

# SILVER FINANCE SOLUTIONS PVT LTD

## AUCTION POLICY

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### Preamble

Gold/Silver Loans are sanctioned as Demand Loans against pledge of gold/silver jewellery as collateral security. Loans are generally granted for a maximum tenure of 12 months or for any other periods as specified in the scheme under which the loan is availed.

As per the terms and conditions of sanction, the loan should be closed at the end of the maximum tenure specified along with interest. The ornaments are liable to be auctioned for realization of the dues, in case of non-redemption of the ornaments by the borrower by paying the dues on or before the due date as per the sanctioned tenure mentioned in the pledge letter.

Notwithstanding anything stated herein, the company reserves the right to recall the loan and auction the gold/silver without waiting for expiry of the periods stipulated above in case of eventualities leading to probable loss on account of shortfall in the value of security due to fluctuations in Gold/Silver Price or any other reasons or any other contingencies, after giving a minimum of 1 month notice to the borrower.

However, the Company shall make earnest efforts to reduce the number of auctions by sending periodic communications to Customers for persuading them to release the jewellery by paying the dues.

In tune with the above guiding principles, the auction policy and procedure of the auction shall be as follows:

### AUCTION TRIGGER IN THE NORMAL COURSE

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**The term "Auction" used in the policy shall mean realization of the security created against the loan in public auction**, which will be done three month after the loan due date in case of 12month scheme, at the end of 15th month) Registered Legal Notice with auction date for loss account.

Registered Legal Notice with auction date for probable loss accounts identified as per Head Office directions for which registered notices were sent for increasing margin money and if not done within 30days.

### GENERAL RULES

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No extension of loan period will be permitted in deviation of the above in general case.

Auction proceeding will be completed within 3 months after the loan due date before which the borrower should close the loan

Requests for postponement of auction by branches/regional offices will not be entertained generally unless the Internal Audit dept. or head office is convinced about the genuineness of the request.

### PART PAYMENT

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Part payment of Principal/Interest will be allowed at any point time as per the loan sanction.

However, auction of the collateral security in a loan account will be conducted as per Auction Policy irrespective of the part payments made.

Branches should not credit to "Sundry Creditors a/c" any amount received from borrowers. Any amount credited to "Sundry Creditors a/c" will be appropriated towards shortfall in Auction.

## **POSTPONEMENT OF SCHEDULED AUCTION OF AN ACCOUNT**

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Postponement of a scheduled auction shall not be allowed generally. However, it may be permitted by one more month or as decided by the branch manager or higher authorities if at least 100% interest dues are paid immediately and the loan is closed within one month.

## **AUCTION TRIGGER IN THE EVENT OF EXTRAORDINARY DEVELOPMENT**

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### **1. Auction due to depletion in security value (auction before completion of tenure)**

If the Company has a view that there is contingency on account of gold/Silver price fall, demand may be made on the borrower to repay a certain sum of money per gram of gold/silver pledged by him with us to make good the shortfall or to pledge additional gold/silver to bring the value of security on par with a certain advance rate per gram informed to him.

This may be done selectively customer wise, scheme wise or geography wise as decided by the Committee.

In the event of the Customer not obliging to the demand made by the Company within 1 month, Company shall trigger auction and shall send Registered Auction Notice.

### **2. Auction of gold/silver ornaments identified as spurious/low quality**

a). Accounts in which pledge of spurious/low quality gold/silver ornaments have been detected subsequent to disbursement may be taken up for auction even before the completion of the tenure of the loan, from date of pledge subject to the undermentioned compliances. The said procedures shall also be followed for spurious/low quality accounts/pledges, identified at the auction centre or after completion of the tenure of the loan.

b). Proper notice/intimation shall be served upon the borrower.

c) Before serving the above notice the purity of the gold/silver ornaments shall be re-verified internally through a competent officer/auditor. Melt test (assaying) of a small portion of the pledged gold/silver may be resorted to for re-confirming the purity or in the "difficult to assess" cases.

d). The reserve price for such spurious/low purity ornaments shall be fixed keeping in view the reconfirmed assessed purity and the RBI directions issued from time to time. A realistic reserve price will be fixed as per the purity of the ornaments assessed.

e). Auction of normal/spurious or low-quality gold/silver ornaments shall not be taken up when police or criminal case has been filed against the borrower or when there is any other legal impediment.

## **AUCTION PROCESS**

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Compliance of all formalities required for Auction as described in the following paras shall be ensured before conducting such Auctions.

1. Loan accounts for auction shall be identified and registered notices shall be sent as per the timelines prescribed above

2. Board approved Auctioneers appointed at various centres shall be assigned with the Auction process.

3. Registered Auction notice with acknowledgment due shall be served to all such identified borrowers giving 1 month notice period in order to ensure that sufficient time and opportunity are given to the customer for redemption and to

avoid auction sale. Paper publication in a local daily in the local language shall be given clearly specifying the place, time and date of auction.

4. All the expenses incurred during the auctioning process will be borne by the borrower or will be adjusted with the auction receipts.

5. Surplus if any available in the auction sale proceeds over and above the dues within 30 working days after receipt of the full auction proceeds. A rightful lien will also be retained against such surplus subject to proper notice to the customer in case the borrower has other unsettled liabilities to the company shall be refunded to the borrower after adjusting other dues if any. Steps including legal action for recovery of any short fall after appropriating the auction proceeds shall also be initiated where ever feasible and after analysing the cost benefit. The refund of surplus will be sent by means of "A/c Payee" crossed cheque to the last known mailing address of the customer by Registered Post. Cheques for small amounts will be delivered to the customer through the Branch from where he has availed the loans. Wherever Bank details of the customers are available, the amount will be credited directly to their accounts.

In case the cover is returned undelivered due to any reason, efforts will be made to locate the customer and hand over the cheque to him.

## **AUCTION PROCEDURE**

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Ornaments in unredeemed accounts listed for auction will be put up for sale through a public auction procedure wherein the prospective bidders participating in the auction shall quote their prices over and above the minimum fixed bid price in the open auction in accordance with Fair Practice Code for Bidders participating in the Auction detailing the Terms and Conditions of Auction.

The auction of unredeemed Gold/Silver will be conducted in the same branch from where the customer has availed the loan by pledging Gold/Silver, giving an opportunity to the customer also to participate in the auction. In case of auction at branches, the respective branch managers will be authorized by the Board approved auctioneer to conduct the auction on his behalf subject to following conditions.

a) One can participate in branch auction subject to submission of acceptable documents such as ID proof; Aadhar card, PAN card copy, GST registration.

b) A Customer who is coming to release his gold/silver ornaments during branch auction, will be permitted to do so after paying the total outstanding or participate in the auction subject to compliance of the terms and conditions for participating in the auction.

In case of auctions scheduled at branches, the following records should be maintained irrespective of whether auctions are conducted or not. Such records should be authenticated by the Branch Manager as authorized representative of the Approved Auctioneer:

a. Details of auction participants.

b. Auction minutes.

In case of sale by auction conducted at branches/auction centres, the following registers/records also have to be maintained in addition to above

a. Bid register indicating the bid rate of all bidders

b. Sales Invoice

c. Detailed auction record

All the records maintained at the auction centre should be authenticated by the Board Approved Auctioneer who conduct the auction or his authorized representative

In case the auction could not be conducted at the branch on the scheduled auction day due to any reasons like lack of minimum number of bidders etc then the branch will display in the branch notice board, the centralized location where the next auction will be carried out subsequently with date of subsequent auction. The auction notice and paper

advertisement will clearly specify both the locations and the respective dates of auction. Auction will take place on date specified in newspaper or on subsequent dates.

## **FIXATION OF MINIMUM BID PRICE**

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Minimum bid price for each lot shall be fixed based on the following.

1. Prevailing Market price of gold/silver based on the rates published by the Indian Bullion and Jewellers Association Ltd
2. Total dues to be received in the loan account which includes advance, interest and auction expenses up to the date of auction.
3. General quality of the gold/silver (In case the ornaments are found to be of purity less than 22 carat, the company will be at liberty to quote a lesser floor price for the lot.

While auctioning the gold/silver the reserve price for the pledged ornaments will not be less than 85% of the previous 30 day average closing price of 22 carat gold/silver as declared by The Indian Bullion and Jewellers Association Ltd (IBJA) and value of the jewellery of lower purity in terms of carats will be proportionately reduced.

The bid shall be confirmed in favor of the bidder making the highest bid. In the eventuality of the bidders ganging up or forming a cartel for taking undue advantage etc., the right for postponement of the auction, to another date/Centre shall be exercised.

Bidders will be given a maximum period of 14 days from the date of confirmation of sale to remit the amount. In case of default the company has the right to either cancel the bid or allow further time up to a maximum of 14 days more and in case of such extension of time granted on genuine grounds, the company may charge interest @ 24% p.a. interest for the number of days from default from the date of confirmation of sale up to the date of remittance as decided by the company. Company may accept the bid of the bidder who has quoted the next higher amount in case the first bidder do not remit the bid amount within the time specified as above.

This condition will be incorporated in the agreement with the bidders.

## **DOCUMENTS MAINTAINED & DISCLOSURES**

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### **At Branches**

Record of the auction proceedings authenticated by the Branch Manager, who is authorized by the approved auctioneer to conduct the auction process.

### **At the Auction Centers**

1. Postal Receipts for Registered Auction notices issued to borrowers.
2. Postal Acknowledgement from borrowers and Auction Notices returned undelivered.
3. Copies of the News Paper Auction Publications.
4. Details of Auction Participants.
5. Details of Auctioned items and Bidders where the details of bid price of all bidders will be recorded and the last bid price of all bidders will be recorded and authenticated by the board approved auctioneer.
6. Sales Invoices

7. Post auction, customers will be intimated the details such as the price fetched in the auction, total dues adjusted from the proceeds balance amount payable to/by him etc. Wherever refunds are involved the amount will be sent by account payee cheque at the address in the pledge letter.

## **REVISIONS OR DEVIATIONS IN THE ABOVE POLICY**

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1. Risk Management Committee consisting of the following members is authorized to examine individual cases and permit deviations from the above policy selectively or wholly or for a particular period of time as deemed fit by the Committee

### **Members of the Committee**

1. CHIEF GENERAL MANAGER
2. BRANCH MANAGER
3. DIRECTOR