



***POLICY ON CO-LENDING WITH BANKS FOR
PRIORITY SECTOR***

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Review Period	Annual
Approved by Board of Directors	18.10.2024
Version	Version 3
Formation	24.08.2022

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1. INTRODUCTION AND BACKGROUND

Protium Finance Limited (hereinafter referred to as ‘the Company’ or ‘Protium’ or ‘PFL’), is a Non-Banking Financial Company Investment and Credit Company categorized as Middle Layer (“NBFC ICC ML”). The Company provides both secured and unsecured loans to consumers and educational institutions, and also extends secured and unsecured loans to Micro, Small, and Medium Enterprises (MSMEs) across India.

RBI vide circular issued on November 5, 2020, having reference no. RBI/2020-21/63, FIDD.CO.Plan. BC.No.8/04/09/01/2020-21 (CLM Guidelines) have directed NBFCs to formulate board approved guidelines for entering into the arrangement with Bank(s) for lending to priority sector under Co-Lending Model (“CLM”).

In accordance with the guidelines, 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. The Company has adopted this Policy in line with the Guidelines.

2. OBJECTIVE

The Company shall engage with eligible banks (“CoLender/Co Originating Bank”) for exploring Co-Lending Model (“CLM”) opportunities across its existing and new products / segments which qualify as per the Circular. This Policy establishes a comprehensive framework for the co-lending and partnership programs that the Company shall engage in with the Banks.

3. SCOPE & ELIGIBILITY

PFL shall enter into CLM arrangements with all Scheduled Commercial Banks except SFBs, RRBs, UCBs, LABs & Foreign Banks (including WOS) having less than 20 Branches. (“Co-lender Banks”) Lending under CLM arrangements to be made only for priority sector as defined by RBI.

PFB will ensure that the co-lending banks record their respective shares of individual loans on a back-to-back basis in their books. Additionally, PFB will retain a minimum of 20 percent of the individual loans on their books, in accordance with regulatory requirements.

PFL will comply with Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 and the Guidelines, as and when applicable, as updated from time to time and prudential norms or any other rules, regulations and directions, as applicable to the Company from time to time generally with respect to the loans extended by the Company ('Regulations').

The Company has duly formulated its Know Your Customer (KYC), Anti-Money Laundering (AML), Combating Financing of Terrorism (CFT) Policy and Customer Acceptance Policy (‘KYC and AML Policy’) in accordance with the guidelines as applicable. Accordingly, the terms, procedures and requirements set out under KYC and AML Policy will be followed for onboarding the customer and disbursement of the loans by the Company at all times.

PFL shall enter into co-lending/ partnership arrangements, wherein PFL shall be responsible for ‘end to end’ loan life cycle starting from customer sourcing, underwriting, account servicing and collections until the loans are fully repaid, in compliance with the regulatory requirements as may be applicable.

4. MASTER AGREEMENT BETWEEN PFL AND CO-LENDER BANK

A Master Agreement incorporating Terms and Conditions of CLM arrangement between PFL and Co-Lender Bank shall be entered into which shall inter-alia include but not be limited to specific product lines and areas of operation, provisions related to segregation of responsibilities as well as customer interface and protection issues, necessary clauses on representations and warranties which PFL will be liable for in respect of the share of the loans taken into its book by the Co-lenders. etc.

The Master Agreement shall provide for the model of CLM arrangement between PFL and Co-Lender Bank:

Model 1: Co-Lender Bank to mandatorily take their share of the individual loans, originated by PFL, in their books as per the terms of the Master Agreement

- If the Master 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 PFL, the arrangement shall comply with the extant guidelines on Managing Risks and Code of Conduct in Outsourcing of Financial Services by Banks issued vide RBI Circular No. RBI/2014- 15/497/DBR.No.BP.BC.76/21.04.158/2014-15 dated March 11, 2015, updated from time to time.
- In particular, the Co-Lender Bank and PFL 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 and PFL shall also comply with the Master Directions - Know Your Customer (KYC) Direction, 2016, issued vide RBI/DBR/2015-16/18 Master Direction DBR.AML.BC.No.81/14.01.001/2015-16 dated February 25, 2016, and updated from time to time, which permit regulated entities, at their option, to rely on customer due diligence done by a thirdparty, subject to specified conditions.

Model 2: Co-Lender Bank to retain the discretion to reject certain loans after their due diligence prior to taking in their books.

- Where the Co-Lender Bank exercise its discretion regarding taking into its books the loans originated by PFL as per the Master Agreement, the arrangement will be akin to a direct assignment transaction.
- Accordingly, the Co-Lender 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/DOR/2021-22/86 DOR.STR.REC.51/21.04.048/2021-22 Master Direction – Reserve Bank of India (Transfer of Loan Exposures) Directions, 2021, 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 banks and PFL contains a back-to-back basis clause and complies with all other conditions stipulated in the guidelines for direct assignment.

The Master Agreement will clearly specify the manner of appropriation between the co-lenders. The agreement may contain necessary clauses on representations and warranties which PFL will be liable for in respect of the share of the loans taken into its book by the Co-lender Bank.

Any legal document including Master Agreement, Facility Agreement and any document having legal implication under this arrangement would be finalized in consultation with PFL and would be vetted by the Company's Legal Department or Solicitor/ Advocate as may be mutually agreed.

5. Criteria for identification of Co-lender Bank

PFL enter into co lending arrangements with financial institution after the review of the partner by the senior management of the Company.

6. SHARING OF RISKS AND REWARDS

PFL will accept minimum 20% share of individual loan in its book till maturity and the Co- Lender Bank will take the balance share of the individual loans on a back-to-back basis in their books.

The actual % share of individual loans in all cases shall be guided by the terms of Master Agreement. The Co-lender Bank and PFFL shall maintain each individual borrower's account for their respective exposures.

7. CO-LENDING PRODUCT

Detailed credit products, processes, programs etc. will be finalized and documented in the Master Agreement with the Co-Lender, on case-to-case basis, keeping in view the target segment, area of operations, other operational issues, recovering mechanism etc.

8. CREDIT NORMS

PFL and Co-Lender Bank shall mutually agree upon the various parameters and norms for assessment of credit applications based on the extant applicable RBI guidelines and respective internal policies.

9. INTEREST RATE & OTHER CHARGES

Subject to credit policy of PFL, as updated/amended from time to time, PFL shall offer its rate of interest on Fixed rate / Floating rate basis in accordance with the extant guidelines applicable to it. The Co-Lending Bank shall charge rate of interest for their part of exposure in accordance with the extant guidelines applicable to it and their internal pricing policies, however, the ultimate borrower shall be charged an all-inclusive blended interest rate.

Upon repayment, the interest shall be shared between PFL and the Co-Lender Bank in proportion to their share of credit and interest.

Any other applicable charges shall be decided mutually between PFL and Co-Lender Bank and shall be communicated to the borrower.

Fees may be payable to PFL for sourcing, collection, servicing, or any other purpose. This amount will be negotiated with Co-Lender Bank and shall be documented in the Master Agreement.

10. ESCROW ACCOUNT

All transactions (disbursements/ repayments) between the Co-Lender Bank and PFL relating to CLM arrangement shall be routed through an escrow account maintained with banks, in order to avoid intermingling of funds. The Master Agreement shall specify the manner of appropriation between PFL and Co-Lending Bank.

11. SECURITY & CHARGE CREATION

PFL along with Co-Lending Bank shall arrange for creation of security and charge as per mutually agreed terms.

12. MONITORING & RECOVERY

There shall be a system and framework for monitoring of all the process viz. Loan Origination, Loan Management, Disbursements, Collection and Recovery in consultation with respective Co-Lending Bank.

The loans under the CLM shall be included in the scope of internal/statutory audit to ensure adherence to our internal guidelines, terms of the agreement and extant regulatory requirements.

13. PROVISIONING AND REPORTING REQUIREMENT

PFL shall adhere to the asset classification & provisioning requirement including as per the respective regulatory guidelines, from time to time and also report to Credit Information Companies, under applicable law & regulations for its portion of lending.

14. ASSIGNMENT

Any assignment of Co-Lender Bank's share of loan shall be done only with the consent of PFL and vice-versa.

15. CUSTOMER RELATED ISSUES

PFL shall be the single point of interface for the borrowers and shall enter into a loan agreement with the borrower, which will clearly contain the features of the CLM arrangement and roles and responsibilities of PFL and Co-Lender Bank including sharing of Key Fact Statement. All the details of arrangement shall be disclosed to the borrower upfront and explicit consent of the borrower shall be taken on the same.

The extant guidelines relating to customer service and fair practices code and the obligations enjoined upon the Banks and PFL therein shall be applicable mutatis mutandis in respect of loans given under the CLM arrangement.

PFL shall generate a single unified statement of the borrower, through appropriate information sharing arrangements with the Co-Lender Bank

16. GRIEVANCE REDRESSAL

Suitable framework shall be put in place upon mutual consideration, to share and resolve any complaint registered by a borrower with the PFL/ Co-Lender Bank 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.

17. DISPUTE RESOLUTION

Dispute Resolution framework shall be part of the Master Agreement between PFL and Co-lender. PFL shall ensure inclusion of clauses relating to manner of dispute resolution as agreed with the Co-Lender.

18. BUSINESS CONTINUITY PLAN

A business continuity plan shall be formulated upon mutually agreed terms, to ensure uninterrupted service to the borrowers till repayment of the loans under the CLM agreement, in the event of termination of CLM arrangement.

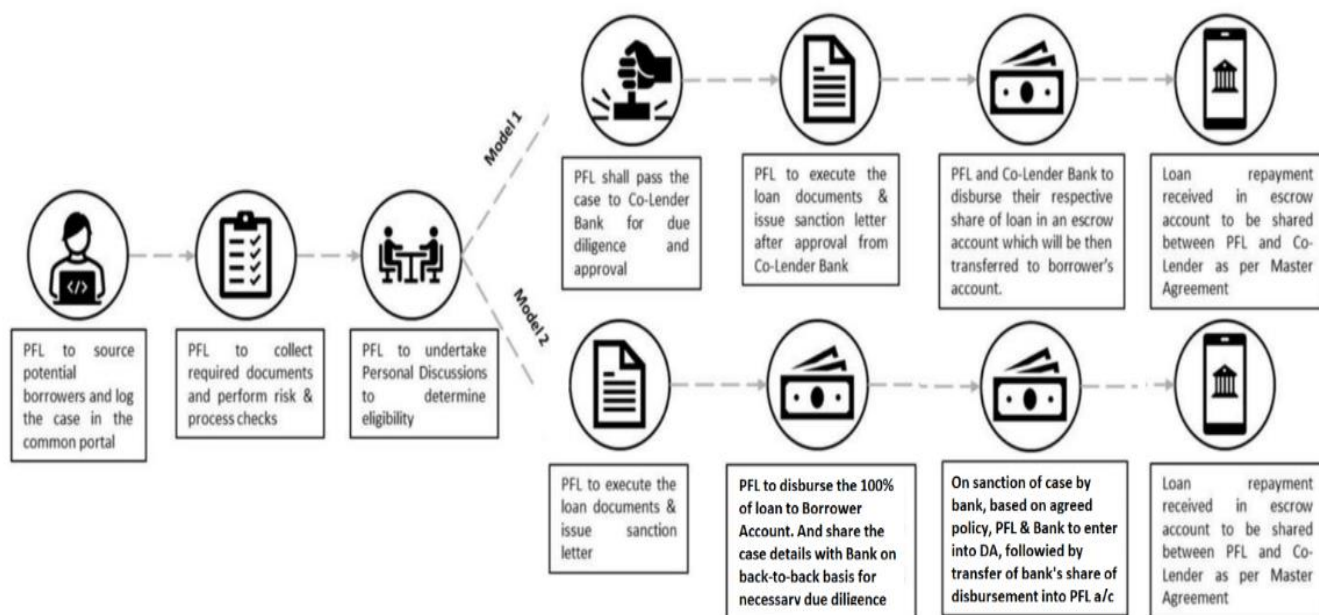
19. REVIEW OF THE POLICY

The Board of Directors shall review this Policy annually or on a need-basis i.e., in the event of change in regulatory framework or for business or operational need (whichever is earlier). Such updates / changes to the Policy will be communicated to the relevant staff /personnel (both in-house or outsourced) and relevant stakeholders across the Company.

Board will be informed periodically for overall limits of co-lending as a percentage of AUM.

Any deviations from this Policy can only be undertaken with the approval of the Board, unless specified otherwise in this Policy.

20. PROCESS FLOW OF CO-LENDING ARRANGEMENT IN BRIEF



Note: The above process is Business as Usual. The detailed and specific process shall vary case-to-case basis and shall be incorporated in the Master Agreement.