

MAG FINSERV COMPANY LIMITED

(MAG's)

GOLD LOAN POLICY

Approved By:

Board of Directors

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I. Objectives

Loan against gold is easily available to customer from banks, other financial institutions and to some extent unorganised sector also provides loan against gold. Demand for loan against gold is increasing day to day as security is available readily with almost everyone, process of loan is simple, interest rates are competitive, and processing of loan is immediate. There is always pressure on the MAG's to meet customer demands for loan against gold. At the background mentioned above the possibility of Significant portion of Asset Under Management of the MAG's consists of loan against gold ornaments. Hence this requires a separate gold loan policy.

II. Coverage and applicability

This policy is applicable to all type of gold loan given by MAG's. Further it shall also ensure the compliance with KYC and General Loan Policy.

III. Tenure of the Loan

All gold loans are sanctioned for a maximum tenor of 12 Months.

IV. Eligible Customer

Any individual Customer who is the lawful owner of the gold jewellery offered as security as per the declaration of ownership submitted fulfilling the KYC norms as per the RBI guideline.

V. Suspicious Transactions

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

- In case of new customer carrying jewellery exceeding 20 grams, and his residential address as per KYC documents is different from the area of operation of the branch then additional precautions should be taken by the branch before processing the loan.
 - The branch officials should inquire the reasoning for approaching different branch and further ensure about the genuines of reasons.
 - No gold loan should be granted, in case the branch officials does not convince about the reasons given by such customer.
- If the prospective customer fulfils the condition as then gold loan should be granted to such customer only if he introduces the refence of any existing customer.
- Further also refer to Annexure 4- Broad category of Suspicious Transaction as given in MAG's KYC and PMLA Policy.

VI. Pre-sanction majors to be considered and valuation of Gold Loan

MAG's shall not grant any loan against bullion/ primary gold and gold coins or purchase of gold in any form including primary gold, gold bullion, gold jewellery, gold coin, units of Exchange Traded Funds (ETF) and units of gold mutual fund.

MAG's shall maintain a Loan-to-Value (LTV) ratio not exceeding 75 percentage for loan granted against the collateral of gold jewellery.

The value of gold jewellery for the purpose of determining the maximum permissible loan amount shall be the intrinsic value of gold content therein and no other cost elements shall be added thereto. The gold jeweller accepted as collateral by the MAG's shall be valued by the following method;

- The gold jewellery accepted as a collateral by the MAG's shall be valued by taking into account the preceding 30 days average of the closing price of 22 carats gold as per the rates quoted by the Bombay Bullion Association Limited (BBA) or the historical spot gold price data publicly disseminated by a commodity exchange regulated by the Forward Markets Commission.

- If the purity of the gold is less than 22 carats, MAG's shall translate the collateral into 22 carats and state the exact grams of the collateral.
- The MAG's, while accepting gold as collateral, shall give official receipt to the borrower, of having assayed the gold and state the purity (in terms of carat) and the weight of the gold pledged. This receipt (i.e. pawn ticket/token) should be prepared in duplicate and original shall hand over to the borrower and duplicate copy shall be retained with gold ornament pledge.

VII. Verification of the Ownership of Gold

The MAG's shall keep a record of the verification of the ownership of the jewellery, where the gold jewellery pledged by a borrower at any one time or cumulatively on loan outstanding is more than 20 grams.

The ownership of jewellery can be verified through original receipts of the jewellery. In case original receipts are not available with the customer a declaration regarding its ownership should be obtained in prescribed form.

VIII. Interest and Settlement

Interest on gold loan is to be charges as per the schemes communicated to each branch. Customer may pay entire interest due from him at the time of settlement / closure of the loan.

In each case, interest rate should be communicated to the borrower and it should be documented along with the last due date. In any case the loan must be closed within 12 months from the date it was granted.

Fifteen day before expiry of loan tenure, the MAG's shall contact and inform borrower about outstanding amount and due date of loan. Further the MAG's shall also intimate the borrower that in case of failure to re-pay all outstanding amount on due date, the gold ornament pledged will be auctioned and the outstanding loan amount will be recovered from the auctioned amount.

IX. Auction

- The Auction shall be conducted in town or taluka in which the branch that has extended the loan is located.
- While conducting the gold the NBFC must declared a reserve price for the pledged ornaments. The reserve price for the pledged ornaments shall not be less than 85 percent of the previous 30 days average 30 day average closing price of 22 carats gold as declared by the Bombay Bullion Association Limited (BBA) or the historical spot gold price data publicly disseminated by a commodity exchange regulated by the Forward Markets Commission and value of the jewellery of lower purity in terms of carats shall be proportionately reduced.
- It shall be mandatory for MAG's to provide full details of the value fetched in the auction and the outstanding dues adjusted and any amount over and above the loan outstanding (including the expenses incurred for conducting the entire auction procedure) shall be payable to the borrower.
- MAG's shall disclose in their annual report the details of the auctions conducted during the financial year including the number of loan accounts, outstanding amounts, value fetched.

X. Safety and Security Measures

MAG's shall ensure that necessary infrastructure and facilities are put in place, including safe deposit vault and appropriate security measures for operating vault in each of its branches where gold jeweller is accepted as collateral.

XI. Lending against collateral of Gold Jewellery

MAG's shall adopt the following in addition to the general guidelines as above, while lending to Individual against collateral of Gold Jewellery

- Adequate steps to ensure that the KYC guideline stipulated by RBI are complied with and to ensure that adequate due diligence is carried out on the customer before extending any loan.
- Proper assaying procedure for the jewellery received
- Internal systems to satisfy ownership of the gold jewellery
- Adequate system for storing the jewellery in safe custody, reviewing the system on an on-going basis, training the concerned staff and periodic inspection to ensure that the procedures are strictly adhered to.
- The jewellery accepted as collateral shall be appropriately insured.
- Transparent auction procedure in case of non-payment with adequate prior notice to the borrower. There shall be no conflict of interest and the auction process must ensure that there is arm's length relationship in all transactions during the auction including with group companies and related entities.
- The auction shall be announced to the public by issue of advertisement in at least two newspapers, one in vernacular and another in national daily newspaper.
- As a policy, the MAG's shall not participate in the auction held.
- The gold pledged shall be auctioned only through auctioneers approved by the board.
- The loan agreement shall also disclose details regarding auction procedure
- Other Instructions
 - MAG's financing against the collateral of gold must insist on a copy of the PAN Card of the borrower for all the transaction.
 - Documentation across all branches must be standardise.
 - MAG's shall not issue misleading advertisements like claiming the availability of loan in matter of 2-3 minutes.

XII. Release of pledged gold

Jewellery shall be released to the same customer on receipts of full dues including principal, interest, penal interest and other charges, if any. Release whether partial or full can be done only after verification of signature, original KYC documents and customer copy of the original pawn ticket (Token). If token is lost indemnity in stamp paper of required value to be obtained before release of pledged gold.