

**MAXVALUE**

**GOLD LOAN  
POLICY**



**MAXVALUE**<sup>TM</sup>  
CREDITS AND INVESTMENTS LTD.

*Transforming Life...*

**CONSOLIDATED LENDING POLICY**  
**(Approved in the Board Meeting held on 10<sup>th</sup> April, 2017)**

**A. GOLD LOAN.**

**Features**

Maxvalue Credits and Investments Ltd has designed its Gold Loan Schemes to suit the varying needs of different types of customers. **The eligibility for 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. Rate of interest is decided on two factors of risk criteria.

1. LTV% (Loan to Value) and 2. Period of the loan.

- **Minimum period of interest is fixed as 3/7 days depending on the scheme** opted by the borrower.
- Repayment can be made on daily, weekly or monthly basis or as per the convenience of the borrower.
- Part payment towards principle is allowed in the scheme.
- **Part release is also allowed in the scheme.**
- Repayment or part payment can be done by third party but redemption and release is allowed only to person who pledges or an **authorized representative.**
- Reminders are made as per the following schedule:-
  - a) Phone Call and SMS -25<sup>th</sup> Day
  - b) Notice 85<sup>th</sup> Day, 175<sup>th</sup> Day and 360 Day in case of default.
- Gold is auctioned after 12 months as per the board approved auction procedure of the company *as given separately in this policy.*

**2. 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 at slightly higher side.

- **Schemes:**

The company will formulate various loan schemes for lending against gold ornaments to suit the requirements of the customers. There will be schemes formulated with lower LTV and lower interest rates to suit customers who opt for the lesser interest burden. Similarly the loans with maximum LTV (Within the maximum allowable LTV as per the regulations of the RBI) with comparatively higher rate of interest will also be offered to suit the customers who want more loans per gram of gold ornament pledged.

**Benefits of our Gold Loan Schemes**

- Speedy disbursement of loan

- Easy disbursement formalities/documentation.
- Gold Loans are without handling/Processing/Service charges.
- No advance interest collected
- Loan granted after proper appraisal and weight assessment of ornaments.
- Interest charged under diminishing method.

### **LTV% Fixation Policy**

Loan to Value % is fixed based on the circulars and directions issued by Reserve bank of India from time to time.

### **Interest rates:**

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 differs. The lower the loan amount and lower period, our exposure to market fluctuation, risk and security coverage are better where the rate of interest is fixed at the lowest.

The interest rates on Gold Loan 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 Interest Rate

### **Basic Interest Rate**

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

#### **1. 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. Major contributing factor to this component includes interest payable on Secured Non Convertible Debentures, Interest on Bank Borrowings and other incidental charges thereto.

#### **2. Overhead Cost**

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

#### **3. 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 owners capital employed in the business.

Thus the basic interest rate will be fixed as a mark up 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 the purpose of 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 up on the cost of funds with emphasis on regular monthly payment of interest.

#### **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 advance amount vis-à-vis the weight of gold is the lowest, it shall be increased for schemes offering higher advance amount 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 with the passage of time.

#### **Penal Interest Rate**

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

#### **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 of overdue for more than 365 days.

A copy of the loan agreement containing DPN and 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 web site of the company. Changes in these rates/details will be updated from time to time.

#### **Ownership of gold ornaments pledged:**

The customers will have to give a declaration in prescribed format showing the ownership details of the

Ornaments which will contain the following:

Name, Address, Description of the ornaments offered for pledge 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 are to be ensured.

The company will also make adequate insurance arrangements to cover the gold and cash in transit as well as fidelity insurance.

**KYC Verification and Risk Categorisation:**

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:-

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

**4. Definition of Customer**

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

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

**5. 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 customer identification process.

**6. 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 Business relationship. The requirement as mentioned herein may be moderated according to the risk perceptions in respective cases.

## 7. Documents required.

For Individuals				For Non-Individuals	
Sl No	Proof of Identity (Self-attested copy of any one of the following)	Sl No	Proof of Address (Self-attested copy of any one of the following)	Sl No	Companies A certified true copy of all the below documents, duly Certified by CS/ Director.
1	Passport	1	Pass port	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	AADHAAR	5	List of Directors
6	AADHAAR issued by unique identification authority of India			6	Any other docs (shareholding pattern etc)

The above data shall be reviewed once in every 6 month. 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.

## 8. 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. Background of the customer, sources of fund 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 Director, 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 on 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.

## 9. 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 KYC procedure, irrespective of the status and relationship with Company or promoter. The above requirement may be moderated according to the risk perception.

**A. High Risk -Category A.**

- (a) Partnership Firms with sleeping partners
- (b) Non face to face customers and
- (c) Person with dubious reputation

**B Medium Risk – Category B.**

- (a) HNIs
- (b) NRIs
- (c) NGOs, Trusts, Charitable Organizations, Organizations receiving donations

**C Low Risk – Category C**

Individuals (other than HNIs and entities whose identities and sources of wealth can be easily identified and all other person not covered under above two categories).

**10. 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 the new customers. It is crucial that all those concerned 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 Company, to be in line with RBI or such other statutory authority's requirements/updates/ amendments from time to time.

**11. 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.

**Auction of the ornaments Pledged in overdue gold loans**

It shall be the policy of the company not to sell the ornaments pledged by the customer to the maximum extent possible. The company shall follow up the release of the pledged ornaments before putting the same in the auction list. Even after putting the ornaments in the auction list, a further opportunity shall be given to the customer to get the pledged items released by all possible means of settlement.

**Criteria for Auctioning**

The company normally categorizes those pledges which have completed 12 months from the date of pledge as time barred pledges and the same will be put in the auction list. Such items will be sold by public auction as per the terms of this policy. Borrowers will be given an extension of a maximum period of 15 days if they remit at least 50% of the amount due to the company. Though normally the company includes the accounts which have crossed 12 months for auction, in periods where the metal price is on downward trend and the realisation of the loan dues is difficult the company can start the auction procedures even before completion of 12 months, after giving

proper prior notice to the customer. However this will be done only after a decision taken at the Management committee of the company.

#### **Intimation of auction.**

The company shall give sufficient intimation regarding the auction by sending auction notice by ordinary post intimating the fact that the pledge is time barred and due for auction and requesting the borrower to redeem/settle the dues within a period of 7days. Further, the branch manager will follow up with the customer over phone for settlement of the loan to avoid auction giving him 7 more days' time for settlement. If the loan is not settled even after this, final auction intimation shall be given to the customer by registered post with acknowledgement due. Such notices are issued in respect of time barred un-redeemed pledges after one year from the date of pledge. The company shall keep the post office receipt/acknowledgement card duly signed by the borrower or the registered letter returned undelivered by the post office, at the registered office as a proof of having served the auction notice. In case where the acknowledgement or returned letter is not received, the certificate from the post office or the copy of the online confirmation from postal department for having delivered the letter to the addressee will be kept on record.

#### **Auction Procedure.**

##### Registration

The company shall obtain registration under respective rules and regulations in force particularly under VAT rules. All the terms and conditions prescribed under such rules/regulations shall be complied with.

##### Auctioneers:

The gold ornaments pledged will be auctioned only through auctioneers approved by the board.

##### Newspaper release.

A release in two dailies (one in national and one in vernacular language) having sufficient circulation shall be made well in advance before the auction. The auction list shall also be displayed at respective branch office(s).

##### Venue of auction.

The auction shall be conducted in the taluk or town where the loan was originated. The auction shall be made at the branch office of the company where the items are due for auction or at a centralised location depending upon the number of branches and the number of gold loan packets involved.

##### Registers and records.

The company shall maintain an auction file in which all the necessary documents in respect of the auctions are filed. It shall be kept under the custody of a responsible officer of the company. A register shall also be kept in which details; such as the bidders present, price offered, price at which the ornaments auctioned etc are recorded. A separate attendance register showing the names and signatures of the bidders who have attended the auction shall also be kept at the auction centre.



### Other Terms and Conditions.

#### Size of Lot.

For convenience, the company shall auction various ornaments in convenient lots. The auction shall be on "as is where is basis".

#### Inspection

The bidders shall have the right to inspect the ornaments before the auction in the presence of the authorised officer of the company.

#### Minimum price

The company shall fix a minimum price for each item to be auctioned. The auction shall commence at a price above the minimum price. The bidder who quotes the maximum price above the minimum price shall be the successful bidder.

#### Proof of identity

The bidders shall produce proof of their identity in order to be eligible for participating in the public auction. Any one of the documents prescribed by RBI under KYC guidelines shall be accepted by the company towards Id proof. Such proof of identity shall be handed over to the auctioneer of the company. A pass will be issued by the company duly signed by the auctioneer to each bidder; who alone will be permitted to enter the auction hall.

As a policy the NBFC themselves shall not participate in the auction.

#### **Security deposit**

An amount of R.25000/- is prescribed as security deposit (EMD) by those who wish to bid at the auction. This amount can be paid by cash/DD drawn in favour of the company and is refundable to the unsuccessful bidders.

#### **Minimum payment on bid.**

On the date of auction, successful bidders shall remit on the spot stipulated percentage of the bid amount as decided and declared by the company, if required so. The security deposit already paid will be adjusted against the stipulated percentage remitted as above. The balance amount or the full amount in case the spot payment is not stipulated, shall be paid within 3 working days.

#### **Pledge of gold**

If the successful bidder is not able to raise sufficient money to settle the auction dues within 3 days, he can opt to pledge the gold ornaments bid by him as per the gold loan rules of the company and arrange money for payment of the amount. For availing the loan, the bidder shall have to pledge the entire lot bid by him.

#### **Surplus/deficit on auction.**

Any amount realised on auctioning of the gold which is more than the amount due from the borrower, shall be treated as auction surplus. This amount shall be paid to the borrower by cheque within a maximum period of 30 days on production of documentary proof like pawn ticket etc. After this period, the amount will be transferred to an escrow account and thereafter, the amount will be paid through the escrow account. Any deficit portion on auction shall be borne by the company. The company reserves the right to initiate appropriate legal action for recovering the deficit amount from the borrower.

**Systems and Procedures to deal with fraud:**

The company is dealing mainly in granting of gold loans after accepting the gold ornaments from the customers for pledge. Gold being an asset liquidity of which is high, the chances for fraud is comparatively more than other articles received as security. Hence a system should be in place to take preventive measures to check fraud as well as measures to deal with the frauds once happened.

The frauds can be of the following categories:

1. Frauds Committed by borrower.
2. Frauds committed by the staff members.
3. Frauds committed by the staff in connivance with the customers or outsiders.

Company will take the following measures in order to detect/ prevent the frauds:

1. NBFC experienced staff who are trained in gold appraisal shall be given preference while recruiting.
2. The staff who are new to the field will be given adequate on the job training before entrusting the work of appraisal.
3. The duties such as cash handling, gold appraisal, system entry and loan sanction will be handled by different staff.
4. The gold ornaments accepted for pledging will be additionally appraised by the Branch Manager.
5. The ornaments pledged will be kept under the joint custody of the branch Manager and the joint custodian of each branch and the strong room will be operated by them jointly.
6. The gold ornaments pledged will be inspected by the gold inspectors on periodical intervals and there will also be surprise checks in between the regular gold inspections.
7. The correctness of the physical cash maintained at the branch will be checked by the gold inspectors, internal auditors as well as by the Area and Regional Managers on their visits to the branch.
8. The ornaments checked by the gold inspectors will be sealed with a bar code control and the bar code will be entered in the software.
9. Periodical branch audit by the internal auditors are arranged to verify adherence to the systems and procedures as also the instructions given by the Corporate office to the branches by circulars and other communications.
10. The vigilance officers will initiate legal actions and take steps to recover our dues in cases of frauds detected.

**Present Schemes, LTV, Rate of Interest, loan period are briefed below:**

MAX PLUS		MAX EXTRA		MAX SUPREME		MAX PREMIUM	
LOAN TO MARKET VALUE OF ORNAMENTS							
75%		70%		60%		50%	
RATE OF INTEREST & LOAN PERIOD							
31 days	20%	31 days	22%	31 days	18%	31 days	14%
32-60	22%	32-60	23%	32-60	20%	32-91	17%
61-180	24%	61-365	24%	61-90	22%	91-180	21%
Loan to be closed within 180 days				91-365	24%	180 above	24%

*The most attractive factor to market the gold loan is the loans are without handling/processing/service charges.*

#### **Processing of Gold Loan Application**

- ❖ The gold loan to be one of our prime loan products where the risk factor is comparatively low and liquidity is very high in case of any interest default or failure to redeem the gold ornaments.
- ❖ The gold loan customer is to be attended by the Branch Manager in his cabin, ID creation is to be a smooth interface with Branch Manager and Loan Customer to start a strong customer relationship.
- ❖ When customer ID creation is in process, the Branch Manager to ascertain the loan requirement and the ornament is to be passed on to the Assistant Branch Manager for the appraisal.
- ❖ Meanwhile the customer ID creation is done, the process of gold appraisal to be completed wherein the loan document is to be got printed by the Assistant Branch Manager, to be handed over to the Branch Manager for getting the signature from the customer and to sanction the loan.
- ❖ At once the process is over, the pawn ticket portion to be handed over to the customer requesting him to collect the cash from the cashier.
- ❖ Meanwhile the Branch Manager re-appraise the gold ornaments to ensure the quality and to be packed and sealed with joint signatures of Branch Manager and Assistant Branch Manager.
- ❖ There may be occasions where the Branch Manager may be out for business then in such occasions the Assistant Branch Manager to take the lead and the Junior Assistant to do the process of first appraisal and repetition to be done by the Assistant Branch Manager.

- ❖ When the Branch Manager comes back, to re-appraise the gold ornament and pack the same as mentioned above.
- ❖ Transparent plastic covers should be used for keeping the pledged jewellery items and packing slips to be used and kept inside the plastic covers along with the ornaments.
- ❖ Security Stickers in blue colours to be duly filled in and pasted on the plastic covers and to be signed by the concerned branch staff.
- ❖ The pledged gold ornaments already kept in the transparent plastic covers should be kept in the printed gold loan papers and to be tied with rubber bands.
- ❖ Separate stickers in different colours for the use of Gold auditors (Red Colour) and Vigilance Auditors (Yellow colour) will be provided to the auditors and to be used by them at the time of audit.

### **Appraisal Process**

The entire branch team to get acquainted with the appraisal process, which can be attained only through practice. While the KYC documents, whether it is Ration card, Driving Licence, Aadhar Card, etc are be of statutory compliance, the integrity of the consumer to be ascertained from the interface during the Customer ID creation. Most of the branch team being local, there should not any difficulty in getting the customer linked to any of the known persons in the area and one can have own methods to address this question. The point to which drive in is, one should not fall back on KYC compliance alone while granting the loan.

- ❖ The Gold ornaments to be rubbed on the test stone without causing any damage to the ornament, and the nitric acid supplied is to be applied on the golden marks on the test stone.
- ❖ On application of the nitric acid on the gold particles on test stone there should not be any reactions in case of quality gold ornaments.
- ❖ In case the colour of the gold particles changes in reaction, the purity of the gold in doubt.
- ❖ As a second step the acid to be drained from the stone and the salt water is to be applied on the gold particles, in case of no reaction the quality of the gold is ensured, in case of any reaction points out to the poor quality of the ornaments.

### **Spurious Ornaments**

With the advancement in technology, high quality electroplating machines are used by the manufactures of one gram gold ornaments which looks like original cannot be identified easily on a single touch. These types of ornaments are gold plated ornaments.

So also ornaments are made out of hollow gold pipes with copper and other alloys where in the ornaments pre-ma-face look as gold, known as covered ornament which is to be identified out of the sound it produces when put on the glass surface, assessment of the weight putting in our hands. As

already mentioned it is on the integrity of the client other than the value of the ornament to be looked into while processing the loan.

## **B. Traders Loan**

Maxvalue Credits and Investments Ltd have designed its Traders Loan to suit the varying needs of different types of traders. The main object of the traders' loan is to enable the small traders to maximize their trade activity. The eligibility for loan is evaluated based on the credibility and the creditworthiness of the customers. The amount of loan sanctioned for a particular customer will be subject to all applicable regulations issued by RBI from time to time.

### **Documents Executed**

1. KYC- ID and Address proof for both applicant and co-applicant.
2. Proof of Business. (Licence, Food and Safety Certificate , Merchant Association certificate)
3. Ownership proof Residence ( Building Tax / Land Tax)
4. Postdated repayment Cheque (Bank account should be in name of applicant or co-applicant with the amount and date specified)

### **Delegation of powers**

Branch manager/ branch in charge is delegated with powers to sanction the loan up to Rs. 50,000/- after the unit visit and assessing the party and also obtaining a visit report by credit manager. The total loan liability under trade loan should not exceed Rs. 10 lakhs in the branch at a given time Which means a branch can disburse 20 numbers of loans and further disbursal depends upon the daily recovery where in the outstanding would come down on daily basis.