LENDINGKART FINANCE LIMITED

FRAMEWORK FOR CO-LENDING WITH BANKS WITH RESPECT TO ORIGINATION OF PSL ASSETS

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Preamble

LENDINGKART Finance Limited, is a non-deposit taking NBFC, providing business loans to MSE borrowers through its technology platform. LFL aims to transform small business lending by making it convenient for SMEs to access credit easily by resolving customer's financial requirements through better, faster, more powerful and affordable finance & loan related services. In this context, LFL proposes to enter into Co-Lending arrangements with banks for furtherance of lending business

- **Background**

The Company has adopted this Co-lending Policy ('Policy') in line with the notification no. RBI/2020-21/63, FIDD.CO.Plan.BC.No.8/04.09.01/2020-21 dated November 5 2020 and RBI/2023-24/41 DOR.CRE.REC.21/21.07.001/2023-24 dated 08 June 2023 issued by the RBI updated from time to time.

This Policy has been duly approved by the Board of Directors (the 'Board') of the Company.

- **Scope and Objective of the Policy**

The objective of this policy is to jointly originate loans with Banks for exploring co-lending opportunities across the Company's existing and new products to meet the customer demand and to provide timely credit to its customers.

This Policy covers general principles and practices to be followed by the Company to enter into co-lending arrangements with Banks ("herein after referred to as "Co-lenders").

The Company will comply with RBI's Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 and the Circular on Co-Lending by Banks and NBFCs to Priority Sector dated November, 2020 ("the Guidelines"), as and when applicable, as updated from time to time and prudential norms or any other rules, regulations and directions, as applicable to the Company from time to time generally with respect to the loans extended by the Company ('Regulations').

The Company has duly formulated its Know Your Customer (KYC), Anti-Money Laundering (AML), Combating Financing of Terrorism (CFT) Policy and Customer Acceptance Policy ('KYC and AML Policy') in accordance with the guidelines as applicable. Accordingly, the terms, procedures and requirements set out under KYC and AML Policy will be followed for onboarding the customer and disbursement of the loans by the Company at all times.

LFL shall enter into co-lending arrangements, wherein LFL shall be responsible for 'end to end' loan life cycle starting from customer sourcing, underwriting, account servicing and collections until the loans are fully repaid, in compliance with the regulatory requirements as may be applicable.

This Policy outlines a broad framework for the co-lending programs entered into/ to be entered into by LFL with various Co-lenders in terms of the Guidelines.

- **Partnership Arrangements**

  In terms of the Co-lending Guidelines, LFL will enter into a Master Agreement with a Co-lender(s) that shall, inter-alia, include terms and conditions of the co-lending arrangement including but not limited to the criteria for selection of potential customers, the specific product lines and areas of operation, along with provisions related to segregation of responsibilities as well as customer interface and protection issues.

  The master agreement shall include either or both of the below options:

  - **Option 1:** Co-lender to mandatorily take in their books, their share of individual loans as originated by LFL.

    If the agreement entails prior, irrevocable commitment on the part of the Co-lender to take into their books its share of the individual loan as originated by LFL, compliance 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 March 11, 2015 and updated from time to time, as may be applicable will be ensured. The Co-lender and LFL will put in place suitable mechanism for ex-ante due diligence by the Co-lender as the credit sanction process cannot be outsourced under the extant guidelines.

  - **Option 2:** Co-lender retain the discretion or right to reject certain loans subject to its due diligence before taking on their books.

    If the Co-lender(s) exercises its discretion regarding taking into its books the loans originated by LFL as per the Agreement, the arrangement will be akin to a direct assignment transaction. Accordingly, the Co-lender 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/DOR/2021-22/86 DOR.STR.REC.51/21.04.048/2021-22 dated 5th December 2022 and RBI/DOR/2021-22/85 DOR.STR.REC.53/21.04.177/2021-22 dated 5th December, 2022 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 Policy.

    The MHP exemption shall be available only in cases where the prior agreement between the Partner Bank(s) and LFL contains a back-to-back basis clause and complies with all other conditions stipulated in the guidelines for direct assignment.

    The Master Agreement will clearly specify the manner of appropriation between the co-lenders. The agreement may contain necessary clauses on representations and warranties which LFL will be liable for in respect of the share of the loans taken into its book by the Co-lenders.

- **Key features and scope of the Co-lending arrangements**

- **Customer related issues**
  - LFL shall be the single point of interface for the customers and shall enter into a tripartite loan agreement with the borrower, which shall clearly contain the features of the arrangement and the roles and responsibilities of LFL and Co-lender(s).
  - All the details of the arrangement shall be disclosed to the customers upfront, and their explicit consent shall be taken.
  - The ultimate borrower may be charged an all-inclusive interest rate as may be agreed upon by both the lenders conforming to the extant guidelines applicable to both.
  - The extant guidelines relating to customer service and fair practices code and the obligations enjoined upon the Co-lender(s) and LFL therein shall be applicable mutatis mutandis in respect of loans given under the arrangement.
  - LFL will generate a single unified statement of the customer, through appropriate information sharing arrangements with the Co-lender(s).
  - With regard to grievance redressal, suitable arrangement shall be put in place to resolve any complaint registered by a borrower with the LFL within 30 days, failing which the borrower would have the option to escalate the same with the concerned Banking Ombudsman/ Ombudsman for NBFCs or the Customer Education and Protection Cell (CEPC) in RBI. Any grievance received by LFL, or the Co-lender will also be shared with the other party.

- **Other Operational Aspects**
  - The Co-lender(s) and LFL shall maintain each individual borrower's account for their respective exposures.
  - LFL will retain a minimum 20% share of the individual loans for priority sector lending on its books for both the options detailed above.
  - All transactions (disbursements/ repayments) between the Co-lender(s) and LFL relating to co-lending shall be routed through an escrow account maintained with the banks, in order to avoid inter-mingling of funds. The Master Agreement shall clearly specify the manner of appropriation between the Co-lender(s) and LFL.
  - The Co-lender(s) and LFL shall establish a framework for monitoring and recovery of the loan, as mutually agreed upon.
  - The Co-lender(s) and LFL shall arrange for creation of security and charge, if any, as per mutually agreeable terms.
  - The Co-lender(s) and LFL shall adhere to the asset classification and provisioning requirement, as per the respective applicable regulatory guidelines including reporting to Credit Information Companies, under the applicable regulations for its share of the loan account.
  - The loans under the CLM shall be included in the scope of internal/ statutory audit within the Co-lender(s) and LFL to ensure adherence to their respective internal guidelines, terms of the agreement and extant regulatory requirements.
  - Any assignment of a loan or change in loan limit by the Co-lender(s) and LFL to any third party can be done only with the consent of the other party.
  - Both the Co-lender(s) and LFL shall implement a business continuity plan to ensure uninterrupted service to their borrowers till repayment of the loans under the co-lending agreement, in the event of termination of co-lending arrangement between the Co-lender(s) and LFL.

- LFL shall adhere to extant guidelines on outsourcing of financial services and the outsourcing policy approved by the Board.

- **Co-branding of documents (applicable for Option I)**

LFL being the front ending partner and representing both the lenders in front of the customer, it is desirable for all the parties to have cobranded set of documents viz. application form, sanction letter, facility agreement, any other document communicated to the customer having any legal implication, etc. to smoothen the process for customer facilitation and awareness.

Providing Default Loss Guarantee (DLG), if applicable, in Digital Lending in compliance with Guidelines on DLG in Digital Lending issued by the RBI on June 08, 2023

- The total amount of DLG cover (including performance risk in case of implicit guarantees) on any outstanding portfolio shall not exceed five per cent of the amount of that underlying loan portfolio.
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- All DLG arrangements shall be backed by an explicit legally enforceable contract covering provisions with respect to the extent of DLG cover, form in which DLG cover is to be maintained with the Co-lender, the timeline for DLG invocation and disclosure obligations of LFL
- LFL shall provide DLG ***only*** in one or more of the following forms:
  - Cash deposited with the co-lender;
  - Fixed Deposits maintained with a Scheduled Commercial Bank with a lien marked in favour of the co-lender;
  - Bank Guarantee in favour of the co-lender;
  - any other form as may be approved by Reserve Bank of India from time to time
- Recovery by the co-Lender, if any, from the loans on which guarantee has been invoked and realised, to be shared with LFL in terms of the contractual arrangement.

- LFL will honor the DLG invoked by the Co-Lender within a maximum overdue period of 120 days, unless made good by the borrower before that.
- The DLG agreements shall remain in force for the longest tenor of the loan in the underlying loan portfolio.
- LFL shall publish on its website the total number of portfolios and the respective amount of each portfolio on which DLG has been offered and keep the same updated from time to time.
- LFL shall, inter alia, at the time of entering or renewing the DLG arrangements provide a declaration certified by the Statutory auditors of the company to the Co-Lenders, if requested comprising of the following details:
  - aggregate DLG amount outstanding
  - number of REs and the respective number of portfolios against which DLG has been provided by LFL
  - past default rates on similar portfolios
- Guarantees covered under Guarantee schemes of Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE), individual schemes under National Credit

Guarantee Trustee Company Ltd (NCGTC) schemes/ entities shall not be covered within the definition of DLG.

- LFL shall ensure that all arrangements wherein it is acting as a DLG Provider are in compliance with the provisions of outsourcing guidelines.

Approval Mechanism

Each arrangement will require prior approval from LFL Borrowing Committee