

BRD SECURITIES LIMITED

FAIR PRACTICE CODE REVISED AND APPROVED IN THE MEETING OF THE BOARD OF DIRECTORS OF BRD SECURITIES LIMITED HELD ON 12.06.2014.

The Chairman presented the Circular No. DNBS. CC. PD. No.340/03.10.042/2013-14 dated 01.07.2013 issued by the Reserve Bank of India to the NBFC. After discussion the following guidelines to be followed in all Gold Loan transactions were adopted in modification of earlier decisions in this regard.

The purpose of this document is to define the Fair Practice Code (FPC) for the company in accordance with the RBI Directions for Non-Banking Finance companies. The said code is aimed to promote good and fair practice, increase transparency, encourage market forces, promote a fair and cordial relationship between borrower / Customer and the Company and to foster confidence of the customer in the finance system of the Company.

Objectives of the Code

This Code has been drawn up to:

- a. Provide to the customers effective overview of practices followed by the Company in respect of financial facilities and services offered by the Company to its Customers;
- b. To serve the customers as part of best services and to provide transparency in business practices
- c. Enable customers to take informed decision about the financial facilities and services offered by the Company;
- d. Promote good, fair, transparent and trustworthy practices by setting minimum standards in dealings with customers;
- e. Reckon with market forces, through competition and strive to achieve higher operating standards;
- f. To promote fair and cordial relationship between the customers and company
- g. To promote good and fair practices.

Guidelines:

I) APPLICATION FOR GOLD LOANS AND THEIR PROCESSING:

1. All communications to the borrower shall be in vernacular language or in a language understood by the borrower.
2. KYC guidelines stipulated by RBI should be strictly complied with and adequate due diligence should be carried out on the borrower before extending any loan. The Borrower cannot be a member of more than one SHG/JCG
3. All loan application forms should include all the necessary information which affects the interest of the borrower. All loan applications should include the following information:
 - a) The Complete Name & address of the borrower with telephone numbers and landmarks
 - b) Description of the gold pledged and Gross weight and net weight of each item
 - c) Identity proof & Address proof (Passport, Voters ID card, Driving license, Ration card etc.) of the borrower should be attached with the application
4. Immediately on receipt of application for gold loan, it should be verified to ensure that the application form is duly filled in and signed, and that the required enclosures are attached. All Gold loan applications must be processed by more than one individual.

II) LOAN APPRAISAL AND TERMS AND CONDITIONS:

1. All gold loan application should be immediately processed and the gold pledged as security should be properly appraised for its purity, by a Company approved appraiser before extending the loan. Existing debts of the borrowers should be analysed before sanctioning of the loan.
2. The loan facility should be extended strictly to the genuine owner of the gold pledged only and should not be extended to any other person.
3. Loan agreement should be prepared in vernacular language or in a language understood by the borrower. Loan agreement should contain the Amount of loan sanctioned, Annual rate of interest, Other charges & levies, Description of the gold pledged, Gross weight and net weight of each item, Procedure regarding the auction of gold pledged and all other terms & conditions of the loan sanctioned. The acceptance of the terms and conditions mentioned in the loan agreement by the borrower should be obtained and kept in record.

4. The rate of penal interest charged in the event of late repayment / non repayment of loan should be indicated in bold letters in the loan agreement.
5. Interest on Gold loan – Varies from 10% to 26%

III) APPROACH FOR GRADATION OF RISK

General

The rate of interest is arrived based on the weighted average cost of funds, Multiple risk parameters such as borrower profile, Repayment capacity, type of asset, administrative cost etc. The decision to facilitate a proposal for loan and the interest rates are applicable on a case to case basis.

Security

For the loan as represented by the underlying assets, loan to value ratio, mode of payment, period of loan, location of the borrower, end use of the asset etc. Such information's are collected based on the borrower inputs, credit bureau, and field inspection by the company officials. The interest rates are subject to change as the situation warrants and are subject to management decision based on the merit of individual cases.

IV) DISBURSEMENT OF LOANS INCLUDING CHANGES IN TERMS AND CONDITIONS:

1. On disbursement of the loan, pawn tickets should be prepared in duplicate and one copy has to be issued to the borrower and the duplicate copy should be retained in the office after obtaining the signature of the borrower
2. Any change in the terms and conditions of the agreement should be intimated to the borrower in vernacular language or in a language understood by the borrower and a copy of the same duly acknowledged by the borrower should be kept on record
3. It should be mentioned in the loan agreement that the rate of interest and other terms will be revised only prospectively and not retrospectively.
4. Decision to recall / accelerate payment or performance of the loan will be only in Consonance with the loan agreement.

5. Every borrower is entitled to receive back all the gold pledged as security for the loan availed on repayment of all dues and on full settlement of the loan. However if the borrower has any other liability with the Company, the company reserves the right not to release the gold pledged. In such a case, the Company should give notice to the borrower about the same stating the full particulars of the remaining claims and the conditions under which the Company is entitled to retain the gold pledged till the relevant claim is settled/paid.

V) GENERAL:

1. The Company will not interfere in the affairs of the borrower except for the purposes provided in the loan agreement unless such circumstances arise which may result in the breach of the contract.
2. All branches should ensure that they have sufficient infrastructure to store the pledged gold in safe custody and must from time to time review and upgrade their infrastructure and ensure that all the staff in gold loan section are properly trained to deal with the customers in an appropriate manner.
3. The gold accepted as collateral should be appropriately and sufficiently insured.
4. All gold loans should be sanctioned and disbursed only from the central location.
5. Proper sanction has to be obtained from the concerned authorities before financing against the gold pledged. The Finance value, LTV, Rate on interest, Period of loan and such other matters relating to gold loan shall be decided by the Board of Directors or by any authority duly authorized by the Board of Directors in this behalf. Such Decisions taken in this manner should be intimated to the branches immediately for implementation and any violation in this regard will be viewed seriously.
6. Non-coercive method of recovery has to be adopted. Field staff shall be allowed to make recovery at residence of the borrower only if the borrower fails to appear at the central designated place on 2 or more occasions.
7. Internal auditors of the Company should conduct regular inspection to ensure that the procedures are strictly adhered to and that the loans are extended to genuine owners only. The Individuals designated for compliance of various systems, procedures and internal control including audit and periodic inspection will be held responsible for the violations / non compliance.

8. The gold pledged can be auctioned in the event of non-repayment provided it should be in accordance with the auction policy approved by the Board of Directors of the Company.
9. Assignment of duties, job rotation, separation of duties of mobilization, execution and approval that are adopted by the Board of Directors from time to time for the smooth operation and functioning of the system will be binding on all employees of the Company.
10. The Fair Practice code should be displayed at the Registered Office and Branch offices of the Company.

VI) AUCTION POLICY:

1. A minimum of 30 days prior notice shall be given to the borrower before auction.
2. The notice must be sent by registered post with acknowledgement and if the acknowledgement is not received within a normal period a second notice should be sent to the borrower in the same manner.
3. The auction should be announced to the public by issue of advertisement in at least two newspapers, one in vernacular language and another in national daily newspaper
4. Maximum publicity must be given to the auction. A notice stating the details of auction must be published in the notice board of the Company.
5. The Company and any of the sister concerns of the Company should not participate in the auction held. Any staff of the Company or of the sister concerns of the Company should not participate in the auction held.
6. The pledged gold should be auctioned only through auctioneers approved by the Board of Directors.
7. The auction sale should be conducted in accordance with the rules and regulations prescribed by Reserve Bank of India from time to time

VII) REDRESSAL MECHANISM:

1. The Contact Names and Contact numbers of the officials of the grievance redressal cell should be prominently displayed at the registered office and the Branch offices on the Company.
2. Department Managers have to periodically review the functioning of the grievance redressal mechanism and the compliance of the Fair Practices Code and submit their report to the Board of Directors.