



## Appraisal Framework for Gold-Backed Securities

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In alignment with regulatory mandates (RBI) and internal risk protocols, this framework outlines the procedure for verifying the purity and net mass of gold collateral.

### **Net Weight of jewels**

In the presence of the borrower, all ornaments are weighed in to get the Gross Weight. To determine Net Weight, the appraiser must subtract the weight of all non-gold elements, including lac, enamel, solder, or decorative gemstones, from the Gross Weight. Standard deduction may also be reduced from Gross Weight.

### **Purity assessment**

The valuer performs a purity assessment using certified techniques such as pointed scratching, stone & acid testing, Saltwater Test, Magnet Test, Flexibility test, Magnifier test, Weight Test and Sound Test. In certain cases the valuer may mandate filing of jewels as well. The final purity grade is then formally recorded in carats.

### **Purity adjustment**

1. Each ornament's net weight has to be calibrated to 22 carat.
2. If the gold is of different purity than 22 carats, then the ornament is re-based to 22 carat.

### **Gold price**

22 carat gold price is determined by selecting the lower of two specific benchmarks:

1. The 30-day moving average of closing prices.
2. The previous day's closing price.

### **Value of jewels**

The value of the collateral is calculated by multiplying Net Weight in 22 carat and gold price of 22 carat.

### **Loan to Value**

Based on the scheme selected a certain loan value is allowed for the value of jewels being pledged. This is known as LTV and this determines the eligible loan value.

Depending on the scheme, Loan value may also need to be determined by customer's income assessment