Abridge version of Bank's Board Approved Policy on Co-Lending Model:

(Reference to the RBI circular no: FIDD.CO.Plan.BC.08/04.09.01/2018-19 dated September 21, 2018)

1. **Background:**
   Under the Co-lending arrangement, bank is permitted to co-lend with all registered NBFCs (including HFCs) based on a prior agreement. A loan will be partially booked in Bank's balance sheet with the balance share in "Co-Lending Partner (CLP)" books. NBFCs shall be required to retain a minimum of 20 per cent share of the individual loans on their books.

2. **Essential Features of Co-Lending Model:**
   a. A Master Agreement should be entered into between the Bank and NBFC for implementing the Co-Lending Model (CLM) and should provide Bank the discretion to reject loans subject to Bank's due diligence, prior to taking it into its books.

   b. The Master Agreement to be entered between the Bank and NBFC, which shall inter-alia include**, terms and conditions of the arrangement, the criteria for selection of partner NBFC, the specific product lines and areas of operation, along with provisions related to segregation of responsibilities as well as customer interface and protection issues**.

   c. Bank shall comply with the Master Directions – Know Your Customer (KYC) Direction, 2016, updated by the Authority from time to time.

   d. Bank shall not be allowed to enter into co-lending arrangement with an NBFC belonging to the promoter group.

   e. CLP shall be primarily responsible for customer service and grievance redressal to the borrower (primary point of interface for customer and shall enter into loan agreement with the borrower).

   f. 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.

   g. The extant guidelines relating to customer service and Fair Practices Code (FPC) and obligations shall be applicable in respect of loans given under the arrangement.

3. **Other Operational aspects:**
   a. The co-lending bank and NBFCs shall maintain each individual borrower's account for their respective exposures. The Master Agreement shall clearly specify the manner of appropriation between the co- lenders.

   b. The bank should take adequate safeguards on the escrow arrangement, security & recourse related documents (Pledge, Hypothecation, Mortgage, Guarantee etc.)

   c. The co-lenders shall establish a framework for monitoring and recovery of the loan, as mutually agreed upon.

   d. The co-lenders shall arrange for creation of security and charge as per mutually agreeable terms, wherever applicable.

e. The Master Agreement should capture that the CLP will not introduce a borrower into the arrangement, who already has an existing loan with the CLP/its associate entities directly or under a co-lending arrangement, without prior disclosure to the bank.

f. Each lender shall adhere to the asset classification and provisioning requirement, as per the respective regulatory guidelines applicable to each of them including reporting to Credit Information Companies (CIC).

g. Both the bank and the CLP shall implement a Business Continuity Plan (BCP) to ensure uninterrupted service to their borrowers.

h. The loans under CLM shall be included in the scope of Internal/statutory audit within the Bank and CLP.

i. Assignment of loans to third party will be done only with the mutual consent of Bank and NBFC

j. IT Enablers & Data sharing: The CLP shall ensure sharing of data in a seamless manner on the following points subject to customer consent and data privacy:
    i. Underwriting of files
    ii. Disbursement
    iii. MIS related to disbursement, repayments, portfolio created & all incidental activities related to the same

4. Selection of CLPs:

Before putting up the proposal for on-boarding, due diligence of the CLP will be conducted on the following parameters invariably:

i. Understanding of the business model, segment of operation.
ii. Origination, underwriting process including deviation structure.
iii. Collection and recovery process, NPA recognition norms.
iv. Storage of documents and security thereof

5. Review:

a. Annual review – Annual review of the arrangement with every NBFC/ CLP will be conducted

b. Portfolio review – Portfolio created under the Co-Lending Model with every CLP should be periodically reviewed & actions, if any, should be taken accordingly.

Abbreviations:

1. NBFC – Non-Banking Financial Company
2. HFC – Housing Finance Company
3. CLP – Co-Lending Partner
4. CLM – Co-Lending Model
5. KYC – Know Your Customer
6. BCP – Business Continuity Plan
7. NPA – Non-Performing Asset
8. CIC – Credit Information Companies