IDBI Bank Ltd.

Co-Lending Policy

Document Control

Organization	IDBI Bank
Title	Policy on Co-Lending Model (CLM) of loans by Banks and NBFCs.
Document Owner	IDBI Bank
Vertical	Priority Sector Group (PSG)
Financial Year	2024-2025

Table of Contents

Abbreviation

CLM	:	Co-lending Model
DA	:	Direct Assignment
KYC	:	Know Your Customer
CKYC	:	Central Know Your Customer
CRMC	:	Credit Risk Management committee
CIC	:	Credit Information Companies
SPARC	:	Systems, Products, Approval & Review Committee
AUM	:	Asset Under Management
CLC	:	Centralized Co-lending Cell
SOP	:	Standard Operating Procedure
DG	:	Dealing Group
URC	:	Udyam Registration Certificate
SRA	:	Structured Retail Asset
MHP	:	Minimum Holding Period
RE	:	Regulated Entity
HFC	:	Housing Finance Company
MFI	:	Micro Finance Institution
DoP	:	Delegation of Power
NBFC	:	Non- Banking Financial Company
PSG	:	Priority Sector Group
ALCO	:	Asset -Liability Committee
ROC	:	Registrar of Companies
NACH	:	National Automated Clearing House
SMA	:	Special Mention Account
CERSAI	:	Central Registry of Securitisation Asset Reconstruction and Security Interest of India.
ECS	:	Electronic Clearing System
NPA	:	Non- Performing Asset
CAP	:	Credit Administration Parameters

Introduction

1.1. The co-lending model introduced by RBI permit Banks to co-lend with all registered NBFCs (including HFCs) based on prior agreement. The Bank may be entered into a master agreement with co-lending partner. The master agreement may provide for the Bank to either mandatorily take their share of individual loans originated by NBFCs in their books as per the terms of agreement or retain discretion to reject certain loans after due diligence which will be akin to direct assignment transaction.

1.2. NBFCs being a Regulated Entity (RE) and having demonstrated effective collection and recovery mechanism, found to be potential partner in addressing the lending challenges, addressing KYC concerns within the overall regulatory guidelines

1.3. This Co-Lending policy document lays down broad approaches and guidance for co-lending with NBFC for different segments and credit processes within the regulatory framework for co-lending by Bank and NBFC.

1.4. The Co-lending model of loan contain two models of co-lending by Bank and NBFCs Viz. Option (A) i.e. Co-origination of loan & Option (B) i.e. co-lending, akin to Direct Assignment (now known as Transfer of Exposure).

1.5. Consumer Credit report with Cut-off score of three Credit Information Companies (CICs) Viz. CIBIL, CRIF Highmark & Equifax shall be accepted for selection of borrower under Co-lending

1.6. Pricing/ROI structure of individual or pool of loan under Co-Lending Model (CLM) shall be approved by sanctioning authority, within the pricing range/ structure (fixed/floating ROI) approved by ALCO.

1.7. Board has authorized SPARC-I to approve for operational guideline under Co-lending model of loan by Bank and NBFCs within the broad framework of RBI guidelines. Accordingly, operational guideline approved by SPARC-I would form part of the Co-lending policy/guideline.

1.8. If any inconsistencies are observed between the guidelines in this Co-lending Policy and that of RBI guideline for Co-lending, guidelines issued by RBI would prevail. Where inconsistencies if any, are observed between any of the guidelines in this Co-lending Policy with that of any guidelines issued by any department/ vertical, guidelines contained in the Co-lending Policy would prevail.

Revised Policy on Co-lending Model (CLM) of loans by Banks & NBFCs

1. Background/Introduction

1.1 The Reserve Bank of India (RBI) has released guidelines on co-origination of loans by banks and Non-Banking Financial companies- "hereinafter called NBFC" in the priority sector. The move is aimed at leveraging the reach of NBFC for providing competitive credit to Priority Sector segment.

1.2 As per RBI guidelines, the policy for co-origination of loans by bank and NBFC will be applicable to all Schedule Commercial Banks (excluding Regional Rural Banks and Small Finance Banks) to co-lending loans with NBFC for creating Priority Sector Assets.

1.3 RBI in its notification also advised that the Individual Banks/NBFCs shall formulate a Board approved policy for entering into a co-origination agreement with the NBFCs/Banks.

1.4 RBI based on the feedback received from the stake holders, has decided to provide greater operational flexibility to the lending institutions, while requiring them to conform to the regulatory guidelines on outsourcing, KYC etc. and accordingly has issued circular dated November 05, 2020 on Co-lending by Banks and all registered NBFCs to priority Sector.

1.5 The primary focus of the revised scheme, rechristened as Co-Lending Model (CLM) (as against Co-origination), is to improve the flow of credit to the un-served 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 the Banks and greater reach of the NBFCs.

1.6 However, if the bank can exercise its discretion regarding taking into its books 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.

1.7 The policy documents contain two models of co-lending by Bank and NBFCs and detailed guideline on co-lending under both co-lending model Viz. Option (A) i.e. Co-origination & Option (B) i.e. co-lending, akin to Direct Assignment.

2. Scope of the Policy

2.1 This policy will cover loan under Co-Lending Model (CLM), wherein Bank will engage with all registered NBFCs to co-lend loans for augmentation of Retail, Agri. and MSME (RAM). The arrangement will entail joint contribution of credit at the facility level by both lenders, involving sharing of risks and rewards between them for both Priority as well as Non Priority Sector advances.

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

3. Eligibility

3.1 All NBFCs with an Asset Under Management (AUM) of Minimum Rs.1000 crore and HFCs with AUM of Minimum Rs.1500 crore as per the last audited balance sheet or as stipulated by RBI from time to time, whichever is higher. No deviations permitted against minimum AUM norms. Bank may also tie-up with eligible NBFC-MFI’s/HFCs as Co-lending partners.

3.2 NBFC/HFC (including Fintech company) should be in line of the business for more than 03 years and having minimum capital to risk weighted Assets Ratio (CRAR) of 18% & above for NBFC/HFCs having external rating AA & above and 20% & above for external rating below AA. The promoter / Promoter group/ parent company should have experience of minimum 5 years or more in the similar line for the existing NBFC.

a) Minimum External Rating to be “A” and above. External rating of ‘BBB’ to be allowed only for co-lending arrangement towards:

- Loan backed by gold as security.
- Co-lending with NBFC-MFI.

b) Have TOL/TNW of 7:1 or below,

c) Have required technological platform to maintain accounts and exchange necessary MIS,

d) Have Internal Policy and Controls for origination, underwriting and disbursement of each individual case, and

e) Have robust credit delivery system along with satisfactory collection and recovery mechanism.

3.3 The down-gradation of external rating of NBFC below "A" or "BBB" rating (whichever applicable) will automatically disqualify the NBFC to have any further co-lending business with the Bank till such time the rating is restored to "A" or "BBB" & above as applicable and Co-lending arrangement is reviewed by sanctioning authority in which a fresh approval would be obtained to restart the co-lending business.

3.4 The NBFC/HFCs should be profit making for minimum 2 years and Fintech company should be profit making for minimum 1 year. NBFC should not have Gross Non Performing Assets (GNPA) and Net NPA of more than 5% and 2% respectively as per the latest audited/limited review financials. For HFCs, Gross NPA and Net NPA should be Maximum 5% and 3% respectively. Deviations may be allowed by sanctioning authority for NBFC/HFCs externally rated AA & above subject to

- GNPA – Not exceeding 7% ,
- NNPA- Not exceeding 3%,
- Collection efficiency more than 90% in last 2 quarters as certified by CA.

The breach of this limit will automatically disqualify the NBFC to have any further Co-lending arrangement with the Bank till such time the NPA percentage is reduced to the level as stated above and the Co-lending arrangement is reviewed by sanctioning authority.

3.5 NBFC will stand disqualified for **Co-lending** of loans with the Bank in case of any incidence of wilful default, fraud and malfeasance. A clause indemnifying the interest of the Bank on incidences of wilful default, fraud and malfeasance (by officials/vendor of NBFCs) shall be included in the agreement.

3.6 Bank's endeavour will be engaging with NBFCs, which would source business in geographical areas where Bank has limited presence.

4. Selection of NBFC

The committee for selection of NBFC is as per extant Delegation of Power (DOP) depending on quantum of exposure to be financed through NBFC. However, the committee for selection of NBFC should not be below EDCC.

5. Product and Standard Operating Process (SOP)

Mutually agreed products of the NBFC will be identified for every Co-lending partner including model of sourcing, underwriting, lending, collection and recovery mechanism, servicing fees, etc. duly approved by respective appropriate authorities of the bank/NBFC. Applicable guidelines would be RBI guidelines on DA and Co-lending policy of the bank with mutually agreed product specific scorecard for exercising Bank's discretion.

The product selection, Standard Operating Procedure (SOP) and Score card sheet indicating minimum cut off will be approved by sanctioning authority empowered for selection of NBFC. Approval shall be submitted with checklist depicting features of co-lending product to establish similarities with such existing product. *In case, the co-lending product is not similar to Bank's existing product, SPARC to approve the product norms, score level and SOP.*

Under co-lending both the lenders need to align/harmonize their lending product/policy to create better co-lending product. Hence, co-lending product norms shall be synchronized with the policy of both the lenders.

6. Lending Arrangement

6.1 NBFC will source loans **(secured/ unsecured)** under co-lending arrangement between Bank & NBFC as per the mutually agreed parameters of the product. Credit guarantee coverage shall be obtained in case of unsecured loan under co-lending arrangement wherever credit guarantee coverage is applicable for such type of loans. The process/SOP for CGTMSE cover in case of unsecured loan under co-lending arrangement wherever applicable, will be approved by SPARC at the time of approving the co-lending product in each case.

6.2 NBFC will assess the proposal as per the mutually agreed product & underwriting standard and recommend to the Bank for joint lending.

6.3 For Co-lending model under option “A”, Bank shall independently assess the risk and requirement of the applicant.

6.4 Bank shall exercise its discretion for acceptance / rejection under the Direct Assignment (DA) of RBI from time to time along with a product specific mutually agreed process / scorecard with certain cut off. Since the extant co-lending arrangement is with a discretion right for the bank, the same is akin to DA and hence the guidelines followed would be that of DA.

6.5 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 banks.

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

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

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

6.9 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 books by the bank.

7. Essential Features of Co-lending model

7.1 Sharing of Risk and Rewards

7.1.1 The Bank will take exposure to the extent of maximum 80% of credit risk by way of direct exposure and NBFC shall have minimum 20% of credit risk in its books of the proposed co-lending exposure till maturity.

7.1.2 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.

7.1.3 The Banks and Co-lending partner NBFCs shall maintain each individual borrower's account for their respective exposures. However, all transactions (disbursements/ repayments) between the banks and NBFCs relating to CLM shall be routed through an escrow account maintained with the Bank.

7.2 Know Your Customer (KYC)

- The Co-lending partner NBCF shall have primary responsibility for KYC compliance and due diligence of the borrowers under Co-lending arrangement. NBFC shall adhere to applicable KYC/AML guidelines, as prescribed by RBI and its Board approved policy.
- 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.
- Bank would rely on the KYC/CKYC due diligence carried out by NBFC (Co-lending partner). Co-lending partner NBFC/HFC shall make available a copy of KYC related Officially Valid Documents (OVDs) through electronic/ physical mode.
- NBFC shall also make available CKYC information mandatorily. PAN Verification/Validation shall be carried out by the Bank wherever feasible/applicable. CKYC information to be verified at random for at least 1% of the borrowers in portfolio.

7.3 Loan Sanction

7.3.1 The overall exposure of CLM through single NBFC will be restricted at 30% of its AUM subject to following maximum cap on the basis of external rating:

(a) For NBFC (excluding gold loan companies)

- AAA - Rs.500 crore.
- AA - Rs. 300 crore
- A - Rs.100 crore
- BBB - Rs. 50 crore **(**For NBFC-MFIs only)

(b) For NBFC Predominantly engaged in lending against collateral of gold jewellery:

- AAA - Rs. 500 crore.
- AA - Rs. 300 crore
- A - Rs. 100 crore
- BBB - Rs. 50 crore

For Gold backed Loan the overall exposure will be restricted at 50% of AUM.

(c) NBFCs/HFCs (for SRA loans):

- AAA - Rs.500 crore
- AA - Rs.300 crore
- A - Rs.100 crore

7.3.2 The Co- lending portfolio / accounts would be centrally maintained at Co-Lending Cell (CLC) at Corporate Office, which would monitor overall exposure under Co-lending and update the position internally (Intranet) on monthly basis.

7.3.3 The aggregate portfolio of the Bank through NBFC under co-lending model to be initially restricted to Rs.1000 crore. Further, increase in the portfolio may be permitted by the Executive Committee depending upon the satisfactory performance of the portfolio;

7.3.4 NBFC /HFC/ co- lending partner shall recommend proposals to the Co-lending Cell at PSG as found eligible under the mutually agreed structure, post carrying out Customer Due Diligence & KYC in line with the extant RBI guidelines & Co-lending policy of the bank. After due diligence, Bank shall exercise the discretion in accepting/ rejecting the loan based on mandatory requirement and a cut off score (min. rating) under a mutually agreed score card approved by Sanctioning Authority empowered for selection of NBFC or SPARC *(in case, the co-lending product is not similar to Bank's existing product)* for specific product (wherever applicable).

7.3.5 Approval for Selection/Disbursal of Individual/pool of loan accounts under each co-lending arrangement would be carried out by departmental committee at Co-lending Cell at PSG/SRA within the product & SOP approved for co-lending arrangement with NBFC. Constitution of departmental committee to be approved by CRMC. The detailed guideline shall be covered in operational guidelines.

7.3.6 Nature of assistance would be in form of Term Loan, Short Term Loan and revolving credit by way of Bill discounting/Supply Chain Finance only. Moratorium, tenor and other parameters of the facilities to be fixed as per mutually agreed product guidelines duly approved by delegated Authority.

7.3.7 Product specific mutually agreed scoring model between bank & partner NBFC with certain cut off score would be used for acceptance/ rejection of the proportionate share. Product specific score card to be part of the product and to be approved by Sanctioning Authority empowered for selection of NBFC or SPARC *(in case, the co-lending product is not similar to Bank's existing product).* Scoring Sheet/Card shall not be applicable in case of co-lending under Gold Loan or MSE/Agri Loa backed by Gold Jewellery and Micro Finance Loan.

7.3.8 Under Co-lending model "Option B", Bank will reserve the right to accept or reject the proposal as per the merit of the same and in compliance with Bank's guideline.

7.3.9 The target borrowers under the loan co-lending model shall broadly be Individual, JLG/SHGs, Sole Proprietorship, Partnership Firm, LLP and Limited Companies. However, the detailed segmentation will be clearly spelt out in the mutually agreed product.

7.4 Interest Rate

7.4.1 *The Rate of Interest (RoI) to be charged by the bank for its proportionate share would be as per mutually agreed structure between the Bank and the co-lending partner NBFC, subject to compliance with any relevant regulatory / internal guidelines on the co-lending transaction.*

7.4.2 Minimum rate of interest and/or benchmark pricing structure for the products under Co-Lending Model (CLM) would be approved by ALCO. Pricing/ROI structure of individual or pool of loan under Co-Lending Model (CLM) would be mutually agreed between the bank and Co-Lending partner and approved by sanctioning authority, within the pricing range /structure approved by ALCO.

7.4.3 The interest rate will be **floating/fixed** ROI, where a weighted average rate of the benchmark interest rates in proportion to the respective loan contribution should be offered. Fixed interest rate if offered under any product will be for 3 years with reset clause or the frequency as approved the sanctioning authority/ SPARC. However, under this policy, Loan tenure should be maximum 15 years with floating rate for Mortgage based loans (LAP/ Property Power/ other similar product) and 30 years with floating interest rate for home loans.

7.4.4 For other loans including MSME loan tenure should be maximum 10 years with **floating/fixed** interest rate. Fixed interest rate if offered under any product will be for 3 years with reset clause or the frequency as approved the sanctioning authority/ SPARC.

7.4.5 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.

7.4.6 Further, NBFC-MFI are required to abide by the pricing of credit and other applicable regulatory guidelines for loans covered under "Qualifying Assets" regarding their contribution towards the co-lending loan.

7.5 End use of funds

NBFC will ensure through post-sanction visits and other suitable checks that end use of funds is for the purpose for which the loan is sanctioned. NBFC will submit a certificate to the Bank within one month from the date of the Bank’s disbursement for having verified end use of loan. The proportionate share shall be disbursed to the account maintain by NBFC and NBFC shall ensure confirmation of usage of fund/end use on a mutually agreed structure under SOP, duly approved by Sanctioning Authority empowered for selection of NBFC or SPARC *(in case, the co-lending product is not similar to Bank’s existing product)*.

Under Co-lending model option “A” (i.e. Co-origination model), The disbursement shall be carried out through disbursement escrow account to borrower`s account.

7.6 Monitoring and Recovery:

7.6.1 NBFC will primarily be responsible for monitoring of loan accounts and collection of dues. However, the Bank along with NBFC will monitor the accounts financed under the co-lending model.

7.6.2 Bank and NBFC shall exchange the information about the asset classification and Special Mention Account status including overdue position in the underlying borrower accounts on monthly basis.

7.6.3 Monitoring through visits to the underlying borrowers shall be carried out by partner NBFC as per mutually agreed frequency. Bank shall carry out one visit of the underlying borrowers through approved outsourced agency/Bank officials based on the matrix approved by sanctioning authority/SPARC. For cases, above the threshold limit, visit will be carried out by the bank official. Threshold limit will be approved by the sanctioning authority/SPARC based on the matrix (envisaging % age of total no. of accounts/portfolio). Visit is not required in case of co-lending arrangement for Gold loan. Visit to be done for Microfinance loan at random for at least 5% the borrowers in portfolio**.** The assistance of the nearby branches or field investigation agencies (as in case of SRA products) may also be obtained. However, Bank would preferably not engaged for co-lending with Microfinance Institutions on account of small ticket size loan. Any such pre-sanction, post-sanction and regular visits report shall in the digital/ physical form as may be case. The visit by Bank official shall be preferably recorded by Geo-tagging.

7.6.4 Bank/Branch shall monitor the accounts at portfolio level with an eye on early warning in the form of SMA and other relevant information/reports. In case 3% of portfolio of a particular NBFC co-lending loan slips into SMA 1, a portfolio review shall be carried out in collaboration with the concerned NBFC or standalone basis by the Bank in immediate next month.

7.6.5 NBFC shall have primary responsibility of follow up with borrower for overdue cases and take all measures for recovery of NPAs in co-lending loan portfolio under applicable law and regulation. NBFC/Bank will submit the information on NPA and status of recovery to the Bank/NBFC on monthly basis or as and when required.

7.6.6 The initiation of the recovery process viz. Recall notice, SARFAESI, DRT, NCLT, OTS action, etc. will be executed as mutually agreed upon

7.6.7 Primary responsibility of the collection & recovery shall be with the partner NBFC. However, if any recovery to be initiated by the bank, the same would be under the extant regulatory / internal guidelines under the extant DoP.

7.7 Applicability of Staff Accountability Policy:

Reckoning the nature and structure of the transactions under co-lending, the applicability of policy on staff accountability would be to the extent of compliance of co-lending policy.

7.8 Assignment/Change in Loan Limits:

Any assignment of loans by any of the lenders can be done only with the prior consent of other lender. Further, any change in loan limit of the co-lending facility can be done only with the prior consent of both the lenders.

7.9 Grievance Redressal

NBFC shall have responsibility to explain to the ultimate borrower regarding the difference between products offered through the co-lending model as compared to its own products. The NBFC 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 NBFC and/or bank shall also be shared with the bank/NBFC and in case, the complaint is not resolved within 30 days, the borrower would have the option to escalate the same with concerned Banking Ombudsman/Ombudsman for NBFCs. **GM, Co-lending Cell at PSG** shall be Nodal officer for handling the complaint registered by a borrower.

8 Loan Documents

8.1 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 banks.

8.2 NBFC to ensure compliance of the sanction terms including documentation and security creation,

8.3 Charge creation with CERSAI and ROC and with other authority will be done by NBFC,

8.4 Cross verification or other due diligence may be done by the bank independently or with the help of NBFC to the satisfaction of the bank

8.5 Under Co-lending model Option “B”, Letter of Intent (LOI) along with Key Fact Statement shall be issued by the NBFC as per their format. For Co-lending model

Option "A", Co-branded LOI, along with Key Fact Statement shall be issued by the NBFC which will be standardized by both the Bank & NBFC.

8.6 The legal documents viz. Loan Agreement, Hypothecation Agreement, Deed of Guarantee, Mortgaged Documents, Undertakings etc. and other documents based on the product paper will be obtained from the borrower.

8.7 The Bank/NBFC will explore the possibility of appointment of trustee for the documentation and security creation and monitoring of the escrow account opened with the Bank for the collection of instalments.

8.8 The documentation will be kept with the NBFC/Bank/Third Party vendor (security trustee) and the security charge will be assigned to the Bank.

9 Fees/ Other charges

9.1 Processing fee, Documentation and any other fee/service charges applicable for the loan sanctioned to the ultimate borrower as per the schedule of charges for the co-lending arrangement shall be collected from the Borrower and appropriated as per the mutually agreed terms as incorporated in general master agreement between Bank and NBFC.

9.2 Stamp Duty, Legal Expenditure, Valuation Fee, Mortgage Charges, etc. shall be borne by the ultimate borrower as per actual.

9.3 The responsibility of collecting the above fee/charges shall be vested with NBFC.

9.4 Any other charges if applicable will be decided mutually between co-lending lenders and communicated to the ultimate borrower.

10 Validity of Policy

The validity of policy shall be up to 1 years from the date of approval. The review of the policy shall be done once in a years.

11 Portfolio audit and Reporting

The loans under the co-lending agreement shall be included in the scope of internal/statutory audit within the Bank/ NBFC to ensure adherence to its internal guidelines, terms of the agreement and extant regulatory requirements.

12 **Due diligence on CIBIL/CIC report**:

- Consumer credit report of all RBI accredited CIC's (CIBIL, CRIF Highmark, Experian and Equifax) with minimum/Cut-off score to be accepted for selection of borrower under co-lending arrangement. At present, Cut-off score of three CICs (CIBIL, CRIF Highmark & Equifax) shall be accepted for selection of borrower. The cut- off score and guideline for acceptance of consumer credit report for CICs (CIBIL, CRIF Highmark & Equifax) for selection of borrower under co-lending arrangement is given at **Appendix.**
- CIBIL /CIC (wherever applicable) related due diligence shall be to the extent of checking minimum CIBIL/CIC score (Cut-off) as per the sanction term. The CIBIL/CIC score generated by NBFC at the time of sanction of loan shall be accepted by Bank. The case of CIBIL/CIC observation with incidents of Wilful Defaulter/Fraud shall not be considered. CIBIL/CIC score will not be applicable for the loan against Gold (Jewellery /ornament) and microfinance loan.

13 Deviation in Policy Parameters

13.1 The Policy shall stand revised to the extent of changes in any of the guidelines/parameters/eligibility criteria, etc. as might be advised by RBI from time to time relating to co-lending loan model and in case of any deviation approval from the co-lending policy norms, Credit Committee (CC-I) would be minimum approving authority within the broad framework of RBI guidelines. However, there is no deviation permitted in respect of minimum AUM criteria.

13.2 SPARC – I is authorized to approve operational guideline and modifications in the operational parameter/ guidelines under co-lending model of loan within the broad framework of RBI guidelines.

13.3 The Bank will abide by all the guidelines, directives, instructions and advices of RBI / Regulators as may be in force from time to time. The guidelines in this document should be read in conjunction with these guidelines, directives, instructions and advices. The Policy on Co-lending model (CLM) would be a standalone policy and should be read in conjunction with credit policy and be governed by extant CLM policy as per the applicable RBI Guidelines.

14 <u>Others</u>

14.1 The Standard Operating Process (SOP) and product for Retail, Agriculture, MSME (RAM) on co-lending of loan shall be framed and implemented with approval of Sanctioning Authority empowered for selection of NBFC or SPARC *(in case, the co-lending product is not similar to Bank's existing product)*

14.2 While engaging co-lending arrangement the Bank/NBFC shall adhere to extant outsourcing policy for financial services.

14.3 Standard master agreement format for each homogeneous category to extent feasible would be created for lending under CLM, specifying which clauses/ terms can vary, for operational convenience as well as to ensure that the minimum requirements are kept intact for all relationships.

14.4 Bank shall accept the immovable property as collateral/primary security, which would be clear, marketable and enforceable. Title Search and valuation to be carried out one time i.e. at the time of sanction of the facility. However, in case of NPA account, re-valuation may be carried out for provisioning.

14.5 Sanctioning Authority empowered for selection of NBFC or SPARC *(in case, the co-lending product is not similar to Bank's existing product)* may consider need based moratorium to the borrower based on the cash flow of the product.

14.6 The Bank shall keep the KYC & other loan related documents in physical/electronic form.

14.7 Under co-lending model Option "B" (i.e. akin to Direct Assignment), Bank will align the co-lending product with the existing product of NBFC. Under Co-lending model Option "A", Bank shall formulate/design mutually agreed product under co-lending arrangement.

14.8 Loan under co-lending model is different from loan under direct lending by Bank. The Policy on Co-lending model (CLM) would be a standalone policy and should be read in conjunction with credit policy and be governed by extant CLM policy as per the applicable RBI Guidelines.

14.9 The credit policy norms for Monitoring of Credit Administration Parameters (CAP), Loan Review Mechanism etc. would not applicable under co-lending model of loan.

14.10 Delegation of Power for sanction and disbursal of individual/pool of loan under co-lending arrangement would be guided by co-lending Policy. In case of any NPA in co-lending, recovery/settlement shall be governed by NPA Management policy of the Bank.

Appendix

CIC	**General Scoring Band**	**Additional Score**	**Cut-off/ Acceptance of score**
CIBIL	300-900	-1 (Consumer not in CIBIL Data base or with insufficient information for scoring)	Cut-off score - 700 Below Cut-off up to 680 - Deviation permitted with approval of CGM or committee Below 680 - Not permitted**,** however under exceptional case with the approval of ED or committee. Score (-1): Collateral security required as per respective product guideline or at 125% for non-schematic product.
CRIF Highmark (Newly added CICs)	300-900 Where 300 is very high risk and 900 is very low risk.	11,12,14,15,16, 17 & 18 (Band shows not scored on account of more than 50 active accounts found, can't be classified, sufficient history not available etc.	**Cut-off score:** 650 **Score of:** 12, 14, 15, 17 & 18 to be considered by sanctioning authority with collateral security required as per the respective product guidelines or at 125% for non-schematic product. **Score range-** **649-630**: Accepted with approval of GM, Co-Lending **629-601**: Accepted with approval of CGM, MSME. ***Scores 11 and 16 is to be declined.***