

Co-Lending Policy

1. Introduction / Background

This Policy on Co-Lending (hereinafter referred to as 'the **Policy**') covers general principles and practices to be followed by Davinta Financial Services Private Limited (herein after referred to as "**the Company**") to enter into co-lending arrangement with its Co-lending partners (*as defined below*).

The Policy will be applicable to all the categories of products and services offered by the Company under the Co-Lending Model ("**CLM**") and apply to related operations such as customer sourcing, loan processing, loan servicing and collection activities.

The Policy has been drafted in line with the Reserve Bank of India (**RBI**) notification 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) allowing CLM 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 NBFC. The arrangement entails joint contribution of credit at the facility level by both the lenders as also sharing of risk and rewards. This Policy shall also be placed on the Company's website.

This Policy applies to co-lending for priority and non-priority sector. In this Policy, henceforth all such partner banks / NBFCs / FIs for co-lending purposes will be termed as "**Co-Lending Partners**".

2. Norms of Agreement between the Company & the Co-Lending Partners:

The Company shall enter into CLMs as per the below mentioned modes or options:

(i) **Option 1:**

Co-Lending Partners to mandatorily take in their books, their share of the individual loans as originated by the Company. If the agreement between the Company and the Co-Lending Partner for implementing the CLM ("**CLM Agreement**") entails a prior, irrevocable commitment on the part of the Co-Lending Partner to take into its books its share of the individual loans as originated by the Company, 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 March 11, 2015 and updated from time to time. In particular, the Co-Lending Partner and the Company shall have to put in place suitable mechanisms for ex-ante due diligence by Co-Lending Partner as the credit sanction process cannot be outsourced under the extant guidelines.

(ii) **Option 2:**

Co-Lending Partners retain the discretion or right to reject certain loans subject to its due diligence before taking on their books. If Co-Lending Partner exercises its discretion regarding taking into its books the loans originated by the Company as per the CLM Agreement, the arrangement will be similar to a direct assignment transaction. Accordingly, the Co-Lending Partner 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/2011- 12/540 DBOD. No. BP. Bc-103/21.04.177/2011-12 dated May 07, 2012 and RBI//2012-13/170 DNBS. PD. No. 301/3.10.01/2012-13 August 21, 2012 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 CLM. The MHP exemption shall be available only in cases where the prior agreement between the Co-Lending Partners and the Company contains a back-to-back basis clause and complies with all other conditions stipulated in the guidelines for direct assignment.

The Company shall be required to retain a minimum 20% share of the individual loans on its book for both the options detailed above.

3. Execution of a CLM Agreement

A CLM Agreement shall be entered into between Co-Lending Partner and the Company outlining the terms and conditions of co-Lending arrangement including but not limited to specific details of product, areas of operations, criterion for partner selection, provisions related to segregation of responsibilities as well as customer interface and protection issues. The CLM Agreement may provide for the Co-Lending Partner to either mandatorily take their share of the individual loans originated by the Company in their books as per the terms of the CLM Agreement or to retain the discretion to reject certain loans after their due diligence prior to taking in their books loan amount.

The CLM Agreement shall clearly specify the manner of appropriation between the Co-Lending Partner and the Company. The CLM Agreement shall contain necessary clauses on representations and warranties which the Company shall be liable for in respect of the share of the loans taken into its book by the Co-Lending Partner.

4. Customer related aspects

(i) **Customer Sourcing**

The Company shall source customers and undertake necessary screening of the customers as per the terms outlined in the CLM Agreement.

(ii) **Single Point of Interface:**

The Company shall be the single point of interface for the borrowers 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 the Company and the Co-Lending Partner.

(iii) **Disclosures:**

All the details of the arrangement shall be disclosed to the borrowers upfront and their explicit consent shall be taken.

(iv) **Interest Rate:**

The ultimate borrower may be charged an all-inclusive interest rate as may be agreed upon by the Company and the Co-Lending Partner jointly and conforming to the extant guidelines applicable to both. Company and the Co-Lending Partner 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. Upon repayment, the interest shall be shared between the Company and the Co-Lending Partner in proportion to their share of credit and interest as per the CLM Agreement.

(v) **Customer Service & Fair Practice:**

The extant guidelines relating to customer service and fair practices code and the obligations enjoined upon the Co-Lending Partner and the Company therein shall be applicable *mutatis mutandis* in respect of loans given under the arrangement.

(vi) **Unified Statement:**

The Company should be able to generate a single unified statement of the customer, through appropriate information sharing arrangements with the Co-Lending Partner.

(vii) **Grievance Redressal:**

Suitable arrangement must be put in place by the Company and Co-Lending Partner 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.

5. Know Your Customer (“KYC”) / Anti-Money Laundering (“AML”)

The Company will adhere to applicable KYC / AML regulatory guidelines and any other regulation as stipulated by RBI from time to time. The Company and the Co-Lending Partners may rely on customer due diligence done by a third party as permitted under the RBI Know Your Customer (KYC) Master Direction 2016 (updated from time to time). The list of KYC documents to be collected from the customers shall be outlined in the CLM Agreement.

6. Fund Management

The Company and Co-Lending Partner shall maintain each individual borrower’s account for their respective exposures. However, all transactions (disbursements / repayments) between the Company and Co-Lending Partner relating to CLM shall be routed through an escrow account maintained with the banks to avoid inter-mingling of funds. The CLM Agreement shall clearly specify the manner of appropriation between the co-lenders.

7. Representations and Warranties

The CLM Agreement may contain necessary clauses on representations and warranties which the Company shall be liable for in respect of the share of the loans taken into its books by the Co-Lending Partner.

8. Assignment / Change in Loan Limits

Any assignment of loans by any of the co-lenders to a third party can be done only with the mutual consent of both parties. Further, any change in loan limit of the co-lending facility can be done only with the mutual consent of both the co-lenders.

9. Audit and Verification of the Loans

The loans granted / disbursed under the CLM shall be included in the scope of internal / statutory audit within the Company and the Co-Lending Partner to ensure adherence to respective internal guidelines, terms of the CLM Agreement and extant regulatory requirements.

10. Monitoring and recovery of loans

The Company and the Co-Lending Partners shall create a mutually agreed upon framework for monitoring and recovery of the loan. No fresh lending shall be entertained under the arrangement in the event of breach of thresholds fixed under the product / scheme. If the parameters to the prescribed eligibility norms improve, lending under the arrangement may be revived with the approval of the Participating Institutions. A clause to this effect shall be incorporated in the CLM Agreement.

11. Asset classification and provisioning

The Company and the Co-Lending Partners shall adhere to the asset classification and provisioning requirement, as per the respective regulatory guidelines applicable to each one of them including reporting to credit information companies, under the applicable regulations for its share of the loan account.

Each co-lender 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.

12. Business continuity plan

Notwithstanding the termination of the CLM Agreement, co-lenders agree and acknowledge that borrower servicing shall be rendered till each loan originated under the CLM Agreement is completely repaid or settled. In the event of any difficulty in performing the obligations, the Company shall make reasonable efforts to make alternative arrangements for the performance of the services.

13. Review of co-lending policy

The Policy shall be amended or modified with approval of the Board of the Company. The Policy shall be reviewed by the Board of the Company on an annual basis. Consequent upon any amendments in RBI guidelines or any change in the position of the Company, necessary changes in this Policy shall be incorporated and approved by the Board of the Company.

Notwithstanding anything contained in this Policy, in case of any contradiction of the provision of this Policy with any existing legislations, rules, regulations, laws or modification thereof or enactment of a new applicable law, the provisions under such law, legislation, rules, regulation or enactment shall prevail over this Policy.