IDBI Bank Ltd.

Policy on Co-Lending Model (CLM) of loans by Banks and NBFCs

2022

Date: 29.06.2022

Version 2.0

Priority Sector Group (PSG)

Corporate Centre, Mumbai

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Policy on Co-lending Model (CLM) / Co-lending Policy

Option (A)

1. Background

i. The Reserve Bank of India (RBI) has released guidelines on co-origination of loans by banks and Systemically Important Non-Deposit taking Non-Banking Financial companies (NBFC-ND-SIs), "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.

ii. 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.

iii. 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.

iv. RBI based on the feedback received from the stake holders, has decided to provide greater operational flexibility to the lending institutes, while requiring them to comfort 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.

v. 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 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.

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

i) All NBFCs with an Asset Under Management (AUM) of Rs.100 crore and more 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/HFC as Co-lending partners.

ii) NBFC should be in line of the business for more than 2 years for Fintech based NBFC & 3 years for Traditional NBFC and having minimum capital to risk weighted Assets Ratio (CRAR) of 20 % and above. 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 recovery mechanism.

iii. 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 Executive Director's Credit Committee (EDCC) in which a fresh approval would be obtained for restart of co-lending business.

iv. 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. Deviations may be allowed by sanctioning authority for NBFC 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 restored to the level as stated above and the Co-lending arrangement is reviewed by EDCC.

v. NBFC will stand disqualified for co-origination 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 borrowers/officials of NBFCs) shall be included in the agreement.
vi. Bank's endeavor 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 the NBFC. However, the committee for selection of NBFC should not be below EDCC.

5. Product & Standard Operating Process (SOP)

A Mutually agreed product will be developed for every co-origination partner determining the model of sourcing, underwriting, lending, collection and recovery mechanism, servicing fees, etc. duly approved by respective appropriate authorities of the bank / NBFC. The product shall comply with the internal guidelines and co-lending policy of the Bank. The product selection, SOP and Score card sheet indicating minimum cut off will be approved by SPARC.

6. Lending Arrangement

i. NBFC will source loans as per the mutually agreed parameters of the product.
ii. NBFC will assess the proposal as per the mutually agreed product & underwriting standard and recommend to the Bank for joint lending.
iii. Bank shall independently assess the risks and requirements of the applicant.

7. Essential Features of Co-origination model

7.1 Sharing of Risk and Rewards

i. 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.
ii. 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.

7.2 Know Your Customer (KYC)

The co-originating lenders shall adhere to applicable KYC/AML guidelines, as prescribed by Department of Banking Regulation (DBR) / Department of Non-Banking Regulation (DNBR) of RBI and as per Bank's KYC guidelines.

Bank would rely on the KYC verification carried out by NBFC (co-lending partner) being a Regulated Entity (RE) in line with RBI's Master Direction - Know Your Customer (KYC) Direction, 2016 dated 25th February 2016 as amended time to time.

NBFC/HFC/Co-lending partner shall make available CKYC information mandatorily and also make available a copy of KYC documents stamped as "Original Seen & Verified" (OSV) through electronic/ physical mode. PAN Verification/Validation shall be carried out by the Bank wherever feasible/applicable. Mobile verification of the proposed borrower will be mandatory.

7.3 Loan Sanction

i) 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.400 crore.
- AA - Rs. 200 crore
- A - Rs.100 crore
- **BBB - Rs. 50 crore** (For NBFC-MFI only)

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

- **AAA - Rs. 300 crore.**
- **AA - Rs. 200 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.400 crore
- AA- Rs.200 crore
- A- Rs.100 crore

Securitization Cell placed at Corporate Office will monitor overall exposure through NBFC and update the position internally (Intranet) on monthly basis.

ii) 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 reviewed by the Committee annually subject to satisfactory performance of the portfolio;

iii) The NBFC/ HFC shall recommend the proposals to the **centralized Co-lending Cell (CLC) at PSG, C**orporate Office as found eligible for co-lending. NBFC/ HFC shall forward the proposal along with all required documents for KYC and due diligence after checking reports through RBI approved Credit Information Companies (CICs) viz. CIBIL, High Mark, Equifax, Experian etc. The Co-lending Cell shall scrutinise the documents submitted by NBFC/ HFC as per requirement under co-lending policy and mutually agreed product guideline. Co-lending Cell shall carry out the necessary due diligence process (based on the documents shared by NBFC/HFC) and may take help from Branches/CPC/RAC or any other offices of Bank depending upon the location and exposure. Due diligence in respect of CIC check, visit, legal, valuation etc. to be relied upon the report/ documents shared/ submitted by NBFCs**.** The assessment and sanctioning of loan to borrower shall be as per the mutually agreed product by Co-lending Cell.

The minimum cut-off score for particular CIC shall be approved by CRMC.
Due diligence on CIBIL /CIC and collaterals would be as follows:
<u>Due diligence on CIBIL/CIC report</u>: 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 case of CIBIL/CIC observation with incidents of Wilful Defaulter/Fraud shall not be considered.
CIBIL/CIC report will not be applicable for the loan against Gold (Jewellery /ornament).

<u>Due diligence on collateral</u>: Bank shall rely on valuation report and legal vetting submitted by NBFC/ HFC. For loan where individual exposure is Rs.50 lakh & above, the legal search and valuation by Bank`s empanelled advocate/valuer shall be mandatory. NBFC shall avail service for valuation and legal search of immovable property from IDBI Bank's empanelled valuer/advocate wherever available. The location where IDBI empanelled valuer/advocate is not available, service of empanelled valuer and advocate of NBFC shall be acceptable, subject to advocate/valuer not in negative list of Bank/IBA. For cases, where legal/valuation carried out by empanelled agency of NBFC, in such cases, it shall indemnify Bank against any loss incurred on account of deficiency in services by the professional/agencies.

Deviation approved by NBFC/ HFC (if any) while sanctioning the loan under mutually agreed product approved by SPARC may be considered by the bank on case to case basis.

Bank shall not accept valuation / legal report from any of individual / agency under negative list of the bank / IBA.

iv) Sanction of Individual/ pool accounts under each co-lending arrangement would be carried out by departmental committee. Committee would be under the Centralized Co-lending cell with 4 members headed by GM, PSG and other 3 members drawn from PSG vertical in the grade of DGM/AGM. Further provision being made to nominate one member by other vertical/s having co-lending proposal who would attend meeting in place of one or more member/s from PSG. Formation of Committee shall be approved by CRMC. Quorum of the committee will be minimum 75% attendance. The control returns shall be submitted to CGM-PSG handling co-lending Cell.

In case of Gold Loan under Co-lending arrangement, sanction of loan shall be at branch/centralized co-lending cell based on individual DoP/Committee. The detailed guideline for sanction and disbursement including other operational matters under the said co-lending arrangement for the Gold Loan will be decided as per mutually agreed terms with NBFC and detailed process including SOP approved by SPARC.

In case of lending through digital/FinTech platform, credit decision shall be based on parameterised scoring model and product parameters.

v) Nature of assistance would be in form of Term Loan only. Moratorium, tenor and other parameters of the facilities to be fixed as per mutually agreed product guidelines.

vi) Product based scoring model internally developed will be used in consultation with Risk Management Department acceptable to the NBFC and Bank for underwriting of co-lending of loans.

vii) Letter of Intent (LOI) shall be issued by NBFC for the total amount of loan as mutually agreed upon. Any change in sanction terms / interest etc. by Bank & NBFC will be communicated to the customer timely by NBFC.

viii) NBFC shall carry out CERSAI, ROC Search and check the Credit Bureau data and other documents/database like CFR, willful defaulter list related to co-lending loan independently.

ix) 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.

x) 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.

xi) In case of Gold loan under Co-lending arrangement, the sanction and disbursement including other operational matters viz. valuation, Re-valuation, appraisal, re-appraisal, storage etc. for the individual cases under the said co-lending arrangement for the Gold Loan will be decided as per mutually agreed terms with NBFC and detailed process including SOP approved by SPARC.

xii) The co-lending proposals processed under co-lending model option “A” shall be parked to branches.

7.4 Interest Rate

i. *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*.

ii. The rate of interest for the products under CLM would be mutually agreed between the bank and Co-Lending partner duly approved by ALCO.

iii. The interest rate will be floating ROI, where a weighted average rate of the benchmark interest rates in proportion to the respective loan contribution should be offered. 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.

iv. For other loans including MSME loan tenure should be maximum 10 years with floating interest rate.

v. 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.

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

7.5 Common Account

i. The Bank will open a common escrow cum collection and payout account in the name of “Borrower - (NBFC-Co-lending disbursal & collection 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.

ii. On continuation of fund disbursal from NBFC, the Bank shall disburse its credit share into "Borrower - (NBFC-Co-lending disbursal & collection account)" from where the disbursement to the borrower will be made as per agreed terms of LOI. Thereafter, auto transfer cum debit in the account will be allowed for transfer of fund to Bank & NBFCs loan accounts on due date towards repayment loan and interest servicing through ECS/NACH etc.

iii. Bank will maintain individual borrower's loan account to the extent of credit risk exposure and share the loan account statement with NBFC for onward sharing of a single unified statement to borrower.

iv. Any prepayment/part payment by the borrower during the tenor of loan, the same will be appropriated in loan accounts of both lenders according to their loan ratio through NBFC-Co-lending disbursal & collection account.

7.6 End use of funds

NBFC shall ensure through post-sanction visits and other suitable checks that end use of funds for all cases is for the purpose for which the loan sanctioned. NBFC will submit a confirmation certificate/CA Certificate to the Bank within one month from disbursement for having verified end use of loan. The disbursement shall be carried out through escrow account to borrower`s account (preferably to be maintained with IDBI Bank). The disbursement may be carried out directly to the A/c of supplier and bill/invoice of the goods purchased shall be obtained from borrower wherever applicable.

In addition to obtaining the end use confirmation from NBFC, Bank will carry out sample verification of end use of fund by visit for loan sanctioned under co-lending model based on product and SOP. The basis for sample size, selection criteria of loan portfolio and monitoring mechanism shall be approved by SPARC.

7.7 Monitoring and Recovery

i. 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.

ii. Bank and NBFC shall exchange the information about the asset classification and Special Mention Account (SMA) status including overdue position in the underlying borrower accounts on daily basis for compliance to new IRAC and provisioning guideline issued by RBI.

iii. Monitoring through visits to the underlying borrowers shall be carried out by partner NBFC as per mutually agreed frequency. Bank shall carry out visit of the underlying borrowers through IDBI Bank official for all cases having individual exposure above Rs. 50 lakh. For individual exposure up to Rs. 50 lakh, visit shall be carried out by the branch/approved outsourced agency based on the matrix (envisaging % age of total no. of accounts/portfolio) approved by SPARC. Visit is not required in case co-lending arrangement for Gold 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 recorded by Geo-tagging.

iv. 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 exposure 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.

v. NBFC shall have primary responsibility of follow up with borrower for overdue cases and take all measures for recovery of NPAs in co-lending exposure 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.

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

vii. The Delegation of Power (DOP) to be followed for recovery actions will be as per extant Bank's guidelines.

viii. **Order of Appropriation for repayment**:

In order to synchronize the order of appropriation followed by co-lending partner (NBFC), the waterfall mechanism for appropriation of repayment in loan account under CLM arrangement shall be as per general practice in co-lending partner/NBFC which is as follow:

- Interest
- Principal
- Charges
- Penal Interest

Order for appropriation would be subject to review and CRMC shall be authorized to approve any change in order of appropriation for repayment.

ix. Bank may fix cut-off date and fix pay-out date for repayment wherever required.

7.8 Security and Charge Creation

i. As per revised RBI guidelines, 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. Hence all major conditions (mainly , the security, eligibility, ROI, Amount of loan, documentation , repayment, follow up , monitoring, due diligence, collection, recovery, legal action) and other conditions for the product for which the co-lending arrangement is to be made with NBFC will be documented in general master agreement with NBFC..

ii. The Personal/third party guarantee of the promoter/director/partners etc. and property owner shall be obtained as per Bank's extant co-lending product guidelines.

iii. The NBFC will create the charge-hypothecation / mortgage (wherever applicable) and register the charges with ROC/ Registrar of assurances (wherever applicable) based on the documents which will be held in the safe custody with Bank/ NBFC or the third party as per the general master agreement with NBFC.

iv. Valuation of the Asset and collateral (wherever applicable) to be done as per mutually agreed guideline between the Bank & NBFC. Valuation done by the NBFC should be acceptable to both the lenders and charges thereon shall be recovered from the ultimate borrower.

v. The secured Assets (wherever applicable) will be adequately insured jointly in the name of Bank & NBFC (wherever applicable/feasible). The ratio of distribution of claim amount amongst Bank & NBFC/HFCs will be as per their loan ratio. SOP for insurance cover to be approved by SPARC.

7.9 Provisioning and Reporting Requirement

Bank/ NBFC shall adhere to its independent provisioning requirements including declaration of account as NPA, as per the applicable regulatory guidelines and shall report as per requirements including reporting to Credit Information Companies for their portion of lending.

7.10 Assignment / Change in Loan Limits

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

7.11 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 s**hall be Nodal officer for handling the complaint registered by a borrower.

7.12 Business Continuity Plan

Retail Banking Group's business continuity plan shall be applicable for co – lending model to ensure continuity of uninterrupted service from nearby branches. Bank shall also obtain an undertaking from NBFC in respect that a proper business continuity plan is in place.

8. Loan Documents

i. 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.

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

iii. Charge creation with CERSAI and ROC and with other authority will be done by NBFC

iv. 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.

v. Letter of Intent (LOI) along with Schedule of Charges (SOC) shall be issued by the NBFC, which will be standardized by both the Bank & NBFC with mutual agreement.

vi. 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.

vii. The Bank/NBFC will explore the possibility of appointment of trustee/third party for the documentation, security creation and monitoring of the escrow account opened with the Bank for the collection of installments.

viii. The documents will be kept with the NBFC/Bank or third party vendor including trustee as mutually agreed upon with the copy to all the parties.

9. Fees / Other charges

i. 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 general master agreement between Bank and NBFC.
ii. Stamp Duty, Legal Expenditure, Valuation Fee, Mortgage Charges, etc. shall be borne by the ultimate borrower as per actual.
iii. The responsibility of collecting the above fee/charges shall be vested with NBFC.
iv. 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 2 years from the date of approval. The review of the policy shall be done once in two years.

11. Portfolio Verification and Reporting

The loans under the co-lending agreement shall be subject to periodic verification by Bank's/NBFC's Internal Auditors to ensure adherence to its internal guidelines, terms of the agreement and extant regulatory requirements. Portfolio audit of the loan co-lending should be done on yearly basis for 10% of the portfolio created in previous year in such a manner that portfolio of all the branches are covered in a financial year. NBFC would be needed to submit the compliance of portfolio audit to the bank and as also sharing of the report.

12. Deviation in Policy Parameters

i. 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 in eligibility parameter including loan sanction parameters (exposure on single NBFC) and tenor of loan, 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.
ii. CRMC is authorized to approve modifications in the operational parameter of co-lending loan model within the broad framework of RBI guidelines.
iii. 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 delinked from the Credit Policy of the Bank and be governed by extant CLM policy as per the applicable RBI Guidelines.

13. Others

i. 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 Systems, Product Approval and Review Committee (SPARC-I).

ii. Product wise codes would be created separately for each NBFC.

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

iv. In case of co-lending arrangement for Gold Loan, centralize booking of business to selected branches may be carried out by Co-lending Cell, PSG or the same may be decided as mutually agreed with NBFC.

v. In case of Gold loan under co-lending model is processed at branch level, the valuation of Gold loan shall be carried out at selected branches of Bank/NBFC. The safe custody of the Gold (security) shall be either with Bank or NBFC (Co-lending partner).

vi. 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.

vii. 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.

viii. Review of individual Term Loan under co-lending shall not be applicable. However, review of co-lending portfolio shall be carried out on need based/half yearly basis /at the time of annual review of the co-lending policy.

ix. SPARC may consider need based moratorium to the borrower based on the cash flow of the product

x. To prevent documents from getting time-barred through limitation, NBFC shall submit a declaration to the bank on annual basis confirming that documents are valid and enforceable in court of law.

Option (B)

A. Background

A.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.

A.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.

A.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.

A.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.

A.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.

A.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.

B. **Scope of the Policy**

B.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.

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

C. **Eligibility**

C.1 All NBFCs with an Asset Under Management (AUM) of Rs.100 crore and more 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.

C.2 NBFC should be in line of the business for more than 2 years for Fintech based NBFC & 3 years for Traditional NBFC and having minimum capital to risk weighted Assets Ratio (CRAR) of 20% and above. 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 recovery mechanism.

C.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 Executive Director's Credit Committee (EDCC) in which a fresh approval would be obtained for restart of co-lending business.

C.4 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. Deviations may be allowed by sanctioning authority for NBFC 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 restored to the level as stated above and the Co-lending arrangement is reviewed by EDCC.

C.5 NBFC will stand disqualified for co-origination 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 borrowers/officials of NBFCs) shall be included in the agreement.

C.6 Bank's endeavour will be engaging with NBFCs, which would source business in geographical areas where Bank has limited presence.

D. 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.

E. Product

Mutually agreed products will be identified for every co-origination 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, SOP and Score card sheet indicating minimum cut off will be approved by SPARC.

F. Lending Arrangement

F.1 NBFC will source loans as per the mutually agreed parameters of the product.

F.2 NBFC will assess the proposal as per the mutually agreed product & underwriting standard and recommend to the Bank for joint lending.

F.3 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.

F.4 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.

F.5 All the details of the arrangement shall be disclosed to the customers upfront and their explicit consent shall be taken.

F.6 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.

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

F.8 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.

G. Essential Features of Co-origination model

G.1 Sharing of Risk and Rewards

G.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.

G.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.

G.2 Know Your Customer (KYC)

The co-originating lenders shall adhere to applicable KYC/AML guidelines, as prescribed by Department of Banking Regulation (DBR)/Department of Non-Banking Regulation (DNBR) of RBI The Bank shall comply with the Master

Directions - Know Your Customer (KYC) Direction, dated February 25, 2016 and updated from time to time, permitting reliance on KYC & customer due diligence carried out by third party (Regulated Entity), subject to specified conditions KYC.

G.3 Loan Sanction

G.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.400 crore.
- AA - Rs. 200 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. 300 crore.**
- **AA - Rs. 200 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.400 crore
- AA - Rs.200 crore
- A - Rs.100 crore

G.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.

G.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 Committee after 1 year depending upon the satisfactory performance of the portfolio;

G.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. Bank will rely on the KYC and due diligence carried out by NBFC/HFC as per extant RBI Guidelines**.**

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 SPARC for specific product (wherever applicable). NBFC / HFC/ Co-lending partner shall provide copies of KYC documents with "Original Seen & Verified" stamped in electronic/physical form or make available CKYC information for KYC compliance mandatorily. PAN Verification/ Validation shall be carried out by the Bank wherever feasible/applicable. Mobile verification of the proposed borrower will be mandatory.

The minimum cut-off score for particular CIC shall be approved by CRMC.

Due diligence on CIBIL/CIC and collaterals would be as follows:

Due diligence on CIBIL/CIC report: 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 case of CIBIL/CIC observation with incidents of Wilful Defaulter/Fraud shall not be considered.

CIBIL/CIC report will not be applicable for the loan against Gold (Jewellery /ornament).

Due diligence on collateral: Bank shall rely on valuation report and legal vetting submitted by NBFC/HFC. For loan where individual exposure is Rs.50 lakh & above, the legal search and valuation by Bank`s empanelled advocate/valuer shall be mandatory. NBFC shall avail service for valuation and legal search of immovable property from IDBI Bank's empanelled valuer/advocate wherever available. The location where IDBI empanelled valuer/advocate is not available, service of empanelled valuer and advocate of NBFC shall be acceptable, subject to advocate/valuer not in negative list of Bank/IBA. For cases, where legal/valuation carried out by empanelled agency of NBFC, it shall indemnify Bank against any loss incurred on account of deficiency in services by the professional/agencies. Deviation approved by NBFC/HFC (if any) while sanctioning the loan under mutually agreed product approved by SPARC may be considered by the bank on case to case basis.

Bank shall not accept valuation / legal report from any of individual / agency under negative list of the bank / IBA.

G.3.5 Sanction of Individual/ pool accounts under each co-lending arrangement would be carried out by the departmental committee. Committee would be under the Centralized Co-lending with 4 members headed by GM, PSG and other 3 members drawn from PSG vertical in the grade of DGM/AGM. Further provision being made to nominate one member by other vertical/s having co-lending proposal who would attend meeting in place of one or more member/s from PSG. Formation of Committee shall be approved by CRMC. Quorum of the committee will be minimum 75% attendance. The control returns shall be submitted to CGM- PSG handling co-lending Cell.

In case of Gold Loan under Co-lending arrangement, sanction of loan shall be at branch/centralized co-lending cell based on individual DoP /Committee. The detailed guideline for sanction and disbursement including other operational matters under the said co-lending arrangement for the Gold Loan will be decided as per mutually agreed terms with NBFC and detailed process including SOP approved by SPARC.

In case of lending through digital /FinTech platform, credit decision shall be based on parameterised scoring model and product parameters.

G.3.6 Nature of assistance would be in form of Term Loan only. Moratorium, tenor and other parameters of the facilities to be fixed as per mutually agreed product guidelines duly approved by SPARC I.

G.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 SPARC.

G.3.8 Letter of Intent (LOI) shall be issued NBFC. Any change in sanction terms / interest etc. by Bank & NBFC will be communicated to the customer timely.

G.3.9 NBFC shall carry out CERSAI, ROC Search and check the Credit Bureau data and other documents/database like CFR, wilful defaulter list related to co-lending loan independently.

G.3.10 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.

G.3.11 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.

G.3.12 In case of Gold loan under Co-lending arrangement, the sanction and disbursement including other operational matters viz. valuation, Re-valuation, appraisal, re-appraisal, storage etc. for the individual cases under the said co-lending arrangement for the Gold Loan will be decided as per mutually agreed terms with NBFC and detailed process including SOP approved by SPARC.

G.3.13 For co-lending proposals processed under co-lending model option “B” at co-lending cell, PSG, parking of account/shadow credit shall be decided as per the product & SOP approved by SPARC.

G.4 Interest Rate

G.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.*

G.4.2 The rate of interest for the products under Co-Lending Model (CLM) would be mutually agreed between the bank and Co-Lending partner duly approved by ALCO.

G.4.3 The ROI applicable will be floating interest rates where a weighted average rate of the benchmark interest rates in proportion to the respective loan contribution should be offered. 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.

G.4.4 For other loans including MSME loan tenure should be maximum 10 years with floating interest rate.

G.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.

G.4.6 Further, NBFC-MFI which are categorised as NBFC-ND-SIs are required to abide by the pricing of credit and other applicable guidelines for loans covered under "Qualifying Assets" regarding their contribution towards the co-lending loan.

G.5 Common Account

G.5.1 The Bank will open a common escrow cum collection account in the name of “Borrower - (NBFC-Co-lending collection account)” for pooling respective appropriate loan repayments from borrowers, without holding the funds for usage of float.

G.5.2 Auto transfer cum debit in the account will be allowed for transfer of fund to Bank & NBFCs loan accounts on due date towards repayment loan and interest servicing through ECS/NACH etc. Use of intech platform would be explored for distribution/monitoring of the collection for the repayment.

G.5.3 Bank will maintain individual borrower's loan account to the extent of credit risk exposure and share the loan account statement with NBFC for onward sharing of a single unified statement to borrower.

G.5.4 Any prepayment/part payment by the borrower during the tenor of loan, the same will be appropriated in loan accounts of both lenders according to their loan ratio through collection account.

G.6 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 SPARC I.

G.7 Monitoring and Recovery:

G.7.1 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.

G.7.2 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.

G.7.3 Monitoring through visits to the underlying borrowers shall be carried out by partner NBFC as per mutually agreed frequency. Bank shall carry out visit of the underlying borrowers through IDBI Bank official for all cases having individual exposure above Rs.50 lakh. For individual exposure up to Rs.50 lakh, visit shall be carried out by the branch/approved outsourced agency based on the matrix (envisaging %age of total no. of accounts/portfolio) approved by SPARC. Visit is not required in case co-lending arrangement under Gold 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 recorded by Geo-tagging.

G.7.4 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.

G.7.5 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.

G.7.6 The initiation of the recovery process viz. Recall notice, SARFAESI, DRT, NCLT, OTS action, etc. will be executed as mutually agreed upon

G.7.7 Primary responsibility of the collection & recovery shall be with the partner NBFC. However, if any hard recovery to be initiated by the bank, the same would be under the extant regulatory / internal guidelines under the extant DoP. The underlying account once become NPA, shall be transferred to Retail Collection and Recovery Vertical as per extant internal guidelines.

G.7.8 **Order of Appropriation for repayment**: In order to synchronize the order of appropriation followed by co-lending partner (NBFC), the waterfall mechanism for appropriation of repayment in loan account under CLM arrangement shall be as per general practice in co-lending partner/NBFC which is as follow:

- Interest
- Principal
- Charges
- Penal Interest

Order for appropriation would be subject to review and CRMC shall be authorized to approve any change in order of appropriation for repayment.

G.7.9 Bank may fix cut-off date and fix pay-out date for repayment wherever required

G.8 Security and Charge Creation

G.8.1 As per revised RBI guidelines, 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. Hence all major conditions (mainly, the security, eligibility, ROI, Amount of loan, documentation, repayment, follow up, monitoring, due diligence, collection, recovery, legal action and other conditions for the product for which the co-lending arrangement is to be made with NBFC will be documented in general master agreement with NBFC.

G.8.2 The Personal/third party guarantee of the promoter/director/partners etc and property owner shall be obtained as per Bank's co-lending product guidelines. The same will be duly incorporated in SOP duly approved by SPARC I based on mutual agreement.

G.8.3 The NBFC will create the charge-hypothecation/mortgage (**wherever applicable)** and register the charges with ROC/ Registrar of assurances (wherever applicable) based on the documents which will be held in the safe custody with Bank/ NBFC or third party depending upon the product.

G.8.4 Valuation of the Asset and collateral (**wherever applicable)** to be done as per mutually agreed guideline between the Bank & NBFC/HFC. Valuation done by the NBFC/HFC should be acceptable to both the lenders and charges thereon shall be recovered from the ultimate borrower.

G.8.5 The secured Assets **(wherever applicable)** will be adequately insured jointly in the name of Bank & NBFC (wherever applicable/feasible). The ratio of distribution of claim amount amongst Bank & NBFC/HFC will be as per their loan ratio. SOP for insurance cover to be approved by SPARC.

G.9 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.

G.10 Provisioning and Reporting Requirement:

Bank/NBFC shall adhere to its independent provisioning requirements including declaration of account as NPA, as per the applicable regulatory guidelines and shall report as per requirements including reporting to Credit Information Companies for their portion of lending.

G.11 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.

G.12 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 s**hall be Nodal officer for handling the complaint registered by a borrower.

G.13 Business Continuity Plan

Retail Banking Group's business continuity plan shall be applicable for co–lending model to ensure continuity of uninterrupted service from nearby branches. Bank shall also obtain an undertaking from NBFC in respect that a proper business continuity plan is in place.

H. Loan Documents

H.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.

H.2 NBFC to ensure compliance of the sanction terms including documentation and security creation,

H.3 Charge creation with CERSAI and ROC and with other authority will be done by NBFC,

H.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

H.5 Letter of Intent (LOI) along with Schedule of Charges (SOC) shall be issued by the NBFC, which will be standardized by both the Bank & NBFC.

H.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.

H.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.

H.8 The documentation will be kept with the NBFC/Bank/Third Party and the security charge will be assigned to the Bank.

I. Fees/ Other charges

I.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.

I.2 Stamp Duty, Legal Expenditure, Valuation Fee, Mortgage Charges, etc. shall be borne by the ultimate borrower as per actual.

I.3 The responsibility of collecting the above fee/charges shall be vested with NBFC.

I.4 Any other charges if applicable will be decided mutually between co-lending lenders and communicated to the ultimate borrower.

J. Validity of Policy

The validity of policy shall be up to 2 years from the date of approval. The review of the policy shall be done once in two years.

K. Portfolio Verification and Reporting

The loans under the co-lending agreement shall be subject to periodic verification by bank's / NBFC's Internal Auditors to ensure adherence to its internal guidelines, terms of the agreement and extant regulatory requirements. Portfolio audit of the loan co-lending should be done on yearly basis for 10% of the portfolio created in previous year in such a manner that portfolio of a ll the branches are covered in a financial year. NBFC would be needed to submit the compliance of portfolio audit to the bank and as also sharing of the report.

L. Deviation in Policy Parameters

L.1 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 in eligibility parameter including loan sanction parameter (exposure on single NBFC) and tenor of loan, 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.

L.2 CRMC is authorized to approve modifications in the operational parameter of co-lending loan model within the broad framework of RBI guidelines.

L.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 delinked from the Credit Policy of the Bank and be governed by extant CLM policy as per the applicable RBI Guidelines.

M. Others

M.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 Systems, Product Approval and Review Committee (SPARC-I).

M.2 Product wise codes would be created separately for each NBFC.

M.3 While engaging co-lending arrangement the Bank/NBFC shall adhere to extant outsourcing policy for financial services.

M4 In case of co-lending arrangement for Gold Loan, centralize booking of business to selected branches may be done by Co-lending Cell, PSG or the same may be decided as mutually agreed with NBFC.

M5 In case of Gold loan under co-lending model is processed at branch level, the valuation of Gold loan shall be done at selected branches of Bank/NBFC. The safe custody of the Gold (security) shall be either with Bank or NBFC (Co-lending partner).

M6 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.

M7 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.

M8 Review of individual Term Loan under co-lending shall not be applicable. However, review of co-lending portfolio shall be done on need based/half yearly basis /at the time of annual review of the co-lending policy.

M9 SPARC may consider need based moratorium to the borrower based on the cash flow of the product.

M10 To prevent documents from getting time-barred through limitation, NBFC shall submit a declaration to the bank on annual basis confirming that documents are valid and enforceable in court of law.

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