

Policy on Co-Lending

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Approved By: Board of Directors

This Policy shall govern the Co-Lending arrangement for loan originations by InCred along with participating Banks/FIs.

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Preamble

The Reserve Bank of India (RBI) seeks to provide competitive credit flow to the unserved and underserved segments of the ecosystem to achieve financial inclusion. Considering wider geographical reach and ability of NBFCs to operate on affordable infrastructures, RBI has introduced Co- Lending model through which banks and NBFCs/ HFCs can collaborate to improve the flow of credit to such segments.

The co-Lending model should entail joint contribution of credit by both the lenders. It should also involve sharing of risks and rewards between the NBFC and the Bank/FI for appropriate alignment of respective business objectives, as per mutually decided agreement between NBFC and the Bank.

Under the Co-Lending model InCred Financial Services Limited (hereinafter referred to as the Company/ IFSL/ InCred) shall be responsible for including but not limited to sourcing of customers/ borrowers, credit assessment (as a co-lender) icing/ monitoring of loans and collections from the customers and requisite regulatory reporting InCred shall act as a servicing and collection agent for the loans co-lent by InCred & the partner bank/FI.

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Objective of the Policy

This Policy shall be treated as the guidelines for strategic alliance with various Banks/FIs for Co-Lending of loans and shall be read along with relevant guidelines issued by the regulators like Reserve Bank of India, Ministry of Finance etc. In case of any conflict between the Policy and any applicable Regulations, the Regulations shall prevail.

This policy shall be reviewed as and when required by the Company, however, shall be reviewed at least once in a year.

Terminology/ Definition

The following terms shall have the following meanings ascribed to it:

- i. 'RBI' means Reserve Bank of India
- ii. 'KYC' means Know Your Customer
- iii. 'AML' means Anti Money Laundering
- iv. 'FI' means Financial Institution
- v. 'NBFC' means Non-Banking Financial Company
- vi. 'NPA' means Non-Performing Asset
- vii. 'BCP' means Business Continuity Plan

Co-Lending Policy

With a view to further scale-up the operations of the Company and for providing wider reach, InCred shall explore Co-Lending opportunities with various Banks/ FIs under all possible models of Co-Lending.

The Company will enter into a Master Co-Lending/ Co-origination/ any such agreement with the partner Bank/FI for defining terms & conditions of the Co-Lending arrangement, participation ratio , commercial arrangements, pre-agreed credit policies, operating procedures/ guidelines, rights and obligations of InCred & the Bank for setting up the co-Lending business including Services and/ or Collection services for the co- Lending business, reporting requirements under various regulations and customer redressal mechanism

Terms of the co-Lending arrangement including Master Co-Lending/ Co-origination/ any such agreement required in this matter shall be approved by the Finance Committee of the Board of Directors.

Eligible Products/ Business Segments

Existing businesses of the Company such as Personal Loans, Student Loans, Secured School Financing, Loan against Properties, Anchor & Escrow backed Lending, Lending to FIs and any such new business or product segments undertaken by the Company shall be eligible for co-Lending of loans.

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Eligible Banks/ Financial Institutions

InCred may enter into Co-Lending arrangement with any of the Banks or Financial Institution which are eligible to engage in the business of Co-Lending by the RBI.

Business Sourcing, Funding and Servicing

1. InCred shall be responsible for sourcing/ origination of the loans. Process of loan sanction and disbursal shall be as per the agreed terms as defined in the Master Co-Lending arrangement/ Standard Operating Procedures agreed with respective the Bank/FI.
2. Escrow type common account shall be opened for disbursals/ collections. Terms of the appropriation of cash flows shall be defined in the Master Co-Lending arrangement/ Standard Operating Procedures.
3. InCred shall maintain individual borrower’s account for its share/ contribution as well as a single unified statement for the borrower considering share of both InCred & the co- Lending Bank/FI.

Any other services that are provided to the borrower by InCred/ Bank/ FI shall be governed by the terms & conditions of the Master Co-Lending arrangement.

Know Your Customer (KYC)

InCred shall adhere to applicable KYC and AML guidelines issued by RBI as updated from time to time. The Company shall carry out proper due diligence. However, even if the Company is carrying out the KYC compliances for verifying the identity of the customers at the inception, the Bank/ FI shall also ensure that the ultimate responsibility and decision- making functions of determining compliance with KYC norms are met with.

Collection and Recovery

InCred shall follow appropriate framework for documenting, maintaining and testing business continuity and recovery procedures as mutually agreed with the Bank/FI from time to time. InCred shall execute a Service/ Collection Agreement with the Bank/ FI which shall lay down the said process and both the parties shall be abided with the same.

Security and Charge Creation

Creating of security and charge shall be as mutually decided between InCred and participating Banks in the respective Master Co-Lending arrangement. It can either be in the name of a security trustee or any one of the co-lenders or both lenders may have pari passu charge over the security, as specifically decided in the respective Master Co-Lending arrangement.

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Provisioning/Reporting Requirement

Co-lenders shall follow its independent provisioning requirements, including declaration of account as Non-Performing Assets (NPA), as per the applicable regulatory guidelines issued from time to time.

Monitoring of the loans

InCred and the Co-Lending Bank/ FI shall establish a framework for monitoring and recovery of the loans at mutually agreed terms and conditions. The loans under the co-Lending agreement shall also be subject to periodic verification by InCred’s internal auditors to ensure adherence to its internal guidelines, terms of the Master Co-Lending arrangement and extant regulatory requirements.

Grievance Redressal

InCred will be primarily responsible for customer service and for resolving customer grievances of the borrower. However, any complaint registered by a borrower with the Company and/or Bank shall also be shared with Co-Lending partner.

Business Continuity Plan

InCred and the participating Banks/FIs shall formulate a business continuity plan to ensure uninterrupted service to the borrowers till repayment of the loans under the Co-Lending agreement, in event of termination of co-Lending arrangement between the co-lenders.

Reporting to Credit Information Companies

Reporting to Credit Information Companies, under the applicable regulations shall be made for co-lender’s share of the loan account.

Amendment

Any other regulatory changes will stand updated in the policy from time to time.

Change Control Record

Version No.	Change Request by	Memorandum of Change	Approval Date