

REVISED GOLD LOAN POLICY OF THE PARWANOO URBAN COOPERATIVE BANK -2025

The Reserve Bank of India vide its Circular No. RBI/2025-26/47 dated 06th June, 2025 have issued revised guidelines on Gold / Silver loans against eligible collateral with the main objective to ensure easy credit especially to small borrowers who can now enjoy fair, secure and hassle-free experience while also preventing the irregularities and risks that surfaced in the past.

The revised framework emphasis, borrower friendly reforms, stricter conduct rules and disciplined growth by introducing tiered gold loan LTV ratios designed to support small borrowers while imposing stricter caps on larger loans.

The revised guidelines are applicable to all commercial banks (including small finance banks), all cooperative banks and all non banking financial companies (NBFCs) including Housing Finance Companies.

Accordingly, in line with RBI new guidelines, we place below our revised Gold Loan Policy of the Bank which if approved (in supersession of old gold loan policy) shall form part of the Loan Policy of the Bank with effect from 01st November, 2025.

THE SALIENT FEATURES OF THE SCHEME ARE AS UNDER:

1. The Policy shall restrict to Gold Loans only against eligible gold collaterals.
2. The Gold Loans sanctioned prior to 01st November, 2025 shall continue to be governed by the extant gold loan guidelines of the Bank, in vogue.
3. Only branches having strong rooms, vaults with proper security arrangements (excluding extension counters) shall be eligible for gold loan purposes. However, loans marketed / canvassed by extension counters shall be dealt at by the parent branch.



4. PURPOSE OF GOLD LOANS:

To meet short term financing needs of the borrowers for the purpose of **consumption** (domestic needs) or for **income generation** (including farm credit) against eligible gold accepted as collateral security.

Consumption loans for the purpose shall mean those loans which are required to meet domestic needs and not for generating any income while **Income generation** are those loans raised for the purpose of productive economic activities e.g. farm credit for development of agriculture land, loan for business or commercial purpose, loans for creation or acquisition of productive assets etc. The main objective of such loans is to provide borrowers an avenue to tide over their tight liquidity conditions by leveraging the gold ornaments and gold coins that are kept idle and also to strengthen the conduct related aspects on the part of the borrowers.

5. ELIGIBLE GOLD COLLATERALS:

Only gold jewellery, ornaments or gold coins (maximum 1 kg of Gold) can be offered as collateral. Out of this only upto 50 grams can be in the form of gold coins.

Gold jewellery for the purpose shall be items that are designed to be worn as personal items and ornaments i.e. utensils and other items made of gold. Gold coins relate to specially minted coins (22 carats or higher) sold by Banks, NBFC etc.)

6. LOAN TO VALUE RATIO (LTV)

It is the ratio of the gold loan amount sanctioned to the value of the pledged eligible gold collateral on a particular day. Loan to value thus would refer as to how much a lender can give loan against value of eligible collateral offered as security.



Under the new RBI guidelines borrowers especially small borrowers can avail gold loans now upto Rs. 2.50 lakh against Loan to Value (LTV) cap of 85%, an increase from the previous 75% (in our Bank, it was earlier 70% only), loans between Rs. 2.50 lakh and Rs. 5 lakh, LTV cap is fixed at 80% while loans above Rs. 5 lakh, LTV shall be restricted to 75%. This incremental approach allows small ticket borrowers who are often from rural and semi urban areas, access to more funds against their gold collateral offered as security while higher ticket loans above Rs 5 lakh shall remain tightly regulated, because, in their case LTV is capped at 75%.

While gold loans upto Rs. 2.50 lakh, no credit assessment is required but it is mandatory for all gold loans above Rs. 2.50 lakh where the branches shall also have to examine eligibility depending upon borrower's repayment capacity based on last 2 years income tax returns & CIBIL reports & loans outstanding and normally EMI/NMI should not exceed 60%.

Further, the prescribed LTV shall have to be maintained on an ongoing basis throughout the tenor of the loan. For loans with bullet repayments (full repayment at the end) the LTV shall be based on the total repayable amount on maturity i.e. Principal plus interest due after 12 months.

7. Tenor-Bullet repayment, Top up loans and renewals.

(a) **Bullet repayment** loans are those where both principal and interest are due for payment at the time of maturity of the term of the loan. Revised RBI guidelines mandate that the tenor of consumption gold loans in the nature of bullet repayment is capped at 12 months i.e. both principal and interest must be settled within 12 months.

All eligible branches are required to ensure that there is no breach in LTV at any time during the currency of the loan. Renewal of bullet repayment loans is admissible only after payment of accrued interest, if any.



(b) **Top up** Loan is an additional loan sanctioned over and above the outstanding loan during the tenor of the original loan (based on the strength of the eligible collateral already pledged for the existing loan) and within the prescribed LTV for such loans.

(c) Loan renewals and topups

Renewals or Topup of a gold loan can be considered on formal written request of the borrower if the account is standard and still within the LTV ratio and accrued interest is already repaid in the case of bullet repayment loans. Fresh credit check is also required in such cases along with clear identification in CBS.

(d) Gold loans linked with EMIs:

Maximum tenor for such loans shall be restricted to 36 months in our Bank e.g. mostly income generation Loans.

8. Eligibility, Proof of ownership and repayment capacity

No Gold Loans, where the ownership of the eligible gold offered as collateral is doubtful. A suitable declaration is to be obtained from the borrower in all cases that he is the genuine / rightful owner of the eligible collateral. In all gold loans beyond Rs. 2.50 lakh, one now cannot avail the same without proper credit assessment and providing proof of income or demonstrating repayment capacity. This is to protect both the borrower and the Bank making sure that loan is not being given beyond one's capacity i.e to make him fall under debt trap unnecessarily in case there is no capacity to repay the loan.

9. Maximum Ceiling on Gold Loan and End use of funds

Although, RBI in its revised guidelines have permitted the banks to accept eligible gold collateral maximum upto 1 KG which can also include 50 grams of gold coins.



We, however, as a part of Credit Risk Management have proposed maximum ceiling on gold loans upto Rs. 10 lakh only per borrower, both for consumption and income generation purposes. Therefore, as per details given in the chart below, no branch can consider gold loans against eligible collateral beyond Rs. 10 lakh and that, too, without credit assessment of the borrower and ensuring end use of funds beyond Rs 2.50 lakh.

Total consumption to amount per borrower	Maximum LTV ratio	Credit Assessment / Repayment capacity / end use of funds	Rate of Interest applicable
≤ Rs. 2.50 lakh	85%	Not required	12.00 %
> Rs. 2.50 lakh ≤5 lakh	80%	Required	12.50%
> Rs. 5 lakh (max 10 lakh)	75%	Required	13.00%

10. Multiple Loans

Multiple or frequent sanction of gold loans to the same borrower aggregating to a value in excess of a threshold ceiling has to be carefully monitored under the Anti Money Laundering (AML) guidelines.

11. Valuation /Assessment of Eligible Gold Collateral

As per the latest RBI guidelines, gold valuation practices have also been standardized. Accordingly, the concerned branches shall adopt a standardized system to check the purity and weight of gold including both gross and net weight. Collateral must be benchmarked to 22 carats and lower purity gold to be converted to its 22 carat equivalent for valuation purposes. Gold accepted as collateral shall be valued based on the reference price corresponding to its actual purity (caratage). Furthermore, the collateral value reckoned **shall be lower of either the 30 days average closing price or the previous days closing price as published either by the Indian Bullion and Jewellers Association Ltd.**



or by a commodity exchange. The price shall be advised by Head Office well in advance.

Branches also to ensure that eligible gold collateral is got valued in the presence of the borrower by a gold smith duly approved by the Bank (in their area of operation) or by any other Nationalized Bank. Only the intrinsic value of gold contained in the eligible collateral to be reckoned excluding of cost element such as precious stones or gems etc.

12. DOCUMENTATION, COMMUNICATION & PROCEDURE

(a) All branches processing Gold Loans shall use standardized documents only (as per Annex). The Loan agreement shall cover description of the eligible gold collateral taken as security, value of such collateral, details of auction procedure (in case of default) and the circumstances leading to such auction of the eligible collateral, notice period to be allowed to the borrower for repayment / settlement of loan before conducting auction, time frame for release of gold collateral upon full repayment or settlement of loan, refund of surplus, if any, from the date of auction of the pledged collateral along with necessary details.

All applicable charges payable by the borrower including related to assaying, auction, etc. shall also form part of the gold loan agreement.

The loan agreement shall also contain a clause for borrower's consent to carry out surprise checking including assay of the pledged eligible collateral even in the absence of the borrower during the tenor of the loan.

(b) Further, the concerned branch while accepting the eligible gold collateral, shall prepare invariably a certificate or e-certificate in duplicate containing the details regarding the assay of the collateral, purity (in terms of carats); gross and net weight of pledged gold and deductions relating to weight of stones, lac, alloy, strings, fastenings,



damage, breakage of defects noticed if any, and also 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 to be given to the borrower against proper acknowledgement.

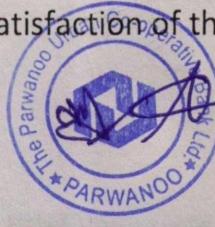
(c) All communication with the borrower especially, the terms and conditions of the loan or other important communication which affects the interest of the borrower or the bank shall be in the regional language as chosen by the borrower. In case the borrower is illiterate, important terms and conditions of the loan shall be explained to him in the presence of a witness (other than staff of the Bank) with proper evidence of record.

(d) Handling and storage of Gold collateral – Check list:

- (i) All branches (excluding extention counters) having strong rooms / vaults shall ensure appropriate security measures with regard to valuation, custody of eligible gold collateral. It must be ensured that gold collateral is handled by joint custodians only and not by one person and must be kept in the strongroom in separate vault under joint custody only.
- (ii) Periodical checking / adequacy of systems for storage of eligible collateral is also a must and shall also form part of bank's internal audit check without fail (at least half yearly).

(e) Release of Collateral after repayment: The concerned branch shall ensure release of pledged collateral to the Borrowers / legal heirs on the same day of closure of loan account, but, in any case, not more than **7 days** upon full repayment / settlement of the loan against proper acknowledgment of the borrower(s) / legal heirs(s).

At the time of release of pledged eligible collateral to the borrower(s) / legal heirs(s), the collaterals shall be got verified for correctness as per details in the certificate to the satisfaction of the borrower.



(f) Auction procedure & Transparency:

(i) The concerned branch shall give reasonable notice of **15 days** to the borrower(s) / legal heirs(s) to repay or settle their loan prior to initiating action procedure.

In case the borrower is not contacted / traced even after issuance of a public notice, the concerned branch shall proceed with the auction process after a period of **one month's time** from the date of the public notice, in a transparent manner. If the loan is repaid / settled before auction pledged gold or any surplus amount left after auction the same is required to be released to the borrower within 7 days of closure of accounts otherwise it may invite penalty of Rs. 5000/- per day for undue delays (if proved). This is to instill discipline, reduce disputes and protect borrowers' interest as laid down in the revised RBI guidelines.

(ii) The auction process of the collateral shall be done by the concerned branch through its authorised officer only or through bank's empanelled auctioneer.

(iii) Reserve price fixed for auction shall not be less than **90%** of its current value. In case of failure of 1st auction, a reserve price in that case cannot be less than **85%** of its current value.

(iv) The Bank shall first auction physically in the same district in which the lending branch is located and in case of failure, may do so in the adjoining district or conduct online auction also.

(g) Compensation:

(i) In case of any damage caused to the pledged eligible collateral, during the tenor of the loan, the cost of repair (actual) shall be borne by the Bank (to be recovered from the joint custodians in case negligence is proved on their part).



(ii) In case of loss or theft of the pledged eligible collateral, the Bank shall compensate the amount of value of collateral to the borrower(s) / legal heir(s) and such amount shall be recoverable from the joint custodians, in case, negligence is proved on their part.

(h) Unclaimed Gold Collateral:

(i) In case pledged gold is not claimed by the borrower(s) beyond two years period from the date of full repayment or settlement of loan, the same shall be treated as unclaimed.

The Concerned branch shall however continue and undertake special efforts to trace the borrower or his legal heirs.

(ii) A report on unclaimed gold collateral shall be put up to the **Customer Service Committee** of the branch as well as to Head office at half yearly intervals for onward review to the Board.

13. Miscellaneous precautions & General conditions (check list) for Gold Loan Branches:

- (i) The Bank and its branches shall refrain from giving misleading advertisements, containing unrealistic claims to promote gold loans to general public and its customers.
- (ii) Know your customer (KYC) guidelines compliance is a must in such loans. Loan disbursals to be made only in the concerned borrower's account and not to a third party.
- (iii) Loan repayments to be executed by the borrower directly in his account without any pass through other account or pool account of any third party.
- (iv) Multiple or frequent sanction of Gold loans to the same (borrower or a group of related borrowers) aggregating to a value in excess of threshold limit to be avoided by the branches as these are prone to misuse / susceptible to frauds and shall also from in the check list of



internal audit of the concerned branch and also to comply with Anti Money Laundering (ALM) guidelines.

- (v) No gold loan against Primary Gold or financial assets backed by Primary Gold (i.e Gold Billion, exchange traded funds (ETFS) or units of Mutual Funds. Therefore, gold loans can be considered only against eligible collateral of gold jewellery, ornaments and gold coins and aggregate weight (net) of eligible gold being pledged shall not exceed 1 Kilogram (inclusive of 50 Grams of Gold coins – minimum 22 carat or higher) i.e. in any case, one cannot pledge more than 1 kg of gold in total out of which only upto 50 grams can be in the form gold coins.
- (vi) No Gold Loan where ownership of Gold offered as collateral is doubtful.
- (vii) Maximum ceiling fixed for Gold Loan in our Bank is Rs 10 lakhs both for consumption and income generation purposes.
- (viii) Loans raised under priority sector lending (including farm credit) are subject to ensuring of end use of funds with proper record of documentary evidence.
- (ix) No gold loan to other lenders against gold already pledged by bank's own borrowers. The Bank can also not raise gold loan from other lenders against gold already pledged to it by its borrowers.

Renewal of bullet repayment loans on borrower's request can be considered only after payment of accrued interest if any & within the permissible LTV subject to that such renewals or top ups are identifiable in the CBS / Loan processing system of the Bank.

- (x) No gold loan to be sanctioned simultaneously for both personal and business purposes at the same time. It is to be ensured as evidence of record that the money raised is being used for the intended purpose



for all loans above Rs. 2.50 lakh and incase of agriculture loans irrespective of the loan amount.

- (xi) Borrower's presence is a must while assaying the eligible collateral before sanction of loan.
- (xii) Due diligence exercise by the branches is a must with regard to verification, valuation and genuineness of the eligible gold collateral.

14. Disclosure, Repeal and Amendments:

The Bank shall display on its website the methodology adopted for determination of net weight of the gold and price used for determination of **Loan To Value (LTV) ratio** without fail.

The bank shall invariably disclose in its **Notes To Accounts**; the amounts and percentage of loans extended against pledge of eligible gold collateral for both income generating and consumption purposes to its total loans as per **Annex I** as prescribed by RBI.

