

POLICY RELATING TO LENDING AGAINST GOLD COLLATERAL

RBI/2025-26/47 DOR.CRE.REC.26/21.01.023/2025-26 June 6, 2025

Reserve Bank of India (Lending Against Gold and Silver Collateral) Directions 2025

A.Introduction :

Reserve Bank of India , as a part of moving towards a more principle-based and harmonized regulatory framework and addressing possible prudential and conduct related gaps issued the revised instructions on the matter are consolidated in the comprehensive Directions on Lending Against Gold and Silver Collateral applicable. However, the Bank is lending against gold collateral only.

B. Definitions:

- (i) **"Bullet Repayment Loans"** means loans where both principal and interest are due for payment at the maturity of the loan.
- (ii) **"Collateral Security"** or **"Collateral"** means an existing asset of the borrower pledged to the lender for availing and securing a credit facility extended by the lender to the borrower.
- (iii) **"Consumption Loan"** means any permissible loan that does not fit the definition of income generating loan as defined in paragraph (vi) below.
- (iv) **"Eligible Collateral"** means the collateral of jewellery, ornaments or coins made of gold or silver.
- (v) **"Loan to Value (LTV) ratio"** on a day means the ratio of the outstanding loan amount to the value of the pledged eligible collateral as on that day. In case of bullet repayment loans, however, the LTV calculation shall take into account the total amount repayable at maturity.
- (vi) **"Income Generating Loan"** means loans extended for the purpose of productive economic activities, such as farm credit, loans for business or commercial purposes, loans for creation or acquisition of productive assets etc.
- (vii) **"Jewellery"** means items that are designed to be worn as personal adornments.
- (viii) **"Ornaments"** means items meant for use as adornment of any object, decorative items, or utensils, excluding those items that fall under the definition of jewellery as defined under (vii) above.
- (ix) **"Primary Gold"** mean gold in any form other than in the form of a jewellery, ornaments and coins.
- (x) **"Top-up Loan"** means an additional loan sanctioned over and above an outstanding loan, during the tenor of the original loan, based on the strength of the gold already pledged for the existing loan.

C. Maximum Limits of Lending

1. The maximum loan for a single borrower is limited to Rs. 50.00 Lakhs under all products.
2. The aggregate limit for the portfolio of loans is maximum of **40%** of total loans & advances of the Bank.
3. Maximum LTV ratio in respect of consumption loans against the eligible collateral shall not exceed LTV ratio as provided in the table below.

Limits	LTV Ratio	Details
≤Rs. 2.50 lakhs	85%	The prescribed LTV ratio is the maximum permissible by RBI LTV. shall be maintained on an ongoing basis throughout the tenor of the loan.
> Rs. 2.50 lakhs and ≤5.00 lakhs	80%	
> Rs. 5.00 lakhs	75%	

In case of bullet repayment loans the loan amount shall be the total amount of principle + interest payable at maturity.

D. Products

1. GCL Loans (Gold Loan for Consumption Purpose)
 - (i) Consumption loans in the nature of bullet repayment.- Tenor 12 months and maximum amount of Rs. **10.00 Lakhs**
 - (ii) Consumption loans in the nature of Term Loan i.e., monthly EMI payments.- Maximum Tenor of 60 months and maximum Rs. 20.00 Lakhs

Consumption purposes mean: The loans can be sanctioned: Domestic, Marriage, Education, Repayment of Debts etc., and also other purposes viz., **house repairs/construction/medical expenses etc., as applicable.**

2. GIG Loans (Gold Loan for Income Generation Purpose)
Income generation loans
 - (i) In the nature of bullet repayment - Tenor 12 months and maximum amount of Rs. 15.00 Lakhs
 - (ii) In the nature of Term Loan i.e., monthly EMI payments- Maximum Tenor of 60 months and maximum Rs. 50.00 Lakhs

Purposes for which the loans can be sanctioned: loans extended for the purpose of productive economic activities, such as farm credit, loans for business or commercial purposes, loans for creation or acquisition of productive assets i.e., stocks, real estate (both residential & commercial) and business etc., and also other purposes as applicable.

E. Segregation of present gold loan portfolio.

The existing gold loan portfolio as on the date of adoption of this policy shall continue to remain under the respective heads as was originally sanctioned. All the loans under the respective heads shall be migrated in to the new product heads on maturity/completion of tenure (as was originally sanctioned) that are proposed in paragraph D as above based on the nature, purpose and tenure.

All gold loans that would be sanctioned after adoption of this policy shall be suitably classified under the different product heads proposed in paragraph D above.

The bank may suitably devise new products of gold loans considering the requirements of the market and the business which fit into the broad framework as conceived under paragraph C & D above.

F. Agricultural Loans

Bank can sanction gold loans for agriculture and allied activities duly following the RBI guidelines issued from time to time.

G. Interest rates

The interest rates on gold loans will be decided by the Board from time-to-time duly aligned with market conditions and other conditions as applicable.

H. Renewal of Existing Loans & Top-up Loans

The bank may renew an existing loan or sanction a top-up loan upon a formal request from borrower and subject to a credit assessment. Such renewal or top-up shall be permitted only within the permissible LTV, and provided the loan is classified as standard. Further, renewal of bullet repayment loan shall be allowed only after payment of accrued interest, if any. The bank shall ensure that such renewal and top-ups are clearly identifiable in its Core banking System or Loan Processing System.

I. Action to be taken in cases of breach of LTV ratio

Bank is changing the gold rates at monthly intervals. ***In the event of gold loans of a borrower ,where LTV is exceeding the threshold rate differential will be recovered from the borrower.*** The Branches will send a letter advising the borrower to pay the difference amount or bring additional gold to take care of the reduced LTV. A maximum time of 3 months will be given for the borrower to regularize the position. IT department will furnish the details of accounts where there is a short fall of LTV ratio and the same shall be placed before Audit Committee at quarterly intervals.

J. Credit Assessment, Purpose Proof & End Use of Funds

For loans up to Rs. 02.50 Lakhs income declaration given by the borrower, purpose and end use of funds by obtaining declaration in the loan application itself will be taken as credentials.

For loans above Rs. 02.50 Lakhs to Rs. detailed credit assessment i.e., income, net worth and repaying capacity by duly obtaining self declaration stating the monthly source of income received which should be sufficient to repay the loan/ latest IT return (2 year)/ latest salary certificate and purpose declaration/evidence as per Annexure-II is to be obtained.

For loans Rs. 15.00 lakhs and above detailed credit assessment i.e., income, net worth and repaying capacity by duly obtaining latest IT return (3 year)/ latest salary certificate and purpose declaration as per Annexure-III is to be obtained. Credit report to be extracted from minimum one credit rating agencies (e.g. CIBIL etc.,).

For agricultural gold loans up to Rs. 02.50 Lakh a declaration as per Annexure-IV is to be obtained. For agricultural gold loans exceeding Rs. 02.50 lakh, branches should obtain land proof document like patta, sale deed, land pass book, MRO certificate or any other documentary proof. In case of allied activities like poultry/ dairy etc, branches should obtain declaration and photo of the unit.

K. Multiple Gold Loans

Generally branches should not give more than **10 gold** loans (outstanding) to same borrower subject to the condition that if it falls within their delegated financial powers. If it exceeds their financial powers even though the number of gold loans are less than 10 branch need to obtain the prior approval of the appropriate authority. The present condition of obtaining permission from the zonal manager beyond 5 accounts is proposed to be omitted as the restriction was imposed as RBI at the material point of time commented adversely about the customer having multiple gold loans. Now that RBI itself have given freedom to the Banks to fix the maximum gold loans to a single borrower, we propose to remove the condition of obtaining prior permission of ZM.

L. Valuation Standards and Norms

Gold 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 of gold, as the case may be, of that specific purity over the preceding 30 days, or (b) the closing price of gold, as the case may be, of that specific purity on the preceding day, as published by the Indian 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 lender 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.

Head Office of the Bank will communicate to branches the lending rate per gram gold from time to time, but at least once in a month.

M. Standardization of Procedure for assaying and Valuation of Gold Collateral

SOP is put in place to assay the purity of gold collateral, its weight (gross as well as net), etc. this procedure shall be adopted uniformly across all its branches for all assaying procedures, without any deviation.

The Bank shall display on its website the methodology adopted by it for determination of net weight of the gold content of the eligible collateral and the price used to value the gold content for the eligible collateral for determination of LTV ratio.

Post pledging, cases involving loss of gold collateral and any deterioration or discrepancy in quality or purity observed during internal audit or otherwise including at the time of return or auction of collateral shall be recorded and communicated promptly to the borrower(s)/ legal heir(s). The reimbursement or compensation for the collateral being pledged in the bank will be up to **100% of the assessed value or the current value based on the weight of the gold pledged which ever is lower shall be reimbursed by the Bank.**

The gold collateral pledged to the bank by the borrower should be insured with the insurance corporation at the appraised value against the risks.

N. Standardisation of Documents and Communication

The loan agreement shall cover the description of the eligible collateral taken as security, value of such collateral, details of auction procedure and the circumstances leading to the auction of the eligible collateral, the notice period which shall be allowed to the borrower for repayment or settlement of loan before the auction is conducted, timelines for release of pledged eligible collateral upon full repayment or settlement of loan, refund of surplus, if any, from the auction of the pledged eligible collateral and other necessary details. 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).

O. Handling and Storage of Collateral

The assaying and valuation of gold collateral shall be done by the own appraiser in the specific/ special counter in the branch which is adequately secure. Bank should obtain adequate security & indemnity bond from appraisers.

The gold collateral is handled by the joint custodians who are the employees of the branch only.

The storage of gold collateral will be in the safe deposit vaults/ Storage racks specially brought for the storage purpose and will be handled by the joint custodians who are the employees of the branch.

The Head Office shall periodically review the adequacy of systems for storage of the eligible collateral, conduct training of the concerned staff and carry out internal audit of all procedures to ensure that these are strictly adhered to.

P. Transparency in Auction Procedure

The Bank shall implement a transparent auction procedure, which shall include, *inter alia*, announcement of the auction to the public by issue of advertisements in at least two newspapers, one in the regional language and another in a national daily. The pledged eligible collateral shall be auctioned by the bank only through its employee having necessary experience and /or training or an auctioneer empaneled by the bank. The auction generally conducted by the concerned Branch Managers and supervised by the Zonal manager of respective zone. A detailed SOP issued in this regard should be followed by the branches.

As a matter of policy, the bank or its related parties i.e. employees spouse, children, parents and parents in laws shall not participate in the auctions to ensure that there is no potential conflict of interest.

Q. Compensation

1. In case of any damage to the pledged eligible collateral by the bank during the tenor of the loan, the cost of repair shall be borne by the Bank.
2. in case of loss of the pledged eligible collateral and /or any loss emanating from deterioration or discrepancy in quantity or purity observed during internal audit or otherwise including at the time of return or auction of collateral, The reimbursement or compensation for the collateral being pledged in the bank will be up to 100% of the total value being assessed by the bank at the time of sanctioning of the loan.
3. in case of delay in release of the pledged collateral after full repayment or settlement of loan by the borrower, where reasons for delay are attributable to the bank, the Bank shall compensate the borrowers(s)/Legal heir(s) at the rate of Rs.5000 for each day of delay beyond 7 days. If the delay is not attributable to the bank, it shall communicate reasons for such delay to the borrowers(s)/Legal heir(s).
4. Further where the borrowers(s)/Legal heir(s) has not approached the bank for release of pledged eligible collateral after full repayment or settlement of loan, the bank shall issue periodic reminders to borrowers(s)/Legal heir(s) through letters, email or SMS.

R.Unclaimed Gold

1. The pledged gold lying with the bank beyond 2 years from the date of full repayment or settlement of loan shall be treated as unclaimed. Bank shall periodically undertake special drives to ascertain the whereabouts of the borrowers(s)/Legal heir(s) in respect of such unclaimed gold collateral.
2. A report on unclaimed gold shall be put up to the Consultative Committee or Board at Half yearly intervals for a review.

S.Restrictions and Ceilings

Bank shall not grant any advance or loan against primary gold backed by primary gold, e.g., units of exchange-traded funds (ETFs) or units of Mutual Funds.

Bank shall not

- (i) Avail loans by re-pledging gold pledged to it by its borrowers.

(ii) Extend loans to other lenders, entities or individuals by their borrowers as collateral. For removal of doubt, it is clarified that the above provision does not preclude a lender from financing another lender against the security of underlying receivables.

Loans against ornaments and coins shall be subject to the following:

- (i) The aggregate weight of ornaments pledged for all loans to a borrower shall not exceed 1 kilogram of gold ornaments.
- (ii) The aggregate weight of coin(s) pledged for all loans to a borrower shall not exceed 50 grams of gold coins.

T.Other Aspects and Disclosures

The bank shall refrain from issuance of misleading advertisements containing unrealistic claims to promote loans against gold collateral.

All arrangements for sourcing and/or recovery of loans against eligible collateral, are in compliance with applicable guidelines on outsourcing and recovery practices.

The bank shall disclose in notes to accounts the amounts and percentage of loans extended against eligible collateral, separately for gold collaterals, for both income generating as well as consumption purpose, to the total loans as per the format prescribed in *Annex PART A &PART B* (is herewith attached).

The proposed policy to be made effective require soft ware support. We have since taken up the matter with the Software Vendor about our requirement once the software is customized to suit our requirements, we may approach the Board seeking any modifications or changes if any needed.

A detailed SOP is also enclosed as supplementary to the main policy.

The policy will be in force for ONE years from date of approval by the board and will be reviewed at yearly interevals or any time depending upon the directions of RBI and Board of Directors of the Bank.

Submitted for approval

Smt. V.V.B.Varalakshmi
(Chief Executive Officer)

Loans against Pledge of Gold Collateral

STANDARD OPERATING PROCEDURES (SOP)

1. Title:

SOP for Granting Loans against Pledge of Gold Collateral

2. Objective:

To define the standard process for appraising, approving, and managing loans secured by the pledge of gold collateral, in compliance with RBI guidelines and the Bank's internal policies.

3. Applicability:

This SOP applies to all branches of the Bank offering gold loan products to eligible persons.

4. Eligible Borrowers:

Gold loan products are eligible to the persons as defined in byelaw of the Bank. As per Byelaw of the bank 'Person' means an adult individual, a proprietary concern, a partnership firm duly registered under the Indian partnership Act, 1932, a company, or any other corporate constituted under the law for the time being in force, a society registered under the societies Registration Act of 1860 and 2006. State Government and Public Trust Registered under any law for the time being in force for Registration of such trusts or a Co-op. Society registered under Cooperative Societies Act.

5. Purpose of loan:

Consumption Purpose, Domestic, Marriage, Education, Repayment of Debts, Construction of House, House Repairs etc., and also other purposes like **to meet medical expenses etc.**, as applicable.

Loans extended for the purpose of productive economic activities, such as Construction of House, House Repairs farm credit, loans for business or commercial purposes, loans for creation or acquisition of productive assets i.e., stocks, real estate (both residential & commercial) and business etc., and also other purposes as applicable.

The above list is illustrative but not exhaustive. Branches should follow the purpose as per the circulars of Reserve bank of India from time-to-time for both Priority and Non-Priority sector loans.

6. Know Your Customer (KYC) Requirements:

The following documents must be obtained and verified before processing:

- Proof of Identity: Aadhaar Card, Voter ID, PAN Card, Driving License, Passport
- Proof of Address: House tax receipt, Current bill
- Recent passport-size photograph
- Proof of agricultural activity if applicable (for agri gold loans)

Besides

- Gold loans are to be allowed to persons properly introduced to the bank & bank should satisfy about the ownership of the ornaments.
- Bank shall not extend a loan where ownership of the collateral is doubtful. A suitable document or declaration shall be obtained from the borrower in all cases to the effect that the borrower is the rightful owner of eligible collateral.

7. Nature of Security:

Jewellery, Ornaments or coins made of gold.

“Jewellery” means items that are designed to be worn as personal adornments.

“Ornaments” means items meant for use as adornment of any object, decorative items, or utensils, excluding those items that fall under the definition of jewellery as defined above.

The aggregate weight of ornaments pledged for all loans to a borrower shall not exceed 1 kilogram of gold ornaments.

The aggregate weight of coin(s) pledged for all loans to a borrower shall not exceed 50 grams of gold coins.

8. Maximum Limits of Lending

4. The maximum loan for a single borrower is limited to Rs. 50.00 Lakhs under all products.
5. The aggregate limit for the portfolio of loans is maximum of 40% of total loans & advances of the Bank.
6. Maximum LTV ratio in respect of consumption loans against the eligible collateral shall not exceed LTV ratio as provided in the table below

Limts	LT V Ratio	Details
≤Rs. 2.50 lakhs	85%	The prescribed LTV ratio is the maximum permissible by RBI LTV. shall be maintained on an ongoing basis throughout the tenor of the loan
> Rs. 2.50 lakhs and ≤5.00 lakhs	80%	
> Rs. 5.00 lakhs	75%	

In case of **bullet repayment** loans the loan amount shall be the total amount of principle + interest payable at maturity.

9. Products

3. GCL Loans (Gold Loan for Consumption Purpose)

- (iii) Consumption loans in the nature of bullet repayment.- Tenor 12 months and maximum amount of Rs. 10.00 Lakhs
- (iv) Consumption loans in the nature of Term Loan i.e., monthly EMI payments.- Maximum Tenor of 60 months and maximum Rs. 20.00 Lakhs

Consumption purposes mean: The loans can be sanctioned: Domestic, Marriage, Education, Repayment of Debts etc., and also other purposes as applicable.

4. GIG Loans (Gold Loan for Income Generation Purpose)

Income generation loans

- (iii) In the nature of bullet repayment - Tenor 12 months and maximum amount of Rs. 15.00 Lakhs
- (iv) In the nature of Term Loan i.e., monthly EMI payments- Maximum Tenor of 60 months and maximum Rs. 50.00 Lakhs

Purposes for which the loans can be sanctioned: loans extended for the purpose of productive economic activities, such as farm credit, loans for business or commercial purposes, loans for creation or acquisition of productive assets i.e., stocks, real estate (both residential & commercial) and business etc., and also other purposes as applicable.

10. Transitory Provision:

The existing gold loan portfolio as on the date of adoption of this policy shall continue to remain under the respective heads as was originally sanctioned. All the loans under the respective heads shall be migrated in to the new product heads on maturity/completion of tenure (as was originally sanctioned) that are proposed in paragraph D as above based on the nature, purpose and tenure.

All gold loans that would be sanctioned after adoption of new gold loan policy shall be suitably classified under the different product heads.

11. Gold Valuation:

Head Office of the Bank will communicate to branches the lending rate per gram gold from time to time, but at least once in a month.

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

12. Gold Valuation Procedure:

- To be carried out by an in-house trained appraiser.

- Gold must be cleaned and tested for purity using reliable methods as procedure in vogue. In case of any doubt about the purity of the gold the appraiser may break down/ cut the ornaments with the written permission from the borrower.
- The valuation certificate of the appraiser should clearly indicate the description of ornaments, their fineness, gross weight and net weight, exclusive of stones, lack alloy, stings, fastenings & the value of the gold in the prevailing market price.
- Ornaments should be preferable appraised in the Bank premises itself.
- The lending rate per gram gold will be assayed by the appraiser as per the Head Office instructions from time-to-time.
- The appraiser shall ensure presence of the borrower(s) while assaying the collateral at the time of sanctioning the loan. The deductions relating to stone weight, fastenings, etc., as part of the assaying procedure shall be explained to the borrower(s) **and it should contain the signature of the borrower.**

13. Credit Assessment, Purpose Proof & End Use of Funds

- For loans up to Rs. 02.50 Lakhs income declaration given by the borrower, purpose and end use of funds by obtaining declaration in the loan application itself will be taken as credentials.
- For loans above Rs. 02.50 Lakhs to Rs. 15.00 lakhs detailed credit assessment i.e., income, net worth and repaying capacity and purpose declaration as per *Annexure-II* is to be obtained.
- For loans Rs. 15.00 lakhs and above detailed credit assessment i.e., income, net worth and repaying capacity and purpose declaration as per *Annexure-III* is to be obtained.
- For agricultural gold loans up to Rs. 01.00 Lakh a declaration as per *Annexure-IV* is to be obtained. For agricultural gold loans exceeding Rs. 01.00 lakh, branches should obtain land proof document like patta, sale deed, land pass book, MRO certificate or any other documentary proof. In case of allied activities like poultry/ dairy etc, branches should obtain declaration and photo of the unit.

14. Documentation:

- Duly filled Gold Loan Application Form
- Demand & Promissory Note
- Loan Debit Voucher and acknowledgment
- Loan Agreement
- Charges if any, to be collected
- Issue of Gold loan card
- Issue of Yadasstu form (contains purity of the gold in terms of carats, gross weight of the ornament(s) pledged; net weight of gold content and deductions, if any, related to weight of stones, lac, alloy, strings, fastenings, etc.,; damage, breakage or defects. If any, noticed in the ornament; and the value of the ornament arrived at the time of sanction). Should contain the signature of both the borrower and bank's authorized signatory.
- Key Facts Statement (KFS)

15. Loan Disbursement & Servicing of Loan:

The disbursement shall be in to borrower's bank account with our bank only but not to a third party account even with our Bank. In case of bank transfers by way of NEFT & RTGS etc., it should be to the borrowers account only but not to a third party account.

Loan servicing, repayment, etc., is executed by the borrower directly in the bank account without any pass-through account or pool account of any third party.

16. Handling and Storage of Collateral

The assaying and valuation of gold collateral shall be done by the appraiser in the specific/ special counter in the branch which is adequately secure.

The ornaments belonging to each borrower/ loan together with the list of ornaments, gold loan account number, name of the party etc., should be kept separately in a bag which is being sealed in the presence of Joint Custodians of the branch. A tag indicating loan account number & name of the party should be tied to the bank to facilitate identification.

The gold collateral is handled by the joint custodians who are the employees of the branch only.

The storage of gold collateral will be in the safe deposit vaults/ Storage racks specially brought for the storage purpose and will be handled by the joint custodians who are the employees of the branch.

The pledged eligible collateral may be transported from one branch to another branch, in case of shifting or closure of branch(es) or on exceptional reasons, but not as a matter of routine practice.

The full name of the borrower, his/her residential address, date of advance amount & description of the ornaments should be recorded in the gold ornaments register(security register). Signature of the borrower should be obtained at the time of issuance as well at the time of returning the ornaments on closure of the loan.

Inventory control register/ Gold safe register shall be maintained duly recording additions and withdrawal of loan bags on daily basis and kept updated for information and audit purpose

17. Renewal of Existing Loans & Top-up Loans

The branch may renew an existing loan upon a formal request from borrower and subject to a credit assessment. Such renewal or top-up shall be permitted only within the permissible LTV, and provided the loan is classified as standard. Further, renewal of bullet repayment loan shall be allowed only after payment of accrued interest, if any. The branch shall ensure that such renewal are clearly identifiable in its Core banking System or Loan Processing System.

Reappraisal of gold and execution of fresh documents required at the time of renewal.

Branches should discourage renewing of the same gold loan multiple times.

18. Multiple Gold Loans:

Generally branches should not give more than **10 gold** loans (outstanding) to same borrower subject to the condition that if it falls within their delegated financial powers. If it exceeds their financial powers even though the number of gold loans are less than 10 branch need to obtain the prior approval of the appropriate authority. The present condition of obtaining permission from the zonal manager beyond 5 accounts is proposed to be omitted as the restriction was imposed as RBI at the material point of time commented adversely about the customer having multiple gold loans. Now that RBI itself have given freedom to the Banks to fix the maximum gold loans to a single borrower, we propose to remove the condition of obtaining prior permission of ZM.

19. Delivery of Pledged Gold Ornaments to the Borrowers:

On repayment of the loan in full, the ornament(s) should be returned to the borrower against his/her acknowledgement on yadasstu form issued by the bank as **also in the security register** at the time of disbursement of loan **and the branch shall keep the same for record.**

While the ornament(s) is delivered to third parties, a letter of authority from the borrower & confirmation of the borrower should be obtained.

The letter of authority should contain an undertaking from the borrower, absolving the bank from the responsibilities in the event of dispute or loss arising from delivery of the ornament(s) to third party. The receipt of third party should be obtained on the letter of authority as well as in the gold loan ledger.

In case of lost of yadasstu form by the borrower, the branch should issue a "DUPLICATE" yadasstu form on payment of prescribed fee and indemnity bond.

Branch shall release or return the pledged ornaments held as security to the borrower(s)/ legal heir(s) on the same day but in any case, not exceeding a maximum period of seven working days upon full repayment or settlement of the loan. To save on interest costs some of the legal heirs of the deceased borrowers may liquidate the entire loan amount pending submission of the required documents. In such cases, the seven working days period starts from the date of approval by the competent authority.

At the time of release of pledged ornaments to the borrower(s)/ legal heir(s), the collateral shall be verified for correctness as per details in the yadasstu form to the borrower's satisfaction.

20. Default and Recovery Procedure:

- When borrower fails to repay the loan on the due date, a notice calling upon him to pay the loan within specified time as mentioned below:

Event	Action required by the branch
15 days before the account becomes overdue	Reminder through phone calls, SMS/personal contacts to be made.

When the account became overdue	Send a normal notice advising him to close/renew the loan.
If no response from the borrower within 15 days of sending normal notice	Send a registered notice informing the borrower that the pledged ornaments will be sold in public auction if not paid immediately Reminder 1
	Obtain permission from CEO of the Bank for auction*
One month after the account became overdue	Final notice with auction date which should be not earlier than 30 days from the date public notice.

- For auction of gold ornaments pertaining to borrowers, written office note along with the Zonal manager recommendation will be placed before Board for approval.
- The branch shall make earnest efforts to avoid the unpleasant act of auction entailing loss of personal gold ornaments having sentimental value to our customers, by sending periodic communications to customers for persuading them to pay interest periodically and release the jewellery by paying the dues before the due date or renew the loan.

21. Auction procedure to be followed:

After obtaining the permission for auction branches shall follow the following procedure:

The first auction shall be conducted physically in the same district in which lending branch is located. However, in case of failure of first auction, branch may conduct the auction in an adjoining district or conduct online auction. However, in view of presence of few branches in the same districts (except in case of Visakhapatnam dist) we shall conduct the auction in the same district even for second auction.

A.PRE AUCTION:

- Intimation regarding auction will be communicated to the borrower 30 days (as mentioned in point no.2 under 'Action required by the branch' in the table above) before auction of gold ornaments showing amount due, date and time of auction, place of auction, last date of payment of dues etc. In the event of postponement of auction, intimation will be again sent to the customers. A copy of the notice and acknowledgement thereof shall be kept on record in both scenarios. In case the branch is unable to locate the borrower(s)/ legal heir(s) despite best efforts and even after issuance of the public notice, it may proceed with the auction provided that the period of one month has lapsed from the date of the public notice.
- Announcement of auction to the public by issue of advertisements in at least two newspapers, one in the regional language and another in a national daily.
- Auction notice should be distributed to local bullion merchants and a copy to be displayed in the notice board.
- Pamphlets of auction may be kept in other branches also for distribution to interested customers.

B.Postponement of auction: Some time a situation may arise where the borrower request for postponement of auction and it can be considered on a case to case basis subject to approval from CEO of the Bank under the following circumstances.

- Part payments by the borrower evidencing his/her intention to redeem the gold, subject to consent of the borrower.
- Specific request from the customer for postponement from auction.
- Legal issues pending like Police case/Court Order.

C.ON THE AUCTION DATE:

- Auction should be conducted at the place and time published in the notice. Auction should be conducted by Branch Manager supervised by Zonal Manager of the bank and in the presence of joint custodians. Staff members of the bank or their spouses or children and parents/in laws should not participate in the auction.
- At the beginning of the auction, the terms and conditions of the auction should be read over to bidders and the refundable security deposit of Rs. 2,000.00/- (Rupees Two Thousand Only) should be collected from them. Their names are to be entered in the auction register.
- The bidders can be allowed to inspect the ornaments under supervision of the joint custodians on the auction date.
- The ornaments relating to each loan should be auctioned separately.

D.Fixation of minimum bid price

The reserve price of the gold ornaments at the time of auction, which shall not be less than 90% of its current value.The fresh valuation should be taken from the appraiser.

E.Assessment of current value:

The closing price of gold, as the case may be , of that specific purity on the preceding day, as published by the Indian 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 lender 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.

In case of auction fails twice, the reserve price not less than 85% of its current value shall be considered.

- The auction will be conducted through an “Open bidding” process. The final rate quoted by each bidder will be recorded in the bid register. The bidder who has quoted the highest rate (H-1) will be declared as the successful bidder and the successful bidder has to make the payment immediately.
- The proceedings of the auction should be recorded in a register. The names and addresses of the bidders and the security deposit made by them should be entered in the register, against their signatures.
- After the final bid is accepted, the amount of the bid to be collected from the bidder, along with GST or other taxes duly adjusting the security deposit made by him. Receipt to be issued to the successful bidder for having received the amount and the amount including security deposit of the successful bidder should be adjusted towards liquidation of loan outstanding.
- Then the ornaments should be delivered to the successful bidder against his acknowledgement.

- The security deposit amount of unsuccessful bidders should be refunded to them against their acknowledgement.
- The sale proceeds should be credited to the loan account duly adjusting up to date interest and charges and GST to be remitted to the concerned Government Agency
- In case of surplus in the sale proceeds, the same may be adjusted to any other liability standing in the name of same borrower. If there are no other liabilities, the surplus should be returned to the borrower through a pay order and sent to their last known address with 7 days of auction. If the letter is returned undelivered it should be kept unopened and the letter to be kept in joint custody of the joint custodians.
- **After crediting the sale proceeds, if the liability is not fully adjusted, a notice demanding payment of the remaining amount should be sent to the borrower immediately and if necessary legal action to be initiated within 7 days of auction. Account should be classified as un-secured.**
- After the auction, the branch shall mandatorily provide full details of the value fetched at the auction and the dues adjusted to the borrower(s)/ legal heir(s).
- The fact that the ornaments are auctioned should be recorded in the ornaments register (security register) against the relative entry, with full particulars.
- The zonal manager present can take a decision to cancel the auction without assigning any reason.
- In case the auction could not be conducted at the branch on the scheduled auction date due to any reasons like lack of minimum number of bidders etc. then the branch will display in the branch notice board, the date of next auction with the prior permission of CEO of the Bank.

F. Auction of gold ornaments identified as Spurious/ Low Quality or Re-auction in the case of unsuccessful auction.

Low quality gold ornaments detected during audit verification anytime subsequent to disbursement of the loan may be taken up for auction even before the due date as per the tenure of the loan. However, before proceeding for auction, branches shall send a notice customers intimating them about the low quality nature of the gold and giving them an opportunity to verify and redeem the items by repaying the dues. Before serving the above notice, purity of the gold ornaments shall be re-verified internally through a competent officer/auditor.

The reserve prices for such spurious/low quality ornaments shall be fixed keeping in view the reconfirmed assessed purity and the RBI directions issued from time to time. A realistic reserve price will be fixed as per the purity of the ornaments assessed. Alternatively proportionate net weight of gold ornaments may be adjusted to match the purity of gold to 22 ct.

G.Re-auction:

Re-auction will be conducted in cases of unsuccessful auctions due to absence of minimum number of bidders for conducting an auction or lack of bids for/above the reserve price fixed.

22. Expenses chargeable to overdue accounts

Auction advertisement expenses for publishing in newspaper, Postage incurred for sending auction intimation shall be charged to P&L account of the branch **and shall be recovered from the borrower at the time of closure/auction proceeds.**

23. Auction Records maintenance

In case of auctions scheduled at branches, the following records shall be maintained irrespective of whether auctions were conducted or not. Such records should be authenticated by the Branch Manager and joint custodians.

Details of auction participants.

- Minutes detailing the auction proceedings.
- Bid register indicating the bid rate of all bidders
- Sales Invoice
- Detailed auction record

24. Documents maintained & disclosures

- Postal Receipts for Registered Auction notices issued to borrowers.
- Postal acknowledgement from borrowers and Auction Notices returned undelivered.
- Copies of the News Paper Auction Publications.
- Details of Auction Participants.
- Details of Auctioned items and Bidders where the details of bid price of all bidders will be recorded and the last bid price of all bidders will be recorded and authenticated by the board approved
- Sales Invoices
- Post auction, customers will be intimated the details such as the price fetched in the auction, total dues adjusted from the proceeds balance amount payable to/by him etc. Wherever refunds are involved the amount will be sent/paid by account payee cheque at the address in the pledge

25. Unclaimed Gold

3. The pledged gold lying with the branch beyond 1 years from the date of full repayment or settlement of loan shall be treated as unclaimed. Branch shall periodically undertake special drives to ascertain the whereabouts of the borrowers(s)/Legal heir(s) in respect of such unclaimed gold collateral.
4. On completion of one year, unclaimed gold bags shall be handed over to Head office joint custodians.

26. Audit and Record Maintenance:

- All gold loan records to be maintained as per the preservation of records as applicable to the Bank.
- Branch shall carryout periodic surprise verification of the gold ornaments pledged with it and shall maintain a record thereof as part of concurrent audit, internal audit.

The SOP is liable to change from time-to-time as per the RBI guidelines and Bank policy that being applicable.

Submitted for approval

Smt. V.V.B.Varalakshmi
(Chief Executive Officer)

ANNEXURE-I

DECLARATION FOR AVAILING MORETHAN 05 NUMBER OF GOLD LOANS

DATE: _____

To,
The BRANCH MANAGER,
The VISAKHAPATNAM CO-OPERATIVE BANK LTD.
_____ BRANCH.

Dear Sir,

SUB: AVAILMENT OF GOLD LOANS FOR MORE THAN 05 NUMBERS IN YOUR BANK

I have availed the following gold loans in your bank for different purposes

S.No	GOLD LOAN NO	DATE	AMOUNT	PURPOSE
1.				
2.				
3.				
4.				
5.				

I furnish hereunder my income details.

Profession / Employment / Business details	
Annual Income	Rs.

Now, I request you to sanction me one more loan for Rs. _____ for the following purpose.

PURPOSE OF THE LOAN:

Yours Faithfully

Name & Signature of the Borrower

ANNEXURE-II
DECLARATION FOR AVAILING GOLD LOANS FROM Rs.2,50,001 – Rs.15,00,000

DATE: _____

To,
The BRANCH MANAGER,
The VISAKHAPATNAM CO-OPERATIVE BANK LTD.
_____ BRANCH.

Dear Sir,

SUB: SANCTION OF GOLD LOANS FOR Rs. _____

I request you to sanction me a gold loan of Rs _____.

I furnish hereunder my income details.

Profession / Employment / Business details	
Annual Income	Rs.
Details of Assets	
Details of liabilities	
Net worth	

I hereby declare that the purpose of the above loan is as follows:

PURPOSE OF THE LOAN:

END USE OF THE LOAN: Income, Assts and liabilities and net worth particulars as detailed above are true to the best of my knowledge and I hereby undertake that the amount taken from you will be utilised for the above purpose only. I will be liable for any action taken by the bank in case, I don't use the above amount for the purpose as mentioned above.

Yours Faithfully

Name & Signature of the Borrower

ANNEXURE-III
DECLARATION FOR AVAILING GOLD LOANS ABOVE Rs.15,00,000/-

DATE: _____

To,
The BRANCH MANAGER,
The VISAKHAPATNAM CO-OPERATIVE BANK LTD.
_____ BRANCH.

Dear Sir,

SUB: SANCTION OF GOLD LOANS FOR Rs. _____

I request you to sanction me a gold loan of Rs _____.

I furnish hereunder my income details.

Profession / Employment / Business details	
Annual Income	Rs.
Details of Assets	
Details of liabilities	
Networth	

I hereby declare that the purpose of the above loan is as follows:

PURPOSE OF THE LOAN:

END USE OF THE LOAN:

Income, Assts and liabilities and net worth particulars as detailed above are true to the best of my knowledge and I hereby undertake that the amount taken from you will be utilised for the above purpose only. I will be liable for any action taken by the bank in case, I don't use the above amount for the purpose as mentioned above.

I hereby undertake to submit documentary evidence for the end use within a period of 15 days failing which the bank is at liberty to take any action against me including auction of the ornaments.

Yours Faithfully

Name & Signature of the Borrower

Borrowers repayment capacity Assessment sheet

Assessment of Repayment Capacity:

(Rs. In lakhs)

	I Year	II Year	III Year
Net Profit (1)			
Depreciation (2)			
Interest (3)			
Total Surplus (1+2+3) (A)			
EMIs (B)			
DSCR (A/B)			

In case the Borrower is an Individual / salaried

Sl No.	Particulars	Basis	Monthly Income in rupees
1	Applicant's		
2	By rents		
3	Total Income		
4	Less existing EMIs to be paid to other organizations (a)		
5	Less EMIs on existing loans (if any) to our bank (b)		
6	Proposed EMI (c)		
7	Total commitments (a+b+c)		
8	EMI/NMI Ratio 9/5		

ANNEXURE-IV

DECLARATION FOR AGRICULTURE GOLD LOANS UPTO Rs.2,50,000

DATE: _____

To,
The **BRANCH MANAGER**,
The **VISAKHAPATNAM CO-OPERATIVE BANK LTD.**
_____ **BRANCH.**

Dear Sir,

SUB: SANCTION OF GOLD LOANS FOR Rs. _____

I request you to sanction me a gold loan of Rs _____ for purpose of agriculture.

I'm having agriculture land of _____ acres in _____ village _____ mandal wherein I'm growing the crop of _____. I will use the loan amount for the purpose of raising crop / for developing my land.

I'm doing activity allied to agriculture i;e Poultry / Diary / Piggery / Pisciculture / _____ in _____ village _____ mandal. I will use the loan amount for purpose of same activity.

Yours Faithfully

Name & Signature of the Borrower

*Assessment sheet enclosed

Disclosure Requirements

Part A– Details of loans extended against eligible gold collateral

Particulars	Loan outstanding		Average ticket size (₹ crore)	Average ⁹ LTV ratio	Gross NPA (%)
	₹crore	As % of Total Loans			
1. Opening balance of the FY (a)+(b)					
(a) Consumption loans					
Of which bullet repayment loans					
(b) Income generating loans					
2. New loans sanctioned and disbursed during the FY (c)+(d)					NA
(c) Consumption loans					NA
Of which bullet repayment loans					
(d) Income generating loans					NA
3. Renewals sanctioned and disbursed during the FY					NA
4. Top-up loans sanctioned and disbursed during the FY					NA
4. Loans repaid during the FY (e)+(f)				NA	NA
(e) Consumption loans				NA	NA
Of which bullet repayment loans				NA	NA
(f) Income generating loans				NA	NA
5. Non-Performing Loans recovered during the FY (g)+ (h)				NA	NA
(g) Consumption loans				NA	NA
Of which bullet repayment loans				NA	
(h) Income generating loans				NA	NA
6. Loans written off during the FY (i)+(j)				NA	NA
(i) Consumption loans				NA	NA
Of which bullet repayment loans				NA	NA
(j) Income generating loans				NA	NA
7. Closing balance at the end of FY (k)+(l)					
(k) Consumption loans					
Of which bullet repayment loans					
(l) Income generating loans					

⁹Calculated as ratio of sum of LTVs of loans at the time of sanction to total number of such loans

Part B–Details of Gold Collateral and Auctions

SI No.	Particulars¹⁰	
a)	Unclaimed ¹¹ gold collateral at the end of the financial year (in grams)	
b)	Number of loan accounts in which auctions were conducted	
c)	Total outstanding in loan accounts mentioned in(b)	
d)	Gold collateral acquired during the FY due to default of loans (in grams)	
e)	Gold collateral auctioned during the FY(in grams)	
f)	Recovery made through auctions during th eFY(in₹ crore)	
g)	Recovery percentage:	
h)	As % of value of gold collateral	
i)	As % of outstanding loan	