

# GOLD AND SILVER LOAN POLICY

(For Base Layer NBFC – Investment and Credit Company)

## 1. Preamble

This Gold and Silver Loan Policy (“Policy”) is framed in accordance with the Scale Based Regulation (SBR) framework and the *comprehensive lending guidelines* issued by the Reserve Bank of India (RBI) applicable to NBFC–Investment and Credit Companies (NBFC–ICC) classified under the Base Layer.

The Company, being an NBFC–ICC (Base Layer), shall conduct gold and silver loan operations in compliance with:

- RBI Master Direction – NBFC (Scale Based Regulation) Directions, 2023 (as amended up to 2026)
- Reserve Bank of India (Lending Against Gold and Silver Collateral) Directions, 2025 (effective April 1, 2026)
- Master Direction - Know Your Customer (KYC) Direction, 2016 (as updated)
- Fair Practices Code (FPC) prescribed by RBI
- Prudential Norms on Income Recognition, Asset Classification and Provisioning (IRACP)
- The Reserve Bank - Integrated Ombudsman Scheme, 2021
- Relevant provisions of the Companies Act, 2013 (including Sections 177 and 179)
- The Digital Personal Data Protection (DPDP) Act, 2023

This Policy lays down the governance structure, operational procedures, risk controls, valuation methodology, monitoring mechanism, and recovery framework for loans granted against the pledge of gold and silver ornaments and eligible coins.

## 2. Objectives of the Policy

The objectives of this Policy are:

1. To establish a uniform framework for the sanction, valuation, custody, monitoring, and recovery of gold and silver loans.
2. To ensure compliance with RBI regulations applicable to NBFC–Base Layer.
3. To mitigate credit, market, operational, and reputational risks associated with precious metal price volatility.
4. To ensure transparency, fairness, standardised purity certification, and customer protection.
5. To maintain asset quality and safeguard pledged collateral while adhering to strict timelines for the release of collateral post-repayment.

## 3. Applicability

This Policy shall apply to:

- All branches and business locations of the Company.
- All employees, credit officers, valuers, branch heads, and recovery staff involved in gold and silver loan operations.
- Outsourced service providers, if any, engaged in collateral handling (core auction activities cannot be outsourced to unregulated third parties).

## 4. Governance Structure

### 4.1 Board of Directors

The Board shall, in accordance with Section 179 of the Companies Act, 2013:

- Approve the Gold and Silver Loan Policy and its subsequent amendments.
- Approve the interest rate framework and aggregate portfolio exposure limits.
- Review portfolio performance periodically.
- Ensure compliance with the RBI SBR framework and the new Gold and Silver Collateral Directions.

### 4.2 Risk Management Oversight

The Company (through its Audit Committee/Risk Management Committee) shall:

- Monitor gold and silver loan portfolio concentration.
- Track the new Tiered LTV compliance on an ongoing basis.
- Review overdue trends and auction cases.
- Ensure provisioning as per IRACP norms.

- Establish Anti-Money Laundering (AML) thresholds to closely examine multiple/frequent loans sanctioned to the same borrower.

## 5. Definitions

### Gold and Silver Loan:

Loan granted against the pledge of eligible gold or silver ornaments/coins as collateral security.

### Loan-to-Value (LTV):

Ratio of the loan amount sanctioned to the assessed value of the gold or silver collateral, subject to the tiered caps prescribed by RBI.

### Net Weight:

Weight of gold or silver after excluding stones, beads, lac, alloys, fastenings, and any other non-precious metal components.

## 6. Eligibility Criteria

### 6.1 Borrower Eligibility

- Individual customers aged 21 years and above (or legally competent to contract).
- Lawful owner of the pledged gold/silver.
- Compliance with KYC/AML norms.
- Submission of an ownership declaration where the purchase invoice is unavailable.
- A detailed credit assessment and evaluation of repayment capacity is mandatory if the total loan amount against eligible collateral exceeds ₹2.5 lakh for a borrower.
- The Company shall not grant loans against:
  - Collateral suspected to be stolen.
  - Collateral involved in legal disputes.
  - Pledged items of doubtful ownership.

## 7. Acceptable Security

The Company shall accept:

- Gold ornaments (Aggregate weight capped at 1 kilogram per borrower).
- Specially minted Gold coins (Minimum 22 carats, sold by banks, capped at 50 grams per borrower).
- Silver ornaments (Aggregate weight capped at 10 kilograms per borrower).
- Specially minted Silver coins (Minimum purity 925 sterling silver, capped at 500 grams per borrower).
- The Company shall NOT accept:
  - Gold/Silver-plated ornaments.
  - Primary gold or silver bullion (bars, biscuits, slabs, ingots).
  - Financial products backed by precious metals (e.g., Gold/Silver ETFs, mutual fund units).
  - Collateral with excessive embedded stones without clear segregation capabilities.
  - Minimum purity accepted: 18 carats for gold and 925 (sterling) for silver.

## 8. Valuation Norms

### 8.1 Valuation Methodology

Valuation shall be based on:

1. Purity testing using approved methods conducted in the presence of the borrower.
2. Net weight after excluding non-precious components.
3. Price determination: Valued based on the LOWER OF (a) the average closing price over the preceding 30 days, or (b) the closing price of the preceding day, as published by the India Bullion and Jewellers Association Ltd. (IBJA) or a SEBI-recognized commodity exchange.

Lower purity gold (e.g., 18 to 21 carats) shall be proportionately valued translated into 22 carat equivalent. A formal Purity and Valuation Certificate detailing the weight, purity, deductions, and assessed value must be provided to the borrower at sanction.

### 8.2 Tiered LTV Norms

Under the new RBI framework, the maximum LTV for consumption loans shall adhere to the following tiers:

- Loans up to ₹2.5 lakh: Maximum 85% LTV.
- Loans between ₹2.5 lakh and ₹5 lakh: Maximum 80% LTV.
- Loans above ₹5 lakh: Maximum 75% LTV.

- *LTV must be calculated on the total amount repayable at maturity (including interest) for bullet repayment loans.*
- *The prescribed LTV ratio must be maintained on an ongoing basis throughout the tenor of the loan.*

## 9. Sanctioning Authority & Limits

- Sanctioning powers shall be delegated as per *the* internal credit delegation matrix.
- All sanctions must be documented and system-recorded.
- *Renewals or top-ups are permitted only if the existing loan is classified as standard, accrued interest is fully paid, and the new exposure remains within permissible LTV limits.*

## 10. Documentation

The following documents shall be obtained:

- Duly filled loan application form.
- KYC documents.
- Ownership declaration.
- Loan agreement (*standardised across all branches and available in the local language*).
- Pledge agreement.
- Pawn ticket issued to *the* borrower.
- *Purity/Valuation Certificate signed by both the valuer and the borrower.*

## 11. Disbursement Norms

- Disbursement only through banking channels.
- No cash disbursement beyond *the* statutory ₹20,000 threshold under the Income Tax Act, 1961.
- Disbursement only after completion of documentation and valuation confirmation.

## 12. Custody and Security Controls

The Company shall ensure:

- Secure vault facility in branches accepting gold/silver.
- Dual control access system.
- CCTV surveillance with recording backup.
- Comprehensive insurance coverage.
- Periodic physical verification of stock *as part of internal audit, with borrower consent obtained for surprise checks even in their absence.*
- *Lenders shall not re-pledge the gold or silver pledged to them by their borrowers.*

## 13. Interest Rate & Charges

### 13.1 Interest Rate Policy

- Board-approved interest rate structure.
- Transparent disclosure in loan documents.
- No usurious or excessive interest.

### 13.2 Charges

Disclosed upfront: Processing fee, Valuation charges, Penal interest (*charged only on the overdue amount*), and Auction expenses. No hidden charges shall be levied.

## 14. Repayment & Monitoring

### 14.1 Repayment Structure

- Bullet repayment (*Maximum tenure strictly capped at 12 months for bullet loans*).
- EMI-based repayment (if offered).
- Prepayment allowed without unreasonable penalty.

### 14.2 Release of Collateral

- *Pledged collateral must be released/returned on the same day, or within a maximum of 7 working days, upon full repayment of the loan.*
- *Delays attributable to the Company shall attract a mandatory compensation of ₹5,000 to the borrower for each day of delay beyond the 7-day timeline.*

## **15. Asset Classification & Provisioning**

Gold and silver loan accounts shall be classified as Standard, SMA, or NPA as per IRACP norms applicable to NBFC–Base Layer. Provisioning shall be made in accordance with regulatory requirements.

## **16. Default & Recovery Mechanism**

In case of default:

1. Issue written notice to *the* borrower.
2. Provide *a* reasonable opportunity for repayment.
3. Ensure recovery practices are non-coercive and ethical.

## **17. Auction Policy**

If *the* borrower fails to repay within *the* stipulated period:

1. Adequate auction notice shall be issued *and advertised in at least two newspapers (one regional and one national daily)*.
2. Auction shall be conducted in the same town/taluka as *the* lending branch.
3. *Reserve price shall be at least 90% of the current value of the collateral (it may drop to 85% only after two failed auction attempts)*.
4. Proper auction documentation shall be maintained. *The Company or its related parties shall not participate in the auctions.*
5. Surplus amount, if any, shall be refunded to *the* borrower *within 7 working days from the date of receipt of the full auction proceeds.*

## **18. Risk Management & Internal Controls**

The Company shall monitor:

- Price volatility risk.
- Concentration risk.
- Fraud risk.
- Operational risk in custody.
- *Adherence to the RBI-mandated methodology for net weight and pricing (which must also be explicitly displayed on the Company's website).*

## **19. Customer Grievance Redressal**

- Grievance Redressal Officer (GRO) shall be appointed.
- Complaints resolved within *the* prescribed timeline.
- Unresolved grievances may be escalated under the RBI Integrated Ombudsman Scheme.

## **20. Reporting & Regulatory Compliance**

The Company shall:

- Maintain complete records of transactions.
- Submit regulatory returns as applicable to NBFC–Base Layer.
- *Disclose in the notes to accounts of financial statements the amount and percentage of loans extended against gold and silver collateral.*

## **21. Policy Review**

This Policy shall be reviewed annually or earlier if required due to regulatory changes. Amendments require Board approval.

## **22. Effective Date**

This **GOLD AND SILVER LOAN POLICY** has been approved by the Board of Directors of THIRUKOCHI FINCAP LIMITED at its meeting held on 12/03/2026.

Effective Date: 12/03/2026

**Version:1**

