



## GOLD LOAN POLICY

*Gold Loan Policy approved by the Board on 01<sup>st</sup> April 2023*

### **1) PURPOSE**

The purpose of this document is to define the Gold Loan Policy for the Company for Processing the Loan against the collateral of Gold Jewellery. The eligibility for a loan is evaluated based on the purity of the ornaments. The Loan Amount sanctioned for a particular customer will be subject to all applicable regulations issued by RBI From time to time. The loan can be extended to anyone who is having short-term fund requirements, like working capital for the 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. This is the document and is supposed to be updated regularly.

### **2) INTRODUCTION**

Gold loan (also called loan against gold) is a secured loan taken by the borrower from a lender by pledging their gold articles (22 carats only) as collateral. The loan amount provided is a certain percentage of the gold, typically up to 75%, based on the current market value and quality of gold. The loan is given as a demand loan. Gold Loan not to include advance against bullion/ primary gold/ gold coins and shall not grand loan for the purchase of gold, gold bullion, Jewellery, coins, units of exchange-traded funds (ETF) and gold mutual funds.

Dhanalakshmi Hire Purchase & Leasing Ltd has designed its Gold Loan Schemes to suit the varying needs of different types of customers. The eligibility for a loan is evaluated based on the purity of the ornament. The amount of loan sanctioned for a particular customer will be subject to all applicable regulations issued by RBI from time to time. The rate of interest is decided on two factors of risk criteria.

#### **A. LTV% (Loan to Value) and Period of the loan:**

- The minimum period of interest is fixed as 7 days actual interest or Rupees 50/- whichever is higher depending on the scheme opted by the borrower.
- Repayment can be made on a daily, weekly or monthly basis or as per the convenience of the borrower.
- Part-payment towards the principle and part release of ornaments are allowed in the schemes.
- Repayment or part payment can be done by a third party but redemption and release are allowed only to the person who pledges or an authorized representative.
- Reminders are made as per the following schedule: -
- Phone Call and SMS -25<sup>th</sup> Day
- Notice 85<sup>th</sup> Day, 175<sup>th</sup> Day and 360<sup>th</sup> Day, depending upon the scheme opted by the borrower in case of default
- Gold is auctioned 3 months after the loan tenure as per the board-approved auction procedure of the company as given separately in this policy.

#### **B. Loan Period:**

As in the case of LTV and ROI the loan period also differs from scheme to scheme, the higher the loan period the exposure to security dilution is high hence interest is on the slightly higher side.

### **3) SCHEMES AND QUANTUM OF FINANCE**

The company will formulate various loan schemes for lending against gold ornaments to suit the requirements of the customers. The Quantum of finance will be decided based on the net weight of gold of 22-carat ornaments tendered as security, its purity and subject to RBI guidelines regarding the loan to value. Minimum amount per pledge: ₹2000 (Rupees Two Thousand only)

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

- A. The minimum net weight of gold Jewellery that can be considered for the pledge is 1 Gram.

B. The ornaments shall be of minimum 22-carat purity.

C. 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.

#### **4) BENEFITS OF OUR GOLD LOAN SCHEMES**

- Quick disbursement
- Minimum documentation.
- No hidden charges Like Processing Fees, documentation charges, foreclosure etc... (Differ from state to state)
- No advance interest collected
- Loan granted after proper appraisal and weight assessment of ornaments.
- Interest charged under diminishing method.
- Lowest interest rates
- All the terms and conditions are printed on the gold loan receipt so that it is fully transparent
- All branches are under 24-hour CCTV recording so that all the ornaments are safe in our hand
- Regular internal audits to ensure the safety of the pledged gold
- All our branches are insured against theft and other calamities

#### **5) LTV% FIXATION POLICY**

The ceiling rate for granting the loan will conform to the guidelines issued by RBI from time to time as also the rates per gram under each scheme shall be updated in the system and advised to Branches periodically. As of the date of approval of this gold loan Policy, the Master Direction of RBI requires to maintain a Loan-to-Value (LTV) Ratio not exceeding 75 % for loans granted against the collateral of gold jewellery. Provided that the value of gold jewellery is to determine the maximum permissible loan, the amount shall be the intrinsic value of the gold content as explained in the Valuation and no other cost elements shall be added thereto. Changes in the rate of interest and schemes will be intimated to branches periodically from Head Office.

#### **6) INTEREST RATES AND OTHER CHARGES**

While fixing interest rates on Gold Loan Schemes, the Board of Directors of the company or a Committee drawing power from the Board of Directors shall be governed by the following principles. In addition to cost factors set out hereunder, the Board or the Committee shall be guided by the market conditions and various rules and regulations, if any, prescribed by the Reserve Bank of India or such other competent authority from time to time. The rate of interest applicable is according to the schemes where the LTV and loan period is the same or differs. The lower the loan amount and the lower the period, our exposure to market fluctuation, risk and security coverage are better where the rate of interest is fixed at the lowest. The Board or a committee empowered by the Board 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 the gradation of risk, the underlying principle being higher the risk higher the interest, within the ceiling rate decided by the Company. The interest shall be calculated for the actual number of days the loan remains outstanding, including the date of the loan disbursement and the date of closure. For calculation of interest, a year will be reckoned as 365 days and a month as 30 days. Interest is calculated in 30 days, if failed to pay, the rate of interest will be applicable in the next slab from day one.

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 a Committee empowered by the Board for fixing interest rates and other charges.

- A) Notice Charge + GST
- B) Legal Charge + GST
- C) Newspaper Advertisement charge + GST
- D) Auction expenses if any
- E) Any other charges as decided by the Board

The interest rates on Gold Loans shall always be expressed in simple rates. Interest charged under various Gold Loan Schemes shall have the following components:

1. *Basic Interest Rate*
2. *Risk Interest Rate*
3. *Penal charge Rate*

#### **1. BASIC INTEREST RATES**

The basic Interest Rate represents the rate chargeable under every Gold Loan Scheme irrespective of the risk weight attached to the scheme or the type of scheme. Basic Interest shall be arrived at after considering the following aspects:

##### **A) Cost of Working Capital Funds**

This component represents the interest and other incidental charges payable by the Company for servicing the borrowed funds deployed by the Company. A major contributing factor to this component includes interest payable on Secured Non-Convertible Debentures, Interest on Bank Borrowings and other incidental charges thereto.

##### **B) Overhead Cost**

This represents the employee cost to the Company and other operating & miscellaneous overheads including all fixed and variable expenses, processing fees, intermediation fees and all incidental expenses.

##### **C) Return on Capital Employed**

After considering the above cost factors, the Board/committee shall take into consideration a fair return on capital employed which is to be generated by the management for servicing the owner's capital employed in the business. Thus, the basic interest rate will be fixed as a markup on the current cost of funds. The current cost of funds for this purpose means the cost of borrowing of the relevant month including the incremental cost if any; for borrowing and the overhead costs and a fair return on capital employed. For market penetration and taking into account competition in the market, the basic interest rate in certain schemes will be fixed at rates with low mark upon the cost of funds with an emphasis on the regular monthly payment of interest.

#### **2. RISK INTEREST RATE**

Risk Interest shall be determined by taking into account the degree of risk involved in loans under each loan scheme. While the rate shall be the lowest for the schemes where the advance amount vis-à-vis the weight of gold is the lowest, it shall be increased for schemes offering higher advance amounts for the same weight. Further, irrespective of the scheme, the risk interest shall also be determined after taking into account the period of the loan and the defaulted period in payment of interest as the incidence of risk goes up over time.

#### **3. PENAL INTEREST RATE**

Loans outstanding for more than one year shall be charged penal interest to ensure adherence by the borrower to the terms and conditions of loan tenure and also to compensate for the extra effort to be taken on recovery. The Company may introduce gold loan schemes with upfront charges or schemes with a minimum amount of charge and a specified lock-in maturity period, duly acknowledged by the customer.

#### **7) OTHER INFORMATION**

The loan agreement shall contain the rate of interest due, additional interest for default in interest payment, and the rate of penal interest for payment overdue for more than 365 days. A copy of the loan agreement containing DPN, terms and conditions will be handed over to the customer at the time of granting the loan.

Interest rate structure on loan accounts containing all details like basic rate, additional interest based on risk and penal interest, approach for gradation of risks etc. shall be displayed on the website of the company. Changes in these rates/details will be updated from time to time.

### **8) OWNERSHIP OF GOLD ORNAMENTS PLEDGED**

The customers will have to give a declaration in the prescribed format showing the ownership details of the ornaments which will contain the following:

Name, Address, and Description of the ornaments offered for pledges such as Name of the items, Gross and net weight, How the ornaments were acquired, Name of the jewellery/ person from whom this was acquired and the period of ownership. If the ornaments are purchased from jewellery the customer can be requested to produce the bill wherever possible.

**Insurance:** The gold ornaments pledged in the company are kept in the strong rooms or safe, with dual control at the respective branches where the pledge is made. Since the risk element is attached to this, the company will ensure that adequate insurance coverage is in place against risks such as burglary, Fire, Special perils etc., The insurance coverage is to be reviewed on an ongoing basis and the enhancement, if any, required to cover the security as per the business growth of the branches is to be ensured. The company will also make adequate insurance arrangements to cover the gold and cash in transit as well as fidelity insurance.

### **9) KYC VERIFICATION AND RISK CATEGORIZATION**

The Fundamental and primary objective of this is to prevent the Company from being used, intentionally or unintentionally, by criminal elements for money laundering activities or terrorist financing activities. Other major objectives are noted below: -

- To lay down criteria for acceptance of customers
- To establish procedures to verify the identification of customers.
- To establish processes and procedures to monitor high-value transactions and suspicious transactions.
- To conduct due diligence in respect of customers and reporting of transactions wherever necessary.

### **10) VALUATION**

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

A) 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 Indian bullion and jeweller's association Ltd. (IBJA) or the historical spot gold price data publicly disseminated by a commodity exchange regulated by the Forward Markets Commission.

B) If the purity of the gold is less than 22 carats, shall translate the collateral into 22 carats and state the exact grams of the collateral. In other words, jewellery of lower purity of gold shall be valued proportionately.

C) The certified purity shall be applied both for determining the maximum permissible loan and the reserve price for the auction.

### **11) JEWELLERY HANDLING**

A) Gross weight of the jewellery to be taken and appraised for assessing the purity. A purity Check shall be conducted as per the various methods prescribed by the Company to make sure that the jewellery offered for the pledge is of an acceptable level of purity.

B) Net weight of the jewellery to be arrived at after deducting the weight of stones embedded in the ornament. Appraiser is to sign the application form as proof of having done the appraisal.

C) Jewellery to be packed securely along with the weight mark and kept in the strong room/ safe.

D) Separate packets to be prepared for each loan.

### **12) ISSUANCE OF CERTIFICATE OF PURITY**

A certificate of purity of the gold jewellery pledged as security for the loan will be incorporated in the pawn ticket given to the borrower for the limited purpose of determining the maximum permissible loan and arriving at the reserve price for the auction.

### **13) SAFETY 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.

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

**Note: -**

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

### **14) ITEMS NOT TO BE CONSIDERED FOR ACCEPTING AS SECURITY FOR THE LOAN**

- A) Melted gold bar, gold coin, pieces or other gold pieces, gold spoons, gold medals, knife vessels, idols etc.
- B) Rudraksha, Tulasi, Karimani, Muthu mala in which Pearls are filled with wax/lead
- C) Polla Thara Chains (Very low purity)
- D) Kasumala without hall marking
- E) Bangles with full wax/lead inside
- F) Bangles with Lion's/Tiger's heads
- G) Gents Bangle (Punjabi kada) above 40 grams
- H) Locketts (if with filling inside)
- I) Jewellery of a temple/ church or any religious institutions.
- J) Items having stone percentage of 50% and above from its gross weight.
- K) Items which are used by traditional villagers fitted in clothes or similar things.
- L) Item specified by the Company in the negative list updated from time to time.
- M) Items where the borrower is unable to give a proof or declaration of ownership.
- N) Items which are not permitted to be taken as security by RBI

### **15) ITEMS WHICH CAN BE CONSIDERED AS PLEDGE WITH SOME CONDITIONS**

- A) Weight of 4 grams and above Baby bangles be treated as normal bangles
- B) Gold coins with hook acceptable with a chain
- C) Baby Bangle and Baby ring can be accepted along with set of ornaments belonging to him/her but there should be mandatory deduction of 0.5 gram for each bangle/ring
- D) The minimum eligibility for a pledge is 1 Gram

### **16) 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 the 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 the required value is to be obtained before the release of 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 the settlement of Deceased Loan accounts.

### **17) DEFINITION OF CUSTOMER**

For our KYC policy, a customer means a person as defined under RBI policy as amended from time to time. Presently customer includes: -

- A. A person or entity maintaining a business relationship with the company.
- B. A person on whose behalf the relationship is maintained.
- C. Any other person or entity connected with a financial transaction which can pose significant reputation or other risks to the company.

For Individuals				For Non-Individuals	
SL No	Proof of Identity (Self-attested copy of any one of the following)	SN No	Proof of Address (Self-attested copy of any one of the following)	SL No	Companies A certified true copy of the below documents, duly Certified by CS/ Director.
1	Passport	1	Passport	1	Certificate of Incorporation
2	PAN Card	2	Telephone Bill	2	Certificate of commencement of business
3	Voter's ID	3	Electricity Bill	3	Memorandum and Articles of Association
4	Driving License	4	Bank Account statements (Not more than 3 months old)	4	PAN Card
5	ID card issued by any central/state Govt	5	Aadhar Card	5	List of Directors
6	AADHAAR is issued by a unique identification authority of India			6	Any other docs (Shareholding pattern etc.)

### **18) CUSTOMER ACCEPTANCE POLICY ("CAP")**

All customers are required to fill in the KYC details on the application form, to capture the relevant data for all categories of customers and provide supporting documents as given in the forms as a part of the customer identification process.

### **19) CUSTOMER IDENTIFICATION PROCEDURES ("CIP")**

CIP means identifying the customer and verifying his/her identity by using reliable source documents, data or information. The Company shall obtain sufficient information necessary to verify the identity of each customer whether regular or occasional and the purpose of the intended nature of the Business relationship. The requirement as mentioned herein may be moderated according to the risk perceptions in respective cases.

### **20) DOCUMENTS REQUIRED.**

The above data shall be reviewed once every 6 months. The periodicity of updating shall be once in five years in case of low-risk category customers and once in two years in case of high and medium-risk categories.

### **21) MONITORING AND REPORTING OF TRANSACTIONS:**

Monitoring of transactions will be conducted taking into consideration the risk profile of the account. Special attention will be paid to complex/unusual transactions and transactions falling outside the regular/pattern of activity. The background of the customer, sources of funds and risk factors will be monitored. Higher-risk accounts shall be subjected to close and detailed monitoring. After due diligence, transactions of suspicious nature will be reported by the principal officer to the Director of, the Financial Intelligence Unit- India (FIU\_IND). The role and responsibilities of the Principal Officer for KYC/ AML/ CFT (s) should include overseeing and ensuring overall compliance with regulatory guidelines KYC/AML/CFT issued from time to time and obligations under the Prevention of Money Laundering Act, 2002, rules and regulations made there under, as amended from time to time.

### **22) RISK MANAGEMENT:**

All customers would be included under this policy. Customers will be categorized based on perceived risk, into three categories - A, B & C for High, Medium and Low risk. None of the entities will be exempted from the KYC procedure, irrespective of the status and relationship with the Company or promoter. The above requirement may be moderated according to the risk perception.

#### **A) High Risk**

A) Partnership Firms with sleeping partners

- B) Non-face-to-face customers and
- C) Persons with a dubious reputation

**B) Medium Risk**

- A) HNIs
- B) NRIs
- C) NGOs, Trusts, Charitable Organizations, Organizations receiving donations

**C) Low Risk**

- A) salaried employees whose salary structures are well-defined,
- B) people belonging to lower economic strata of the society whose accounts show small balances and low turnover
- C) Government departments & Government owned companies, regulators and statutory bodies etc.

**23) TRAINING**

The company regularly trains its employees so that the employees are adequately trained in KYC/ AML/ CFT procedures. Training requirements shall have different focuses for frontline staff, compliance staff and officer/staff dealing with new customers. It is crucial that all staff fully understand the rationale behind the KYC policies and implement them. CMD/CEO will be authorized to amend/modify the KYC/ AML/ CFT Policy or such other related guidance notes of the Company, to be in line with RBI or such other statutory authority's requirements/updates/ amendments from time to time.

**24) GENERAL**

Information collected from the Customer shall be treated as confidential and details thereof are not to be divulged for cross-selling or any other like purposes. These details shall be properly retained and preserved for each customer. Profile of customer may be prepared for quick reference as and when required.