<u>Policy on Co-Lending by Bank and NBFCs (including HFCs) for lending to priority sector</u>

The arrangement entailed joint contribution of credit at the facility level by both the lenders as also sharing of risks and rewards.

1. The primary focus of "Co-Lending Model" (CLM), is to improve the flow of credit to the unserved and underserved sector 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 the NBFCs. Detailed features of the CLM are furnished in the <u>Annexure I</u>.

2. In terms of the CLM, bank will co-lend with all registered NBFCs (including HFCs) based on a prior agreement. Bank will take its share of the individual loans on a back-to-back basis in its book. However, NBFCs shall be required to retain a minimum of 20 per cent share of the individual loans in their books.

3. The bank and NBFCs (including HFCs) shall follow this policy for entering into the CLM and based on the policy, a Master Agreement may be entered into between the two partner institutions which shall *inter-alia* include, 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 issues, as detailed in the <u>Annexure I</u>.

4. The Master Agreement may provide for the bank to either mandatorily take its share of the individual loans originated by the NBFCs in its book as per the terms of the agreement, or to retain the discretion to reject certain loans after its due diligence prior to taking in its book, subject to the conditions specified in the <u>Annexure I</u>.

5. The bank can claim priority sector status in respect of its share of credit while engaging in the CLM adhering to the specified conditions.

6. This Co-Lending Policy supersedes the Bank's Co-Origination Policy. However, outstanding loans in terms of the Co-Origination circular would continue to be classified under priority sector till their repayment or maturity, whichever is earlier.

<u>Annexure I</u>

<u>Essential Features of Co-Lending Model between Bank and NBFCs</u>

I. Scope

1. The Master Agreement entered into by the bank and NBFCs for implementing the CLM may provide either for the bank to mandatorily take its share of the individual loans as originated by the NBFC in its book or retain the discretion to reject certain loans subject to its due diligence.

   a. If the Agreement entails a prior, irrevocable commitment on the part of the bank to take into its book its share of the individual loans as originated by the NBFC, the arrangement must comply with the extant guidelines on Managing Risks and Code of Conduct in Outsourcing of Financial Services by Bank issued vide RBI/2014-15/497/DBR.No.BP.BC.76/21.04.158/2014-15 dated March 11, 2015 (enclosed for reference) and updated from time to time. In particular, **the bank and NBFC 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.**

   b. The bank shall also be required to comply with the Master Directions - Know Your Customer (KYC) Direction, 2016, issued vide RBI/DBR/2015-16/18 Master Direction DBR.AML.BC. No.81/14.01.001/2015-16 dated February 25, 2016 and updated from time to time, which already permit regulated entities, at their option, to rely on customer due diligence done by a third party, subject to specified conditions (<u>mentioned in other details under KYC</u>).

   c. However, if the bank can exercise its discretion regarding taking into its book the loans originated by NBFC 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 May 07, 2012 and RBI//2012- 13/170 DNBS. PD. No. 301/3.10.01/2012-13 August 21, 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.

   d. The Minimum Holding Period (MHP) exemption shall be available only in cases where the prior agreement between the bank and NBFCs contains a back-to-back basis clause and complies with all other conditions stipulated in the guidelines for direct assignment.

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

   ❖ For the purpose of entering into co-lending transactions, bank and NBFCs will have to enter into a 'Master Agreement'. Such agreement may require the bank either:

   a. to mandatorily take the loans originated by the NBFC on its books

   or

   b. retain discretion as to taking the loans on its books.

Master Agreement should include following points:

i. The customers shall be informed by the NBFCs (including HFCs) about the details of Co-lending arrangement.
ii. Scope of Credit facility, charges for the same and maintaining confidentiality of the customer's data.
iii. There should be incorporation of a clause under the Master agreement that 'there is a clear obligation for the Co-lending partners to comply with directions given by the RBI in relation to the activities of the NBFC.'
iv. NBFCs shall ensure that their ability to carry out their operations in a sound fashion would not be affected if premises or services (such as IT systems, support staff etc.) provided by other entities become unavailable.
v. Credit Appraisal and approval will be done by the NBFCs/HFCs on mutually agreed terms.

II. Customer related issues

3. The NBFC 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 NBFCs and bank.

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

5. 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. The extant guidelines relating to customer service and fair practices code and the obligations enjoined upon the bank and NBFCs therein shall be applicable mutatis mutandis in respect of loans given under the arrangement.

7. The NBFC should be able to generate a single unified statement of the customer, through appropriate information sharing arrangements with the bank.

8. With regard to grievance redressal, suitable arrangement must be put in place by the co-lenders to resolve any complaint registered by a borrower with the NBFC 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.

III. Other Operational Aspects

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

10. The Master Agreement may contain necessary clauses on representations and warranties which the originating NBFC shall be liable for in respect of the share of the loans taken into its book by the bank.

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

12. The co-lenders shall arrange for creation of security and charge as per mutually agreeable terms.

13. 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, under the applicable regulations for its share of the loan account.

14. The loans under the CLM shall be included in the scope of internal/statutory audit within the bank and NBFCs to ensure adherence to their respective internal guidelines, terms of the agreement and extant regulatory requirements.

15. Any assignment of a loan by a co-lender to a third party can be done only with the consent of the other lender.

16. Both the bank and the NBFCs 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.

IV. Detailed Features of CLM

1. **Sharing of Risk and Rewards:** Minimum 20% of the Credit Risk by way of direct exposure shall be on NBFCs books till maturity and the balance will be on Bank's books. The NBFC 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.

2. **Modus operandi**

   I. Credit Norms: In accordance with mutually agreed credit norms, once a client has agreed to commercial terms, evaluation is done based on various parameters like:
   - Past history of borrowing with the co-lenders as well as other lenders, if any Various credit checks viz. bureau, internal dedupe, and fraud check, Basic KYC documents like Aadhaar Card, PAN, Voter ID etc.
   - Assessment of income, business vintage, and stability.
   - The above terms shall be defined on finer lines under the co-lending credit norms to be mutually agreed with the NBFCs / HFCs and drafted in the Master Agreement. For all the cases sourced under co-lending, the NBFCs / HFCs shall abide by said norms.

   II. Approval norms: The NBFCs / HFCs shall not outsource credit decision process. Further, it shall ensure to seek approval from bank via ex-ante due diligence by the bank in all cases where the master agreement 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-lender party.

3. **Interest Rates:** NBFC would charge the rate of interest as per the extant guideline

applicable to it, while the 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. However, the borrower to be charged an all-inclusive interest rate as may be agreed upon by the Bank and NBFC conforming to the extant guidelines applicable to both. The repayment /recovery of interest shall be shared between the bank and the NBFC in proportion to their share of credit and interest.

<u>Indicative Illustration for calculation of Blended/ Weighted Average Interest Rate</u>

<u>Scenario 1: Fixed interest rates</u>

Customers are offered fixed interest rate throughout life of loan.

	Example 1		Example 2	
Blended interest rate calculations	Bank	NBFC	Bank	NBFC
Benchmark Interest Rate	8%	9%	8%	9%
Spread	2%	3%	2%	3%
Interest rate to consumer	10% (A)	12% (B)	10% (A)	12% (B)
Loan contribution ratio	80%(C)	20%(D)	70%(C)	30%(D)
Blended interest rate {(A*C)+(B*D)}/100= E	10.40%		10.60%	

<u>Scenario 2: Floating interest rates</u>

	Example 1		Example 2	
Change in Weighted Average interest rate	**Bank**	**NBFC**	**Bank**	**NBFC**
Benchmark Interest Rate	8% (A)	9% (B)	8% (A)	9% (B)
Loan contribution ratio	80% (C)	20% (D)	70% (C)	30% (D)
Weighted Average Benchmark Interest Rate {X=(A*C+B*D)/100}	8.20%		8.30%	
Spread	2% (E)	3%(F)	2% (E)	3%(F)
Weighted Average Spread {Y = (E*C+F*D)/100}	2.20%		2.30%	
Weighted Average interest rate offered to customer at the time of disbursement (X + Y)	10.40%		10.60%	
Change in Benchmark Rate	0%(F)	+1%(G)	0%(F)	+1%(G)
Revised Weighted Average Benchmark Interest Rate X' = [(A+F)*C + (B+G)*D] / 100	8.40			8.60
New Weighted Interest Rate (X' + Y)	10.60%			10.90%

Other Charges

Any other applicable charges, will be decided mutually between co-lending lenders and communicated to the customer.
Note: The above illustration is only indicative in nature and is not mandatory. However, irrespective of the methodology employed by the lenders to arrive at the blended interest rate, it is envisaged that the benefit of low cost funds from bank and lower cost of operations of NBFC is passed on to the ultimate beneficiary. Further The ROI charged for

the bank portion of credit shall be subject to Master Circular on RLLR or any other pricing methodology in vogue.

Based on the respective interest rates and proportion of risk sharing, a single blended interest rate should be offered to the ultimate borrower in case of fixed rate loans. In the scenario of floating interest rates, a weighted average of the benchmark interest rates in proportion to the respective loan contribution should be offered.

The interest rate charged by the bank for its portion of credit, shall be subject to applicable directions on interest rates on advances.

It is envisaged that the benefit of low cost funds from banks and lower cost of operations of NBFC would be passed on to the ultimate beneficiary through the blended rate/ weighted average rate. In this regard, banks/NBFCs shall provide all the information like loan details including interest rate and other charges, details of risk sharing arrangement, etc., as and when called for by the Reserve Bank of India.

4. **Know Your Customer (KYC):** The co-lending partners shall adhere to applicable KYC/AML guidelines, as prescribed by Department of Banking Regulation (DBR)/Department of Non-Banking Regulation (DNBR). Though Bank is responsible for KYC compliance of customer as per RBI guideline, the Co-lending partner i.e. loan originator shall conduct customer due diligence with utmost responsibility. Bank can rely on customer due diligence done by a third party, subject to the following conditions:

    I. Records or the information of the customer due diligence carried out by the third party is obtained within two days from the third party or from the Central KYC Records Registry.
    II. Adequate steps are taken by Bank to satisfy it that copies of identification data and other relevant documentation relating to the customer due diligence requirements shall be made available from the third party upon request without delay.
    III. The third party is regulated, supervised or monitored for, and has measures in place for, compliance with customer due diligence and record-keeping requirements in line with the requirements and obligations under the PML Act.
    IV. The third party shall not be based in a country or jurisdiction assessed as high risk.
    V. The ultimate responsibility for customer due diligence and undertaking enhanced due diligence measures, as applicable, will be with the Bank.

5. **Loan Sanction**: The NBFC shall recommend to the Bank proposals as found relevant for joint lending. These lenders shall be entitled to independently assess the risks and requirements of the applicant borrowers. The NBFC 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 NBFCs and Bank.

    The NBFC is expected to source loans as per the mutually agreed parameters between bank and the NBFC, **Bank shall not outsource its part of credit processing and sanction to the NBFC.** Any change in the loan limit of the co-lending facility can be done only with the mutual consent of both the lenders.

6. **Common Account/ Escrow Account:** The Bank and the NBFC shall open an escrow type common account for pooling respective loan contributions for disbursal as well as to

appropriate loan repayments from borrowers, without holding the funds for usage of float. Regarding loan balances, the NBFC/ Bank shall maintain individual borrower's accounts and should also be able to generate and share a single unified statement to the customer, through appropriate sharing of required information with the Bank/ NBFC. The Master Agreement shall clearly specify the rights and duties relating to the Escrow account and manner of appropriation between the co-lenders.

7. **Monitoring and Recovery:** Both lenders shall create the framework for day to day monitoring and recovery of the loan, as mutually agreed upon. Though both the lenders shall be responsible for monitoring and recovery of such loans as per mutually agreed terms, our bank will follow existing Credit Monitoring and Recovery norms as applicable to the borrower of Bank. However, NBFC will be primarily responsible for monitoring of loan accounts and recovery of dues as the pricing of NBFC is normally higher and it has done the origination and deals with the customer.

8. **Security and Charge Creation**: The lenders shall arrange for creation of security and charge as per mutually agreeable terms. The manner of creation of charge on the security provided for the loan shall be included in the Master Agreement itself.

9. **Provisioning/Reporting Requirement:** Each of the lenders shall follow its independent provisioning requirements including declaration of account as NPA, as per the regulatory guidelines respectively applicable to each of them. Each of the lenders shall carry out its respective reporting requirements including reporting to Credit Information Companies, under respectively applicable law and regulations for their portion of lending.

10. **Assignment/ Change in Loan Limits:** Any assignment of loans by any of the lenders to a third party can be done only with the consent of the other lender. Further, any change in loan limit of the co-lending facility can be done only with the mutual consent of both the lenders.

    However, if the bank can exercise its discretion regarding taking into its book the loans originated by NBFC 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 May 07, 2012 and RBI//2012-13/170 DNBS. PD. No. 301/3.10.01/2012-13 August 21, 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 bank and NBFCs contains a back-to-back basis clause and complies with all other conditions stipulated in the guidelines for direct assignment.

11. **Grievance Redressal**: The NBFC 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 NBFCs and bank. 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 bank and NBFCs therein shall be applicable mutatis mutandis in respect of loans given under the arrangement. The NBFC should be able to generate a single unified statement of the customer, through appropriate information sharing arrangements with the bank. With regard to grievance redressal, suitable arrangement must be put in place by the co-lenders to resolve any complaint registered by a borrower with the NBFC 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.

12. **Business Continuity Plan**: Both the parties shall ensure the business continuity for uninterrupted service to the Identified Borrowers till repayment/closure of the Identified Credit Facility(ies)/Additional Credit Facility(ies), in the event of termination of Master Agreement or impossibility of either party to perform their part of obligation or otherwise.

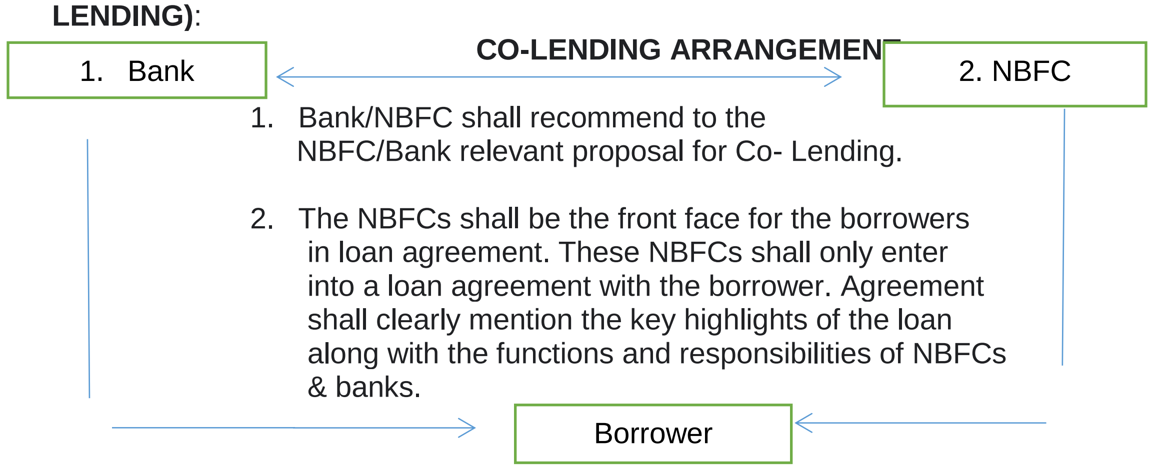
    To ensure continuity of the necessary and critical services, the NBFC shall undertake that till the repayment/closure of the Identified Credit Facility(ies) / Additional Credit Facility(ies) under the Co-Lending model with the Bank, will continue it's business under the said entity and will hold a valid license in this regard and will comply with all the regulatory guidelines.

    The responsibility of the NBFC in case of corporate reorganization, consolidation, merger, or sale of substantially all of its assets shall be shifted to the successor and assignee. NBFC, in case of secession of it's business, termination of license or failure in compliance of regulatory guidelines or in the circumstances wherein it is impossible to perform their part of obligation; shall provide the suitable machinery acceptable to the Bank to ensure continuity of the necessary and critical services. In such eventuality including NBFC liquidation, Bank shall be entitled to take suitable decision including but not limited to replacing the NBFC and/or acquiring the outstanding share of the NBFC at discounted rate on ascertaining the said portfolio after cost benefit analysis entirely at it's sole discretion.

13. **Periodic Verification**: The loans under the co-lending model shall be subjected to periodic verification by Bank's/NBFC's internal/statutory auditors to ensure adherence to its internal guidelines, terms of the agreement and extant regulatory requirements.

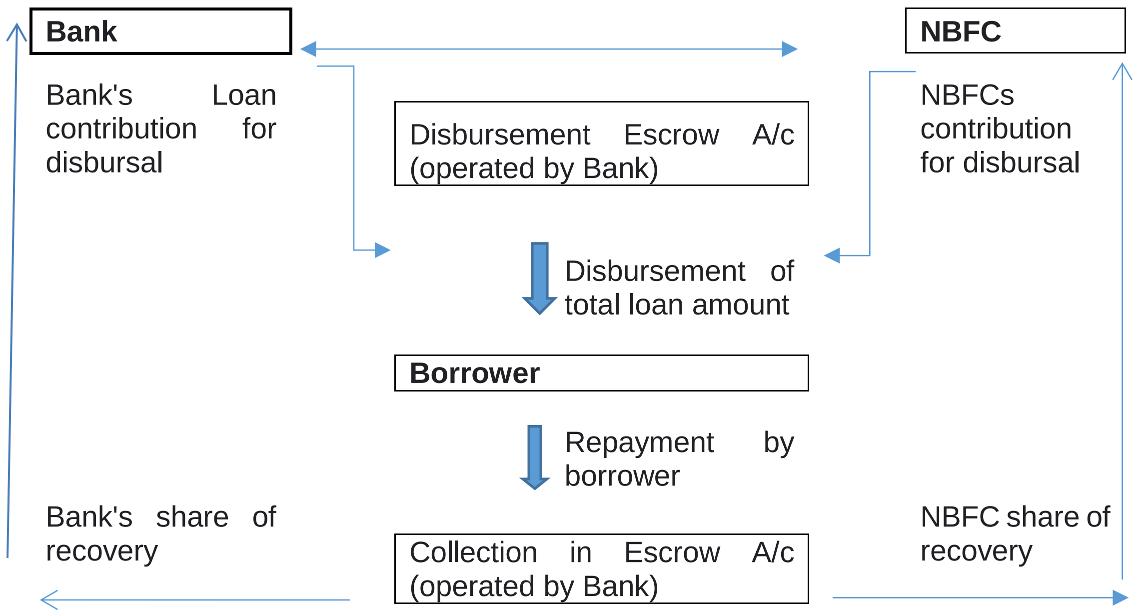
14. **Parties to Co-Lending Model:**

    The lending arrangement can be described as follows (**PROCESS FLOW OF CO-LENDING)**:



15. **Flow of Funds:** An escrow type common account shall be opened for pooling respective loan contributions for disbursal as well as to appropriate loan repayments from borrowers, without holding the funds for usage of float. Though the co-lenders shall maintain individual borrower's accounts, they must have appropriate arrangement for sharing of information, to be able to generate and share a single unified statement with the borrower.

Indicative flow of Funds:



16. Eligible Entities for Co Lending:

Though RBI has not mandated any specific criteria to be fulfilled by NBFCs/HFCs (eligible for co-lending as defined by RBI) for engagement with NBFC. Our Bank will enter into Co-Lending Model agreement with NBFCs who fulfill the following criteria:

I. NBFCs (including HFCs) should be registered and should already comply with the prudential norms of RBI.
II. The Company should have been in operation for at least 3 years on the date of application, except for those NBFCs/HFCs, which are sponsored by existing reputed customers of the Bank.
III. NBFCs (including HFCs) are eligible for Co-lending, only if the external rating is "BBB" and above and the rating should not be more than one-year-old as on the date of Co-lending agreement.
IV. The company should follow ICAI guidelines on standard accounting procedure.
V. The leasing/hire purchase/ loan receivables overdue must not be more than 5%.
VI. Policies, Processes and Systems: Policies that drive underwriting and disbursal standards in NBFCs/HFCs should be well documented. System should in place to ensure compliance with the policies, use of technology to track loans and repayment, recoveries, asset values etc.
VII. Risk Management: The risk management, sanctioning and underwriting practices, write off and provisioning norms in NBFCs/HFCs should be in place.
VIII. Profitability: NBFC should be in profit for last two years. (exception for financial year 2020-21 & **2021-22** due to Covid-19 Pandemic)

IX. Delinquency Ratio/ NPAs: In the case of an existing company, non-performing assets must not be more than 5 % of its loan assets.

X. The Company must have been prompt in repaying maturing deposits, if applicable.

XI. NBFCs/HFCs should comply with all the guidelines laid down by RBI and other regulatory authorities issued from time to time including regulatory capital norms, Liquidity Mismatch analysis etc.

XII. The Co-Lending partner should not be in SMA-1/SMA-2 category during last 12 months. NPA recognition of 90 days overdue for loans should be followed.

XIII. Corporate governance and disclosure norms to be in place

XIV. Current Ratio should not be less than 1.25

XV. Capital Adequacy Ratio (Min - 15% for NBFCs and Min - 12% for HFCs)

XVI. Analysis of the financial performance of the NBFCs / HFCs should be done on following parameters as per the latest balance sheet:

Parameters	**As per Bank's Policy**
Capital-Sources of Capital	
Tier I capital	
Tier II capital	
Profit after Tax	
Net Interest Income	
Cost of funds	
Return on assets	
Provisioning level	
Gross NPA	
Liabilities- Sources of Fund	
Assets under Management	
Net Worth	
CAR	

17. Steps to be followed under Co-Lending Model: (Detailed SOP is annexed)

Step -1	Application will be sourced by NBFCs/HFCs with supporting document as per checklist
Step -2	Field Investigation including KYC will be done by the NBFCs/HFCs
Step-3	Credit Appraisal and approval will be done by the NBFCs/HFCs as per mutually agreed terms (based on lending policy of Bank and NBFCs)
Step-4	Application will be submitted to Bank for confirmation for taking exposure
Step-5	KYC ,Due diligence check will be done by Bank as applicable for loans under MSME/Priority Sector
Step-6	Final sanction will be done as per the merit of the case (based on lending policy of Bank)
Step-7	Advise the sanction to NBFCs/HFCs
Step-8	Documentation will be arranged by NBFCs/HFCs
Step-9	The NBFCs / HFCs will have to create a charge on the security / first ranking hypothecation charge on all the Book Debts, and will give undertaking to Bank for compliance of the same and mentioning share of Bank in the charged / hypothecated security.
Step-10	Post Disbursement Compliance will be done by NBFCs/HFCs and Compliance report to be submitted to Bank

Step-11	Periodical Monitoring of conduct of accounts, Stocks, Assets etc. will be done by NBFCs/HFCs and bank has to keep a record of monitoring done by them.

18. Roles and Responsibility of Bank and NBFCs / HFCs:

Sr. No.	Particulars	Role of NBFCs / HFCs	Role of Bank
I.	Sourcing of Application	Lead can be sourced by NBFCs / HFCs.	Lead can be sourced by Bank
II.	Acknowledgement Process	Each application received shall be given acknowledgement number & shall be shared with applicant via SMS. NBFCs / HFCs shall create necessary tech infrastructure for the same.	-
III.	Application form cum process note	NBFCs / HFCs shall share the joint application form including the name of both the lenders in Co-Lending process and submit the data / process note as per methodologies in co lending with our Bank.	Bank shall check the application / process note and confirm that it is as per master agreement entered under Co-lending arrangement.
IV.	KYC	NBFCs / HFCs shall obtain physical KYC documents as per RBI guidelines. To avoid impersonation NBFCs / HFCs shall take E-KYC via offline mode as specified on website of UIDAI and also take one finger print scan and store it.	The KYC done by NBFCs / HFCs is to be cross verified by Bank and Bank should keep the records or the information of the customer due diligence carried out by the NBFCs / HFCs.
V.	Underwriting Process	NBFCs / HFCs shall create Pre-defined rules and decision engine for approval /Rejection of each application All applications will pass through a) Credit Bureau check, ITR, GSTN, Bank statement verification etc. In case of rejection an SMS will be sent to customer by NBFCs / HFCs.	Each application after processing by NBFCs / HFCs will be forwarded to the Bank for final decision of bank. The NBFC shall upload the records in the Bank's middleware through API if integrated otherwise through standard CSV file. IT will provide methodology to receive the data. Bank shall provide its approval/rejection to NBFCs / HFCs via digital mode only.

			Both Bank & NBFCs / HFCs should agree for a sanction and any one party not agreeing to finance the case, same will be treated as rejected.
VI.	Approval (at NBFCs / HFCs)	Credit appraisal by NBFCs / HFCs as per policy for co-Lending of loans. Once the underwriting part is over the proposal will be approved by appropriate authority. • Sharing of Credit Documents and KYC • Sanctioned Terms with ROI • Credit Approval Letter • Application cum Proposal Form • Bank Statement (Last 6 months) • Inspection Report • 2 Years ITR/ audited Balance sheet (if applicable) • 2 years estimated /Projected Balance sheet (if applicable) • Repayment Track (if applicable) • Work order (if applicable) • Any other if required.	Outsourced agencies for diligence viz. valuers/ Advocate shall be taken preferably from empanelled agencies of Bank.
VII.	Approval (at Bank)	-	• Bank shall download and check the Credit approval letter and other documents as shared by NBFCs / HFCs. • Bank shall process the proposal as per Master Agreement terms and conditions. • Post approval, Bank shall communicate the final sanction to NBFCs / HFCs. • In case any document is required then NBFCs / HFCs shall share the documents

VIII.	Sanction Letter	NBFCs / HFCs will issue sanction letter incorporating the terms and conditions of both the lenders as per Master Agreement **complying the RBI guidelines**.	
IX.	Documentation	NBFCs / HFCs shall execute documentation and enter into loan agreement as per CLM. NBFCs / HFCs has to intimate and submit the copy of agreement within 2 working days to the Bank.	Bank has to keep the documents on record.
X.	Charges	Charges such as Legal, Stamping, CERSAI, Mortgage, Documentation & other charges etc. to be recovered from the borrower by NBFCs / HFCs. GST/applicable tax at the prevailing rates shall be applicable and charged extra.	-
XI.	Processing fees		It shall be shared as per mutual agreement between Bank and NBFC.
XII.	Fore- closure charges	Foreclosure charges shall be charged as per RBI guidelines and shall be shared with co lender as per risk sharing ratio.	Foreclosure charges shall be charged as per RBI guidelines and shall be shared with co lender as per risk sharing ratio.
XIII.	Cheque / NACH return charges	-	Shall be preferably with bank. NACH in all accounts be registered preferably by the Bank.
XIV.	Delayed payment interest	As per RBI guidelines, shall be shared with co lenders as per risk sharing ratio.	As per RBI guidelines, shall be shared with co lenders as per risk sharing ratio
XV.	Disbursement	NBFCs / HFCs shall contribute their part of disbursement (Min 20%) in Escrow Disbursement account plus any amount, **if collected from customer towards margin,**	**Bank shall open & operate the Escrow Disbursement Account &** will also fund its share in Escrow Disbursement account. Disbursement to be made from Escrow Disbursement account through NEFT/ RTGS/ DD/ Transfer mode within next business day of banks contribution. **Under no circumstances cash disbursement would be made.**

XVI.	Collection	Collection responsibility is with NBFCs / HFCs. Collection shall happen in Escrow Collection Account. This account shall be notified for smooth collection and deposit by NBFCs / HFCs staff at multiple location. NBFCs / HFCs shall share MIS of collection digitally in a specified format and upon receipt of such MIS, the money would be transferred to NBFCs / HFCs & Bank Loan accounts in their respective ratios. NBFCs / HFCs will be responsible for reconciliation of Escrow Collection Account and in no case shall the lag be more than 3 days of transactions.	NBFCs / HFCs shall operate the Escrow Collection Account and reconciliation would be done after every three day transactions and submit the report to Bank. As soon as **(during branch office hours)** the collection file is received by Branch, the same has to be uploaded in CBS post verification, on the same day. Branch shall confirm the Recon report and ensure that no Collection file is pending for processing in CBS.
XVII.	Post Disbursement	Vendor to issue Tax Invoice as mentioned in delivery order, and submit to NBFCs / HFCs. NBFCs / HFCs shall keep the original post disbursement documents and share the copy of the Invoice / RC (for vehicle loan), and Insurance Policy, CERSAI registration details including other documents as per loan category etc. with disbursing branch with confirmation that they are having original with them.	Post Disbursement Compliance shall be done by NBFCs / HFCs and Compliance report to be submitted to bank. **Note**: Bank has to cross verify the genuinity of documents submitted by NBFCs, especially end use verification.
XVIII.	Insurance	Asset Insurance will be arranged by NBFCs / HFCs. Insurance will be obtained from Banks Insurance Partners preferably. The insurance claim proceeds, if any, shall be collected in the Escrow Collection account and will be proportionately shared.	Asset Insurance shall be arranged by NBFCs / HFCs. Insurance will be obtained from Banks Insurance Partners preferably. The insurance claim proceeds, if any, shall be collected in the Escrow Collection account and will be proportionately shared.
XIX.	Credit Guarantee Coverage	NBFCs / HFCs shall invariably cover all the accounts under	Bank shall take the details of guarantee coverage for the loans under co lending

		CGFMU/CGTMSE or any other Guarantee as eligible.	wherever applicable from the NBFCs / HFCs.
XX.	Credit Information Companies (CICs)	Reporting to Credit Information Companies (CICs) shall be done by both the parties separately.	Reporting to Credit Information Companies (CICs) shall be done by both the parties separately.
XXI.	NOC on closure of account	NOC to be issued by NBFCs / HFCs with the written consent of Bank.	NOC to be issued by NBFCs / HFCs with the written consent of Bank.
XXII.	Releasing of Security	On closure of accounts / facility at both the lending institutions, the securities shall be released by NBFCs / HFCs with written consent of Bank.	On closure of accounts / facility at both the lending institutions the securities shall be released by NBFCs / HFCs with written consent of Bank.
XXIII.	Recovery Measures	All legal /Recovery/ follow up /personal and telephonic visits shall be responsibility of NBFCs / HFCs. Recovery action should be done by NBFCs on NPA accounts i.e. legal notice, SARFESI, legal suit etc. All legal action in any court of law shall be the responsibility of NBFCs / HFCs.	NBFCs / HFCs shall submit to the Bank monthly data of all collection efforts made by them. Periodic report on Recovery action should be taken by Bank from NBFCs on NPA accounts i.e. legal notice, SARFESI, legal suit etc. NBFCs / HFCs shall be given appropriate authorization by the bank for legal action.
XXIV.	MIS	NBFCs / HFCs shall provide account wise details of recovery twice a month, covering day wise recovery details to Bank.	NBFCs / HFCs shall provide account wise details of recovery twice a month, covering day wise recovery details to Bank.
XXV.	Vetting of Documents		As per Bank's lending policy.
XXVI.	Inspection		Bank shall appoint an independent Auditor for inspecting the Books of accounts on monthly basis and the Auditor shall submit copy of the report to both Bank / NBFCs / HFCs. Both Co-lenders have to rectify the comments mentioned in the report before next inspection.
XXVII.	Certification of Recovery	NBFCs / HFCs shall submit the CA's certified recovery certificate and submit to Bank	Bank has to cross check it and keep it on record

		in every first week of succeeding month.	

19. **Loans under Co Lending:** Sanction of loan under co-lending shall be restricted to NBFCs / HFCs who have been approved by our bank. Powers to approve the NBFCs / HFCs shall vest with CAC headed by MD & CEO.

20. **Delegation of powers**: Loan under co-lending agreement is to be sanctioned / reviewed by respective sanctioning authorities as per Delegation of Lending Powers of the Bank. Procedure for approval of individual loan accounts and designated branch for disbursement, monitoring and liaison with NBFCs / HFCs shall be decided by General Manager of respective credit department at H.O in coordination with Zone.

21. **Exposure Cap**: Our exposure under Co Lending Model for a particular NBFCs / HFCs shall be maximum upto 5% of AUM of NBFC / HFC or Rs.500 crore whichever is lower.

22. **System Integration:** Co-Lending is a new phenomenon. Based on the requirement, knowledge and changes in the policies, bank may need to devise new format/ declaration/undertaking/mandate/ agreements, etc. for the purpose of co-lending. In such case, General Manager, MSME/ Agriculture/ FISLBC/ Retail, H.O. is authorized to design and finalize such formats / declarations / undertakings / mandates / agreements, etc. with vetting of Law and IT department.

    General Manager, MSME/ Agriculture/ FISLBC/ Retail, H.O. in close coordination with IT/CBS department to decide the architecture of information system /data localization / improvisation / modification required for data management for co lending in line with the RBI guidelines. IT Department to ensure that the communication through API is encrypted so as to ensure the integrity and confidentiality of the data and the request from only particular whitelisted IPs shall be allowed for communicating to Bank's API.

    Co Lending Cell at HO, shall complete this whole process and communicate the procedures / terms to Branch and Zone.

    It is to be ensured that the data of the customer should be handled due diligently as per the data protection law by Govt. of India.

23. **Permission to use logo**: Permission to use Banks Logo for promotion purpose will be given as per mutually agreeable terms and as per Bank's Marketing & Publicity policy in vogue.

24. **Management Information System:** Bank/NBFC should have an appropriate MIS to provide all the information like loan details including interest rate, other charges, details of security, Details of Risk sharing arrangement etc. as and when called for by the RBI or any other statutory/Regulatory agencies. IT department in coordination with CLC shall develop software for the real time online data extraction in this regard.

25. **Amendments:** Terms and conditions under Co Lending arrangement between bank and NBFC differs on case to case basis. For smooth and effective implementation of Co Lending Model, a committee approach is required to approve the modus operandi and changes thereof. The committee structure for the same is as below:

➢ Committee Constitution:

1	GM-Large and Mid-Corporate Credit	Member
2	GM-Retail and MSME Credit	Member
3	GM- Agriculture	Member
4	DGM/AGM of respective department which has proposed the business under CLM	Member Secretary

➢ Presence of all members in the meeting is compulsory. The senior most General manager shall chair the meeting.

➢ The aforesaid Committee shall be delegated with the authority to:

i. approve the changes / modifications / deletions / RoI structure / Fees Structure etc. in Co-Lending arrangement on case to case basis.

However, the policy will be reviewed annually by Board.

26. The Master Agreement shall inter-alia include the following:

- Terms & conditions of arrangement,
- Criteria for selection of co-lending institutions,
- Loan Product lines and their areas of operation, and
- The provisions for delegation of the responsibilities as well as customer interface and protection policy.
- Agreement with the NBFCs for data secrecy and non-disclosure to other shall be ensured

27. Co Lending Cell: A Co Lending Cell shall be formed at Head Office for doing all procedures mentioned in the SOP at Head Office Level, which includes coordination with Zone / Branch / NBFC / Respective credit department at HO / Digital Lending Department at HO / IT Department at HO for smooth implementation of CLM. The cell shall constitute minimum two staffs mentioned as below:

i. One Chief Manager
ii. One Officer (Sr. Manager / Manager)

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