

Draft Gold Loan Policy

1) Preamble: Reserve Bank has restricted lending against primary gold such as gold bullion due to broader macro-prudential concerns as also due to speculative and non-productive nature of gold. RBI has since issued Directives vide **Chapter IV of RBI Directive No.DOR.CRE.REC.196/07-01-005/2025-26 on Reserve Bank of India (Urban Co-operative Banks – Credit Facilities) Directions, 2025 dated 28 November 2025**. We have been permitted to lend against the collateral security of gold jewellery, ornaments and coins for meeting the short-term financing needs of borrowers. The extant regulations are guided, inter alia, by the objective of providing the borrowers an avenue to tide over their tight liquidity conditions by leveraging the gold jewellery, ornaments or coins that are kept idle, while simultaneously addressing the risks for the bank. RBI has advised that Instructions issued vide above Directives should be complied with as expeditiously as possible but not later **than April 1, 2026**. In view of these revised instructions, we have revised our Gold Loan Policy, which will remain valid for one year or till its further renewal whichever is earlier.

2) 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 6(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) "Lender" means an RE which provides or intends to provide loans against eligible collateral.
- (ix) "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 6(vii) above.
- (x) "Primary Gold and Primary Silver" mean gold and silver in any form other than in the form of a jewellery, ornaments and coins.
- (xi) "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 collateral already pledged for the existing loan.

3) Restrictions and Ceilings

- a) Bank should not grant any advance or loan against primary gold or silver or financial assets backed by primary gold or silver, e.g., units of Exchange-traded funds (ETFs) or units of Mutual Funds.
- b) Bank should not extend a loan where ownership of the collateral is doubtful. A suitable document or declaration should be obtained from the borrower in all cases to the effect that the borrower is the rightful owner of the eligible collateral.
- c) Multiple or frequent requests of sanction of loans against eligible collateral by the same borrower, aggregating to a value in excess of a threshold, must be examined closely as part of the transaction monitoring under the anti-money laundering (AML) framework.
- d) We should not avail loans by re-pledging gold or silver pledged to us by our borrowers.
- e) We should not extend loans to other lenders, entities or individuals by accepting gold or silver collateral pledged to such lenders, entities, or individuals by their borrowers as collateral.
- f) Tenor of consumption loans in the nature of bullet repayment loans is capped at 12 months, which may be renewed as per the bank's policy.
- g) Loans against ornaments and coins shall be subject to the following:
 - (i) the aggregate weight of ornaments pledged for all loans to a borrower should not exceed 1 kilogram for gold ornaments, and 10 kilograms for silver ornaments.

(ii) the aggregate weight of coin(s) pledged for all loans to a borrower should not exceed 50 grams in case of gold coins, and 500 grams in case of silver coins.

4) Valuation and Assaying of Gold and Silver collateral.

Gold or silver accepted as collateral should be valued based on the reference price corresponding to its actual purity (caratage). For this purpose, the lower of

- (a) the average closing price for gold or silver, as the case may be, of that specific purity over the preceding 30 days, **or**
- (b) the closing price for gold or silver, as the case may be, of that specific purity on the preceding day, as published either by the India Bullion and Jewellers Association Ltd. (IBJA) or by a commodity exchange regulated by the Securities and Exchange Board of India (SEBI) should be used.
- (c) If price information for the specific purity is not directly available, the bank will 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.
- (d) For the purpose of valuation, only the intrinsic value of the gold or silver contained in the eligible collateral shall be reckoned and no other cost elements, such as precious stones or gems, will be added thereto.

5) Loan to Value Ratio (LTV).

The maximum LTV ratio in respect of consumption loans against the eligible collateral should not exceed LTV ratios as provided in the table below

Total consumption loan amount per borrower	Maximum LTV Ratio
≤ ₹2.5 lakh	85 per cent
> ₹2.5 lakh & ≤ ₹5 lakh	80 per cent
> ₹5 lakh	75 per cent

In case of Bullet repayment loans, the loan amount will be the total amount payable at maturity, (inclusive of Interest). **Amount of consumption loan on bullet repayment terms will be decided by the bank based on the repaying capacity of the borrower. However, the loan amount will be renewed on full payment of interest due.**

Total Income Earning/Commercial loan amount per borrower (EMI based)	Maximum LTV Ratio
≤ ₹2.5 lakh	85 per cent
> ₹2.5 lakh & ≤ ₹5 lakh	80 per cent
> ₹5 lakh	75 per cent

The prescribed LTV ratio will be maintained on an ongoing basis throughout the tenor of the loan. Amount of **Income Earning/Commercial loan will be as per credit appraisal by the bank.**

6) Standard Procedure for Assaying and Valuation of Gold and Silver collateral

- a. **Ownership of Ornaments:** - We should obtain a declaration (not bills of the gold ornaments) from the borrower that the ornaments are his own property and that he has the fullest right to pledge them to the bank. Taking of ornaments for pledge and release thereof to the parties concerned after repayment of the bank's dues should be done strictly in the authorised official's room to avoid any risk.
- b. **Appraiser:** - We should appoint an approved jeweller or shroff as an appraiser for valuation of the gold ornaments proposed to be pledged to the bank and obtain adequate security from him in the form of cash and indemnity bond. Valuation and appraisal of the ornaments in the bank's premises itself would be ideal but when these are not possible, we should take suitable precautions against their loss while in transit. We should send the ornaments to the appraiser in a locked box, one key of which should be kept with the appraiser and the other with the bank. The box should be sent through a responsible member of the staff along with the prospective borrower. The placing of ornaments in the box at both the ends should be done in the presence of the employee carrying the ornaments to the appraiser and the borrower. We should take a suitable insurance cover for loss of the ornaments while in transit.
- c. **Valuation Report.** The valuation certificate of the appraiser should clearly indicate the description of the ornaments, their fitness, gross weight of the ornaments, net weight of the gold content exclusive of stones, lac, alloy, strings, fastenings and the value of the gold at the prevailing market price. The valuation report should be duly signed by the appraiser and kept along with the loan documents by the bank.
- d. **Record of Security:-** The full name of the borrower, his residential address, date of advance, amount and description of the ornaments in detail should be recorded in the gold ornaments register which should be checked / initialled by the Manager.

- e. **Custody of Ornaments:-** The ornaments belonging to each borrower (or articles of each loan) together with a list indicating the description of ornaments, gold loan account number, name of party, etc. should be kept separately in small cloth bags. A tag indicating loan account number and name of the party should be tied to the bag to facilitate identification. The bags should be arranged in trays according to loan account numbers and kept in the *strong room or fire proof safes under joint custody*.
- f. **Period:-** The period of advance against gold ornaments under Bullet Repayment Scheme (Either Consumption loan or Income Generating /Commercial loan) should be restricted to 1 year.
- g. This procedure should be adopted uniformly across all branches for all assaying procedures, without any deviation.
- h. We should display on our website the methodology adopted by us for determination of net weight of the gold and silver content of the eligible collateral and the price used to value the gold and silver content of the eligible collateral for determination of LTV ratio.
- i. We should 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 details incorporated in the certificate to be issued.
- j. Post pledging, cases involving loss of gold or silver collateral and any deterioration or discrepancy in quantity or purity observed during internal audit or otherwise including at the time of return or auction of collateral must be recorded and communicated promptly to the borrower(s)/ legal heir(s). The process for making reimbursement or compensation as per the policy or SOP should also be communicated to the borrower(s)/ legal heir(s).

7) Standardisation of Documents and Communication

- 1) Documentation has been standardised across all branches of our bank.
- 2) The loan agreement should 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 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).

- 3) While accepting the eligible collateral, we should prepare a certificate or e-certificate in duplicate on our letterhead regarding the assay of the collateral and state therein the purity (in terms of carats); gross weight of the eligible collateral pledged; net weight of gold or silver content therein and deductions, if any, relating to weight of stones, lac, alloy, strings, fastenings, etc.; damage, breakage or defects, if any, noticed in the collateral; image of the collateral; and the value of collateral arrived at the time of sanction. One copy of the certificate or e-certificate shall be kept as part of the loan documents and the other copy be given to the borrower under their acknowledgement.
- 4) All communication with the borrower, especially, the terms and conditions of the loan, or other important communication which affects the interest of the borrower or the lender, should be in the language of the region or in a language as chosen by the borrower. For an illiterate borrower, important terms and conditions shall be explained in the presence of a witness, who shall not be an employee of the bank.

8) Collateral Management:

a) Handling and Storage of Collateral.

We should ensure that necessary infrastructure and facilities are put in place and appropriate security measures taken in each of our branches where loans are sanctioned against gold or silver collateral.

- b)** We should ensure that the gold and/ or silver collateral is handled only in our branches and only by our employees.
- c)** We should store the collateral only in our branches which are manned by our employees and having safe deposit vaults fit for storing gold and silver. Normally, such loans will not be extended by branches that do not have appropriate secured facility for storage of the pledged eligible collateral.
- d)** The pledged eligible collateral may be transported from one branch to another branch, only as permitted cases or in case of shifting or closure of branch(es) or exceptional reasons as per the process laid down under policy.
- e)** We should 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.

- f) As part of internal audit, bank should carry out periodic surprise verification of the gold and silver collateral pledged and should maintain a record thereof. A clause in the loan agreement should be included for obtaining consent of the borrower(s) to carry out surprise verification including assay of the pledged eligible collateral even in their absence during the tenor of the loan. This aspect will be specifically communicated to the borrower at the time of sanctioning the loan.

9) Release of Collateral after Repayment

- a) Bank should release or return the pledged eligible collateral 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.
- b) At the time of release of pledged eligible collateral to the borrower(s)/ legal heir(s), the collateral should be verified for correctness as per details in the certificate to the borrowers' satisfaction.

10) Transparency in Auction Procedure

- a) Bank should give adequate notice to the borrower(s)/ legal heir(s), as applicable, through available means of communication to repay or settle the loan dues prior to initiating the auction procedure. A copy of the notice and acknowledgement thereof shall be kept on record in both scenarios. In case the bank is unable to locate the borrower(s)/ legal heir(s) despite best efforts and even after issuance of a public notice, we may proceed with the auction, provided that a period of one month has lapsed from the date of the public notice.
- b) We should implement a transparent auction procedure, which should 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.
- c) The pledged eligible collateral will be auctioned by us only through our employee having necessary experience and/ or training or an auctioneer empanelled. If auctions are conducted by a bank through employees, necessary safeguards such as surprise visits by regional/ controlling officials on periodic basis, coverage under internal audit, etc., will be put in place.
- d) Bank should declare a reserve price for the gold and silver collateral at the time of auction, which shall not be less than 90 per cent of its current value but in case auctions fail twice, a reserve price not less than 85 per cent of its current value will be adopted.

- e) The first auction should be conducted physically in the same district in which the lending branch is located. However, in case of failure of first auction, bank may conduct the auction in an adjoining district or conduct online auction.
- f) No Director of the Board or employee or any related parties should participate in the auctions to ensure that there is no potential conflict of interest.
- g) After the auction, bank should mandatorily provide full details of the value fetched at the auction and the dues adjusted to the borrower(s)/ legal heir(s). The surplus, if any, from the auction of the gold or silver collateral, shall be refunded to the borrower(s)/ legal heir(s) within a maximum period of seven working days from the date of receipt of the full auction proceeds. Bank may recover shortfall, if any, as per terms of the loan agreement.

11) Compensation:

- a) In case of any damage to the pledged eligible collateral by our bank during the tenor of loan, the cost of repair will be borne by the bank.
- b) 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, bank will suitably compensate the borrower(s)/ legal heir(s).
- c) 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, we should compensate the borrower(s)/ legal heir(s) at the rate of ₹5,000 for each day of delay beyond the 7 days' timeline prescribed. If the delay is not attributable to the bank, we should communicate reasons for such delay to the borrower(s)/ legal heir(s). Further, where the borrower(s)/ legal heir(s) has not approached the bank for release of pledged eligible collateral after full repayment or settlement of loan, we should issue periodic reminders to borrower(s)/ legal heir(s) through letters, email or SMS if the email and mobile number are registered with the bank.
- d) The compensation provided under these Directions shall be without prejudice to the rights of a borrower to get any other compensation as per any applicable law.

12) Unclaimed Gold and Silver collateral

- a) The pledged gold or silver collateral lying with bank beyond two years from the date of full repayment or settlement of loan shall be treated as unclaimed. We should periodically undertake special drives to ascertain the whereabouts of the borrower(s)/ legal heir(s) in respect of such unclaimed gold and silver collateral.
- b) A report on unclaimed gold and silver collateral will be put up to the Customer Service Committee /the Board, at half-yearly intervals for a review.

13) Other Instructions

- a) We refrain from issuance of misleading advertisements containing unrealistic claims to promote loans against gold or silver collateral.
- b) We ensure that all arrangements for sourcing and/ or recovery of loans against eligible collateral, are in compliance with applicable guidelines on outsourcing and recovery practices.
- c) We should generally disburse loans into borrower's bank accounts. We must comply with the Master Direction – Know Your Customer (KYC) Directions, 2016 as updated from time to time. Provisions of Sections 269 SS and 269 T of the Income Tax Act, 1961, and associated rules, as may be applicable.
- d) In case of bank transfers, we should ensure that: (i) Loan disbursements are made to the borrower's account and not to a third-party account; and (ii) Loan servicing, repayment, etc. is executed by the borrower directly in the lenders' bank account without any pass-through account or pool account of any third party.
- e) As running multiple loans simultaneously to a single borrower or a group of related borrowers could be prone to misuse and susceptible to fraud, we must avoid such practices should be subject to stricter internal audit and supervisory examination.

14) Disclosures

We should disclose in our notes to accounts the amounts and percentage of loans extended against eligible collateral, separately for gold and silver collaterals, for both income generating as well as consumption purposes, to its total loans as per the format prescribed.