

Co-Lending Policy

Finkurve Financial Service Limited

Approved by the Board of Directors of Finkurve Financial Services Limited as on 14th August 2024

INTRODUCTION

The Reserve Bank of India (“**RBI**”) vide notification RBI/2020-21/63 FIDD.CO.Plan.BC.No.8/04.09.01/2020-21 and in supersession of its previous circular dated September 21, 2018 on co-origination by banks and NBFCs, has published its guidelines on Co-lending by Banks and NBFCs. This policy, for entering into co-lending arrangements with certain banks and NBFCs, has been formulated in line with the applicable RBI guidelines.

OBJECTIVE

Finkurve Financial Services Limited (“**Company**”/ “**FFSL**”) proposes to engage with select banks (“**Co-lender(s)**”) to explore co-lending opportunities across all its existing as well as new products in line with applicable RBI regulations from time to time.

CO-LENDER ENGAGEMENT MODEL

All co-lending activities shall be based on a prior arrangement with the other co-lender and shall entail either:

- a. Prior irrevocable commitment of the co-lender to mandatorily take its share in the individual loans sourced and sanctioned by the Company; or
- b. Co-lender’s right to exercise discretion to take or reject the loans originated by the Company into its books which shall be akin to direct assignment transaction.

Model – 1

The Company shall enter into a Master Agreement with the Co-lender for implementation of CLM - 1 and the Co-lender shall mandatorily take its share of individual loans originated by the Company in its books. A suitable mechanism shall be put in place by the Company and the Co-lender for ex-ante due diligence of the borrowers and shall 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.

Model – 2

Under this model, the co-lender can exercise its discretion regarding taking into its books, the loans originated by the Company, as per the agreement entered into by the Company and the Co-lender. This arrangement shall be akin to a direct assignment transaction. Accordingly, Co-lender shall ensure compliance with the RBI Guidelines on Transaction Involving Transfer of Assets through Direct Assignment of Cash Flows and the Underlying Securities, RBI Circular RBI/ 2011-12/540 DBOD No. BP BC-103/21.04.177/2011-12 and RBI//2012-13/170 DNBS. PD. No. 301/3.10.01/2012-13 August 21, 2012 respectively, as updated from time to time.

CO-LENDING SPECIFICATIONS

1. Eligibility Criteria for Co-lenders

- a. All banks authorised by RBI for business operations in India are eligible for co-lending. A Master Agreement shall be entered into with the co-lending Bank for period as mutually agreed between the Co-lender and the Company.
- b. The Company shall consider engagement with only those banks that have a good reputation and market standing.
- c. The Company shall not enter into co-lending arrangement with foreign banks having less than 20 branches.
- d. The Company shall not enter into a co-lending arrangement with any banks belonging to the promoter group.

2. Sharing of risks and rewards

The co-lending models of the company shall involve sharing of risk and rewards between the Co-lender and the Company for ensuring appropriate alignment of respective business objectives, as mutually agreed between the Co-lender and the Company. A minimum 20% of the credit risk by way of direct exposure shall be on the Company's till maturity and the balance shall be on the Co-lender's books.

3. Customer Due Diligence

The Company will adhere to the applicable KYC/ AML regulations as stipulated by the RBI from time to time and also as per its board approved KYC/ AML policy. The Company shall provide such support as may be requested by the Co-lender for their KYC compliance.

4. Borrower Loan Documentation

The Company shall be responsible for completion of all loan documentations with the borrower. The borrower shall be informed upfront about the co-lending arrangement along with the roles and responsibilities of the Co-lender and the Company.

5. Escrow Account

The Company and the Co-lender shall enter open an escrow account and route all transactions related to CLM through the escrow account maintained with the Co-lender, in order to avoid co-mingling of funds. The Master Agreement between the Company and the Co-lender shall clearly specify the manner of appropriation of funds collected in the escrow account.

6. Monitoring and Recovery

The Company and the Co-lender shall establish a framework for monitoring and recovery of loans, as mutually agreed upon by the parties in writing.

7. Creation of Security and Charge

Security shall be created as per the mutually agreed terms between the Company and the Co-lender.

8. Provisioning/ Reporting Requirements

The Company shall adhere to the applicable regulatory guidelines on asset classification and provisioning requirements and Credit Information Companies reporting requirements.

9. Audit

The loans under the CML model of the Company shall be included in the scope of internal/ statutory audit of the Company to ensure adherence to their respective internal guidelines, terms of the agreement and extant regulatory requirements.

10. Assignment/ Change in Loan Amounts

Any assignment of their share of the loan by the Company/ Co-lender shall not be made without the prior written consent of the other party. Any change in loan limit being offered under the co-lending arrangement shall be done with the mutual consent of both the parties.

Notwithstanding the termination of the Master Agreement between the Company and the Co-lender, both parties shall formulate a policy to ensure uninterrupted borrower service till repayment of the loans originated under the co-lending arrangement.

11. Customer Service and Grievance Redressal

The Company shall be the single point of interface for the borrowers and shall enter into loan agreements with the borrowers. The borrowers 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 on customer service, fair practice code, and the obligations enjoined upon the Co-lender and the Company shall be applicable in respect of loans given under the co-lending arrangement.

With regard to grievance redressal, borrowers shall register complaints with the Company as per its grievance redressal policy and both the Co-lender and the Company shall make suitable arrangements to resolve the complaints within 30 days, failing which the borrower would have the option to escalate the same with the concerned Banking Ombudsman, as specified in the Grievance Redressal Policy of the Company and also communicated to the borrower in the loan documents.

12. Business Continuity Plan

The Company and the Co-lenders shall ensure that they have an effective Business Continuity Plan in place to ensure uninterrupted services and complete servicing of all loans originated in the co-lending arrangement until they are repaid/ settled.

13. Policy Review and Administration

The co-lending policy shall be subject to periodic review in accordance with any regulatory or statutory requirement and shall be approved by the Board of the Company.