

BEST FINANCE CORPORATION LIMITED – GOLD LOAN POLICY

RBI-Reg. No. - N-07-00785

CIN-U65921TZ2009PLC015595

(Gold Loan Policy)

NOMENCLATURE

The loan is given as a demand loan.

TENURE OF THE LOAN

All gold loans are sanctioned for a maximum tenor of 12 months unless otherwise specified under a particular scheme.

ELIGIBILITY

Any individual who is the lawful owner of the Gold Jewellery offered as security as per the declaration of ownership submitted by him and fulfilling the KYC norms as per RBI & statutory guidelines applicable and circulated from time to time.

PURPOSES

The loan is intended as a short-term loan for people who are urgently in need of money for lawful purposes, on the security of gold ornaments.

QUANTUM OF FINANCE

Quantum of finance will be decided on the basis of net weight of gold of 22 carat ornaments tendered as security, its purity and subject to RBI & statutory guidelines applicable regarding loan to value from time to time.

QUANTUM AND PURITY OF GOLD

The minimum net weight of gold jewellery that can be considered for pledge is 2 grams. The ornaments considered for pledge shall normally be of 22 carat purity. In case if it's less but acceptable as per our schemes on commercial considerations the value need be proportionately reduced after considering the market value of the same also. The weight of pearl, coral or any other stone or foreign material other than gold contained or forming part of the ornament irrespective of its value shall be deducted from the gross weight of the ornaments to arrive at the net weight for calculating the eligibility for the loan.

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INTEREST AND CHARGES

Interest and other charges to be levied shall be governed by **the interest rate policy adopted by the Board. The Board, or a committee empowered by the Board shall review the interest rates and other charges periodically and make necessary revisions as per the business requirements.** Any revision in interest shall only be with prospective effect.

Interest and other charges to be levied on the loan shall be as per the schemes formulated and amended from time to time. The interest rates shall be decided based on gradation of risk, the underlying principle being higher the risk higher the interest, within the ceiling rate decided by the Company.

The interest shall be calculated for the actual number of days the loan remains outstanding, including the date of loan disbursement and the date of closure. However, if the borrower closes the loan within 15 days from the date of disbursement, then a minimum interest for 15 days shall be payable. If the amount of interest so calculated is less than Rs.100 /- then a minimum interest of Rs.100 /- will be charged. A rebate/cash back in interest/interest rate may be provided for encouraging repayment of interest or closure of the loan on or before the specified tenor as per the scheme.

A grace period up to 3 days on due date may be allowed in payment of dues at the discretion of the Company.

For the purpose of calculation of interest, a year will be reckoned as 365 days.

Interest and other charges shall be guided as per RBI guidelines from time to time.

PENAL INTEREST

In the event of failure on the part of the borrower to close the loan along with interest and other charges on the due date or within the grace period permitted, penal interest as decided by the Company from time to time and intimated to the borrower shall be charged over and above the regular interest prospectively.

DOCUMENTATION

1. Loan Application.
2. Demand Promissory Note, Pledge Form and take delivery letter.
3. Loan Agreement and Terms and Conditions Letter, which also includes declarations and undertakings by the borrower and acknowledged by him and any other documents that may be specified by the Company.

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4. Customer copies of Pledge Form, loan agreement and terms and conditions letter given to customers.
5. Any one or more of the following Documents specified by RBI as address/ID proof for completing the KYC of the customer.

KYC documents & VERIFYING IDENTITY OF CUSTOMERS

List Of Valid KYC Documents For Account Opening:-	
Permanent Account Number (PAN)/ FORM60 is mandatorily to be obtained while opening of the accounts as per extant Reserve Bank of India Guidelines.	
Official Valid Documents (OVDs) for Accounts of Individuals	<ul style="list-style-type: none">➤ Passport➤ Driving license with photo➤ Aadhaar card➤ Voter's Identity Card issued by Election Commission of India,➤ Job card issued by NREGA duly signed by an officer of the State Government.➤ Letter issued by the National Population Register containing details of Name and Address.
Deemed officially valid Documents- In case OVD does not contains current/ updated address. (At least one document from the list is required.)	<ul style="list-style-type: none">➤ Utility bill of any service provider i.e. electricity, telephone, postpaid mobile phone, piped gas, water bill (not more than two months old)➤ Property or Municipal Tax receipt;➤ Ration card➤ Pension or family pension payment orders (PPOs) issued to retired employees by Government Departments or Public Sector Undertakings, If they contain the address;➤ Letter of allotment of accommodation from employer issued by State or Central Government departments, statutory or regulatory bodies, and public sector undertakings, scheduled commercial banks, financial institutions and listed companies. Similarly, leave and license agreements with such employers allotting official accommodation; <p>Provided further that the customer shall submit Aadhaar or OVD updated with current address within a period of three months of submitting the above documents</p>

Address proof: If any of the documents taken as identity proof also contains the address of the borrower, no separate address proof is insisted upon.

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JEWELLERY HANDLING

Gross weight of the jewellery to be taken and appraised for assessing the purity. The appraiser /The authorized officer shall conduct purity Check as per the various methods prescribed by the Company such as stone test, acid test, salt test, sound test, weight test, pointed scratching test, flexibility test, color test, smell test, usability test, magnifying glass test, and finishing test.

1. To make sure that the jewellery offered for pledge is of an acceptable level of purity.
2. Net weight of the jewellery to be arrived at after deducting the weight of stones embedded in the ornament. Appraiser to sign the appraisal form as proof of having done the appraisal.
3. Jewellery to be packed securely in the specially made secured covers by the company for this along with the weight slip and kept in the strong room/safe.
4. Separate packets to be prepared for each loan.

OWNERSHIP OF GOLD

Before disbursement of the loan, branch executives should enquire with the customers about the ownership of the jewellery being pledged for loan and the loan should be granted only after they are convinced about the genuineness of the borrower and his capacity to own that much quantity of gold. In addition to the above, customers are also required to sign a Declaration of ownership of jewellery offered as security for the loan.

In cases where the weight of the gold jewellery pledged by a borrower at any one time or cumulatively on various loans outstanding is more than 20grams, the declaration should also contain an explanation specifically as to how the ownership was vested with the customer(For eg. Inherited, received as gift, purchased etc).

ISSUANCE OF CERTIFICATE OF PURITY

A certificate of purity of the gold jewellery pledged as security for the loan will be incorporated in the Sanction Letter given to the borrower for the limited purpose of determining the maximum permissible loan and arriving at the reserve price for auction.

Only gold jewellery of 22 carat will be accepted as security for the loan. However, in case the purity of the jewellery is found to be less than 22 carat, an option can be exercised by the Company to translate the collateral into 22 carat and state the exact grams of the security accordingly.

Since the purity certificate is issued purely based on the declaration given by the borrower and the standard methods of verification adopted by the Company and in the absence of any fool proof method of assessing the purity of gold, no disputes/claims based on the certificate will be entertained by the Company. Suitable conditions may be stipulated in the terms and conditions accordingly.

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LOAN TO VALUE (LTV)

Loan To Value of the gold jewellery shall be valued by taking into account the preceding 30 days' average of the closing price of 22 carat gold as per the rate as quoted by the India Bullion and Jewellers Association Ltd (IBJA) formerly Bombay Bullion Association Ltd (BBA).

In addition to the above we may also have a ceiling rate for granting the loan i.e. Loan to Value (LTV) is 75% of gold value and subject to the guidelines issued by RBI from time to time as also the rate per gram under each scheme calculated as below shall be updated and advised to Branches periodically.

Change in rate of interest and schemes will also be updated and intimated to branches periodically from Corporate Office.

SAFETY MEASURES

To ensure the safety of the ornaments pledged by the customers, the following arrangements shall be in place in all the Branches.

1. Strong rooms or Fire and Burglary Resistant (FBR) safes.
2. Armed guard(s)/watchman at Branches wherever required may be decided by risk head.
3. Burglar alarms, Closed Circuit Cameras and such other devices as deemed necessary shall be installed in Branches.
4. Insurance cover against burglary/fire/natural calamities or such other risks the Company may decide to insure against.

DELEGATION TO SANCTION

The sanctioning powers for gold loans are as approved by the board

Primary responsibility of sanctioning rests with branch manager with respect to ensuring the genuineness of securities/borrower etc., as the loan is to be given immediately and the TAT expected in GL business will not give time for functionaries who don't sit in the site is very difficult. But a e mail sanction is must from higher functionaries (other than manager) till an online system is developed and put into use.

Though the sanction by other than branch manager is only in principle approval such authorities need to take all possible precaution while according in principle sanction.

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LOAN DISBURSEMENT

While all efforts shall be made to restrict payments through direct credit to customers account loan proceeds of above Rs.2 Lakhs should be paid only by cheque / online payment.

RELEASE OF ORNAMENTS PLEDGED

Pledged ornaments can be released on payment of full dues with interest and other charges if any. Release of ornaments can be done after collection of Token, verification of customer's signature and KYC. After confirming that the packet contains the same items that were pledged, the ornaments should be handed over to the borrower.

FRAUD PREVENTION

All kinds of fraudulent activities or attempt to defraud, whether it is by the employees or outsiders, must be brought to the knowledge of the management as soon as it is detected for proper action as per company guidelines. Such reports cases are to be reported to board also once in a quarter.

STOLEN ORNAMENTS

In a branch. If they inadvertently accept any stolen gold ornaments for pledge and on finding these attempt, the following steps shall be taken by the branch: -

1. It should be immediately reported to the legal section at Corporate Office and the local Police and a copy of the FIR is obtained from the police.
2. An acknowledgement letter / seizure mahazzar is obtained from the police officer to whom the ornaments are handed over.

In case if we are suppose to handover the ornaments to police every effort shall be taken to recover the amount from borrower and the account shall be treated as NPA.

ITEMS NOT TO BE CONSIDERED AS SECURITY

1. Melted bar /Primary Gold coin.
2. Jewellery of any religious institutions.
3. Items where the borrower is unable to give a proof or declaration of ownership.
4. Items which are not permitted to be taken as security by RBI.

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SUBSTITUTION OF PLEDGED ITEMS

Substitution of any ornaments pledged is not permitted unless specifically permitted under approved schemes. Such requests, when received from the borrowers are to be politely declined. The listing of items and their weight as given on the pledge form and appraisal certificate should always tally with the actual gold ornaments kept in the strong room.

GOLD IN TRANSIT

All the prescribed precautions should be taken while transporting gold. Carrying authorization letter, mode of carrying, travel route, mode of conveyance etc., should be strictly as per the instructions of Corporate Office. Violation of any of the prescribed rules may deprive us of insurance coverage of gold while transit.

AUCTION

If the loan account is not closed on completion of tenure and even after sending reminders through SMS, notices/Registered notices at frequencies stipulated by the Company, the ornaments will be auctioned after giving a minimum of 14 day's prior notice by way of an auction notice sent by an authorized auctioneer. The auction will be announced to the public through advertisements published in at least 2 newspapers, one in vernacular language and another in a national daily newspaper. BFCL, its Group Companies and its other related entities will not be allowed to take part as a bidder in auction to ensure that there is an arm's length relationship in all transactions during an auction process. The borrower, if he chooses, can participate in the auction process complying with the conditions stipulated by the Company/auctioneer.

AUCTION PROCEDURE

Procedure as outlined in the auction policy approved by the Board to be followed.

TAKE OVER OF LOAN ACCOUNT

The Company may from time to time apart from granting fresh loans to customers, take over another banks or financial institutions loan accounts if the customer request for the same. Staff of BFCL will follow the detailed standard operating procedure and the relevant guidelines issued by the company in this regard. –

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Other Precautions

- 1) End use of funds and the purpose of the loan be enquired and the sanctioning authority get convince on the genuineness of the loan.
- 2) Branches must engage to extend the loan period by closure /repledge of the loan, with part payment, after proper enquiry and assessment after ensuring that its only because of the delay in cashflow, the borrower is doing the repledge. Evergreening of loans shall not be permitted. Also, while doing the pledge again the assessment/appraisal and verification of assets must be done like as if it's a new loan.
- 3) If a borrower takes many loans / many times /closes in short time branches must closely scrutinise such requests and make sure that its genuine and in case of any doubt may decline such requests politely.
- 4) Branches to do background enquiry /verification of borrower applicants using all possible avenues and most relevant and recent aspects and at the same time ensuring timely helping them without being too bureaucratic.
- 5) Since account passbooks are being seen /taken for online transfer of loan proceeds branches take few seconds to go thru the entries to understand better the financial aspects of the applicant borrower and see for the following.
 - a) Check for the average balance and get a view on his capacity of borrowing.
 - b) Check for return of any cheques and understand the reasons for the return of cheques if it's very high
 - c) Go thru the nature of transactions so as to get a fair idea of what the customer is doing and to make sure that he is worthy of loan he is planning to avail from us.
- 6) In case of loans higher than say Rs 10 lacs check the address physically and if possible, make enquiries in the area so as to get an idea. Also do a geo tagging and file a print if possible.
- 7) Branches to get clearance from Authorized officer orally and record in the documents and get their authentication when they visit your branch.
- 8) Check CIBIL score to ensure that there is no undesirable features in the report if required in any case. If it's so, get reasons and proceed if it's a satisfactory
- 9) The reference /introduction of the customer point is very important and that will give a very good idea of the client's creditworthiness /integrity etc., Train people on this.
- 10) Branches shall find out the activity of the borrower thru friendly chat with clients to understand them better.
- 11) Multiple pledges by an individual or family members frequently is to be scrutinised with seriousness as in normal course one may not require this. But don't reject but have a pragmatic approach in arriving at a conclusion.
- 12) As per our present board approved policy our individual exposure limit is Rs.50 lacs and for family its 100 lacs.

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STAFF TRAINING

All the employees, as soon as they are inducted into the Company shall be trained on methods of assessing the purity of the ornaments. Refresher programme will be conducted to keep them updated.

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- ¹ BFCL- Best Finance Corporation Limited
 - KYC- Know your customer
 - RBI- Reserve Bank of India
 - PPO- Pension payment orders
 - OVD- Officially Valid Document
 - IBJA- India Bullion and jewelers Association Limited
 - BBA- Bombay Bullion Association Limited
 - LTV- Loan to Value
 - FBR- Fire and Burglary Resistant
 - TAT- Turnaround Time
 - FIR- First Information Report
 - NPA- Non-performing Assets.