LENDINGKART FINANCE LIMITED

FRAMEWORK FOR CO-LENDING WITH BANKS WITH RESPECT TO ORIGINATION OF PSL ASSETS

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Framework for Co-Lending with Banks with respect to origination of PSL Assets

(Reference to RBI Circular No.: RBI/2020-21/63 - FIDD.CO.Plan.BC.No.8/04.09.01/2020-21 dated November 05, 2020)

- **Purpose**

RBI on 21st September, 2018, issued the guidelines on Co-origination of loans by Banks and NBFCs for lending to priority sector" which allows scheduled commercial banks (excluding regional rural banks and small finance banks) to co-originate loans with systemically important non-deposit taking NBFC ("**NBFC-ND-SI"**) for fulfilling their mandatory priority sector lending requirement. RBI further issued additional set of guidelines on 5th November, 2020 ("**Co-lending Guidelines**") on the subject matter with a revised scheme termed as 'Co-lending model' ("**CLM**") to provide greater operational flexibility to the lending institutions for such partnerships.

LFL may enter into co-lending/ partnerships where in LFL may be responsible for 'end to end' loan life cycle starting from customer sourcing, underwriting, account servicing and collections until the loans are fully repaid. The arrangement may or may not include first loss default guarantee (FLDG) based on commercial understanding with the Partner Bank(s).

This Co-lending/ Partnership Policy ('Policy') outlines a broad framework for the co-lending/ Partnership programs entered into/ to be entered into by LFL with various Partner Banks in terms of the Co-lending Guidelines.

- **Partnership Agreement**

In terms of the Co-lending Guidelines, LFL will enter into a Master Agreement with a Partner Bank(s) that shall, inter-alia, include terms and conditions of the arrangement, the criteria for selection of potential customers, the specific product lines and areas of operation, along with provisions related to segregation of responsibilities as well as customer interface and protection issues.

The Partner Bank(s) will take its share of the individual loans on a back-to-back basis in its books. However, LFL shall be required to retain a minimum of 20 per cent share of the individual loans on its books.

The Master Agreement entered into by LFL for implementing the CLM may provide for the Partner Bank(s) to either mandatorily take their share of the individual loans as originated by LFL in its books or retain the discretion to reject certain loans subject to its due diligence.

However, if the Partner Bank(s) can exercise its discretion regarding taking into its books the loans originated by LFL as per the Agreement, the arrangement will be akin to a direct assignment transaction. Accordingly, the taking over bank shall 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 issued vide RBI/2011-12/540 DBOD.No.BP.BC-103/21.04.177/2011-12 dated 7th May, 2012 and

RBI/2012-13/170 DNBS. PD. No. 301/3.10.01/2012-13 dated 21st August, 2012 respectively, as updated from time to time, with the exception of Minimum Holding Period (MHP) which shall not be applicable in such transactions undertaken in terms of this CLM.

The MHP exemption shall be available only in cases where the prior agreement between the Partner Bank(s) and LFL contains a back-to-back basis clause and complies with all other conditions stipulated in the guidelines for direct assignment.

- **Customer related issues**

LFL shall be the single point of interface for the customers and shall enter into a tripartite loan agreement with the borrower, which shall clearly contain the features of the arrangement and the roles and responsibilities of LFL and Partner Bank(s).

All the details of the arrangement shall be disclosed to the customers upfront and their explicit consent shall be taken.

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 extant guidelines relating to customer service and fair practices code and the obligations enjoined upon the Partner Bank(s) and LFL therein shall be applicable mutatis mutandis in respect of loans given under the arrangement.

LFL will generate a single unified statement of the customer, through appropriate information sharing arrangements with the Partner Bank(s).

With regard to grievance redressal, suitable arrangement shall be put in place to resolve any complaint registered by a borrower with the LFL within 30 days, failing which 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.

- **Other Operational Aspects**

The Partner Bank(s) and LFL shall maintain each individual borrower's account for their respective exposures. However, all transactions (disbursements/ repayments) between the Partner Bank(s) and LFL relating to CLM shall be routed through an escrow account maintained with the banks, in order to avoid inter-mingling of funds. The Master Agreement shall clearly specify the manner of appropriation between the Partner Bank(s) and LFL.

The Master Agreement shall contain necessary clauses on representations and warranties that would be provided by LFL in respect of the share of the loans taken into its books by the Partner Bank(s).

The Partner Bank(s) and LFL shall establish a framework for monitoring and recovery of the loan, as mutually agreed upon.

The Partner Bank(s) and LFL shall arrange for creation of security and charge, if any, as per mutually agreeable terms.

The Partner Bank(s) and LFL shall adhere to the asset classification and provisioning requirement, as per the respective applicable regulatory guidelines including reporting to Credit Information Companies, under the applicable regulations for its share of the loan account.

The loans under the CLM shall be included in the scope of internal/ statutory audit within the Partner Bank(s) and LFL to ensure adherence to their respective internal guidelines, terms of the agreement and extant regulatory requirements.

Any assignment of a loan by the Partner Bank(s) to a third party can be done only with the consent of LFL and vice versa.

Both the Partner Bank(s) and LFL 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 Partner Bank(s) and LFL.

Approval mechanism

Each arrangement will require prior-approval from LFL Borrowing Committee.

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