



**jmj**  
**Finance Ltd.**

**GOLD AUCTION POLICY**

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**(As approved by board on 11/02/2020)**

**(Revised and approved by the board on 01.09.2021)**

**(Reviewed by the Board on 11/03/2024)**

**(Revised and approved by the board on 18.05.2024)**

**A. Purpose**

As per RBI notification applicable to all NBFCs DNBS.CC.PD.No.266 / 03.10.01 / 2011-12 dated 26 March 2012 titled "Guidelines on Fair Practices Code for NBFCs and RBI/DNBR/2016-17/44 Master Direction DNBR.PD.007/03.10.119/2016-17 every NBFC shall have an auction policy. Accordingly, this policy has been framed with following objectives -

- To establish a system of auctioning of gold timely recovery of money due on loans, in case of defaults in repayment of interest/principal or both in full or in part.
- To ensure transparency in auction procedure and maintain arm's length relationship in transactions relating to auction.
- To keep the relevant customer informed about the process involved in the auction of Gold.
- To plug the gap created by non-repayment of loans and reduce the loss suffered by the Company.

**B. Definitions**

**1. Auctioneer:** mean a person/agency appointed in line with applicable RBI norms/laws for carrying out auction on behalf of the Company and with whom the Company has a legally binding agreement for outsourcing of auction in full or part.

**2. Gold Auction:** Gold Auction or Auction means process of public sale wherein the pledged gold of customer/ borrower is put on bid and sold to highest bidder, owing to reasons mentioned in this policy.

**3. Notice:** Notice means any intimation issued by Company to borrower in the form of a formal letter whether as legal intimation under applicable laws or as part of formal procedure or both.

**a. Notice of default in payment:** means notice issued by company to the borrower for default in payment for particular period (s) and for asking him/her to clear the dues within 7 days of receipt of notice.

**b. Auction Notice:** means notice sent to borrower by registered post/ direct delivery with acknowledged copy, requesting him/her to pay all the dues within a specified period and that the security provided for availing loan will be auctioned without further notice, in case of failure to pay the dues within specified period.

**4. Working days:** shall mean days excluding national holidays, public holidays and state specific holidays on which company is open and fully functional,

**5. Public Notice:** Public notice means notice containing public notification of auction or any relevant information issued by the Company to public by publishing in newspaper or other lawful mediums under the applicable laws.

### **C. Triggering of Auction**

The company shall issue “notice of default in payment” to borrowers when they fail to make the payment of interest/dues on due dates. The notice of default shall act as a reminder to such borrowers and also a warning that the company may have to trigger auction procedure in case of failure to make repayment within reasonable period post-issue of notice of default. The Company shall send such default notice to the customer within 20 working days reckoned from the date of default in payment of interest/instalment/dues. The Company may in addition to sending aforesaid notice, put reminders via telecalls, emails, SMS or other electronic means.

The intimation notices issued under this clause shall be in vernacular language and the Company may parallelly issue notice in English language in addition to the notices in vernacular language. 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;

Auction could be classified in following manner-

1. Normal auction
2. Auction in special cases

#### **1. Normal Auction (on completion of tenure of loan)**

The Company may resort to auction process in normal course in case non repayment of interest/principal or part of it within tenure set under the loan agreement/documents signed by the customer. Where a customer fails to make payments within prescribed time limits the Company shall issue notice of default in payment (via registered post) to the customer mentioning the loan is overdue and is liable to be auctioned in case of non-payment of dues as per the loan scheme.

Auction notice shall be sent within adequate time period from the date of completion of tenure of the loan.

The Company shall give the borrower time of at least 14 days for making the payment of amount mentioned in the auction notice. The auction shall be completed within 3 months reckoned from date of sending notice.

#### **2. Auction in Special circumstances**

Auction may be triggered before completion of tenure where the management is of the opinion that the realizable value of gold pledged been substantially affected or is likely to substantially affect the realizable value of gold pledged, due to factors which are out of the control of the Company such as -

- a) **Depletion in value of gold:** Where there is a steep fall in the gold prices or expected fall in gold prices due to unforeseen contingencies in the economy/NBFC industry, the Company may demand to repay a certain sum of money towards gold pledged by him or ask him to replenish additional security on the same to fill the shortfall in pledged gold value within 10 days.

In case of customer not making such payments/providing additional security within 10 days, the Company may trigger initial procedures for auction and send a Registered Auction Notice at the earliest. However, where the customer pays or provides 60% of the demanded amount/security and is not in a position to pay required amount in full, on reasonable ground deduced into writing, the Managing Director/WTD/COO/CEO/Board may defer the auction to a future date on formal recommendation from Loan department and Loan collection department.

- b) Low quality gold:** As per applicable policies, the Company shall not accept gold ornaments below 916 quality. Where at any time after disbursement of loan, the company notices that those are low quality ornaments which were not identified by normal/reasonable tests conducted by the company staff in presence of the customer, then the Company may take up auction even before completion of tenure of loan. In such case, At least 14 days notice shall be issued to the borrower intimating the same. However, the gold ornaments shall be subjected to re-verification and special tests for reconfirming the purity, before serving such a notice. Where the borrower fails to make payment within 14 days, the company may proceed with auction procedure.

The Company shall not initiate any of the above procedure without legal advice, where already a criminal case/legal proceeding is filed against borrower or where there is any other formal instruction from a court/tribunal/ any other competent authority preventing auction.

#### **D. Surplus/ Inadequate proceeds**

- (a) Any surplus amount received by the Company from auction after settling the dues of the borrower and incidental costs, shall be refunded to the borrower within 15 days after obtaining NOC from Accounts department/Loans department/Loan collection department. However the Company may create a lien by legal means on such surplus amount, after giving notice to customer for any other liabilities towards the Company or overdue loan accounts with the company.
- (b) Where due to any reason the amount realised from auction was inadequate to meet the outstanding dues, the Company may block the customer ID and proceed against the borrower through legal means.
- (c) The Loan Department is directed to follow the below directions to prevent the accumulation of auction surplus-
- Track auction surpluses generated from gold loan auctions.
  - Promptly inform borrowers of auction results and surplus calculations through notification letters and emails after the auction.
  - Ensure notifications include clear instructions on how to claim the surplus, including the necessary documentation and the process involved.
  - Regularly verify and update borrower contact details (postal address, email, and phone number) to ensure successful communication.
  - Establish a team within the loan department responsible for managing auction surpluses, including tracking, communication, and disbursement.
  - Ensure the team is well-trained on the procedures for handling auction surpluses and understands regulatory requirements.

- Develop a streamlined process for disbursing auction surpluses, including both electronic transfers and cheque payments.
- Verify borrower identity and account details before disbursement.
- Produce regular reports on auction surpluses, including the total amount of surplus, the number of surpluses disbursed, and the number of pending surpluses.
- Review these reports in monthly management meetings to monitor the effectiveness of the system and identify areas for improvement.
- Ensure grievances are resolved promptly and in compliance with regulatory guidelines.
- Maintain detailed records of all auction surpluses and related communications for audit and compliance purposes.
- Periodically review the auction surplus management system to identify any gaps or inefficiencies.
- Implement improvements based on borrower feedback, audit findings, and changes in regulatory requirements.

#### **E. Place of Auction**

- (a) The auction shall be conducted in the same town or taluka in which the branch that has extended the loan is located.
- (b) The Company can however pool gold jewellery from different branches in a district and auction it at any location within the district, subject to meeting the following conditions:
  - (i) The first auction has failed.
  - (ii) 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.

#### **F. Withdrawal of auction**

Where the borrower pays in full (100% settled) all the outstanding dues standing in his name or makes good any loss of value of gold within prescribed period or within response period, then auction may be withdrawn by serving a formal notice or settlement receipt to the borrower.

#### **G. Deferment of Auction**

Where the borrower pays at least 25% of outstanding interest within prescribed period or within response period, and on the formal recommendation made by Loan Department & Loan collection/recovery department, the Managing Director/WTD/CEO/COO/Board may defer the auction to a future date in writing then adequate period will be granted to the borrower to settle the outstanding dues by serving a letter after which the gold will be auctioned without further notice. . In such cases, the concerned departments should have obtained formal written request from the borrower for deferment of auction which shall be provided to Managing Director/WTD/CEO/COO/Board to enable decision making process. Wherein the Managing

Director/WTD/CEO/COO is out of station or there is practical difficulty for convening board meetings for deferring of auction, due to some reasons, the concerned heads shall obtain formal approval of a Director available in India and defer the auction to a future date. In such cases, the concerned heads shall ensure that such deferred cases are placed in ensuing Board meeting for noting. Any officer forwarding/approving any request for deferment of auction shall ensure that the request of the borrower is on reasonable grounds.

#### **H. Maintenance of records**

The Company shall maintain kyc register, documents in excel sheet containing the details of bids for auction and shall keep the same in a safe and secure place. All such records maintained in physical form shall be authenticated by the auctioneer. The loan department and accounts department shall cause to make necessary entries in the books of the Company within 16 days of the receipt of auction proceeds in full. The Loan department and Collection Department shall preserve records procedures undertaken, details of auctioned gold ornaments and borrowers etc. for future reference.

#### **I. Arm's Length Relationship**

The company shall ensure transparency in all its dealings relating to auction. The Company, Directors or Key Managerial Personnel or senior officials (CS, CFO, CEO, COO, GM, DGM) shall not participate as a bidder in the auctions held. There should be arm's length relationship in all transactions during the auction including with group companies and related entities.

#### **J. Legal impediment**

Auction of gold ornaments shall be dropped when the Company receives notice from police department/competent authorities/Tribunals or courts prohibiting auction owing to criminal or other legal charges alleged or proved against the borrower or his belongings.

#### **K. Disclosures**

The Annual Report of the Company shall contain a disclosure on the details of 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.

#### **L. Miscellaneous**

The following clauses shall be complied with in case of auction process-

- (d) Where the gold ornaments find no bidders at the reserve price the company shall obtain letter containing details of purity of those ornaments to that effect from the auctioneer and the that letter shall be certified by the officer of the company overseeing the auction. Such gold ornaments could be melted/modified to convert the same into saleable form as per industry standards. Modified/melted gold may be auctioned as per industry standards. In such cases, the concerned officials of the Company shall ensure that the process is conducted in a transparent manner with proper records.
- (e) The Company may appoint auctioneers on contract basis and the auctioneers shall be approved by the Board before auction procedure. The Board shall authorise an officer/Director of the Company to co-ordinate with auctioneers;
- (f) The Company shall have a legally vetted agreement with auctioneers.

- (g) The loan agreement shall contain brief details of likely events in which auction procedure may be triggered.
- (h) The Company shall make arrangements to ensure safe and transparent auction procedure.
- (i) The expenses incurred by the Company in connection with auction shall be collected from the customer or added to his outstanding liability, as the auction expenses (which is not a business expense in normal course of business) could not have been incurred if the customers had paid his dues on time or on demand as per this policy.
- (j) The Company shall collect the bid amount along with applicable taxes, charges etc from the bidder.
- (k) Any other requirements/compliances applicable to auction and related procedures under any other law/rules/regulation and company policies shall be complied without fail.

**For JMJ Finance Limited**



A handwritten signature in black ink, appearing to be "Jmjd", written over a horizontal line.

**Wholetime Director**

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