



Chaitanya

CHAITANYA INDIA FIN CREDIT PRIVATE LIMITED

Co-lending Policy

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Background:

The Reserve Bank of India circular no. RBI/2020-21/63 FIDD.CO.Plan.BC.No.8/04.09.01/2020-21 dated November 05, 2020, (superseding the earlier circular FIDD.CO.Plan.BC.08/04.09.01/2018-19 dated September 21, 2018) has issued guidelines on co-lending of loans by banks and NBFCs for lending to priority sector. The arrangement entailed joint contribution of credit at the facility level by both the lenders as also sharing of risks and rewards.

The primary focus of the revised scheme, rechristened as “Co-Lending Model” (CLM) is to improve the flow of credit to the unserved 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.

Accordingly, Chaitanya India Fin Credit Private Limited (CIFCPL), in compliance with this circular is adopting the following policy on Co-lending of loans

Objective:

Chaitanya India Fin Credit Private Limited (The “Company”) is a registered non-deposit taking systemically important non-banking financial institution and currently has two products, namely, Microfinance loans and Personal loans. In order to serve our customers more efficient and enable growth of our business, the Company will enter into Co-lending arrangement with other Banks and financial institutions (“Co-Lenders”) for its existing and new products/ segments.

Approval norms:

Company shall not outsource credit decisioning process. Further, it shall ensure to seek approval from Co-lenders via ex-ante due diligence by the Co-lenders in all cases where the master agreement entails a prior, irrevocable commitment on the part of the Co-Lenders to take into its books its share of the individual loans as originated by the company.

If the Co-Lenders can exercise its discretion regarding taking into its books the loans originated by company as per the Agreement, the arrangement will be akin to a direct assignment transaction with the exception of Minimum Holding Period (MHP) which shall not be applicable in such transactions undertaken in terms of this co-lending model. The MHP exemption shall be available only in cases where the prior agreement between the Co-Lenders contains a back-to-back basis clause and complies with all other conditions stipulated in the guidelines for direct assignment.

Models:

The company may enter into co-lending arrangement on the basis of any of the following models-

- A) The arrangement would entail joint contribution of credit at the facility level, by both the company and Co-Lenders.
- B) The Co-Lenders shall take over its share in the exposure after disbursement of the loan on back-to-back basis subject to due diligence.

Commercial:

a. Interest rate-

Company and the Co-lenders shall have the flexibility of pricing their part of exposure in accordance with internal pricing strategies, however, the ultimate customer shall be charged an all-inclusive interest rate. Upon repayment, the interest shall be shared between Company and the Co-lenders in proportion to their share of credit and interest.

b. Risk and rewards-

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

c. Fess and expense sharing-

Appropriation between the Company and Co-lenders may be mutually decided basis mutual agreement with Co-Lenders.

d. Servicing fees-

Would be agreed mutually between the Company and Co-Lenders.

Fund Management:

The Company and Co-Lender shall maintain each individual borrower's account for their respective exposures. However, all transactions (disbursements/repayments) between the Company and Co-lender relating to CLM shall be routed through an escrow account. The Master Agreement shall clearly specify the manner of appropriation between the Company and Co-Lenders.

Provisioning:

In event of default, provisions shall be provided in books for the mentioned loan (Company part) as per Company's board approved policy. Any additional provisions shall be made on case-to-case Basis.

Operation aspect:

Standard operating process-

A detailed Standard Operating Process (SOP) would be created in discussion with the Co-Lenders following the co-lending Master Agreement being entered into, to suitably detail the Credit Appraisal process within the SOP.

Geographical scope-

Co-lending opportunity will be explored across all branches of the Company.

Customer service and grievance redressal-

- I. The Company 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 Company and Co-Lender
- II. All the details of the arrangement shall be disclosed to the customers upfront, and their explicit consent shall be taken.
- III. The extant guidelines relating to customer service and fair practices code and the obligations enjoined upon the Co-Lender and Company therein shall be applicable mutatis mutandis in respect of loans given under the arrangement.

- IV. Company should be able to generate a single unified statement of the customer, through appropriate information sharing arrangements with the bank.
- V. With regard to grievance redressal, suitable arrangement must be put in place by the co-lenders to resolve any complaint registered by a borrower with the company 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.

Others:

Assignment of loan-

Any assignment of a loan by the company to a third party can be done only with the consent of the Co-lenders.

Monitoring-

The framework for monitoring and recovery of the loan, shall be guided as per mutually agreed terms.

Business Continuity plan-

Company shall ensure uninterrupted service to their borrowers, on-boarded under the CLM, till repayment of the loans even in the event of termination of co-lending arrangement between the Company and Co-lenders.

Internal and Statutory Audit-

The loans under the CLM shall be included in the scope of internal/statutory audit to ensure adherence to company internal guidelines, terms of the agreement and extant regulatory requirements.