

SILVER FINANCE SOLUTIONS PRIVATE LIMITED LOAN POLICY

INTRODUCTION

The Loan Policy shall act as a guiding post for the top management of the Company in conducting the business within acceptable risk tolerances and thus ensure both long term profitability and stability in lending operations.

FAIR PRACTICES CODE

This Fair Practices Code has been framed with a view to providing to all its stake holders, especially customers an effective overview of the practices followed by the Company while offering its products and services. This Fair Practices Code has been prepared taking in to account the “Guidelines on Fair Practices Code for NBFCs” issued by the Reserve Bank of India updated from time to time and aims to enable customers to take informed decisions in respect of the facilities and services offered by the Company.

OBJECTIVES OF THE CODE

This Code has been drawn up to:

- a.** Adopt the best practices in dealing with customers.
- b.** Provide to the customers effective overview of practices followed by the Company in respect of financial facilities and services offered by the company.
- c.** Enable customers to take informed decision about the financial facilities and services offered by the Company.
- d.** Promote good, fair, transparent and legally tenable practices by setting minimum standards in dealings with customers.

- e.** Enable customers to have better understanding of what they can reasonably expect of the services offered by the Company.
- f.** Reckon with market forces, through competition and strive to achieve higher operating standards.
- g.** Foster fair and cordial relationship between the customers and the Company.
- h.** Ensure a healthy balance between loan levels, profits and quality of assets.
- i.** Comply with the regulatory requirements/directives.
- j.** Lay down controls for assumption and monitoring of large exposures.
- k.** Develop and inculcate 'internal values' in the business of lending.
- l.** Facilitate sustained growth without deterioration in the asset quality.
- m.** Lay down proper system & procedures, appraisal standards at various levels in the organization with sturdy internal controls.
- n.** Adequately protect the collaterals pledged from any possible loss.
- o.** Detail risk management practices and internal audit procedures into the Lending Policy.
- p.** Enable the Company to successfully and consistently cope with competition.
- q.** Improve the capabilities and credit skills of the employees and officers connected with loan portfolio at various levels.
- r.** Meet with the expectations on corporate social responsibility and actively participate in 'Financial inclusion' programme.

PRODUCT

Loan against gold/silver jewelry as collateral security.

NOMENCLATURE & TENURE OF LAN

- **Nomenclature:**
The loan is given as a demand loan.

- **Tenure of the loan:**

All loans are sanctioned for tenure of twelve months unless otherwise specified under a particular scheme.

A very competitive interest rate of two percent per month compounding annually is in place unless otherwise specified under a particular scheme.

GOLD/SILVER LOAN

i. NATURE, TYPE AND TENOR OF LOANS

- a. The Company will normally accept only Household Used Jewelry as security since they are presumed to carry the invaluable 'emotional attachment' of the owner. New silver/gold ornaments may also be selectively accepted, subject to laid down controls, provided there are no other adverse indications.
- b. Loan schemes shall be devised in conformity with the Loan Policy of the Company and also the regulatory directives of RBI as applicable. Loan schemes and terms & conditions thereof shall keep in view the NPA / Income recognition classification norms laid down by the RBI.

- c. Suitable norms, encompassing inherent / typical risk factors (e.g., restricted items, prohibited items, large number of similar items, large weight items etc.) should be devised, approved internally and periodically reviewed. Loans against coins, biscuits, bars etc. may not be granted in compliance with RBI directives. Suitable controls, both system (IT) & non-system based, are put in place and compliance monitored.
- d. All our branches are in rural areas where ninety five percent of our borrowers are farmers who take loan for agriculture purpose. The tenure of the loans shall be decided by market practices and regulatory directives, as applicable.
- e. Loans against pledge of gold/silver ornaments should be sanctioned immediately against acceptance of the gold/silver ornaments as security. Accordingly, all loans shall be sanctioned and disbursed within a reasonable time the same day keeping in view the due diligence requirements, number / nature of items, quantum of loan etc. and also customer satisfaction benchmarks.
- f. The procedural changes in the disbursement/collections of loans which is in compliance with the regulatory requirements and made in connection with the adoption of technology developments may be approved by the Managing Director & CEO on the recommendation by Executive Director & Dy CEO / Executive Director. (For Example: Online Gold Loans and online collections)

ii. **RESTRICTION, PROHIBITION ON LENDING TO CERTAIN CATEGORIES OF CUSTOMERS / PERSONS**

- a. Loans to categories of customers perceived having higher than normal risk shall be restricted as far as feasible keeping in balance business compulsions and the consequential risks emanating there from. For example, loans to goldsmiths, jewelers etc. shall be judiciously controlled and adequate credit risk assessments undertaken especially when exposure reaches high levels.

- b. Loans to borrowers having a history of pledging spurious / low quality ornaments or stolen gold ornaments or those who have earlier deliberately put the company to material loss of any kind should not be entertained. Suitable limits defining 'material' loss should be defined internally and got approved by the Managing Director & CEO on the recommendations of the Executive Director & Dy CEO / Executive Director. Procedures for immediate "freezing / blocking" such Customer IDs must be implemented. The Company shall maintain an updated list of such 'blacklisted' / 'caution' customers.

iii. **LOAN APPLICATION FORMS, LOAN SANCTION LETTER**

- a. Loans shall be disbursed only against fully completed and properly signed loan application form which will be pre-printed in the relevant local language. Separate loan application form must be obtained for each disbursement. Loan application forms and documentation requirements should comply with the Fair Practice Code and KYC Policy of the Company.
- b. The various loan schemes (loan per gram, interest rate structure, penal interest, compounding if any, other charges etc.) should be explained to the prospective borrower and an appropriate scheme offered based on the borrower's needs / preferences.
- c. Immediately upon sanctioning the loan sanction letter (pawn ticket on demand promissory note accepted by borrower), it should be given to the borrower. The pawn ticket, which serves as a receipt for the gold ornaments delivered by the borrower, will also operate as a loan sanction letter incorporating the terms & conditions of the loan. The acknowledged copy of the pawn ticket should be carefully retained along with the loan application form for future verification and reference.

iv. **KNOW YOUR CUSTOMER (KYC). DUE DILIGENCE**

- a. In compliance with RBI directives, all customers availing loan facility from the Company shall be required to submit suitable and acceptable evidences of Identity and Address commonly understood as KYC documents. Documents in support of KYC compliance need be normally submitted at the time of the first loan when the "Customer ID" (master) is created in the system.

- b. Loans should be sanctioned only after full compliance with the KYC policy as laid down by the Company.
 - i. Clear and visible photograph of the borrower using the web camera should be captured and stored in the system.
 - ii. The system of capturing and confirming the mobile phone numbers across the counters should also be extended to cover maximum number of customers.
 - iii. Adequate due diligence shall be ensured, to the extent feasible and desirable, before the loan is sanctioned. There should be no prima facie circumstances to indicate that the prospective borrower's title to the gold ornaments could be defective. The loan application form must also contain an undertaking of the borrower certifying his/her undisputed ownership of the gold ornaments.

- c. A valid pledge and charge over the security shall be created only after ensuring the ownership of the gold, in line with the relevant regulatory norms. Towards this requirement, suitable clauses may be added in the loan documents and the same shall be mandatorily got signed by the Customer before disbursement of loans. The title of the gold ornaments will be satisfied with before the gold is accepted as security. However, in the case of gold ornaments it may not be easy to confirm "ownership" in a fool proof manner, as compared to say lending against property, vehicles etc. To tide over this issue and also to be in line with the relevant provisions as regards methods of establishment of ownership of gold, measures in the nature of obtaining undertaking of ownership in the loan application form, collection of other relevant documents regarding the ownership namely bills, receipts etc, and /or authorization to effect pledge on behalf of the rightful owner, ensuring proper KYC procedure, meaningful interaction with loan applicants and other prima facie checks will be made before the gold is accepted as security. However, in the process of interaction about personal details it will be ensured that no offense or embarrassment is caused to the loan applicant.

- v. **APPRAISAL OF SECURITY (GOLD/SILVER), DELEGATION OF FINANCIAL POWERS**
 - a. Gold/silver ornaments shall be accepted as security for loans only after proper appraisal by the staff before the loans are sanctioned.

- b. The Company already has laid down the appraisal techniques to be used by the operating staff such as nitric acid test, colour, and sound/smell test etc. observance of which should be ensured and monitored. Proper facilities for appraisal of gold/silver must be provided at the branches.
- c. Additionally, the existing risk graded system, related to the Weight/amount involved, for pre-disbursement verification of gold ornaments shall be continued – the guiding principle being that for larger loans more senior / experienced employee(s) should reconfirm the appraisal done by a junior / less experienced employee. Accordingly, for all loans at least 2 employees at the branch should independently assess the purity. The limits must be reviewed periodically and modifications, if required, put up for approval of the Managing Director & CEO duly recommended by the Executive Director & Dy. CEO / Executive Director
- d. Staffing structure and the accounting process at branches should facilitate implementation of controls.

vi. **LOAN TO VALUE (LTV) OR LOAN PER GRAM**

- a. The LTV should be in compliance with RBI directives in force from time to time. Flexibility in the fixation of differential LTV for specific customer categories, branches, areas / locations, periods etc. may be provided within the overall lending policy.
- b. The total eligible amount of the loan shall be calculated by the valuer and branch manager based on the weight of the gold/silver ornaments net of stone weight and subject to deductions for lower purity, wastages as applicable. Deductions applicable on account of purity, wastage, local variations etc. should be got periodically approved by the Managing Director & CEO on the recommendations of the Executive Director & Dy. CEO / Executive Director.

vii. **HIGH / LARGE VALUE LOANS, MAXIMUM EXPOSURE PER BORROWER**

- a. Undue reliance on high value loans to accelerate growth should be discouraged considering the inherent risks. Emphasis must be placed on acquisition of small / medium value loans considering the benefits arising from broad basing the customers.
- b. High value loans to single customer (or closely connected group of individuals) should be controlled and monitored as such customers may fall under 'high risk' category. Limits up to which branches may sanction loans to a single borrower (including closely connected group of individuals) should be defined and reviewed periodically. Such limits shall be got approved by the Managing Director & CEO on the recommendations of the Executive Director & Dy. CEO/Executive Director. Maximum lending limit may be linked to risk perception in different regions / states. Any exposure beyond the limit should be subject to sanction at Head Office/Regional Office by an empowered authority.
- c. A structured credit check /profiling format should be used for recommending limits higher than the maximum permissible at the branch level. Further, in all cases where the loan exposure to a borrower touches Rs 5 lakh, address of the borrower must be verified. Due care in large value accounts would also be necessitated by the RBI provisions relating to Anti Money Laundering / Finance for Terrorist Activities. Credit check / profiling / address verification should be done in a discreet manner without offending the borrower.
- d. Within the prudential limit mentioned in (c) above it shall be further ensured that the exposure taken on a single borrower does not exceed Rs 1.5 Crore (Rupees one crore fifty lakh). A single borrower shall include a family unit, a closely associated group such as employer-employee etc.
- e. Loans to large value customers (say above Rs 10 lakh per customer) must not exceed 15% of the total loan book.

viii. **HIGH INDIVIDUAL EXPOSURES - DELEGATION OF FINANCIAL / SANCTION POWERS**

High value exposures to individual borrowers (or closely related / connected group) shall be sanctioned as under.

Detailed instructions for appraisal of enhanced limits along with responsibility areas, documents required, procedures etc. should be defined and put up to the Managing Director & CEO for sanction by Risk Management Department duly recommended by the Executive Director & Dy. CEO / Executive Director. The delegation of powers for sanctioning the enhanced limits may be reviewed periodically and approved by the Managing Director & CEO on the recommendations of the Executive Director & Dy. CEO / Executive Director.

ix. **CUSTODY OF GOLD/SILVER. STORAGE ARRANGEMENTS. SECURITY**

- a. As an internal control mechanism Gold/silver ornaments and Cash shall be in the joint custody of the 2 senior most officials/ employees in the branch, normally designated as Branch Head / Manager and Assistant Branch Head. Suitable control systems should be in place so as to ensure that the same official / employee does not get custody of the 2 different keys even if at different points of time during posting at the branch. The duplicate keys shall be retained either in the Head Office or as per suitable arrangements made by Head Office for safe custody thereof.
- b. A proper and systematic procedure should be laid down for handing over charge from one official to another arising from transfer, leave, resignation etc. so that accountability can be clearly fixed where required. No Branch Head should be normally relieved of charge unless the gold packets are subject to minimum verification (consisting of confirming intactness of the packing, affixation of security sticker, packet count and tare weight) by the reliever.
- c. Overnight storage of pledged gold ornaments and cash shall be in burglar proof safes (non-strong room branches) or in steel almirahs / lockers (in strong room branches) with secure locking facility complying with high safety standards. Interim storage during transaction time at the counters should be kept to the bare minimum

by quickly transferring the gold ornaments into the safes / strong room.

- d. Security arrangements (both security guards and electronic devices) should be in tune with risk perception based on the location of the branch, working hours, business levels etc. Internal guidelines which are already in place must be periodically reviewed and improved as required. The use of technology through IP Based Cameras and IP Based Intruder Alarm System preferably with centralized monitoring capability and having a proper escalation mechanism should be adopted for greater effectiveness and to reduce costs.
- e. All gold ornaments and cash whether in the safe room, at the counters or in transit must be adequately insured against various risks such as burglary, fidelity, transit etc. with a reputed insurance company. Keeping in view the Company's liability to compensate the borrower for any unforeseen loss the gold ornaments must be insured at 'replacement value' through adequate inclusion of 'making' charges along with the market value of the gold in the cover policy.

A. RECOVERY OF LOANS, SENDING OF NOTICES, AUCTION OF SECURITY

Going by the inherent nature of the security it may be reasonably expected that most borrowers will service the interest and repay the loan of their own accord. However, as a matter of good practice and measure of caution, monitoring repayments should be accorded close attention since there would be many borrowers who repay only after receiving reminders for interest dues, loan repayment etc. On the other hand there could be a few borrowers who pose challenges for smooth recovery.

B. SHARING OF CREDIT INFORMATION/ CLASSIFICATION OF CUSTOMERS

1. Reporting to Central Repository of Information on Large Credits (CRILC)

- a. Appropriate systems shall be put in place to identify and classify customers into appropriate categories (Special Mention Accounts) as stipulated by RBI and reporting thereof within the defined time limits to Central Repository of Information on Large Credits (CRILC).
- b. The Company shall ensure that the credit information of all the customers having fund based and non-fund based exposure of Rs. 5 Crores and above or such limit as stipulated by RBI from time to time gets reported in the prescribed format with all relevant details within the defined time lines to CRILC.
- c. “Non-cooperative borrowers” as defined by RBI shall be identified and reported to Central Repository of Information on Large Credits (CRILC) within such time as has been specified by RBI. Before reporting the same, the customer shall be provided adequate time as stipulated by RBI from time to time to clarify their stand before getting reported as non-cooperative borrowers. Higher/accelerated provisioning requirements in respect of new loans/exposures to such borrowers as also new loans/exposures to any other company promoted by such promoters/ directors or to a company on whose board any of the promoter / directors of this non-cooperative borrower is a director, shall be complied with.

2. Reporting to Credit Information Companies (CIBIL/Equifax/High Mark/Experian)

- a. The company shall become member of all CICs (Credit Information Bureau (India) Limited, Equifax Credit Information Services Private Limited, Experian Credit Information Company of India Private Limited and CRIF High Mark Credit Information Services Private Limited) and submit data to them in the prescribed format and within the specified time limits.
- b. The quality of data submissions shall be assessed and efforts shall be made towards improving data quality and minimizing data rejections.

C. USAGE OF CREDIT INFORMATION

While extending loans to customers above Rs. 10 lakhs or where the cumulative exposure of a customer exceeds Rs. 10 lakhs, the credibility of the customer shall be confirmed by obtaining credit information from at least 1 Credit Information Company (CIC). The cap of Rs. 10 lakhs shall be subject to revision based on circumstances demanding as such or decision of the management from time to time.

D. NODAL OFFICERS

The Company shall appoint a nodal officer having assigned the responsibility of ensuring prompt submission of customer data to Credit Information Companies, ensure minimum rejections, improve quality of data submission and liaising with Credit Information Companies for retrieving data to be used in assessing the credit standing of the customer prior provision of loan or enhancement of loan.

CONFIDENTIALITY

- a.** Unless authorized by the borrower, the Company will treat all personal information as private and confidential.

- b.** The Company may not reveal transaction details of the borrowers to any other persons except under following circumstances.
 - i.** If the Company is required to provide the information as per regulatory directives to any statutory or regulatory body or bodies.
 - ii.** If arising out of a duty to the public to reveal the information.
 - iii.** If it is in the interest of the borrowers to provide such information (eg. Fraud prevention)
 - iv.** If the borrower has authorized the Company to provide such information to its group/associate/entities or Companies or any such person/entity as specifically agreed upon.

FRAUD/STOLEN/INSPECTION

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.

Spurious/Stolen jewelry:

On finding Spurious or stolen jewelry pledge attempt, following steps shall be taken by the branch;

Attempt by any suspicious customer trying to pledge stolen/spurious jewelry should immediately be reported to the Chief Vigilance Officer at Corporate Office and the Vigilance Officer at the Regional Office and to the local police.

Inspection:

All Branches will be periodically inspected and audited by internal audit staff at intervals specified by the Company. The audit Department will, at random, verify the quantity and purity of ornaments accepted by Branches for pledge. They will also audit various accounting procedures followed at Branches and ensure that the circular instructions issued by the Company from time to time are strictly being followed.

GRIEVANCE REDRESSAL MECHANISM

Towards ensuring Redressal of disputes arising out of decisions of the functionaries of the Company, the following mechanism is put in place:

- a. The decisions of any official below the Branch Manager shall be heard and disposed of by the Branch Manager.
- b. Decisions of Branch Managers shall be heard and disposed of by the Regional Manager.

c. If not satisfied with the decision of the Regional Manager, the customer has the option to escalate the matter to Grievances Redressal Cell at the Company's Head Office at Indore (M.P.).

I. Customer Grievances Redressal Cell at the Company's Head Office at Indore will be headed by the Chief Financial Officer who will be designated as the Grievance Redressal Officer by a Management Committee consisting of the Chief Financial officer and the General Manager (Operations). Complaints received directly and appeals against the decisions of Regional Managers on complaints handled by him shall be heard and disposed of by the Grievances Redressal Officer.

II. The contact details of the Grievance Redressal Officer as also that of the Regional Office of the Reserve Bank of India shall be displayed in all the Branches for the benefit of customers. If the complaint/dispute is not redressed within a period of one month, the customer may appeal to the Officer-in-Charge of the Regional Office of RBI as per the contact details displayed in the branch.

III. Proper training shall be imparted to staff on an ongoing basis with a view to improving staff behavior and customer service.

IV. The compliance of the fair practices code as well as the functioning of the Customer Grievances Redressal Cell shall be reviewed by the Executive Director on a Quarterly basis and a consolidated report of such reviews shall be placed before the Board of Directors.

GENERAL PROVISIONS

- a. The Company shall refrain from interfering in the affairs of the borrower except for the purposes provided in the terms and conditions of the letter of undertaking (unless new information, not earlier disclosed by the borrower, has come to the notice of the Company).
- b. The Company will not entertain any request for transfer of borrower accounts as this is not practicable in the case of loans granted against collateral of gold jewellery.

- c. In the matter of recovery of loans, the Company shall not resort to undue harassment viz. persistently bothering the borrowers at odd hours, use of muscle power for recovery of loans etc. The staff of the Company shall be adequately trained to deal with the customers in an appropriate manner so as to ensure proper behavior.
- d. The Company will call delinquent customers between 0900 hrs to 1800 hrs unless special circumstances of the borrower's business require to call them otherwise outside the hours mentioned.
- e. The Company shall not undertake unsecured loans in the normal course of business. Unsecured loans, if granted, shall be subject to proper and acceptable credit appraisal procedures and within the overall limits laid down by regulatory guidelines if any and the Loan Policy with the sanction from MD & CEO.
- f. Terms and conditions of loans should be in compliance with the Fair Practices Code of the Company.
- g. Loans to persons of doubtful integrity (to the extent known), customers engaging in illegal/ unlawful business (to the extent known) etc. shall not be entertained even if the quality of the security offered is beyond doubt.
- h. The maximum credit exposure per customer shall be within prudential limits. For this purpose, following the same norm as made applicable by RBI to the scheduled commercial banks, the Company shall not take an exposure exceeding 15% of its capital funds on a single borrower.

A PERIODICAL REVIEW OF THE LOAN POLICY, FAIR PRACTICES CODE AND FUNCTIONING OF THE GRIEVANCES REDRESSAL MECHANISM AT VARIOUS LEVELS OF MANAGEMENT WOULD BE UNDERTAKEN BY THE COMPANY AT YEARLY INTERVALS AND A CONSOLIDATED REPORT OF SUCH REVIEWS SHALL BE SUBMITTED TO THE BOARD OF DIRECTORS IN MARCH EVERY YEAR.
