall disclose details regarding auction procedure.
- c. The Company must disclose in their annual reports the details of the auctions conducted during the financial year including the number of loan accounts, outstanding amounts, value fetched and whether any of its sister concerns participated in the auction.

Gold Loan Policy was approved by the Board of Directors in their meeting held on November 11, 2024.