



# **GOLD AUCTION POLICY**



**IFL GOLD LOAN**

**A unit of IFL HOUSING FINANCE LIMITED**

**{REGISTERED WITH NATIONAL HOUSING BANK (NHB)}**

DESCRIPTION	SIGNATURE
Prepared by:  Compliance & Auction Department	
Reviewed/Approved by:  Board of Directors	

VERSION	DATE	DESCRIPTION	NEXT REVIEW DATE
1	14 <sup>th</sup> December, 2020	First Time Adoption	As and When Required
2	02 <sup>nd</sup> April, 2021	Amended	As and When Required
3	18 <sup>th</sup> April, 2022	Reviewed	As and when required
4	24 <sup>th</sup> April, 2023	Reviewed	As and when required
5	13 <sup>th</sup> February, 2024	Amended	As and when required
6	29 <sup>th</sup> April, 2024	Reviewed	As and when required

## INTRODUCTION

The Reserve Bank of India vide circular DNBR(PD) CC.No.054 / 03.10.119 / 2015-16 dated 1 July 2015 titled “Master Circular- Fair Practices Code” and Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 has advised NBFCs to put in place an Auction Policy duly approved by the Board of Directors. IFL Housing Finance Limited, (‘Company’) has formulated various lending schemes against the collateral security of Gold ornaments. Borrowers have to repay the loan amount together with the accrued interest and other charges due (if any) latest by the end of the tenure fixed as per norms prevailing in each schemes. The asset pledged under the loan accounts with nil/part repayment (including interest and other charges) within the fixed tenure, shall be taken for public auction after complying with herein laid down process and procedures, as per the RBI norms and regulations.

## AUCTION PROCEDURE

### 1. Auction of Gold Jewellery

Gold Loans are sanctioned as Demand Loans against pledge of gold 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 on or before the due date as per the maximum tenure specified by repaying the principal along with interest due up-to-date and other charges if any. Gold ornaments pledged with the company, if interest or any other charges not paid in full, will be disposed off by the company by way of public auction.

Company also reserves its right to call up the loan and auction the gold without waiting for expiry of the sanctioned period stipulated above in case of eventualities leading to probable loss on account of shortfall in the value of security due to fluctuations in Gold Price or any other reasons or contingencies, after giving a minimum of 14 days’ 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 pay interest periodically and release the jewellery by paying the dues before the due date or renew the loan by paying the interest up-to-date and the differential in eligible loan amount as per the then prevailing LTV. The term “Auction” used in the policy shall mean realization of the asset pledged under any Gold Loan schemes in the Company through Public Auction only. Auction must be completed within 3 months of completion of tenure of the loan in any case.

### 2. Organisation Structure for Auction Proceedings

The Company shall have a dedicated Auction Department at the Head Office to initiate, supervise and monitor the auction procedure including adherence to the approved policy. The Department will function under the overall supervision of the Vice-President (Operations). Official from the Auction Department or authorised officials should be present and oversee the actual auction proceedings and will be entrusted the responsibility for the proper conduct and preserving the records thereof.

### 3. Reserve Price and Reporting to the borrower

- a. While auctioning the gold, the Company shall declare a reserve price (minimum price) for the pledged ornaments. The reserve price for the pledged ornaments should not be less than 85% of the previous 30 day average closing price of 22 carat gold as declared by The Bombay Bullion Association Ltd. (BBA) or the historical spot gold price data publicly

disseminated by a commodity exchange regulated by the Forward Markets Commission and value of the jewellery of lower purity in terms of carats should be proportionately reduced. The auction shall commence at a price not lower than the reserve price. The bidder who quotes the maximum price above the reserve price shall be the successful bidder. The Company itself cannot participate in the auctions held.

- b. It will be mandatory on the part of the company to provide full details of the value fetched in the auction and the outstanding dues adjusted and any amount over and above the loan outstanding should be payable to the borrower.

#### **4. Circumstances under which auction shall be executed:**

##### **(A) Auction in the Normal Course:**

Auction process must be commenced in respect of all gold loan accounts where tenure of the loan has expired &/or due amount has not been fully paid/account has not been renewed.

##### **(B) Auction under Exceptional Circumstances**

###### **a. Auction Due to Depletion in Security Value (auction before completion of tenure of the loan):**

Auction department shall regularly monitor the realizable value of gold and in any instance where the realizable value of gold is less than the loan amount, interest thereon or any other charges, which may result in loss to the Company in case the loan is continued, demand cum auction notice shall be served upon the borrower to repay a certain sum of money or pledge additional gold to make good the shortfall in the value of security or to pledge additional gold to bring the value of security as per the prevailing LTV.

In the event of the Customer not remitting the required amount/not pledging the additional gold to cover the outstanding as per the demand made by the Company within 14 days from the date of receipt of the notice, the Company may auction the pledged ornaments before the loan becomes due as per the sanctioned tenure of the loan.

###### **b. Auction of Gold Ornaments identified as Spurious / Low Quality**

Accounts where pledge of spurious/low quality gold ornaments have been detected by the Audit Department subsequent to disbursement may be taken up for auction even before the completion of the tenure of the loan. Below-mentioned procedures shall be followed for spurious/low quality gold loan accounts, identified:

- i. The purity of the gold ornaments shall be re-verified internally through a competent officer /auditor. Melt test (assaying) of a small portion of the pledged gold may be done to re-confirm the purity or in the "difficult- to- assess" cases.
- ii. The reserve price for such spurious / low quality ornaments must be fixed keeping in view the reconfirmed assessed purity and the RBI directions issued from time to time.
- iii. Proper demand cum auction notice shall be served upon the borrower within 14 days of detection as spurious/low quality by the Audit Department of the Company giving them an opportunity to replace the spurious gold with new gold/deposit additional gold/repaying the certain amount to cover the loss to the Company.

- iv. In case they fail to replace the spurious/low quality gold or repay the dues as indicated above at point (iii) within next 14 days from the date of receipt of the notice, auction will be done after publishing advertisements in newspapers indicating the time and place of auction.

**Note: Auction of normal/spurious or low-quality gold 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.**

**(C) Re-auction of Gold Ornaments Not Successfully Auctioned (Normal Gold/Spurious or Low Quality Gold)**

If the gold ornaments find no bidders at the reserve price the course of action as under should be adopted:

- i) The Auctioneer shall submit in writing that no bid was made at the reserve price fixed due to the poor quality of gold or difficulty in assessing the correct purity or lesser market value. This shall be certified by the Company's official in charge of overseeing the Auction.
- ii) The company may have suitable caveats to protect against disputes during redemption, but the certified purity shall be applied both for determining the maximum permissible loan and the reserve price for auction.
- iii) Such gold ornaments shall be taken up for melting, either in-house or through a reliable outside agency, in the same lots as taken up for auction. Auctioneer/ his representative shall remain present during the melting activity along with a competent officer of the Company who will certify accordingly in a bidding register.
- iv) The melted bars shall then be assayed for purity and put up for auction in such form with a fresh reserve price fixed.
- v) Compliance with the above steps shall be periodically subject to internal audit at intervals not exceeding 1 calendar quarter.

**5. Auction Charges**

S.No.	Particulars	Charges
a.	Auction charges	Rs. 750 + applicable taxes
b.	Newspaper publication/printing and stationery expenses	Rs. 300 + applicable taxes
c.	Any notice	Rs. 50 + applicable taxes

**6. Deferment of Auction**

Discretionary powers shall be vested with the Managing Director of the Company, on the recommendations of Auction Department to defer the auction:

- i. where at least three months interest has been paid by the borrower.
- ii. at the request made by the customers on any other reasonable ground.

Managing Director of the company shall be empowered to approve modifications to the above guidelines for Auction from time to time on the recommendations of Branch Managers or any other officer of the company keeping in view, inter-alia, the regulatory directives, legal position and Fair Practice Code adopted by the Company.

**Serving of Demand cum Auction Notice to borrowers:**

Letter Type	Where tenure of loan expires or due interest and other charges not paid in full	Depletion in Security Value	Spurious/Low Quality: Identified at the auction centre or after completion of the tenure of the loan
Intimation Letter	A notice in the local language in an approved format, shall be sent to all "Auctionable" pledges furnishing the date and venue of auction at least 14 days before the proposed date of auction by speed post/courier requesting the borrower to immediately pay the full dues failing which the security would be liable to be put on auction, without further notice, for recovery of the dues.	A demand cum auction notice in local language should be sent to the borrower within 14 days of identification of loss in the account by speed post/ courier calling upon the borrower to settle the loan on or before the due date as mentioned in the notice or replenish the security with additional gold failing which the company may dispose the gold through auction without any further notice.	A notice in local language should be sent to the borrower within 14 days of detection as spurious / low quality by speed post/courier calling upon the borrower to replace the spurious/low quality gold or repay the dues within next 14 days from the date of receipt of the notice failing which the company may dispose the gold through auction without any further notice. Date of auction will be mentioned in the notice.

**7. Mode and Periodicity for Sending Notices, Intimation to the Borrower**

Once an account has been identified as "Auction Accounts" a notice shall be sent to borrower by speed post/courier or through text message by way of sms or whats app requesting them to immediately pay the dues failing which the assets pledged under the loan account would be put on public auction without further notice for the recovery of the dues in the loan account. The notice should be sent in an approved format furnishing the date, time and venue of the auction at least 14 days before the date of auction.

If any such notices returned undelivered to the borrower, intensive action should be taken to locate the borrower, reconfirm the KYC documents and re-evaluate the asset pledged. The responsibility for ensuring the compliance would be vest with the concerned branches from where the loan was processed, unless otherwise instructed by the Company.

Undelivered letters should be preserved and systematically stored for future retrieval.

**8. Public Notification/Advertisement**

Public notification of auction/advertisement/display of information and other related procedures shall be in line with the applicable rules, regulations and RBI guidelines issued from time to time.

The auction shall be announced to the public by issue of advertisements in at least two newspapers, one in vernacular and another in national daily newspaper at least one week before the date of the auction. The auction list shall also be displayed at respective branch office(s).

## **9. Convenient Auction Lots, Fixation of Reserve Price, Security, Insurance**

Pledges taken up for Auction must be segregated into appropriate / convenient lots to facilitate disposal based on various parameters such as assessed purity, quantity of gold, expected participation of bidders, prevailing market prices etc.

The proposal for fixation of reserve price for each auction shall be done by the Head of the Auction Department taking into consideration the regulatory directions in place, approved by the Vice-President (Operations) of the company.

## **10. Due diligence on Participants, Earnest Money Deposit (EMD)**

Proper KYC documents, PAN card or other requisite documents for identification of the participants in an auction should be obtained before permitting them into the auction premises. The usual documents taken for customer account KYC compliance is to be accepted.

If the participant is representing a Company/firm, proper authorization, copy of registration, including GST Registration details and PAN card of the company shall be submitted to participate in the auction in addition to the Participants' KYC documents.

Person, entities having known criminal background shall not be allowed to participate in the auction.

An amount of Rs. 1,00,000 is prescribed as Earnest Money Deposit should be insisted upon from every participant who wish to bid at the auction on such date as may be decided by the management from time to time.

This amount can be paid through cheques drawn in favor of the company and is refundable to the unsuccessful bidders.

## **11. Selection and Approval of Auction Centres, Safe Custody, Security arrangements**

- a. Auction Centre shall be finalized in line with the regulatory norms/ directions and internal guidelines of the company which shall be in compliance with RBI statutory norms.
- b. The auction shall be conducted in the same town or taluka in which the branch that has extended the loan is located.  
Provided if the said auction fails, the company will pool gold jewellery from different branches in a district and auction it at any location within the district, subject to the fact the company shall ensure that all other requirements of the extant directions regarding auction (Prior Notice, Reserve Price, Arms-Length Relationship, disclosures, etc)
- c. Physical transfer of gold from various branches to the regional auction centres/offices shall be carried out in line with the regulatory/internal norms/directions which shall be subject to modification from time to time.

## **12. Authorisation for Auction of Gold**

- a. Gold Pledged shall be auctioned only through auctioneers approved by the Board.
- b. Once the accounts have been identified and listed for auction by the Auction Department the proposal, in a structured format, shall be put up to the MD for approval.
- c. The Auction Department shall ensure that list is accurate, complete and in compliance with the approved Auction Policy.

### **13. Mode of Payment by Successful Bidders & Delivery of Gold to Successful Bidders**

A minimum percentage of the bid amount as decided by the management from time to time including the EMD lying with the Auctioneer shall be insisted upon from the successful bidders on the date of auction itself. Successful bidders should be given a letter in a pre-approved format along with the terms and conditions. The balance shall be payable within 3 working days from the date of auction. If the full amount is not received within the stipulated time, the bid shall be treated as cancelled and a penalty of 5% of bid amount or loss incurred by the company due to rate fluctuation whichever is higher shall be levied and intimated.

Delivery of gold to successful bidders should be made only after confirmation of full receipt of payment or realization of cheque/draft along with taxes due. Proper acknowledgement for receipt of gold, should be obtained from the bidder.

Loans to bidders against such auctioned gold shall be not permitted.

### **12. Refund of Surplus, Recovery of Shortfall**

Appropriate accounting entries should be put through in the customer loan accounts within 15 working days after the full receipt of auction proceeds.

Surplus, if any, arising in individual accounts should be refunded to the customer within 30 working days from the date of auction or within such time as may be directed by the regulatory authorities from time to time, either through crossed account payee cheque or electronic transfer. However, a rightful lien on such surplus may be retained, subject to proper notice, in case the borrower has other unsettled liabilities to the Company.

Legal action for recovery of shortfall in individual accounts may be considered where required and justified after a cost-benefit analysis is done with the approval of Vice-President (Operations).

Customers whose pledges have been put to auction and where the company had suffered a loss the respective customer ids may be blocked based on the directions provided by the management from time to time.

### **13. Panel of Auctioneers, Commission Rates, Role & Responsibility**

Auction can be carried out only through auctioneers empaneled by the company, as approved by the board of directors. In the case if auctioneers are not available for auction, Company can authorize any of its senior officials who have expertise in auction related jobs to carry out the duty of auctioneer for the specified auction. The auctioneer and the Company should have to enter into a valid agreement to carry out the auction for the year as per the terms fixed by the Company.

The auctioneer is supposed to ensure that the bidder submits duly filled-in application forms. It should also include the earnest money deposit according to auction terms. Auctioneer should encourage competitive bidding and make sure that the bid price is not lower than the reserve price declared by the Company on the day of auction.

### **14. Bidding for Gold by Company / Related Entities, Maintaining Arm's Length Relationship**

The Company or any of its related entities shall not participate in the Auctions. Further,



transparent auction procedure in case of non-repayment with adequate prior notice to the borrower. There shall be no conflict of interest and the auction process must ensure that there shall be an arm's length relationship in all transactions during the auction including with group companies and related entities.

#### **15. Maintenance of registers / records**

All registers and records mandatorily required under law and as per instructions issued by the Company shall be properly maintained and updated under the safe custody of a designated senior official and subject to periodical internal audit. Suitable instructions should be issued in this regard. Compliance shall be ensured by the Head of the Auction Dept.

#### **16. Disclosures**

- a. The Loan Agreement shall disclose details regarding auction procedure.
- b. The Company will disclose in their annual reports the details of the auctions conducted during the financial year including the number of loan accounts, outstanding amounts, value fetched and whether any of its sister concerns participated in the auction.

Amended Gold Auction Policy is approved and adopted by the Board of Directors in their meeting held on 13<sup>th</sup> February, 2024.