



Enabling Holistic Dignified Living

Co-Lending Policy

Version History			
Version	Amendments	Date	Meeting in which adopted
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1. BACKGROUND

The Co-Lending Policy (hereinafter referred to as “Policy”) has been drafted in line with the notification bearing reference no. RBI/2020-21/63, FIDD.CO.Plan.BC.No.8/04. 09.01 /2020- 21 dated November 05, 2020, issued by the Reserve Bank of India 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 non-banking financial companies (“NBFCs”).

This Policy covers general principles and practices followed by Light Microfinance Private Limited (herein after referred to as “Light” or “the Company”) to enter into co-lending arrangement with Participating Bank (herein after referred to as “Participating Bank”).

The Policy will be applicable to all the categories of products and services offered by the Company under the co-lending model and apply to related operations such as customer sourcing, loan processing, loan servicing and collection activities.

2. Eligibility

This Policy is applicable only in the case of Co-origination/Co-Lending of loan with Scheduled Commercial Banks, as may be specified by RBI from time to time.

Before entering into the Co-Lending Master Agreement (“CLM Agreement”) with Participating Banks, the Company shall mutually agree with Participating Bank on loan products and its parameters, which are eligible under the respective Co-Lending Master Agreement (CLM Agreement).

3. Modes of Arrangement

The Company shall enter into Co-Lending Arrangement as per the below mentioned modes or options:

Option 1: The arrangement would entail joint contribution of credit at the facility level, by both the Company and the Participating Bank (“Lender(s)”) basis ex-ante due diligence by the Bank.

Option 2: Under this option the Participating Bank shall take over its share in the exposure after disbursement of the loan on back-to-back basis subject to due diligence.

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

4. Execution of Master Agreement

A CLM Agreement shall be entered into between Participating Bank and the Company outlining the terms and conditions of Co-Lending arrangement including but not limited to specific details of product, areas of operations, provisions related to segregation of responsibilities as well as customer interface and protection issues, criteria for origination of loans, pricing for assignment of pool under direct assignment, frequency/ size of pool assignment, as the case may be.

The Master Agreement may provide for the Participating Banks to either mandatorily take their share of the individual loans originated by the Company in their books as per the terms of the agreement or to retain the discretion to reject certain loans after their due diligence prior to taking in their books Loan amount.

If the Participating Bank can exercise its discretion regarding taking into its books the loans originated by the Company as per the Agreement (As per Option 2), the arrangement will be akin to a direct assignment transaction. Accordingly, the Participating 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 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 Executive Management Committee of the Company is authorized to approve entering into co-lending partnership with banks/financial institutions within the policy framework as it may deem fit.

5. Customer Related Issues

- a. 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 the Company and the bank.
- b. All the details of the arrangement shall be disclosed to the customers upfront and their explicit consent shall be taken.
- c. The ultimate borrower 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.
- d. The extant guidelines relating to customer service and fair practices code and the obligations enjoined upon the Company and bank therein shall be applicable mutatis mutandis in respect of loans given under the arrangement.
- e. The Company shall generate a single unified statement of the customer, through appropriate information sharing arrangements with the bank.

6. Loan Sanction

Option 1: The Company shall recommend to the Participating Bank the proposals as eligible for joint lending. The Participating Bank, under its irrevocable commitment to take into its books its share of the individual loans as originated by the Company, shall subject to ex ante due diligence mechanism as agreed between banks and the Company, agree to sanction the facility to the applicant. The loan agreement would be executed between the parties wherein the Bank and the Company shall be parties as lenders to the loan agreement.

Option 2: The Company shall upon assessment agree to grant the facility to the applicant. In such case, the Company shall execute loan agreement with the borrower and disburse the loan. Post disbursement, the Company shall refer these loans to the Participating Bank who shall then have the right to take over its share on back-to-back basis.

7. Opening of ESCROW Account

Option 1: The Participating Bank and the Company shall open an Escrow Account for pooling respective loan contributions for disbursement as well as to appropriate loan repayments from borrowers, without holding the funds for usage of float.

Option 2: The disbursement shall be done by the Company and if taken over by the Participating Bank the collection shall be deposited into an Escrow Account. In relation to loan balances, the Company / Participating Bank shall maintain individual borrower's accounts and should also be able to generate and share a single unified statement to the customer, through appropriate sharing of required information with the Participating Bank/ the Company.

8. Monitoring and Recovery

Both the Company and Participating Bank shall create the framework for day-to-day monitoring and recovery of the loan, as mutually agreed upon.

9. Creation of Security

The creation of security and charge as per mutually agreeable terms between the Company and Participating Bank.

10. Provisioning and Reporting Requirement

Each of the Co-Lenders i.e. the Company and Participating Bank shall follow its independent provisioning requirements including declaration of account as NPA, as per the regulatory guidelines respectively applicable to each of them. Each of the Lenders shall carry out their respective reporting requirements including reporting to Credit Information Companies (CICs), under their respective applicable law and regulations for their share of lending. the Company shall adhere to its broader Provisioning/Reporting standards even in the case of a co-lent loan.

11. Assignment or Change in Loan Limit

Any assignment of loans by any of the Co-Lenders and any change in the loan limit of the co-lent facility can be done only with the mutual consent of both the Lenders in accordance with the applicable law.

12. Recourse to the Company

In the event, the Participating Bank intends to claim priority sector status in respect of its share of credit while engaging in the co-lending arrangement, the Company shall ensure that priority sector assets on the Participating Bank's books will at all times be without recourse to the Company.

13. Grievance Redressal

The Company has set up a grievance redressal system including recovery related grievances, approved by

the board and as per the RBI guidelines. For the purpose of grievance redressal, the following information has been displayed at all of our branches, offices and website. The Company informs the borrower about such a mechanism through loan documents.

Grievance Redressal Officer: Ms. Madhavi Gajjar
Contact No.: 079-41057862
Email ID: grievanceredressal@lightmicrofinance.com

If the complaint / dispute is not redressed within a period of one month, the borrower may appeal to the Office-in-charge of the

Officer-in-Charge of the Regional Office of DNBS, RBI New Delhi Phone
011-23714456

14. Outsourcing of Services

The Company will adhere to extant guidelines on outsourcing of financial services and the Third-Party Provider policy approved by the Board.

15. Policy Review

The Policy shall be subjected to an annual review by the management and any warranted modifications should be taken up for the approval of the Board. If there are any amendments in the regulations, revision in the policy should be placed for Board's approval in the Board Meeting, after the amendments are notified by the regulator.
