

SARVAGRAM FINACRE PRIVATE LIMITED

POLICY ON CO-LENDING MODEL

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1. BACKGROUND

SarvaGram Fincare Private Limited ("**SarvaGram**") is a private limited company incorporated under the provisions of the Companies Act, 2013 and is registered as a non-deposit accepting non-banking financial company with the Reserve Bank of India ("**RBI**").

This policy on co-lending ("**CLM Policy**") has been drafted in line with the notification bearing reference no. RBI/2020-21/63, FIDD.CO.Plan.BC.No.8/04. 09.01 /2020-21 dated 5 November 2020 issued by the RBI ("**RBI Circular**"), allowing co-lending by banks and non-banking financial companies ("**NBFCs**") with an aim to improve the flow of credit to the unserved and underserved sector of the economy and make available funds to the ultimate beneficiary at an affordable cost, considering the lower cost of funds from banks and greater reach of the NBFCs.

This CLM Policy covers general principles and practices followed by SarvaGram to enter into co-lending arrangement with partner institution(s)/ participating banks ("**Participating Banks**").

2. OBJECTIVE

SarvaGram intends to work with qualified banks to explore "Co-Lending Model" ("**CLM**") prospects across all the categories of products and services offered by SarvaGram under the co-lending model and apply to related operations such as customer sourcing, loan processing, loan servicing and collection activities.

3. MODES OF ARRANGEMENT

SarvaGram shall, on the basis of discussion with Participating Banks, enter into co-lending arrangement/ agreement ("**CLM Master Agreement**") as per the below mentioned modes:

- 3.1 Model 1: The arrangement would entail joint contribution of credit at the facility level, by both SarvaGram and the Participating Banks ("**Lenders**") basis ex-ante due diligence by the Bank.
 - (a) If the CLM Master Agreement entails a prior, irrevocable commitment on the part of the Bank to take into its books its share of the individual loans as originated by SarvaGram, the arrangement must comply with the extant guidelines on Managing Risks and Code of Conduct in Outsourcing of Financial Services by Banks issued vide RBI/2014-15/497/DBR.No.BP.BC.76/21.04.158/2014-15 dated 11 March 2015 and updated from time to time. In particular, the Participating Banks and SarvaGram shall have to put in place suitable mechanisms for ex-ante due diligence by the Participating Banks as the credit sanction process cannot be outsourced under the extant guidelines on outsourcing.
 - (b) The Participating Banks 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 25 February 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.
- 3.2 Model 2: Under this model the Participating Bank(s) shall take over its share in the exposure after disbursement of the loan by SarvaGram on back-to-back basis subject to due diligence.

- (a) If the Participating Banks exercises its discretion regarding taking into its books the loans originated by SarvaGram as per the CLM Master 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 the applicable RBI Guidelines on Transactions Involving Transfer of Assets through Direct Assignment of Cash Flows and the Underlying Securities / Transfer of Loan Exposures, as updated from time to time, with the eligible exemptions such as the Minimum Holding Period (MHP) which shall not apply to transactions undertaken in accordance with the CLM or as modified from time to time, if any.
- (b) The MHP exemption shall be available only in cases where the prior agreement between the Participating Banks and SarvaGram contains a back-to-back basis clause and complies with all other conditions stipulated in the guidelines for direct assignment.

Both the above arrangements would involve sharing of risks and rewards between the Lenders for ensuring appropriate alignment of respective business objectives, as per the mutually decided agreement between the Lenders. A minimum 20% of the credit risk by way of direct exposure shall be on SarvaGram's books till maturity of the loan and the balance will be on the Participating Banks's books.

4. EXECUTION OF CLM MASTER AGREEMENT

A CLM Master Agreement shall be entered into between Participating Bank and SarvaGram outlining the terms and conditions of CLM arrangement including but not limited to specific details of product, areas of operations, provisions related to segregation of responsibilities as well as customer interface and protection issues, criteria for origination of loans/ facility, pricing for assignment of pool under direct assignment, frequency/ size of pool assignment, as the case may be.

The CLM Master Agreement may provide for the Participating Banks to either mandatorily take their share of the individual loans originated by SarvaGram in their books as per the terms of the agreement or to retain the discretion to reject certain loans after their due diligence prior to taking in their book's loan/ facility amount.

5. PRODUCTS FOR CO-LENDING

Lending under the CLM can be undertaken in all products (new/ existing) of SarvaGram that are eligible to be treated as priority sector under the extant RBI guidelines/ applicable laws.

6. GEOGRAPHICAL SCOPE

SarvaGram intends to explore co-lending opportunity across all of its branch network.

7. CO-LENDING GUIDELINES

The proposed CLM arrangements are for the sector as eligible under the RBI Circular, from time to time. The key features of the proposed policy are summarised below:

7.1 **Board Approved Policy**

SarvaGram, through this document, proposes the CLM Policy to comply with the RBI Circular and explore partnerships with Participating Banks.

7.2 Sharing of Risk and Rewards

For all loans under CLM arrangements, SarvaGram will directly hold exposure as per the extant RBI Circular. Currently the CLM Policy requires that SarvaGram should hold minimum 20% of the credit risk (20 % share of the individual loans on their books) until maturity. This may be increased subject to agreed appropriate terms and the nature of the mutual agreement with Participating Banks.

7.3 Commercials

- (a) Interest rate: The rate of interest may be under both fixed and floating rate regime based upon mutually agreed terms with Participating Bank(s) on case to case basis. The ultimate borrower/ applicant may be charged an all-inclusive interest rate as may be agreed upon by the Lenders conforming to the extant guidelines and laws applicable to the Lenders.
- (b) Fees and Expense sharing for other activities: Appropriation between the Lenders may be mutually decided basis mutual agreement between the Lenders.
- (c) AUM / Servicing Fees / Any other commercial terms: As may be mutually decided basis mutual agreement between the Lenders.

7.4 Due Diligence (Know Your Customer)

SarvaGram will adhere to applicable KYC/ AML regulatory guidelines and any other regulation as stipulated by RBI from time to time.

7.5 Credit Appraisal

The details of credit appraisal process shall be detailed either by creation of a standard operating process (**SOP**) or equivalent document or by making the same as a part of the CLM Master Agreement.

7.6 Loan Sanction

Under the CLM arrangements, the process of sanction letter issuances and execution of the loan agreement would be detailed in the SOP or equivalent document or the CLM Master Agreement as mutually agreed with the Participating Bank(s), including the following options:

- (a) Option 1: SarvaGram shall recommend to the Participating Bank(s) the proposals as eligible for joint lending. The Participating Bank(s), under its irrevocable commitment to take into its books its share of the individual loans as originated by SarvaGram, shall subject to ex-ante due diligence mechanism as agreed between Participating Bank(s) and SarvaGram, agree to sanction the facility to the applicant. The loan agreement would be executed between the parties wherein the Participating Bank(s) and SarvaGram shall be parties as lenders to the loan agreement.
- (b) Option 2: SarvaGram shall upon assessment agree to grant the loan/ facility to the applicant/ borrower. In such case, SarvaGram shall execute loan agreement with the applicant/ borrower and disburse the loan/ facility. Post disbursement SarvaGram shall refer these loans to the Participating Bank(s) who shall then

have the right to take over its share on back-to-back basis.

7.7 Borrower Loan Documentation

Necessary disclosures of this arrangement is to be made in the loan agreement and explicit consent from the applicant/ borrower would be taken upfront.

7.8 Audit

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

7.9 Customer Service and Grievance Redressal

- (a) SarvaGram shall be the single point of interface for the customers/ applicants/ borrowers and shall generate a single unified statement of the loan/ facility under CLM, through appropriate information sharing arrangements with the Participating Bank(s).
- (b) The extant guidelines relating to customer service and fair practices code and the obligations enjoined upon the Participating Bank(s) and SarvaGram therein shall be applicable in respect of loans given under the arrangement.
- (c) SarvaGram shall be responsible for grievance redressal within 30 (thirty) days in line with existing grievance policy of SarvaGram, failing which the borrower/ applicant would have the option to escalate the same with the concerned Banking Ombudsman/ Ombudsman for NBFCs or the Customer Education and Protection Cell (CEPC) in RBI.

7.10 Escrow Accounts

SarvaGram and the Participating Bank(s) shall open escrow accounts with the Participating Bank(s) acting as the Escrow Bank and the manner of operations of such account shall be detailed in the SOP or equivalent document or the CLM Master Agreement.

7.11 Monitoring and Recovery

The Lenders shall establish a framework for monitoring and recovery of the loan as mutually agreed upon, which will be part of CLM Master Agreement entered into between both the Lenders.

7.12 Security and Charge Creation

The security and, where appropriate, the charge for such loan/ facility shall be created as agreed amongst the Lenders under the CLM/ CLM Master Agreement.

7.13 Provisioning/ Reporting Requirement

Each of the Lenders i.e., SarvaGram and the Participating Bank(s) shall follow its independent provisioning requirements including declaration of account as non-performing asset (“**NPA**”), as per the regulatory guidelines respectively applicable to each of them. Each of the Lenders shall carry out their respective reporting

requirements including reporting to Credit Information Companies (CICs), under their respective applicable law and regulations for their share of lending.

7.14 Direct Assignment Transaction between SarvaGram and Bank

Loans originated by SarvaGram under Option 2, would be assigned to Participating Bank(s) under an assignment and servicer agreement. The process for such agreements, inter alia including standard formats and agreed turn-around time shall be mutually agreed with partner Banks as part of the SOP or equivalent document or the CLM Master Agreement.

7.15 Assignment of co-lent loans or change in Loan limit

Any assignment of co-lent loans by any of the Lenders and any change in loan limit of the co-lent loans can be done only with the mutual consent of both the Lenders in accordance with the applicable law.

7.16 Business Continuity Plan

Notwithstanding termination of CLM Master Agreement, both Lenders agree and acknowledge that borrower/ applicant servicing shall be rendered till each loan originated under this CLM arrangement is completely repaid or settled as detailed in the SOP or equivalent document or the CLM Master Agreement.

8. **RECOURSE TO SARVAGRAM**

In the event, the Participating Bank(s) intends to claim priority sector status in respect of its share of credit while engaging in the co-lending arrangement, SarvaGram shall ensure that priority sector assets on the Participating Bank(s)' books will at all times be without recourse to SarvaGram. Further, the loans extended by foreign banks under the co-lending framework shall be restricted only to loans qualifying as priority sector assets.

9. **OUTSOURCING OF SERVICES**

SarvaGram will adhere to extant guidelines on outsourcing of financial services and the outsourcing policy approved by the Board.

10. **DISCLOSURES**

SarvaGram shall prominently display the CLM Policy on their website.

11. **REVIEW AND AMENDMENTS**

This CLM Policy shall be subject to periodic review in accordance with any regulatory or statutory requirement and shall be approved by the Board of SarvaGram.

In case any amendments is issued by RBI in the form of clarifications, circulars, or guidelines or by any other name, which may not be consistent with the current provisions laid down under this CLM Policy, then the provisions of such amendments / clarifications, shall prevail upon the provisions contained in the Policy and the same shall stand amended accordingly effective from the date as laid down under such RBI communique.
