

## ***Lending Against Gold Collateral***

### **VALUATION STANDARDS AND NORMS:**

#### **Price used to value the eligible gold collateral for determination of LTV ratio:**

The Gold jewellery / Ornaments & coin accepted as collateral shall be valued by the following method:

- The Advance rate is fixed once in 15 days i.e. on 1st & 16th of every month. Gold accepted as collateral shall be valued based on the reference price corresponding to its actual purity (karat). For this purpose, the lower of (a) the average closing price of 22/24 karat for gold, of that specific purity over the preceding 30 days,
- The closing price for gold, of that specific purity on the preceding day, as published by the India Bullion and Jewellers Association Ltd. (IBJA).

#### **Valuation and assaying of Gold Collateral: Gold Purity**

**Bank will accept only fine quality Gold Jewellery/ornaments with 18 karat and above. In any case, the Jewel loan should not be extended against ornaments of below 18 karat touch. If the gold is of purity less than 22 karats, the branch should translate the collateral into 22 karat and value the exact grams of the collateral. In other words, jewellery of lower purity of gold shall be valued proportionately. (Refer to circular reference no.014/2025 dated 10.01.2025).**

#### **Illustration:**

(A). Less purity jewel (18,20 karat) translates into 22 karat purity: Gross/Net wt. of the Jewellery ornaments: Total weight x 18 (ct)/22 (ct) Total weight of Jewellery ornaments = 100 gms: Deduction- 0 gms.

Gross/Net wt. of the Jewellery ornaments =  $[(100-0) \times 18/22] = 81.81 \text{ gms}$   
= 81.81 gms

**Illustration (ex): Method of calculation:**

S No	Item (ex)	Gross weight (gms)	Gold purity/ quality	Standard Deductions (Stone /wax and others)	Net weight (gms)	Net weight (gms) Translations into 22 Karat Purity (calibration)
1	Ring	8	18 CT	0	8	6.55 $[(8-0) \times 18/22] = 6.55$
2	Chain	36	20 CT	2	34	30.90 $[(36-2) \times 20/22] = 30.90$
3	Necklace	60	22 CT	5	55	55 $[(60-5) \times 22/22] = 55$

Accordingly, Appraisers shall certify fine quality of Gold Jewellery/ornaments with purity 18 carat and above in their appraiser certificate for pledge of Gold loans. If the purity between 18 to 19.99 carats, it shall be mapped into the 18-carat purity category, and gross weight and net weight have to be arrived at. Similarly, for the purity between 20 to 21.99 carats, it shall be mapped into the 20-carat purity category, and gross weight and net weight have to be arrived at.

**Gross Weight:**

Gross weight refers to the total weight of the jewelry articles, including the weight of the Gold, stones, and any other materials used in the design.

**Net Weight:**

Net weight refers specifically to the weight of the gold content weight alone, excluding the weight of any stones, other metals, or any other materials.

- For the purpose of valuation, only the intrinsic value of the gold content shall be reckoned and no other cost elements, such as precious stones or gems, shall be added thereto.
- Only the gold part of ornament/jewellery shall be considered for valuations; other metals and stones/gems or foreign materials studded on the ornament/jewellery are to be excluded from the valuations. Valuation shall be based on only the intrinsic value of the gold content therein and no other cost elements (like making/polishing charges, past/anticipated tax, value of stones/gems etc.) should be added during valuation.

**Deductions:**

Appropriate deductions to be made relating to the weight of stones, lac, alloy, strings, fastenings, any other inert material, wax, damage/ breakage/ defects etc.