



INDRAPRASTHA SEHKARI BANK LTD.

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POLICY ON ADVANCE AGAINST GOLD JEWELLERY/ORNAMENTS

The Bank proposes to extend loans up to Rs.2 lacs against pledge of gold ornaments/jewellery as per Reserve Bank of India guidelines. Details of the proposed scheme are as under:

Nature & extent of loan (Term Loan / Overdraft)	Demand loans - against gold jewellery / ornaments up to a maximum of Rs.2 lacs per borrower. However, minimum amount of loan shall be Rs.25,000/-. No overdraft facility.
Purpose	Loan can be extended to any member having short term fund requirements like working capital for establishment, expansion of business activity and/or meeting personal liquidity requirements, domestic needs including medical expenses.
Eligibility	<p>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 ornaments.</p> <p>Opening of saving account shall not be insisted upon. Loan proceeds shall be remitted by NEFT/RTGS to the bank where the customer is maintaining his/her account. However, KYC shall be ensured.</p>
Rate of Interest:	Interest will be charged at monthly rests and to be serviced every month @ 10.% p.a.(to be decided by the Board and as may be revised by the bank from time to time.
Margin	The Bank shall ensure Loan to Value (LTV) Ratio of not exceeding 75 per cent for lending against gold jewellery.
Period of loan	The period of loan shall not exceed 12 months from date of its sanction and shall be payable in equated monthly instalments.
Repayment	The loan is payable on demand. However, the borrower shall have the option of making repayment in one or more instalments or lump sum within the sanctioned period.
Security	Pledge of gold jewellery / ornaments only. The Bank shall not consider primary gold/melted bar and jewellery of religious places. The Bank shall also not consider gold jewellery items where the borrower is unable to give a proof or declaration of ownership. Bank shall also consider gold coins (upto 50 gms) issued by other banks provided the customer agree for verification of the coins.



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Valuation of Gold	<p>Gold jewellery accepted as security shall be valued at the average of the closing price of 22 carat gold for the preceding 30 days as quoted by the India Bullion and Jewellers Association Ltd. Jewellery of lower purity of gold shall be valued proportionately.</p> <p>Dealing officials at HO shall keep a watch on average closing price of 22 carat gold regularly and put up monthly reviews on fluctuations to enable the management to revise/arrive at rates for valuation of gold.</p>
Top-up facility	<p>In the event of steep rise in value of gold, the bank may consider top up of the loan, if the customer so desires.</p>

Broad Terms & conditions:

Appraisal/valuation: The Bank shall empanel approved jewellers or Shroff for in house appraisal/valuation of gold jewellery for sanction of loans under the scheme, who shall submit a certificate indicating the description of the ornaments, their fitness, gross weight of the ornaments, net weight of the gold content exclusive of stones, lac, alloy, strings, fastenings and the value of the gold at the prevailing market price.

The valuation report should 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.

Record of Security(Gold 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 ornaments register which should be checked / initialled by the Manager.

Custody of Ornaments: Packets containing ornaments belonging to each borrower indicating the description of ornaments, gold 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.

Return 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.

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

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.

Re-pledge of Ornaments The Bank shall not sanction loans to money lenders / jewellers against re-pledge of gold ornaments.



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Insurance: The jewellery/ornaments pledged to the bank shall be insured for the appraised value against the risk of burglary. If the pledged jewels are stored in fire-proof strong rooms, insuring them against fire may not be necessary. Banks may take blanket insurance policy covering cash, jewels and other valuables and also covering all types of risks.

Verification: Surprise verification of the packets containing gold-ornaments by an officer other than the joint custodian shall be undertaken and should be recorded in a separate register with necessary details. The packets shall be cut open in the presence of the Branch Manager and item wise weight of the ornaments shall be ensured /cross checked with the certificate of the appraiser and put back in the packet. The Visiting official shall put his full signature on the packet in confirmation of having verified the contents of the packet and countersigned by the Branch Manager. One of the empanelled valuers shall be reserved for verification purposes only.

Renewal of loans: Renewal of gold 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.

Default: When 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 security due to fluctuations in gold price or any other reasons or contingencies e.g. in case of spurious/low quality gold ornaments detected during verification and pledge of stolen gold ornaments, deficiencies in valuation by the approved valuers, disputed gold ornaments, the Bank reserves its right to recall the loan and auction the gold without waiting for expiry of the stipulated sanction period.

As such, the Bank shall give 14 days' notice to the borrower to pay a certain sum of money per gram of the gold pledged to make good the shortfall in the value of the security or to pledge additional gold to bring the value of security on par with the prevailing LTV. In the event of the customer not remitting the required amount/not pledging the additional gold to cover the outstanding as per the demand made by the Bank within 14 days, auction proceedings will be initiated even before the loan becomes due as per the sanctioned tenure of the loan and notice shall be sent to the borrower indicating the date, time and place of auction. This will also give further time to the borrower to regularize the account.

While auctioning the gold, the reserve price for the pledged ornaments will not be less than 85 per cent of the previous 30 day average closing price of 22 carat gold as declared by The Indian Bullion and Jewellers Association Ltd. In case of jewellery of lower purity items the floor price will be proportionately reduced.



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Valuation & Processing charges: Valuation charge of Rs..... (as may be decided) and processing charge of 1% of loan amount (minimum Rs.700 plus GST and Maximum of Rs.1500/- plus GST) shall be charged. Further, a custody charge of Rs.500/- per quarter shall be taken if delivery is not taken within one month after closure of the loan account.

Foreclosure charges: Foreclosure charge of 2% shall be levied on the balance outstanding at the time of foreclosure.

Penal Interest: Penal interest @ 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 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 ornaments to assess the purity to sanction advance against such gold ornaments and shall not be responsible for any damage caused to the ornaments in the process.
