



भारतीय रिजर्व बैंक

RESERVE BANK OF INDIA

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DBOD.No.BP.BC.27/21.04.048/2014-15

July 22, 2014

The Chairman and Managing Director/Chief Executive Officer
All Scheduled Commercial Banks
(Excluding Local Area Banks and Regional Rural Banks)

Madam/Dear Sir,

Loans against Gold Ornaments and Jewellery for Non-Agricultural End-uses

Please refer to our circulars [DBOD.No.BP.79/21.04.048/2013-14 dated December 30, 2013](#) and [DBOD.BP.BC.No.86/21.01.023/2013-14 dated January 20, 2014](#) on the captioned subject.

2. We have received representations from banks requesting to increase the prescribed ceiling and to review other conditions applicable for non-agricultural loans against pledge of gold ornaments and jewellery, where both interest and principal are payable at maturity of the loan, especially in view of introduction of Loan to Value (LTV) ceiling for such loans vide our circular dated January 20, 2014. The issue was examined and it has now been decided that loans extended against pledge of gold ornaments and jewellery, for other than agricultural purposes, where both interest and principal are due for payment at maturity of the loan will be subject to the following conditions:

- (i) Banks, as per their Board approved policy, may decide upon the ceiling with regard to the quantum of loans that may be granted against the pledge of gold jewellery and ornaments for non-agricultural end uses;
- (ii) The tenor of the loans shall not exceed 12 months from the date of sanction;
- (iii) Interest will be charged to the account at monthly rests and may be recognised on accrual basis provided the account is classified as 'standard' account. This will also apply to existing loans;

(iv) Such loans shall be governed by extant norms pertaining to income recognition, asset classification and provisioning which shall be applicable once the principal and interest become overdue.

3. In this connection, it is also clarified that LTV of 75 per cent shall be maintained throughout the tenure of the loan for all loans extended against pledge of gold ornaments and jewellery for non-agricultural end uses. The LTV ratio shall be computed against the total outstanding in the account, including accrued interest, and current value of gold jewellery accepted as security / collateral, determined as per the methodology prescribed in our circular dated January 20, 2014.

4. For the purpose of valuation of gold, banks may use the historical spot gold price data publicly disseminated by a commodity exchange regulated by the Forward Markets Commission on a consistent manner as per their Board approved policy, in addition to the prices disseminated by the India Bullion and Jewellers Association Ltd.

Yours faithfully,

(Sudarshan Sen)
Chief General Manager-in-Charge