

Policy on Co-Lending Model with NBFCs / HFCs

The Bank shall enter into Co-Lending arrangements for originating products approved by the Bank's Product Approval Committee (PAC) with eligible partners as per regulatory guidelines issued by RBI from time to time.

In terms of the CLM (Co- Lending Model), RBL Bank can enter into Co-Lending arrangement with all eligible partners as defined by RBI, based on a prior agreement with regard to individual sharing of the overall loan disbursement to the customer.

Master Agreement is to be entered into shall *inter-alia* include Co-Lending model, terms and conditions of the arrangement, the criteria for selection of partner institutions, the specific product lines and areas of operation, along with provisions related to segregation of responsibilities as well as customer interface and protection of customer rights.

1. Guidelines on Selection of co-lending partner

The potential partners shall be assessed and evaluated based on a mix of the following criteria:

- Analysis of the financial statements of the Partner for profitability and other financial parameters.
- Assessment of the performance of the Partner's loan portfolio to ascertain the efficiency of its sourcing quality and collection processes. For this purpose, data pertaining to product mix, delinquency trends and credit loss trends of the portfolio of the Partner shall be evaluated by the Bank. In addition, the Bank may rely on reports from the credit rating agency.
- Assessment of qualitative factors such as market standing and reputation of the promoters and historical performance of the portfolio originated.
- The Partner NBFCs/HFC should be registered with RBI/National Housing Bank (NHB) and governed by extant regulations of RBI/NHB.
- The Bank shall not enter into Co-Lending arrangement with its group company / promoted entity.
- Any other criteria defined by Bank's internal policies

2. Loan Sharing

- The Master Agreement may provide for the Bank to either mandatorily take their share of the individual loans originated by the Partner in their books as per the terms of the agreement or to retain the discretion to reject certain loans after their due diligence prior to taking in their books
- If the Agreement between RBL Bank and the lending partner entails a prior, irrevocable commitment on the part of the bank to take into its books its share of the individual loans as originated by the Co-Lending partner, the arrangement must comply with the extant guidelines on Managing Risks and Code of Conduct in Outsourcing of Financial Services by Banks and updated from time to time.
- The Co-Lending partner shall give an undertaking to the bank that its contribution towards the loan amount is not funded out of borrowing from the co-originating bank or any other group company of the partner bank.

3. Credit Norms

- Bank and the Co-Lending partners will agree for common credit policy within which the customer sourcing / booking need to be undertaken and standard operating process for due diligence activity.
- Co-lending Credit Policy of the bank will be in line with the overall approved policy framework of the respective product.

4. Due Diligence

- RBL Bank and Co-Lending partner shall have to put in place suitable mechanisms for *ex-ante* due diligence by the Bank as the credit sanction process cannot be outsourced under the extant guidelines. The arrangement should entail joint contribution of credit at the facility level, by both lenders.
- If Bank has an arrangement containing back to back basis clause in their co-lending agreement, Bank will ensure compliance with all the requirements in terms of Guidelines on Transactions Involving Transfer of Assets through Direct Assignment of Cash Flows and the Underlying Securities except for Minimum Holding Period (MHP) which shall not be applicable in such transactions undertaken in terms of this CLM. Bank has to ensure all conditions stipulated in the guidelines for direct assignment are adhered to.
- Bank to exercise its discretion regarding taking into its books the loans originated by Co-Lending partner as per the Agreement

5. Pricing

- Co-lending partner would have the flexibility to price their part of the exposure, while bank shall price its part of the exposure in a manner found fit as per their respective risk appetite/ assessment of the borrower and the RBI regulations issued from time to time.
- 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.
- The interest rate charged by the Bank for its portion of credit shall be subject to applicable RBI (Interest Rate on Advances) Directions, 2016. The pricing, along with other terms and conditions shall be approved by the appropriate sanctioning authority.

6. Know your Customer Norms

Both NBFC and Bank will adhere to applicable KYC/AML guidelines while conducting due diligence & Sanctioning of loan through CLM.

7. PSL classification

The bank can claim priority sector status in respect of its share of credit while engaging in the co-origination arrangement. However, the priority sector assets on the bank's books should at all times be without recourse to the Co-Lending Partner.

8. Escrow Accounts and Individual loan accounts

- In order to avoid inter-mingling of funds, the Bank and the Co-Lending partner shall open an escrow type common account maintained with the Bank, for pooling respective loan contributions for disbursement as well as to appropriate loan repayments from borrowers, without holding the funds for usage of float. The Master agreement shall clearly specify the manner of appropriation between the bank and Co-Lending partner.
- The Bank / Co-Lending partner shall maintain each individual borrower's accounts to the extent of their agreed exposure.

9. Asset Classification and Provisioning

Both the Bank and the Co-Lending partner shall adhere to the asset classification and provisioning requirement, as per the respective regulatory guidelines applicable to each of them.

10. Customer Grievance redressal

- The Co-Lending partner shall be the 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 both the lenders.
- All the details of the arrangement shall be disclosed to the customers upfront and their explicit consent shall be taken.
- The extant guidelines relating to customer service and fair practices code and the obligations enjoined upon the bank and Co-Lending partner therein shall be applicable *mutatis mutandis* in respect of loans given under the arrangement.
- The Co-Lending partner will be primarily responsible for providing the required customer service and grievance redressal to the borrower. However, any complaint registered by a borrower with the Co-Lending partner and/or bank shall also be shared with the bank/ Co-Lending partner
- It shall be the responsibility of the Partner to explain to the end borrower regarding the difference between the products offered through the co-lending model as compared to its own products.
- Regarding grievance redressal, suitable arrangement shall be put in place by both bank and co-lender to resolve any complaint registered by a borrower with the co-lender within 30 days, and 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 the Customer Education and Protection Cell (CEPC) in RBI.
- Co-lending partner should also be able to generate and share a single unified statement to the customer, through appropriate sharing of required information with the Bank.

11. Operational Aspects

- The framework for monitoring and recovery of the loan, shall be guided as per mutually agreed terms between the Bank and the Co-lender.
- The Bank and the Partner shall arrange for creation of security and charge as per mutually agreeable terms.

- The loans under the CLM shall be included in the scope of internal/statutory audit to ensure adherence to our internal guidelines, terms of the agreement and extant regulatory requirements.
- Any assignment of a loan by Co-lender to a third party can be done only with the consent of the bank.
- Both the bank and the Co-lender shall implement a business continuity plan to ensure uninterrupted service to their borrowers till repayment of the loans under the co-lending agreement, in the event of termination of co-lending arrangement between the co-lenders.
- The Master Agreement may contain necessary clauses on representations and warranties which the originating Co-lender shall be liable for in respect of the share of the loans taken into its books by the bank.