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**Satin Creditcare Network Limited**  
**Co-lending Policy**  
**Version 1**  
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**SATIN CREDITCARE NETWORK LIMITED**

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### Document Control

<b>Document Title</b>	Co-Lending Policy
<b>Version</b>	1.0
<b>Policy Owner</b>	Finance Department
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### Ownership

<b>Date</b>	<b>Version</b>	<b>Description</b>	<b>Created/ Reviewed By</b>
29.04.2023	1.0	First Release	<u>Created by:</u> o Mr. Manish Kr Mittal, VP – Finance  <u>Reviewed by:</u> o Mr. Rakesh Sachdeva – Chief Financial Officer



## Co-Lending Policy

### Introduction

1.1 Reserve Bank of India (RBI) had issued guidelines on Co-origination of loans by Banks and NBFCs for lending to Priority Sector vide Circular FIDD.CO. Plan. BC.No.08/04.09.01/2018-19 dated 21/09/2018. The arrangement entailed joint contribution of credit at the facility level by both the lenders as also sharing of risks and rewards.

1.2 RBI has issued fresh guidelines on Co-Lending by Banks and NBFCs to Priority Sector vide circular FIDD. CO. Plan. BC.No.8/04.09.01/2020-21 dated 05/11/2020, superseding its earlier Co-origination circular mentioned above. However, outstanding loans in terms of the circular ibid would continue to be classified under Priority Sector till their repayment or maturity, whichever is earlier. As per these guidelines, the primary focus of the revised scheme is to improve the flow of credit to the unserved and underserved sectors of the economy and make available funds to the ultimate beneficiary at an affordable cost, considering the lower cost of funds from banks and greater reach of NBFCs. The new scheme is christened as “Co-Lending Model” (CLM) under which, banks are permitted to co-lend with all registered NBFCs (including HFCs) based on a prior agreement.

This policy lays down the guidelines to be followed by Satin Creditcare Network Limited during Co-lending of Loan exposures.

### Policy Objective

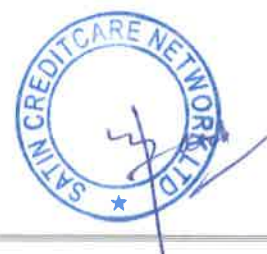
Keeping in view the directions issued by Reserve Bank of India, a policy of the company has been formulated for Co-Lending. This policy lays out the framework for Co-Lending to be taken by the Company and provides guidance on the broad parameters and the approval structure related to the exposure. Relevant provisions of the Directions are stated in **Annexure I** of this policy.

### Responsibility & Policy Review

The Policy may be reviewed on an annual basis by the Board of Directors. However, any amendments as and when required may be carried-out with the approval of either the Chairman cum Managing Director or Chief Financial Officer and changes/amendments to be presented to the Board in the next board meeting for information and noting.

### Key Features

- Revised scheme rechristened as “Co-Lending Model” (CLM) in 2020 was done to give greater operational flexibility to the lenders with the intention of the regulator to improve the flow of credit to the unserved and underserved sector of the economy, considering the static culture and strict hierarchy in lending institutions, particularly in PSUs.
- Guidelines are silent about parameters for Non PSL partnership (between NBFC to NBFC and NBFC to Fintech, Bank to NBFC)
- In terms the CLM, banks are permitted to co-lend with all registered NBFCs (including HFCs) which was not allowed earlier as per the Co originating guidelines, 2018.
- In the absence of any specified timelines, the CLM supersedes the existing co-lending guidelines with immediate effect. However, it specifies that outstanding loans in terms of the erstwhile guidelines would continue to be classified under priority sector till their repayment or maturity, whichever is earlier.
- No FLDG can be provided in case of a Bank and NBFC PSL partnership.



- In 2020, the revision of the co-lending guidelines had allowed banks to reject loans if it does not fall under the pre-agreed parameters, in case of model 2 or a direct assignment akin transaction. Therefore, it reduces the credit risk for banks.
- The revised framework allows two options for co-lending:
- **Model 1** - It involves the bank and the NBFC sanctioning and disbursing the loan together on the basis of mutually agreed-upon underwriting norms. In this model, loan agreements signed with the customer have to be co-branded and contain name of both partners.
- **Model 2:** It involves direct assignment without the need for the NBFC to adhere to a Minimum Holding Period (MHP). In this model, NBFC shares pool of contracts with investor and seeks reimbursement for the investor's share. It is to note that in this case disbursement to the customer would have already been done by the Originator.
- Co-Lending Platform will be used as one of the source of increasing AUM and such exposures will be undertaken by the company considering the following factors
  - i) High Risk Adjusted Return and Capital optimization
  - ii) Leveraging existing distribution Network
  - iii) ALM Management and continuous source of funding
  - iv) Business Expansion

While doing the above transactions, the Company shall follow Master Direction of Reserve Bank of India RBI has issued fresh guidelines on Co-Lending by Banks and NBFCs to Priority Sector vide circular FIDD. CO. Plan. BC.No.8/04.09.01/2020-21 dated 05/11/2020 (and any amendments there of time to time)

### Limit

Board will be updated on the position of the Co-Lending AUM on quarterly basis

### Approval Matrix

CMD and Chief Financial Officer are jointly and severally authorized to approve all Co-Lending arrangements and exposure taken by the company. The summary of the same shall be put up to the Board from time to time.

### Accounting of Co-Lending

Accounting policies for Co-Lending will be done as prescribed in the Indian Accounting Standards and Guidance Notes issued by The Institute of Chartered Accountants of India (ICAI) and applicable prudential norms / directions as prescribed by RBI. Accounting methodology will be covered under the Accounting policy of the company.

### Reporting

The details of Co-Lending AUM and Arrangement taken by the company shall be maintained and the summary of the same shall be put up to the Board time to time.



## Annexure I

### 1. Eligibility Criteria

All Banks authorized by RBI for business operations in India are eligible for Co-Lending. The Master Agreement shall be entered with the co-lending banks/NBFCs for the periods as mutually agreed between the Banks/NBFC and the Company.

### 2. Geographical Scope - Across the Company's branch and network through its partnership with other Banks/NBFCs

### 3. Sharing of Risk and rewards - Both the above mentioned options would involve sharing of risks and rewards between the Lenders for ensuring appropriate alignment of respective business objectives, as per the mutually decided agreement between the Lenders. A minimum 20% of the credit risk by way of direct exposure shall be on the Company's books till maturity and the balance will be on the Lender's books. The Company will not fund its contribution towards the loan amount of borrowing from the Lender or any other group company of the lender and shall give an undertaking to the lender that effect.

### 4. Recovery – The Co-lenders shall establish a framework for monitoring and recovery of the loan as mutually agreed.

### 5. Interest rate - The ultimate borrower may be charged an all-inclusive interest rate as may be agreed upon by both the lenders conforming to the extant guidelines applicable to both.

### 6. Fees and Expense sharing for other activities - Appropriation between the co-lenders may be mutually decided basis mutual agreement with Lenders.

### 7. Standard Operating Process - A detailed Standard Operating Process (SOP) would be created in discussion with the partner Lenders following the co-lending Master Agreement being entered into, to suitably detail the Credit Appraisal process within the SOP.

### 8. Customer Service & Grievance Redressal

8.1 The Company will be single point of interface for the customers and shall enter into a loan agreement with the borrower, which shall clearly contain the features of the arrangement and the roles and responsibilities of the Company and Co-Lender. The Company shall primarily responsible for providing the required customer service to the borrower and all the details of the arrangement shall be disclosed to the customers upfront and their explicit consent shall be taken by the Company.

8.2 With regard to grievance redressal, any complaint registered by a borrower with the Company shall also be shared with the Co-Lender; in case the complaint is not resolved within 30 days, the borrower would have the option to escalate the same with the concerned Banking Ombudsman / Ombudsman for NBFCs or Customer Education and Protection Cell (CEPC) in RBI.

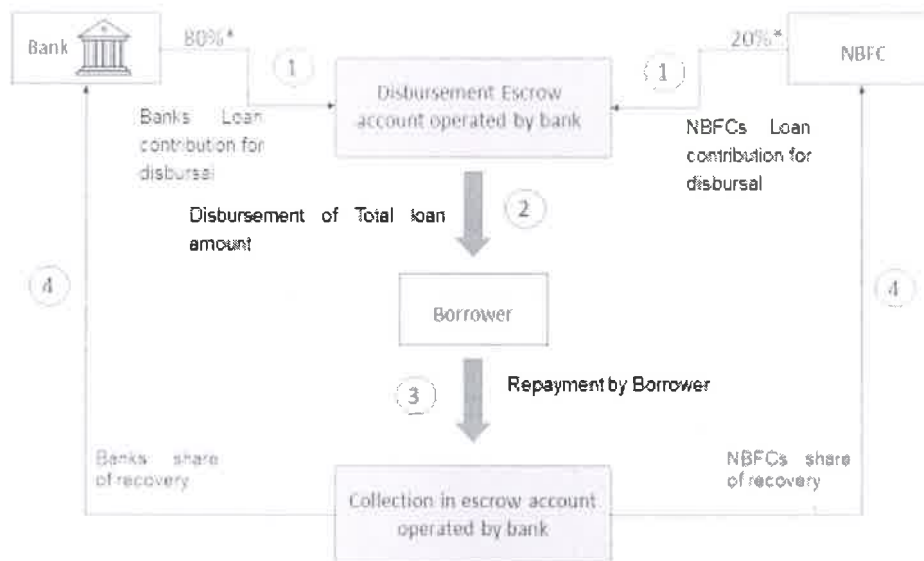
### 9. Compliance of RBI Guidelines

The co-lending Lenders shall adhere to applicable Fair Practice Code, KYC/ AML guidelines, asset classification and provisioning requirement as prescribed by RBI and any other regulations as stipulated by RBI from time to time.



## Indicative Flow of Funds under CLM 1

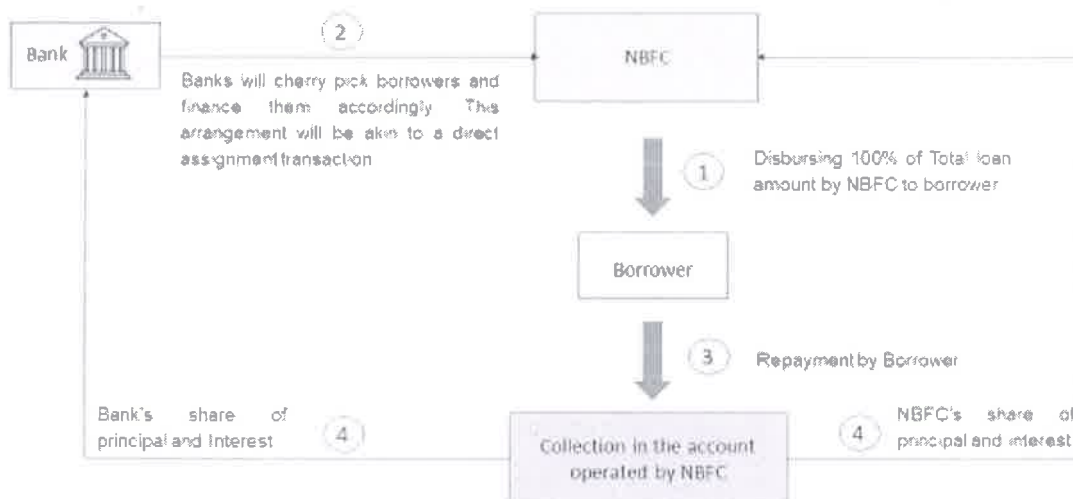
Mandatorily taking Bank's share of individual loans originated by NBFC



\*Note: Max 80% of the total credit risk under this model shall be on the bank's loan book and the NBFC bear the minimum 20% of the risk.

## Indicative Flow of Funds under CLM 2

### Indicative Flow of Funds under CLM 2



**Business Continuity Plan**

Notwithstanding termination of co-lending Master Agreement, both Lenders agree and acknowledge that Borrower servicing shall be rendered till each loan originated under the co-lending agreement is completely repaid or settled as detailed in the SOP.

**Other Policies & Guidelines**

The Company will ensure that it adheres to the regulations prescribed by the RBI/any other relevant regulatory body and the Company's policies for any loan that has been disbursed through the co-lending model in the same manner as would have been the case if the entire loan were being disbursed solely on the request of the Company.

**Other point to be consider as per RBI guidelines**

- The co-lenders shall establish a framework for monitoring and recovery of the loan, as mutually agreed upon.
- The co-lenders shall arrange for creation of security and charge as per mutually agreeable terms.
- Co-lenders shall adhere to the asset classification and provisioning requirement, as per the respective regulatory guidelines including reporting to Credit Information Companies, under the applicable regulations for ours share of the loan account.
- The loans under the CLM shall be included in the scope of internal/statutory audit within the NBFCs to ensure adherence to their respective internal guidelines, terms of the agreement and extant regulatory requirements.
- The extant policies relating to customer service and fair practices code and the obligations enjoined upon SCNL therein shall be applicable mutatis mutandis in respect of loans given under the arrangement.
- All the details of the co-lending arrangement shall be disclosed to the customers upfront- In case of existing customer, and their explicit consent/30 days notice for exit shall be taken/given

**Review of the Policy**

The co-lending Policy shall be subject to periodic review in accordance with any regulatory or statutory requirement and shall be approved by the Board of the Company.

In case of any difference between this policy and RBI guidelines / any other regulations, such RBI guidelines / Regulations will prevail over the policy.

CMD and Chief Financial Officer are jointly and severally authorized to approve all Co-Lending arrangements and exposure taken by the company. And make amendment in the policy within the overall regulatory framework stipulated by RBI.

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