



इन्द्रप्रस्थ सहकारी बैंक लिमिटेड

INDRAPRASTHA SEHKARI BANK LTD

Scheme for Advance Against Gold & silver collaterals

1. Nature & extent of loan **Term Loans:** The bank shall extend advance against gold & silver Jewellery/ ornaments for personal needs (meeting medical, educational, marriage expenses and other unforeseen expenses etc.) and for non-agricultural purposes e.g. business operations, commercial equipment and vehicles as well as need based consumption loans with a maximum amount of Rs.25 lacs.
- Prior approval of the Chief Executive Officer shall be required for loans above Rs.5 lacs.
2. Quantum of finance: **Term Loans:** Maximum LTV Ratios for Consumption as well as Income-generating loans:
- Up to ₹2.5 lakh loan amount: 85% LTV.
 - ₹2.5 lakh to ₹5 lakh loan amount: 80% LTV.
 - Above ₹5 lakh loan amount: 75% LTV.
3. Eligibility Permanent salaried individuals, Self-employed, Professionals & businessmen properly introduced to the Bank and a bona-fide member of the bank including Nominal members, subject to their submission of a declaration to the effect that they are lawful owner/s of ornaments and have the fullest right to pledge them to the bank. The Bank shall mandatorily follow KYC procedure while sanctioning loans against gold & silver ornaments.
4. Rate of Interest: For loans under Priority Sector – 9.50% p.a.
Others (non-priority) – 10% p.a.
For staff – 9% p.a.
5. Margin The Bank shall ensure Loan to Value (LTV) Ratio of 75% to 85% depending upon quantum of loan against gold & silver/silver jewellery.
6. Period of loan/Repayment **Term Loans:** For a maximum period of 36 months. (equated monthly instalments)
7. Collaterals Loan shall be granted only against gold & silver collaterals - (jewellery, ornaments, and specifically minted coins), subject to:
- i) The aggregate weight of gold & silver collateral (ornaments/coins) pledged shall not exceed one kilogram for gold and ten kilogram for silver ornaments.

8.Prohibited collateral:

ii) The aggregate weight of coin(s) pledged shall not exceed 50 grams in case of gold coins, and 500 grams in case of silver coins.

i) No loan shall be granted against primary gold & silver (bullion, bars, ingots)

ii) No loans against financial instruments like Gold & silver e.g. units of Exchange Traded Funds (ETFs) or Mutual Fund units, and

iii) No loans for the purpose of purchasing gold & silver in any form.

9.Valuation of Gold & silver

Gold & silver (ornaments & coins) accepted as collateral shall be valued based on the reference price corresponding to its actual purity (caratage). For this purpose, the lower of (a) the average closing price for gold & silver or silver, as the case may be, of that specific purity over the preceding 30 days, or (b) the closing price for gold & silver or silver, as the case may be, of that specific purity on the preceding day, as published either by the India Bullion and Jewellers Association Ltd. (IBJA) or by a commodity exchange regulated by the Securities and Exchange Board of India (SEBI) shall be used. If price information for the specific purity is not directly available, the bank shall use the published price available for the nearest available purity and proportionately adjust the weight of the collateral based on its actual purity to arrive at valuation.

For the purpose of valuation, only the intrinsic value of the gold & silver or silver contained in the eligible collateral shall be reckoned and no other cost elements, such as precious stones or gems, shall be added thereto.

10.Top-up facility

In the event of steep rise in value of gold & silver, the bank may consider top up of the loan, if the customer so desires provided the existing gold & silver loan must be in standard category. Fresh credit assessment shall be made and LTV ratios shall be capped (e.g.75%-85%) based on the loan amount, ensuring sufficient collateral value.

Further, there shall not be ever greening i.e. renewing bad loans by issuing top-ups; accrued interest must usually be paid first.

11.Valuation & Processing charges:	Schedule of charges enclosed.
12.Foreclosure charges:	NIL

Broad Terms & conditions:

1. Appraisal/valuation:

i) The gold & silver collateral shall be appraised by an appraiser/valuer approved by the bank, who shall submit a certificate indicating the description of the ornaments, their fitness, gross weight of the ornaments, net weight of the gold & silver content exclusive of stones, lac, alloy, strings, fastenings and the value of the gold & silver at the prevailing market price.

ii). The bank shall not extend a loan where ownership of the collateral is doubtful. A declaration/undertaking shall be obtained from the borrower to the effect that the borrower is the rightful owner of the eligible gold & silver collateral.

iii). The valuation report shall be duly signed by the appraiser and kept along with the loan documents by the bank. The valuation certificate shall be made in duplicate/triplicate and a copy of the same is delivered to the borrower only to be returned / produced at the time of closure of the loan and delivery of ornaments. Borrower shall be advised accordingly in this regard. Charge of Rs.100/- shall be recovered from the customer in case of loss of copy of such certificate by him/her.

2. Record of Collaterals (Gold & silver ornaments register): Full name of the borrower, his residential address, date of advance, amount and description of the ornaments in detail should be recorded in the gold & silver ornaments register which should be checked / initialled by the Manager.

3. Custody of Ornaments: Packets containing ornaments belonging to each borrower indicating the description of ornaments, gold & silver loan account number, name of party, etc. should be kept separately in the strong room or fire proof safe under joint custody. Separate packets to be prepared for each loan. Packets shall be sealed in the presence of the customer after completion of all loan related formalities including execution of documents.

4. Return/Release of Ornaments: On repayment of the loan together with the interest payable in the account, the ornaments shall be returned to the borrower against proper receipt.

5. Part Release: The Bank shall not consider part release of the ornaments against any part repayment of the loan.

6. Delivery to Third Parties: The Bank shall not consider delivery of ornaments to third parties. However, in exigencies, prior approval of Head Office may be obtained before release of ornaments to third parties. A copy of the valuation certificate handed over to the borrower at the time of sanction shall be insisted upon.

7. Re-pledge of Ornaments: The Bank shall not sanction loans to money lenders / jewellers against re-pledge of gold & silver ornaments. The bank shall not extend loans to other lenders, entities or individuals by accepting gold & silver collateral pledged to such lenders, entities, or individuals by their borrowers as collateral.

8. Verification:

i) The bank shall ensure verification including assaying of gold & silver collateral pledged with it by internal Auditors at periodic intervals in the absence of the borrower and shall maintain a record thereof. This aspect shall be specifically communicated to the borrower at the time of sanctioning the loan.

ii). Verification including assaying of pledged gold & silver collateral shall also be ensured through approved valuers other than the one who has verified the gold & silver at the time of sanction of loan once every year if the repayment period exceeds 12 months. The packets containing gold & silver collateral shall be resealed or a new packet shall be used and the process shall be documented.

9. Renewal of loans: Renewal of gold & silver loans shall be permitted subject to closure of existing loan by repaying the entire principal and interest up to date. The eligible amount for the new loan will be calculated as per the LTV (Loan to Value) prevailing on the day. Shortfall in the principal amount/interest, if any, will have to be remitted by the borrower.

However, there could be instances where the loan proceeds on renewal as per the current LTV will be sufficient to take care of the liability towards closing the existing loan and there may not be any real cash flow.

10. Default: If the borrower fails to repay the loan on the due date, a notice calling upon him to repay the loan within 14 days shall be given and if no response is received, a reminder shall be sent by registered post informing the borrower that the ornaments would be auctioned on(date).and proceeds would be appropriated towards adjustment of outstanding dues to the Bank. Balance, if any, would be paid to the borrower against his receipt. Likewise, a shortfall after such appropriation shall be recoverable from the borrower. Auction expenses incurred by the Bank shall also be recovered from the borrower.

In case of eventualities leading to probable loss on account of shortfall in the value of collaterals due to fluctuations in gold & silver price or any other reasons or contingencies e.g. in case of spurious/low quality gold & silver ornaments detected during verification and pledge of stolen gold & silver ornaments, deficiencies in valuation by the approved valuers, disputed gold & silver ornaments, the Bank reserves its right to recall the loan and auction the gold & silver without waiting for expiry of the stipulated sanction period.

11. Penal Charges : Penal charges @ 2% duly intimated to the borrower upfront shall be charged over and above the regular interest for the period, the loan remains outstanding over and above the due date

Other terms & conditions:

- Accepting of ornaments for pledge and release thereof to the parties concerned after repayment of the bank's dues shall be done strictly in the authorised official's room to avoid any risk.
- Loan shall not be used for any speculative or illegal or unlawful purposes violating the laws of the country;
- Since ornaments like ear-rings are bought as a pair (set of two), loan shall not be granted against pledge of a single ear-ring. The Bank may consider it along-with other ornaments. Like-wise Mangal-sutra is not accepted without the consent of wife.
- In case of death of the borrower, the ornaments shall be delivered to the Nominee / legal heirs provided they agree to adjust the outstanding loan amount plus interest thereon otherwise the gold & silver jewellery shall be auctioned by following due process.
- Minimum interest for 7 days shall be payable. If the amount of interest so calculated is less than Rs.100/- then a minimum interest of Rs.100/- will be charged.

- For the purpose of calculation of interest, a year will be reckoned as 365 days. Interest will be calculated on monthly compounding basis.
- Loans under the scheme shall be governed by extant income recognition, asset classification and provisioning norms of RBI which shall be applicable once the principal and interest become overdue.
- The account would also be classified as NPA (sub-standard category) even before the due date of repayment, if prescribed margin is not maintained.
- Any attempt to defraud the Bank by suspicious customers by trying to pledge stolen/spurious jewellery shall immediately be reported to the higher authorities at Head Office and to local police.
- The Bank reserves the right to conduct extensive verification of the gold & silver ornaments to assess the purity to sanction advance against such gold & silver ornaments and shall not be responsible for any damage caused to the ornaments in the process.
- The loan against gold & silver ornaments may also be sanctioned to members of staff. Valuation charges shall have to be paid by the staff member. However, processing charges shall be waived. Rate of interest to staff members under the scheme shall be charged as applicable to staff loans.
- The average of the closing price of 22 carat gold & silver for the preceding 30 days as quoted by India Bullion and Jewellers Association Ltd. shall be worked out at H.O. and placed before the CEO for onward ratification by the Board and for intimating the same to the branches.
- Loans under the scheme shall be sanctioned at branch level by Branch Manager and in his/her absence, 2nd in command shall have powers to sanction loans under the scheme. Monthly report in this regard shall be sent to Head Office.
- Documents required to be executed for sanction of loans against gold & silver collateral:
 - IPLD – 1A (D.P. Note)
 - IPLD-53 (Application form for gold & silver loans including Annex & Nomination forms)
 - IPLD-54 (Gold & silver loan agreement)
 - IPLD-55 (Delivery letter)
 - IPLD-56 (Certificate by Appraiser of Gold & silver loans)
 - Attestation Memo, Sanction letter and maintenance of Gold & silver Loan Register.
 - Key-facts Statement (KFS) - All applicable charges payable by the borrower, including those related to assaying, auction, etc., shall be clearly included in the loan agreement and Key Fact Statement (KFS).

(branches are advised to ensure that the word 'silver' is added appropriately in all the requisite documents).

A copy of the revised Key Fact Statement (KFS) and revised loan agreement is enclosed.

