

CO-LENDING MODEL (CLM)**EXTRACTS FROM THE BANK'S BOARD APPROVED POLICY ON CO-LENDING MODEL – CO-LENDING POLICY RETAIL****BACKGROUND AND REFERENCE:**

The Reserve Bank of India (RBI), vide its Circular No: FIDD.CO.Plan.BC.No.8/04.09.01/2020-21 dated November 05, 2020 has issued guidelines on **co-lending of loans by Banks and NBFCs to priority sector**. The arrangement entails joint contribution of credit at the facility level by both the lenders as also sharing of risks and rewards.

While the above guidelines were clear for loan under PSL, we sought clarification vide our letter dated 20th February 2021 from RBI on Non-PSL Loans under CLM guidelines. Subsequently RBI vide its letter no: DoR.PRD.CRG.CRE.3554/21.04.048/2020-21 dated March 05, 2021 (addressed to DCB Bank) has further clarified that the **Bank may co-originate non-priority sector loans with other Banks/ NBFCs/FIs** under co-lending guidelines already issued by RBI and post duly approved by the Bank Board

The primary focus of the revised scheme, rechristened as “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.

In this document henceforth all such partner NBFCs for priority sector and Banks/ NBFCs/ FI for non priority sector will be termed as “Co-lending partners.”

GUIDELINES FOR SELECTION OF NBFC

The Bank would engage with NBFC's fulfilling the following criteria:

- NBFC (including HFC's) should be registered NBFC's
- NBFC shall meet all extant RBI guidelines
- NBFC shall not belong to any promoter group of the Bank
- Details of the entity and management
- Reputation/Market standing
- Financial soundness
- Details of product and process, including cash handling ability
- Ability to implement technology solution in rendering financial services
- Any other criteria defined by Bank's internal policies

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INDIVIDUAL PRODUCT GUIDELINES

The Bank has individual product policies covering the nuances of the concerned individual products, the co-lending policy for the respective products will be covered in detail under respective product policies.

CO-LENDING PARTNERS

The Priority Sector Lending (PSL) classification is being done in accordance to the norms specified by RBI vide its master circular No: FIDD.CO.Plan.BC.No.8/04.09.01/2020-21 dated November 05, 2020 has issued guidelines on **co-lending of loans by Banks and NBFCs to priority sector**. Subsequently RBI vide its letter no: DoR.PRD.CRG.CRE.3554/21.04.048/2020-21 dated March 05, 2021 (addressed to DCB Bank) has further clarified that the **Bank may co-originate non-priority sector loans with other Banks/ NBFCs/ FIs** under co-lending guidelines already issued by RBI and post duly approved by the Bank Board

The banks can claim priority sector status in respect of their share of credit while engaging in the CLM adhering to the specified conditions.

The purpose of this note is to lay down the Co-Lending Policy and guidelines which has to be followed by DCB Bank Limited for the appointment and operations of co-lending partners as per the business objectives.

ESSENTIAL FEATURES OF CO-LENDING MODEL BETWEEN BANK AND CO-LENDING PARTNERS

A. Scope

The Master Agreement entered into by the Bank and co-lending partners for implementing the CLM should provide either for the Bank to mandatorily take their share of the individual loans as originated by the co-lending partners in their books or retain the discretion to reject certain loans subject to its due diligence.

The co-lending partners should 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 partnership and the roles and responsibilities of co-lending partners and Bank. All the details of the partnership should be disclosed to the customers upfront and their explicit consent shall be taken.

B. Customer related aspects

1. The co-lending partners 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 partnership.
2. The extant guidelines relating to customer service and fair practices code and the obligations enjoined upon the Bank and co-lending partners therein shall be applicable mutatis mutandis in respect of loans given under the partnership.
3. The co-lenders will establish a framework for monitoring and recovery of the loan, as mutually agreed upon.
4. With regard to grievance redressal, the co-lenders will resolve any complaint registered by a borrower and share the details with the co-lending partners. In case the complaint is not resolved

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within 30 days, the borrower has the option to escalate the same with the concerned Banking Ombudsman or the Customer Education Protection Cell in RBI.

C. Monitoring Parameter for Co-Lending partner & Frequency

The appointed co-lending partners shall be reviewed on a periodic basis involving all the following parameters:

1. Scope of engagement
2. Business volume or performance
3. Risk and mitigants
4. Overall evaluation of the co-lending partners standing in the market by way of visiting them at periodic intervals
5. Customer training and dispute handling
6. Adherence to various processes and policies of the Bank
7. Customer data handling

D. Product Details of Asset Programs:

The product offering under CLM would be in line with already existing approved program. In case of any differences, it will be approved by the Credit Committee of the Board (CCB). In case of new product, it will be approved by the Credit Committee of the Board (CCB).

E. KYC Norms

KYC and AML directions, as laid down as per the Bank's policy will be followed in all cases. The respective policies of the Bank shall be followed for customer protection measures and customer redressal. All grievances shall be resolved by Service Excellence team and Nodal officer of the Bank.

F. Benchmarking of Co-Lending Guidelines

We have done benchmarking of CLM guidelines issued by RBI in terms of its adherence

G. Data Security & Record Management

The existing policy of the bank shall be followed with respect to Data Security Policy and Record Management Policy of the Bank