

GOLD AUCTION POLICY



IFL GOLD LOAN

A unit of IFL HOUSING FINANCE LIMITED

{REGISTERED WITH NATIONAL HOUSING BANK (NHB)}



INTRODUCTION

This auction policy has been framed in terms of Master Direction – Reserve Bank of India (Non – Banking Financial Company – Scale Based Regulation) Directions, 2023 dated Oct 19, 2023 as updated from time to time.

AUCTION PROCEDURE

1. Public Auction

The term “Auction” used in the policy shall mean realization of the security through Public Auction only.

2. Organization 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 Managing Director (MD). The Auction department shall comprise of following members :

- Vice President – Gold Loan (Head of the Auction Department)
- Senior Manager (Member)
- Manager – Gold Loan (Member)

3. Auction in the Normal Course:

- (a) Auction process must be commenced in respect of all accounts on completion of the tenure of the loan in case of non-closure of the loan obligation within 60 days of the due date.
- (b) Auction process must be commenced in respect of all accounts before the completion of tenure, where the customer has not paid interest for 60 days after the due date.

4. Auction under Other Circumstances

(i) Auction Due to Depletion in Security Value (auction before completion of tenure of the loan):

If the Company has come to the conclusion that there is depletion in the value of security on account of fall in gold price which may result in loss to the Company in case the loan is continued, demand can be made on the borrower to repay a certain sum of money per gram of gold pledged to make good the shortfall in the value of security or to pledge additional gold to bring the value of security on par with the advance rate per gram as per the prevailing LTV.

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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, the Company may decide to auction the ornaments even before the loan becomes due as per the sanctioned tenure of the loan.

(ii) Auction of Gold Ornaments Identified as Spurious / Low Quality

Accounts in which pledge of spurious / low quality gold ornaments have been detected subsequent to disbursement may be taken up for auction even before the completion of the tenure of the loan, subject to the under mentioned compliances. The said procedures shall also be followed for spurious/low quality accounts/pledges, identified at the auction center/venue or after completion of the tenure of the loan:

- i. Proper notice/intimation shall be served upon the borrower
- ii. Before serving the above notice, 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 resorted to for re-confirming the purity or in the “difficult- to- assess” cases
- iii. 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.
- iv. 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.

5. Discretionary Powers to Defer Auction

Discretionary powers to defer auction in any particular account shall be vested with the Head of the Auction Department / MD of the company, on the recommendations of the Branch Manager or any other competent officer based on the request made by the customers. -

6. Selection and Approval of Auction Centre, Safe Custody, Security arrangements

- 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.
- The auction should 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) are met.

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- Physical transfer of gold from various branches to the regional auction centres/Head Office / other offices shall be carried out in line with the regulatory/internal norms/directions which shall be subject to modification from time to time.

7. Authorization for Auction of Gold

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

8. Reserve Price and Reporting to the borrower

- a. While auctioning the gold, the NBFC should declare a reserve 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.
- b. It will be mandatory on the part of the NBFCs 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.

9. Recovery Notice to borrowers identified in 'Depletion in Security Value' and Spurious/Low Quality Gold' instances

A recovery notice in local language should be sent to the borrowers by registered post/courier calling upon the borrower to repay a certain sum of money per gram of gold pledged to make good the shortfall in the value of security/ to pledge additional gold to bring the value of security on par with the advance rate per gram as per the prevailing LTV, as the case maybe. Simultaneously, continuous Branch follow-ups shall be done.

10. Auction procedure

- Loan accounts shall be identified for Auction and an intimation shall be sent to the customer for repayment of the required amount within the specified timeline in order to ensure that sufficient time and opportunity are given to the customer for redemption and to avoid auction sale. Simultaneously, Branch follow ups shall be done.
- In case the customer does not make good the loss, an Auction notice in the local language, along with English translation, shall be sent to all customers having "Auctionable" pledges furnishing date and venue of auction at least 14 days before the proposed date of auction by registered post. The notice requests the borrower to immediately pay the full dues failing which the security would

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be liable to be put on auction, without further notice, for recovery of the dues

- Paper publication in a local daily in the vernacular language and in another national daily in English shall be given clearly specifying the place, time and date of auction. 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.
- 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
- Any genuine bidder can participate in auction subject to deposit of EMD specified and submission of acceptable documents as ID proof, PAN card copy, GST registration.
- An auction will be carried out provided minimum 2 bidders are available as participants.
- The auction will be conducted through an “Open bidding” process. The final rate quoted by each bidder will be recorded in the bid register. The bidder who has quoted the highest rate (H-1) will be declared as the successful bidder and a bid confirmation will be obtained from him, allowing maximum time up to 7 days to remit the amount and lift the auctioned gold. If the bidder fails to remit the amount within the stipulated period, his bid will be treated as cancelled. The Head of Auction Department may, at his discretion, decide to impound part amount or full amount of EMD in such cases.
- If the highest bidder fails to remit the bid amount and lift the auctioned gold within the stipulated time resulting in cancellation of his bid, the Head of Auction Department may, at his discretion, decide to confirm the bid of any one of the other bidders by following the process of seeking bid confirmation from them individually as per the descending order of their bid amount and giving 7 days’ time to each of them to remit the amount and lift the gold. In case the other bidders are not willing to confirm the bid, or fail to remit the amount and lift the gold within the stipulated time limit, the auction process will be declared as cancelled and steps will be initiated for conducting a fresh auction of the gold following all the procedures like sending of notices to the borrowers, publication of notice in the Newspapers etc.
- Surplus if any available in the auction sale proceeds over and above the dues shall be refunded to the respective customers within 30 working days after receipt of the full auction proceeds.
- In case of any shortfall arising due to auction, Company may decide to recover the same from the customer or write -off the same.
- Post Auction letter shall be issued to every customer whose Gold has been auctioned. The letter shall provide full details of the value fetched in the auction and the outstanding dues adjusted and any amount over and above the loan outstanding shall be payable to the borrower.

11. Maintenance of Records

The Company shall maintain all the details and records of auction including:

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- Postal receipts of registered post of auction notices issued to the Borrower; Acknowledgements received from borrower in respect of notices delivered to them and details of auction notices which returned undelivered;
- copies of newspaper publications;
- details regarding auction participants and auction items;
- KYC and other documents of the auction participants
- Bid register
- sale invoices;
- Evidence of computation of reserve price
- Post Auction Notice sent to the borrower specifying the entire details including amount fetched during the auction and the balance amount which will be given to the borrower

12. Due diligence on Participants, Earnest Money Deposit (EMD)

Proper and acceptable 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's KYC compliance is to be accepted from the participants.

A reasonable amount of Earnest Money Deposit should be insisted upon from every participant on such date as may be decided by the management from time to time.

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

- The mode of receipt of bid amounts (cash or bank transfer) shall be decided by the management from time to time taking into consideration the market conditions and AML risks involved.
- 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.
- Loans to bidders against such auctioned gold shall be not permitted.

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

Re-auction will be conducted in cases of unsuccessful auctions due to absence of minimum number of bidders for conducting an auction or lack of bids for/above the reserve price fixed. The auctioneer should, in such instances, submit in writing on bid register or otherwise that the

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minimum number of bidders were not present or no bids were received for the bid price fixed due to low quality of gold or the bidder's inability to correctly assess the purity. The re-auction might be conducted on the very next day of the first auction or any other date decided by Auction department.

15. Refund of Surplus, Recovery of Shortfall

Surplus, if any, arising in individual accounts should be refunded to the customer within 30 days from the date of auction through a/c payee cheque. 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. If the cheque is not presented, then the amount shall be written off. However, if the customer approaches the Company for refund even after write-off, the Company shall refund the surplus.

Legal action for recovery of shortfall in individual accounts may be considered where required and justified after a cost-benefit analysis is done and put up to the MD for approval.

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.

16. 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, there shall be an arm's length relationship in all transactions during the auction including with group companies and related entities.

17. Discretionary Powers

MD / Head of the Auction Department of the company shall be empowered to approve modifications to the above guidelines for Auction from time to time on the recommendations of Auction Department/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.

18. Disclosures

- a. The Loan Agreement shall disclose details regarding auction procedure.

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- b. The Company must 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.

Gold Auction Policy was approved by the Board of Directors in their meeting held on November 11, 2024.

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