



NCC Bank

नेपाल क्रेडिट एंड कमर्स बङ्क लि.
Nepal Credit & Commerce Bank Ltd.

Your Business Bank

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GOLD LOAN PRODUCT PAPER

2018

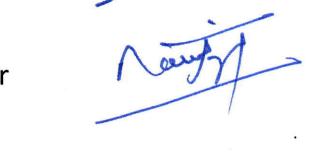
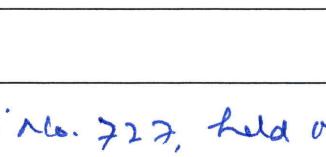
Nepal Credit & Commerce Bank Ltd.
Bagbazar, Kathmandu

The Board Meeting No. 727th
held on 2075.10.07 (21st January, 2019)
has decided to review, the
" GOLD LOAN PRODUCT PAPER, 2018"



Kapil Gnawali
Company secretary
2075-10-08

Approval Sheet:

	Name	Designation	Signature
Prepared and Submitted by	Jivan Kumar Katwal	Head, SME & Retail Credit	
Reviewed and Supported by	Sameer Acharya	Head, Credit Risk	
Reviewed and Supported by	Mukunda Subedi	Chief Risk Officer	
Reviewed and Supported by	Binod Kumar Sharma	Chief, SME & Retail Credit	
Reviewed and Supported by	Rewant Kumar Dahal	Deputy Chief Executive Officer	
Reviewed and Supported by	Ramesh Raj Aryal	Chief Executive Officer	

Board of Directors:

Approved by the Board Meeting No. 727, held on
January 21, 2019.

Rajesh

The Board Meeting No 727 held on 2075.10.07
i.e. January 21, 2019 has decided to reviewed
and amend our Gold Loan product paper,
2018.

(Signature)
2075.10.09



1. Introduction

Gold has traditionally been among the most liquid assets that help in immediate financial need indeed. Considering its most liquid character, the bank has also introduced loan against gold product for many years to get available funds instantly to our customer against the pledge of the gold and repay at the customer's convenience.

The bank has structured this product paper to update provisions relating to loan against gold by amending and consolidating such provisions in order to regulate, manage and bring about dynamism in gold loan activities and persons involved in dealing in such activities and to make the operation and administration of gold loan much easier and simpler.

This product paper shall be made effective through internal circular upon approval from the Board of Directors of Nepal Credit and Commerce Bank Ltd thereby repealing the earlier product paper and circulars in this regard.

2. Product Name: GOLD LOAN

3. Type of Loan:

Loan against Gold - Demand Loan and Overdraft Loan categories as Retail loan

Note: Gold, for the purpose of this Product Paper, refers to the fine (hallmarked) gold and/or gold contain in the ornaments/jewelry/utensils made from gold/coins etc.

4. Purpose of Loan:

To meet immediate fund requirement of the customer

5. Eligibility Criteria (any one among the given below)

- Proprietorship Firm
- Partnership Firm
- Private Limited Company
- Other registered entity
- Nepalese individual

The customer/s within the above criteria should be a Nepali Citizen having citizenship certificate or firm/company/entity registered in Nepal having PAN issued from appropriate government authority and must be the account holder of the bank. The Directors, Promoters and Employees of the bank are also eligible to obtain the loan against gold under this product paper.

6. Target Group

Goldsmith, Gold Jewelry Shop, Investors/Traders of Gold, investment company etc. and any other firm/company or individual requiring loan against gold falling into the aforesaid eligibility criteria.

Gold Loan - PP



7. Loan Amount

- Minimum Loan Amount NPR 50,000/- per borrower
- Maximum Loan Amount NPR 50,000,000/- per borrower.
- In case of Overdraft loan for the individual borrower; the loan limit should not exceed NPR 5 million.
- Loan to Value Ratio (LTV):
 - For Fine (Hallmarked 24 Karat) Gold: Maximum 80%
 - For Gold Coins/Ornaments/Jewelry/Utensils or Worked Gold: Maximum 70% of the value of gold contained only.
 - The loan amount shall not be less than 30% of the value of the gold.

8. Pricing

Interest Rate	: As published by the Bank from time to time
Service Charge	: 1.0% of sanctioned limit or Rs. 500/- whichever is higher to be collected upfront upon approval of the loan
Prepayment Fee	: Nil
Penal Interest	: 2.0% p.a. on overdue amount for the overdue period
Renewal Fee	: 1.0% of renewed limit or Rs. 500/- whichever is higher to be collected up front upon approval of the renewal
Insurance Chgs. & handling fee	: 1.0% of Gold Value

Note: The pricing may vary as per the change on Standard Tariff of Charges (STC). STC will be applicable if it is different than mentioned in product paper.

9. Repayment and Tenure

a) Demand Loan:

- The tenure of the loan shall be 1 year from the date of disbursement of each loan. However, upon satisfactory performance including timely settlement of accrued interest, the loan may be renewed as per request of the borrower, however, due consideration to be given to assess the valuation of the gold as at the time of renewal. If there is any prepayment and partial release of security, the loan may be renewed up to the amount maintaining the prescribed coverage by existing pledged gold only.
 - ✓ The loan amount within a single deal to be repaid in lump sum within its expiry as a bullet payment. However, Pre-payment of the loan shall be allowed up to 70% of the value of pledged Gold. In case of prepayment, partial release of pledged Gold may be allowed on proportionate basis maintaining the prescribed security coverage for remaining loan including accrued interest.
 - ✓ Loan once repaid in full or in part cannot be drawn again by the borrower. If the borrower requires further accommodation, it will be treated as separate (deal) transaction even if the pledged gold is not released.



- ✓ The interest of the loan to be repaid in each quarter end as per Nepali Vikram Calendar i.e. (Ashad, Aswin, Poush & Chaitra) and on final repayment of the loan.
- b) Overdraft Loan:
 - Principal: within a maximum period of 1-year subject to renew/review up on satisfactory performance
 - Interest: on each quarter end as per Nepali Vikram Calendar (i.e. Ashad, Aswin, Poush & Chaitra) and on final settlement of the loan.

10. Disbursement

Upon completion of Security Documentation and upon obtaining pledge of the security gold under Bank's possession

11. Loan Recording in Core Banking System

- a) The borrower shall maintain a current account (non-interest bearing) which will be used for all loan related transactions i.e. disbursement and repayment.
- b) Loan Account:
 - Demand Loan: a separate 'Account Type' to be defined in the system for each of Demand loan and loan amount will be disbursed by debiting the customer's concerned loan account and will be credited to the borrower's current account maintained with the bank. Similarly the same operating account will be used for the repayment of the loan.
 - Overdraft: Overdraft facility shall be managed in current account itself
 - A separate product code to be used for the purpose.

12. Security

- Duly checked, weighted and pledged gold itself shall be the security of the Gold Loan.
- In case of ornaments/jewelry/utensils; only the gold contain shall be considered as security.

12.1 Security Documentation

- Completely filled Separate Loan Deed (Specially designed for the product) with counter foil. The details of the pledged gold in terms of quantity, quality and physical condition (i.e. fine gold, worked gold, gold coin, jewelry/ornaments/utensils like ring, chain, necklace, plate etc. including gross weight, net weight and distress value) should be mentioned in the loan deed.
- Personal Guarantee of director/shareholder (in case of companies)
- Original invoice of gold purchased (if possible)
- Demand Promissory Note

12.2 Valuation of Security

- The Gold Tester appointed by the Bank shall be responsible for valuation of the offered gold and its genuineness.
- The Gold Tester shall check the weight, quantity, quality and physical conditions of the Gold offered for pledge in front of the customer.

Gold Loan - PP



- The weight of the gold shall be recorded in grams. The net weight of gold in the Ornament/Jewelry/Utensil or Gold Coins/Worked Gold/Hallmarked Gold below 24 Karat shall be obtained by deducting Rasayan/other metals mixed in such commodities to get purified as 24 Karat. Such deduction shall be determined as 10%-30% percent on the sole discretion of the Gold Tester.
- Treasury Department shall determine the rate of the gold based on the prevailing market rate as declared by "Nepal Gold & Silver Business Association" and shall be published in Official Intranet Site on daily basis. Branch shall take the rate as a reference while processing loan on that day.
- The rate will be reviewed periodically and as and when required. Generally the rate shall be reviewed on weekly basis. However, it shall be reviewed at any time when the price of the gold falls by 2% or more from the latest determined rate.
- Value of the gold shall be obtained by multiplying net weight with the latest rate prescribed by the Treasury Department.

Note: Any gold having quality of less than 20 Karat and/or any doubtful gold shall not be accepted as security of Loan.

12.3 Management of Security & Security Documents

After disbursement of the loan so approved, the management of security and security documents shall be as follows:

- Counterfoil of the loan deed shall be given to the borrower
- A separate register shall be maintained to record the loan.
- The Gold Tester shall keep the pledged gold in a separate cloth bag with details of borrower.
- The Branch Manager shall verify the security of loan with security documents
- The Gold Tester shall affix the wax seal of the Bank on each bag before lodging it in to the vault in presence of Branch Manager.
- The bag of the pledged gold shall be kept in a separate double lock cabinet (in case of the structure of the strong room is fire proof) or double lock **fireproof cabinet** inside the vault (in case of the structure of the strong room is without fireproof) and details should be mentioned in the register, failing to do so; the custodian(s) shall be made liable for non compliance of this provision. The custodian(s) of the safe key shall be the Branch Manager and The Gold Tester.
- Security of the loan shall be released after full or partial settlement as per this product paper. Counterfoil of the loan deed shall require to be submitted by the borrower while releasing the security. Gold Tester shall ensure that the borrower has acknowledged the receipt of the security with the verification of signature & thumb print appears in loan deed.
- Total pledged gold should be insured against appropriate risks covering the value of gold as valued by Gold Tester.



13. Basic Documentation

- Completed Know Your Customer (KYC) form
- Completed application form
- A recent photograph of applicant/guarantor
- Copy of Citizenship Certificate/Passport/PAN of the applicant and guarantor
- Firm/company/entity registration certificate and PAN certificate in case of firm/company/entity
- Board resolution deciding to borrower and nominating representative to execute security documents, if the borrower is a company/entity

14. Risk Factor

This product is prone to default risk resulting mainly from:

- Sole reliance on the gold tester as to assessment of the genuineness of the security (gold)
- Fluctuation of the price of gold in the national and international market

15. Risk Mitigation

The above mentioned risk will be mitigated by adopting following measures:

- Bank Financing will be secured by adequate security.
- Hiring of highly skilled gold tester with assigning specific accountability for recovery by way of taking indemnity from him and providing loan guarantee commission incentives in lieu of taking such responsibility.
- Applying portfolio restriction and continuous monitoring.
- Auto triggered recovery actions (auction of security) in case of default of maximum 45 days.
- There will be independent gold tester with the reporting responsibility to respective Branch Manager.
- Credit monitoring department reviews the gold loan at least on annual basis and assign gold tester from another branch randomly for the verifications of gold on the loans disbursed in the reviewed quarter.

16. Credit Approval Discretion (CAD)

Authority for the loan approval shall be as per the CAD structure of the Bank.

Gold Loan shall be provided from specialized branches only. Security factor and competency level is must for managing this type of loan. CEO shall specify separately the branches to provide the Gold Loan.

17. Service Standard

Decision shall be made on the same date of application.

Gold Loan - PP

Page 5 of 7



18. Monitoring, Portfolio Management and Reporting

18.1 Monitoring

- Branch shall monitor the drawing power of the borrower on monthly basis. However, it shall be monitored on weekly basis when the rate of gold reviewed by the bank falls by 2% or more within a week.
- If the security coverage turn into shortfall at any point of time by more than 5% due to decrease in market rate of the gold or any other reason, then a written notice to be issued immediately to the borrower either to top up additional security or reduce loan outstanding to maintain drawdown level as prescribed within 7 days. If the shortfall of security margin is not rectified within such period, the loan is treated as default loan.
- Inspection of pledged gold security shall be conducted at least half yearly intervals and inspection report to be maintained permanently.
- In case of firm/company/entity, renewal of registration documents will be ensured at the time of annual renew/review of the facility.
- Branch should issue a letter to the customer at least 45 days prior to the expiry dates to inform about timely renewal or settlement the facility within expiry. For renewal of the facility, Branch shall timely obtain required documents and forward renewal proposal to the competent authority before the expiry.

18.2 Portfolio Management.

- Loan Exposure against security of pledge of gold shall be reviewed on bank's overall loan portfolio on quarterly basis and shall be within Bank's appetite level of single portfolio exposure.
- Centralized Credit Monitoring Department shall monitor the portfolio of the Gold Loan on quarterly basis.
- Currently altogether 8 nos. of Branches of the Bank have been providing this facility. Further, SME/Retail Credit Department shall identify the additional viable Branches based on the infrastructure, market potential within the branch vicinity etc. to explore new business ventures, set the targets, facilitate and promote the product, support for marketing & design the product advertisement, conduct campaign, set the strategies and educate it to the Branches.
- SME/Retail Credit Department shall be submitted the performance profitability report of the exposure to the Management for notification on yearly basis.

18.3 Reporting to Corporate Office.

- Monthly status of Gold Loan & Drawing Power Calculation Sheet to Credit Monitoring Department
- The periodical drawing power should be updated in CBS on DP section compulsorily.
- Monthly Irregular Statement of the Gold Loan to Credit Monitoring Department

19. Loan Follow ups and Recovery Action

- The BM/Gold Tester shall notify the customer about the due date to pay interest/principal of the loan at least prior of 7 working days.

Gold Loan - PP



- In case of default from its expiry or interest overdue, the recovery process should be initiated immediately by sending written reminder to the borrower to settle the loan within 7 days.
- If the default is not rectified within such period or the loan is treated as default due to the shortfall in prescribed drawdown level, 35 days loan call back notice shall be published mentioning that the auction will be initiated in next working day if the default is not rectified within aforesaid stipulated period.
- If the default is not rectified upon above processes, legal action to be initiated by auctioning the pledged gold in next working day after end of 35 days call back notice period.
- In case the realization proceeds from the auction is less than the loan outstanding along with due and accrued interest, the gold tester shall make the balance realization.

20. Loan Guarantee Commission and Accountability

20.1 Loan Guarantee Commission

- A loan guarantee commission shall be provided to Gold Tester as guarantee of the gold so pledged for the security of the loan so provided. The guarantee commission shall be calculated on quarterly basis on each quarter end. The loan guarantee commission shall be calculated as 1.0% on earned and realized interest within the quarter.
- The amount of commission shall be calculated on interest realized of the particular quarter end. A separate loan guarantee commission account in the name of Gold Tester of the concerned branch shall be opened in system to credit the commission amount as calculated.
- The amount of Rs. 200,000/- shall be held on guarantee commission account. The Gold Tester is entitled to receive the amount of guarantee commission exceeding the amount of Rs. 200,000/- divisible by Rs. 5,000/-

20.2 Accountability of the Gold Tester and Branch Manager

- The Gold Tester shall be solely responsible for quantity and quality of the pledged gold if the weight/quality of the pledged gold is found less than the weight/quality indicated in the loan deed.
- The Gold Tester shall indemnify the bank for an amount at least of Rs. 1 million in case of pledged gold is detected fake and/or lower quality/quantity. The indemnity may be in the form of bank deposit, guarantee commission, lien on real estate properties or other sources.
- The Branch Manager and the Gold Tester, custodians, shall be responsible if the pledged gold is lost from the vault.

21. Waivers

- Waivers, if any, must be specifically approved by the Chief Executive Officer or the Official(s) designated by the CEO. However, branch must clearly mention and justify why such deviation is required under the heading "Waiver on Deviation to Product Paper".
- Chief Executive Officer may take waiver decisions as and when required.

Gold Loan - PP

Page 7 of 7

Board of Directors:

S.N.	Name	Position	Signature
1.	Mr. Upendra Keshari Neupane	Chairman	
2.	Mr. Iman Singh Lama	Director	
3.	Mr. Chandra Prasad Bastola	Director	
4.	Mr. Madhav Prasad Bhatta	Director	
5.	Mr. Krishna Shrestha	Director	
6.	Dr. Kailash Patendra Amatya	Director	

