Sammaan Finserve Limited

(formerly known as Indiabulls Commercial Credit Limited)

Co-Lending Policy

SAMMAAN FINSERVE

Table of Contents

Background and Objective

The Reserve Bank of India has been taking various initiatives to improve and ease the credit flow to various sectors and segments of economic system and further to achieve its vision of the greater financial inclusion, it has made special efforts to ensure that the credit flow and financial services are available till the last mile.

In this direction, an important game changing step by RBI has been the introduction of Co-lending Model through which it has paved the way for a model wherein the Non-banking finance companies (NBFCs), Housing Finance Companies (HFCs) and the Banks can come together to collaborate and get into an arrangement to do joint origination and lending in the market. The model envisages a joint lending process in such a manner that that there are defined roles for each party and the risks and rewards are shared by both the co-lenders. This model will not only help to leverage on the liquidity strengths of the banks and other FIs, but also will help make effective use of the deep reach of the NBFCs and HFCs, thereby making funds available to the ultimate beneficiaries at an affordable cost.

In this regard, the Reserve Bank Of India had issued a communication dated Sep 21, 2018; bearing number RBI/2018-19/49 FIDD.CO.Plan.BC.08/04.09.01/2018-19 ("Co-origination of loans by Banks and NBFCs for lending to priority sector") and further a subsequent notification dated November 05, 2020 bearing number RBI/2020-21/63 FIDD.CO.Plan.BC.No.8/04.09.01/ 2020-21 ("Co-Lending by Banks and NBFCs to Priority Sector") has been circulated, through which it has outlined the co-lending model and issued the necessary guidance for co-origination and co-lending. The primary focus of the "Co-Lending Model" (CLM) is 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. As per the revised Co-Lending Model (CLM), banks are permitted to co-lend with all registered NBFCs (including HFCs) based on a prior agreement.

Scope and Modus Operandi

Considering it as a good opportunity to further scale up the retail lending business and looking at its great potential as well economic viability, the co-lending model and Policy has been approved by Board of Sammaan Finserve Limited (formerly known as Indiabulls Commercial Credit Limited) ("**SFL**") and adopted as per below outlined framework:-

- Sammaan Finserve Limited (formerly known as Indiabulls Commercial Credit Limited) ("**SFL**") will explore the opportunities of entering into Co-lending arrangements with the Banks for co-origination and joint lending of Housing Loans and LAP.
- SFL will enter into collaborations with co-lending partner and execute a Master Co- Lending Agreement with the Partnering Bank detailing the scope and other terms & conditions as required and in line with the guidelines issued by RBI, including the terms and conditions of the arrangement, the specific product lines and areas of operation, along with provisions related to segregation of the responsibilities as well as customer interface and protection issues.

SAMMAAN FINSERVE

- The Master Agreement will cover the co-lending model under co-branded co-origination arrangement or option for Partnering Bank to take their share of the individual loans originated by Sammaan Finserve Limited (formerly known as Indiabulls Commercial Credit Limited) under Direct assignment model or both as case, may be and agreed with Co-lending Partner.

- The Master Agreement may provide for the banks to either mandatorily take their share of the individual loans originated by SFL in their books as per the provisions of the agreement **OR** to retain the discretion to reject certain loans after their due diligence prior to taking in their books Loan amount.

  Model 1
  If the 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 SFL, the arrangement must comply with the extant guidelines on Managing Risks and Code of Conduct in Outsourcing of Financial Services by Banks. The partner bank and SFL shall have to put in place suitable mechanisms for ex-ante due diligence by the bank as the credit sanction process cannot be outsourced under the extant guidelines on Outsourcing.

  The bank shall also be required to comply with the Master Directions - Know Your Customer (KYC) Direction, as 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.

  Model 2
  If the bank exercises its discretion regarding taking into its books the loans originated by SFL 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 Guidelines on Transactions Involving Transfer of Assets through Direct Assignment of Cash Flows and the Underlying Securities issued, as issued and revised 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.

- The co-lending banks will take their share of the individual loans on a back-to-back basis in their books.

- The MHP exemption shall be available only in cases where there is a prior agreement between the banks and SFL. Participation between the co-lending banks and SFL in their capacity as lenders, shall be mutually agreed ratio with minimum 20% of the credit risk by way of direct exposure shall be on SFL book till maturity.

Customer Centricity and servicing

- SFL shall remain the front-ending servicing partner for customers boarded under CLM. It will be primarily responsible for providing the required customer service and grievance redressal to the borrower and will make adequate arrangement for the customer interface and query/ grievance redressal for the customers acquired under co-lending arrangement.

- The customer shall be charged all-inclusive unified interest rate and SFL will arrange to generate single unified statement of account of loan.

- SFL shall adhere to 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.
- SFL shall continue to service the customers acquired under CLM till repayment of the loans like any other customers even in the event of termination of co-lending arrangement between the co-lenders.

Operational Aspects

- SFL will chalk out a separate common lending policy in agreement with the partnering Bank to source and process loans according to agreed common policy.
- SFL and the partnering bank shall have the flexibility of pricing their part of exposure in accordance with internal pricing strategies, however, the ultimate borrower shall be charged an all-inclusive interest rate, as agreed upon by both the lenders.
- SFL in discussion with the Co-Lending Partner will pre-design and put in place the suitable process and procedures for sourcing, processing and due-diligence, keeping in view the compliance to extant guidelines issued by RBI on Know Your Customer (KYC), Code of Conduct in Outsourcing of Financial Services by Banks, Fair Practices Code and other related matters.
- SFL shall open the designated Escrow accounts for the arrangement and ensure to process and route loans under co-lending through these designated escrow accounts.
- Each lender will adhere to the asset classification and provisioning requirement, as per the respective regulatory guidelines applicable.
- Loans originated under CLM shall be included in the scope of internal/statutory audit within the partnering bank and SFL.

Business Continuity Plan

SFL will work out and implement a business continuity plan to ensure uninterrupted service to their borrowers till repayment of the loans granted pursuant to the co-lending agreement (including despite termination of co-lending arrangement between the co-lenders).

This policy shall be subject to, and read in conjunction with the RBI Circulars on Co origination and Co lending as referred hereinabove and/ or other Applicable Laws.