



(Approved by the Board as on 28th August 2020)

Vara Finance Private Limited

Gold Loan Policy

LOAN POLICY - GOLD LOANS

The Loan Policy shall act as the guide for the management and other employees of the company to conduct the business within the acceptable risk and keeping in mind, the long term profitability and stability of lending operations. The policy inter alia will be in consonance with the guidelines issued by Reserve Bank of India and the prevailing Government directives.

OBJECTIVES

The main objectives of the gold loan policy will be

1. To ensure a healthy growth of loan portfolio with quality assets and a balanced profit
2. To comply with the regulatory requirements /directives of the govt under Loan to value, capital adequacy interest rates etc.,
3. To lay down controls for monitoring credit exposures
4. To inculcate and develop internal values in the business of gold loan
5. To lay down systems and procedure, appraisal standards at various levels with sturdy internal controls.
6. To build in necessary mechanism for protection of collaterals from any possible loss
7. To lay down necessary risk management practices and audit procedure
8. To ensure that the company maintains a competitive edge
9. To constantly upgrade the skills of the operating staff at all levels
10. To ensure an inclusive growth with a better Corporate Social responsibility and accelerate financial inclusion in India.

NATURE AND TYPE OF GOLD LOANS

1. The company will normally accept used House Hold jewellery as security. New Gold ornaments may also be accepted provided the ownership is established to the satisfaction of the sanctioning authority subject to laid down controls.
2. The company shall design loan schemes within the regulatory guidelines of RBI keeping in view the income recognition and asset classification norms. Such schemes will be got approved by the Board or by a delegated authority of the board.
3. Suitable norms covering the inherent risk factors (Eg. Restricted prohibited items, large no of same items, heavy weight items etc.,) will be formulated and got approved internally. Loans against Bars, Coins, Biscuits may not be considered in line with RBI directives for which necessary systems controls, both system (IT) and non-system based, will be put in place.
4. The tenure of the loan will be decided in line with the market practice and applicable regulatory guidelines. The initial maturity of the gold loans shall be a maximum of six months, which could be extended to a period of one year gradually depending upon the interest due servicing being up to the mark during

the start of the one-year period.

5. Sanction of loans against gold will be done on the same working day and disbursed as quick as possible, once the KYC process and appraisal of the jewellery is being completed by the appropriate operating staff at the branch level. Similarly, sanctioned loan amount shall be disbursed before leaving the customers premises with the pledged jewellery, while doing a Gold Loan underwriting and disbursement at the customers premises.
6. Due diligence requirement with regard to number, nature of items regulatory requirements for the loan and customer satisfaction will be the bench mark.
7. Interest rate and other charges shall comply to the regulatory requirement and an interest rate policy may also be evolved in due course.

LOAN APPLICATION FORM

- 1) Loan shall be disbursed only against a fully completed loan application form, which can be filled digitally, or the details of the loan application can be communicated by the prospective borrower over a call through a designated customer support helpline number. The loan application can be in-person signed or signed digitally using IT systems, which would stand valid under Section 3 of the IT Act, 2000, The application forms and other required documents should be in compliance with the FPC and KYC guidelines will be, which will be prepared in vernacular language and every loan shall have an independent application.
- 2) The various loan scheme available at any given time with its details such as gram rate of the scheme, Interest rate structure, Overdue interest, compounding interest or any charges etc., will be made known to the applicant and an appropriate scheme based on the customer's need or preference within the available products will be offered.
- 3) Immediately upon sanction of loan, the customer will be given a sanction letter (pawn ticket) which will be prepared in duplicate and given to the borrower for acceptance, which will serve as a receipt for the gold ornaments pledged by the borrower. The pawn ticket will also contain the **terms and conditions** of the loan, will also operate as loan sanction letter and needs to have it signed by the borrower for having accepted the same. The pawn ticket will be prepared in duplicate and while the original will be handed over to the borrower, the duplicate shall be kept with the loan application for future verification and reference/ records.
- 4) The original of the pawn ticket will be got collected back at the time of settlement of the pledge along with the acknowledgement for having received back the ornaments.
- 5) The jewellery shall be release to the same customer on receipt of full dues, including the principal, interest, penal interest and other charges. Release, whether in full or partial can only be done after verification of signature, KYC of the customer and the customer copy of the original Pawn ticket (Sanction Letter). If the Pawn ticket is lost, then, an indemnity in stamp paper of required for releasing. In case the customer has deceased, the pledged ornament will be released to the legal heirs as per the procedure stipulated by the company for the settlement of the Deceased Loan Accounts.
- 6) A purity percentage or Karat mentioned on the sanction letter or pawn ticket given to the borrower is for the limited purpose of determining the maximum permissible loan value and arriving at the reserve price for auction, for which it is issued purely based on the declaration given by the borrower. The company will not entertain any disputes/claims based on the purity percentage or karat based on the pawn ticket or sanction letter.

KNOW YOUR CUSTOMER

In compliance with the RBI directive all customer availing loan facility shall be requested to submit documents to prove their identity and address proof. Documents in support of (KYC) compliance need to be submitted at the time of availing the first loan based on which a customer will be accepted and an unique customer ID created. Thereafter the "customer

ID" will be made use of for subsequent sanctions at any of the branches of the company or for any other product / service of the company.

Such "customer ID" may also be reviewed and updated after a reasonable period which may be three years for now.

The company will also endeavour to verify the Aadhar proofs submitted with UIDAI as measure of better risk management in due course.

- a) Loan will be sanctioned only after compliance of KYC policy as laid down by the company. The KYC policy as approved by the board already and implemented in practice in the company will be applicable to gold loans also.
- b) In the case of customers whose overall exposure limits exceeds Rupees five lakh, the copy of the Pan card will be obtained and the PAN Number kept on record.
- c) Clear and visible photograph of the borrower shall be captured during the loan application, on a Realtime basis using adequate cameras and stored in the system.
- d) Adequate due diligence shall be ensured to verify the ownership of the ornament pledged for any loan. There should be no prima facie circumstance to indicate that the title of the applicant to the ornaments proposed to be pledged is defective. The loan application form must also contain an undertaking of the borrower certifying that his/her undisputed ownership of gold ornaments.
- e) A valid pledge and charge over the security shall be created only after ensuring the ownership of gold in line with the regulatory requirement. Towards this requirement suitable clauses may be added in the loan documents and got signed by the customer before the disbursement of the loan. The title of the gold ornaments will be got satisfied before it is accepted as security.

However in the case of gold ornaments it may not be easy to confirm the ownership in a "fool proof" manner as in the case of immovable properties/ Machinery/ vehicle etc., To tide over this , and also to be in line with regulatory requirements as regards methods of establishment of ownership, measures such as undertaking in the application form, collection of other relevant documents of ownership like Bills, receipts etc., authorisation letter in the case of ornaments of third parties may be resorted to. A meaningful interaction with the customer / and other prima facie checks will be done towards this end without offending the loan applicant. However, in the process of interaction about personal details it will be ensured that no offence or embarrassment is caused to the loan applicant.

APPRAISAL OF SECURITY (GOLD) AND DELEGATION OF FINANCIAL POWERS:

- a) Gold ornaments shall be accepted as security only after appraisal by the staff members before the loans are sanctioned.
- b) Gold ornaments of purity below 75% or 18K (karat) will not be accepted for pledge.
- c) The appraisal techniques to be followed by the staff such as nitric acid test, sound/ smell etc., will be circulated among staff and compliance of which will be monitored Coloured gold ornaments may not be accepted for pledge.
- d) Necessary tools and training for performing the appraisal of gold must be provided to all relevant operating staff.

- e) A risk graded system based on the quantum of loan for pre-disbursement appraisal will be followed. The guiding principle being the larger loans will be appraised by senior staff/ reappraised and smaller loans by the junior staff. The Managing Director may modify the limit set for the employees based on the operational convenience which may be reported to the board in its immediate next meeting for post facto approval. The following will be the initial delegation for appraisal.
- f) An attempt by any suspicious customer trying to pledge stolen/spurious jewellery shall be immediately be reported to the Chief Vigilance officer and the Vigilance officer at the Regional office and to the local Police.

LOAN TO VALUE PER GRAM

1. The LTV will be in compliance with the directives of RBI from time to time. Flexibility in the fixation of differential LTV for specific categories/ segment/ geographical locations may be provided within the overall LTV ceiling. Such proposals will be approved by the Managing Director.
2. The maximum eligible loan amount per pledge will be calculated by the system (IT) based on the weight of the gold ornaments, net of stone weight and subject to deductions for the lower purity of ornaments and impurities and wastages as applicable. Deductions applicable on account of purity, wastage, local variations etc. should be get periodically approved by the Managing Director on recommendations of the relevant departments.
3. As a general rule, considering the risk gradation, the LTV and interest rate will be co-related and lower LTV loans shall get the benefit a lower rate of interest. Schemes prepared based on the guiding principle will be placed before the board for Ratification from time to time.
4. Exceptional deviations could be made to accommodate various contingences such as competition, local issues, special or temporary offers etc. Such deviations shall be approved by the Managing Director based on the recommendations put up by the relevant department.

HIGH VALUE LOANS/ MAXIMUM EXPOSURE PER BORROWER:

- 1) The focus and emphasis will be to broad base and acquire small/ medium value loans considering the benefits to the society, broadening the customer base and for risk mitigation. Excessive dependency on high value loans to drive growth faster should be discouraged, considering the inherent concentrated risks
- 2) High value loan to individual borrowers will be controlled and monitored , as such customers fall under "High Risk" category. Such sanctions of loans to single borrower (including closely connected group of individuals) should be defined and reviewed periodically.
- 3) Maximum lending limit maybe linked to risk perception in different regions or different states, would be subject to sanction by Managing Director will be reported to the immediate next board meeting for confirmation.
- 4) A structured credit check/profiling format should be used for recommending limits higher than the maximum permissible value at the borrower level

- 5) In all cases, if the limits of borrower are Rs.5 lakhs and above (Five Lakhs), the company and the relevant operating staff to re-verify the address and PAN has to be obtained (in case not obtained earlier) as a risk mitigation measure. Due care in large value accounts would also be necessary by the RBI provisions relating to Anti Money Laundering or Finance terrorist activity. The credit check or profiling or address verification should be done in a discreet manner without offending the borrower
- 6) It shall further be ensured that the maximum exposure on any single borrower does not exceed Rs. 75 Lakh(Seventy Five Lakhs). A single borrower will be defined as an individual, family unit, closely associated group such as employer-employee, firm or a limited company.

RESTRICTION/ PROHIBITION ON LENDING TO CERTAIN CATEGORIES OF PERSONS:

- a) Loans to categories of customers perceived to carry more than the normal risk will be restricted. For eg. Loans to jewellers, goldsmiths etc., will be individually controlled and credit decisions to such categories will be approved by the Managing Director after due diligence.
- b) Loans to Directors, their relatives and related entities shall not be sanctioned.
- c) Loan to staff members of the company and group against pledge of gold will be restricted to Rs.50,000/- per employee. All other terms and conditions applicable to such loans will be followed without exception. Loans above this limit will be got approved by Managing Director.
- d) Loans to borrowers having a history of pledging low quality ornaments/ spurious ornaments/ stolen ornaments will not be entertained. Tolerance limits of material loss will be fixed internally and got approved by the Managing Director. Procedure for blocking / delisting such customer IDs will be implemented. The company will maintain and update a list of such "blocked" or "blacklisted", "caution" customers as a risk management practice.

CUSTODY OF GOLD

1. As an internal control mechanism, gold ornaments and cash in safe at the branch will always be in the joint custody of two officials/ employees of the branch. Suitable control shall be in place to ensure that the same official/ employee does not hold both the keys even if at different points of time during posting in the same branch. The duplicate keys shall be retained by the head office or suitable arrangements may be made by HO for the safe custody.
2. A proper and systematic procedure should be laid down for handing over charge from one official arising out of leave, transfer, resignation etc., so that accountability can be clearly fixed where required. No custodian at the branch or the Area Manager - Vault Operations & Internal Audit at the area vault will be relieved of charge unless the gold packets are subjected to minimum verification (consisting of confirming intactness of the packing, affixation security sticker, packet count and tare weight) by the reliever and confirmation with the inventory. As an internal control mechanism regular audit of these Area Vaults would be carried by the Audit and Auction team
3. The overnight storage of pledged Gold ornaments and cash at the branch or area vault shall be in burglar proof safes with secure locking

facility complying with high safety standards. In the case of Area Vaults with strong rooms of RBI specification, it will be held in steel almirahs with dual lock facility. Interim storage at the branch in the counter safes/vaults during the day transaction time will be to the minimum possible time and packets must be moved to the assigned area vault at the earliest opportunity. Adequate arrangements for secure transit of Gold ornaments and cash from the branches or the customer's doorstep to the area vault should be ensured at all times and kept within the permissible limits as defined in the internal policy.

LOCKER FACILITIES.

(a). Locker Facility.

For the safe custody of customers valuables, provision of Locker Facility at Company's selected Area Vaults may be provided. The company shall frame suitable internal guidelines for provision of the locker facility and the same shall be approved by MD and CEO. Guidelines shall be framed considering the factors such as tenure of locker facility, nominee, rent, branches where the locker facility will be provided, locker operating time etc, and also considering the extant RBI and other statutory directions. Any subsequent amendments thereto shall be approved by MD and CEO unless and otherwise considered necessary for review by the Board.

(b). E-Locker Facility (Gold Depository Services)

Apart from the normal facility, the Company may extend an E-Locker facility to the customer's wherein the customer's depositing gold with Company under the arrangement shall have the option to avail gold loan through the Company's online gold loan platform. The customers shall be provided a bona fide receipt (thereby taking over the liability in terms of custody) for the quantity and quality of gold deposited under the E-Locker facility. A network enabled keyless E- Locker facility shall be provided for the storage of gold.

Company may frame suitable guidelines/ instructions considering the factors such as registration formalities, documentation requirement, eligibility norms and other requirements as applicable, and also considering the extant RBI and other statutory directions. Any subsequent amendments thereto shall be approved by MD and CEO unless and otherwise considered necessary for review by the Board.

(c). Wherever such locker facilities are extended by the company as explained in points (a) and (b) above, suitable disclosure shall be incorporated in the loan document / agreement to communicate to the customers that the activity is not regulated by the Reserve Bank.

SECURITY

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.

The branches must be equipped with electronic security system with CCTV facility covering the entire area of operation and the safe room besides Safe room door. The safe room door will be provided with a door access lock with a sensor for the strong room door. Burglar alarm with fire sensors will also be provided.

INSURANCE

All gold ornaments kept in the vaults, safe, counters and in transit will be insured against burglary, fidelity and transit and the ornaments will be insured with a well-known insurance company, for replacement value taking into account the wastages and making charges involved. These jewellery must be insured at the "replacement value" which includes the making charges in addition to the market value of the jewellery in the cover policy. The making charges would be arrived at by the company's appraisal experts to get the fair value of the jewellery.

TAKE OVER OF LOANS

Takeover of gold loans from other companies, banks etc., will also be considered for KYC compliant customers after assessing the value as shared by the prospective borrower. Suitable guidelines with adequate risk mitigation and proper internal control measures will be formed and will be approved by the Managing Director and reviewed from time to time.

FUNDING OF ASSETS

Capital adequacy norms as stipulated by the RBI shall be complied with by the company. To supplement owned funds, Company may resort to bank borrowings/ Credit lines and NCD resources for funding the gold loans, to be adequate to match the growth plans of the company. Tenure of such borrowing should be as for as possible to match the maturity of gold loan products.

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 gold 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 adhered to.

All gold ornaments which are being transferred or handed over from the branches to the assigned area vaults, will be inspected and audited by internal audit staff, while taking the inward to the vault for storage and will verify the quantity and purity of gold ornaments accepted by Branches for pledge.

RECOVERY OF LOANS, SENDING OF NOTICES, AUCTION OF SECURITIES

1. It will be the endeavour of the company to educate and encourage prompt servicing of interest and prompt repayment. Hence as a matter of fair practice, monitoring of repayments will be accorded priority. To ensure this, the company may send periodical reminders to the customers by letters, SMS, E-Mails, telephonic call and other forms of electronic communication without compromising the confidentiality of the transaction.
2. The company will also ensure personal follow up where needed to recover the overdue.
3. In case of overdue accounts where the borrowers are recalcitrant and where the borrower's asset values are found to be inadequate, the company shall resort to realise the value through auction process.

SHARING OF CREDIT INFORMATION/ CLASSIFICATION OF CUSTOMERS

1. Credit information all customers with exposure above Rs. 5 lakhs (cumulative) shall be shared with CRILC on a monthly basis not exceeding 15th of the succeeding month. Efforts shall be taken to ensure that the latest updated status of the customer, say, the last instalment paid or interest serviced is also captured while sharing the information with CRILC.
2. Appropriate systems will be put in place to identify and classify customers into special categories such as special mention accounts as stipulated by RBI. The company shall ensure that the credit information along with the Special Mentioned Accounts of all customers having an exposure of Rupees five crores (Rs.5Crore) as required by RBI will be reported from time to time within the prescribed time limit.
3. The company shall become the member of all the four CIC's and submit borrower data, also the historical data to the CIC's.
4. The company shall comply with the regulations issued by CICRA and also comply with RBI's circular RBI's circular DBOD.No.CID.BC.127/20.16.056/2013-14 dated June 27, 2014 amended from time to time.
5. "Non-co-operative borrowers" as categorised by RBI directives will be identified and reported to CRILC (Central Repository of Information of Large Credit) within such time as has been specified by RBI. Before reporting the same, the customer shall be provided adequate time as prescribed by RBI to clarify their stand before being classified so. Adequate provisioning in respect of these loans and new resources to any other company/ firms promoted by such borrowers will be made as per RBI prescriptions.
6. The nodal officer of the company should ensure the submission of customer data to CIC's
7. While sharing information with CRILC it will be ensured that relevant details with PAN number Aadhar No. Voter ID number etc., will be shared wherever they are available.
8. The quality of such data will be ensured and efforts will be made constantly to improve the quality.

USAGE OF CREDIT INFORMATION

The company will endeavour to collect and make use of information at least from any one of the credit information companies before taking credit exposures to a borrower beyond 10

Lakhs or where the cumulative exposure exceeds 10Lakhs.

MISCELLANEOUS TERMS

1. Loan will be disbursed by way of a single one-time debit to the respective account and will be monitored for servicing of contract and prompt settlement.
2. Terms and conditions governing the loan will be in compliance to the FPC of the company.
3. Loans to directors, their relatives and related entities shall be within the guidelines prescribed by the RBI.
4. Loan to persons of doubtful integrity, customers engaging in unlawful activities/ illegal business (If known) shall not be entertained notwithstanding the securities Loan offered.
5. The company will encourage disbursement of loan through the Bank accounts of the borrowers by electronic transfer or by issue of cheques. Disbursement of loan in cash will be restricted to the limits prescribed by RBI from time to time.
6. A penal interest over and above the regular interest rate would be charged as decided by the company from time to time, shall be levied to the customer in the event of failure to close the loan along with interest and other charges on the due date or within the permitted grace period.