

VERSION 2  
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# LENDING PARTNERSHIP POLICY

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Policy for BC and Co-lending Partnership Arrangement

**IIFL SAMASTA FINANCE LIMITED**  
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For IIFL Samasta Finance Limited  
 (Erstwhile Samasta Microfinance Limited)  
  
 Authorized Signatory

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## **Introduction**

The Lending partnership Policy of IIFL Samasta Finance Limited (ISFL) refers to a collaborative lending approach where ISFL will collaborate with different lending institution / partners under different arrangements to increase its outreach in the operating geographies through innovative, diversified and convenient product basket in alignment with its mission and vision. The arrangement can either be through Co-lending model or Banking Correspondent (BC). Both ISFL and the lending partner institution will jointly extend loans to borrowers. This model will also result in enhancing ISFL's capital adequacy, strengthen liquidity position apart from leveraging the existing network and customer base.

The arrangement will be governed by the guidelines on Co-lending / BC arrangement by Reserve Bank of India (RBI). Both ISFL and lending partners adhere to these guidelines when implementing such models.

### **1. Scope & Objectives**

#### **Scope**

The Reserve Bank of India have released different framework, regulatory guidelines through master circulars on various partnership / co-origination of loan. Based on these extant frameworks and guidelines, ISFL will explore partnership opportunities for eligible product lines from time to time.

ISFL may engage with any registered Financial Institutions (Banks, NBFCs, others etc) for Co-Lending / BC arrangement based on a Master Agreement executed between ISFL and partner. The Master Agreement will outline the terms and conditions, responsibilities, risk-sharing, loan servicing, and other operational details.

#### **Objectives**

The arrangement will help us to leverage our existing operating network and customer base and also expand customer acquisition through co-origination of asset products. It will also help in strengthening our financial position, easy access to reduced cost of fund and product innovation.

While finalizing / selecting any co-lender or BC partners the following process will be followed.

### **2. Eligibility Criteria for selection of partner institutions**

ISFL may enter into BC arrangement / Co-Lending arrangement with other FI (Banks / NBFCs) that meet the following eligibility criteria.

- a) The FI shall be a registered entity with RBI.
- b) The selected FI shall have a Board approved policy for tie ups with Lending Partners for co-lending / BC arrangement.



### **3. Nature of loans sourced under the partnership arrangement**

Partnership arrangement Model shall be adopted by ISFL for the co-origination/ BC model. This may be for the existing product lines of ISFL or any innovative product basket both for existing and new customers based on the agreed arrangement.

### **4. Types of arrangements**

ISFL will explore both CLM – I or II model as prescribed by the RBI guideline. In CLM I arrangement the lending partner will take a fixed percentage of share of the loan originated by ISFL through a prior, irrevocable commitment. In CLM II, the lending partner may choose to retain the discretion to reject certain loans subject to due diligence. In BC model partner will have complete credit discretion to reject or approve any loan application subject to due diligence.

The credit sanctioning process, within the policy framework, and the type of arrangement with the ISFL shall be covered in the specific product note formulated for each partnership Model.

### **5. Execution of Master Agreement**

ISFL shall execute a well-defined and legally vetted detailed master agreement with the lending partner for entering into the arrangement. The Master agreement shall inter alia include terms and conditions of the arrangement, the specific product lines and areas of operation, along with provisions related to segregation of responsibilities as well as required code of conduct, risk management, customer interface and protection issues covered in the policy along with other relevant aspects, if any, specific to the arrangement.

### **6. Know Your Customer (KYC) compliance:**

ISFL will ensure compliance to 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 as per the extant practice.

### **7. Interest Rate**

The borrower shall be charged an all-inclusive interest rate as may be agreed upon by ISFL and Lending Partners conforming to the extant guidelines applicable to both the parties under different type of partnership.

### **8. Escrow Account**

ISFL and Lending Partners shall maintain each individual borrower's account for their respective exposures. However, all transactions (disbursements/ repayments) between the ISFL and Lending Partners relating to CLM/BC shall be routed through an escrow account or otherwise agreed as per

master agreement between ISFL and partner. The Master Agreement for the arrangement shall invariably specify the manner of appropriation between both the parties.

### **9. Charge Creation on security and Audit**

The ISFL and Lending Partners shall arrange for creation of security and charge as per mutually agreeable terms if any.

The loans under the partnership model shall be included in the scope of internal/statutory audit within the Lending Partners and ISFL to ensure adherence to respective internal guidelines, terms of the agreement and extant regulatory requirements.

### **10. Assignment of Loan**

Any assignment of loan sourced under these arrangement by a ISFL to a third party shall be done only with the consent of partner institutions.

### **11. Customer Support**

The ISFL 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 ISFL and Lending Partners.

The details of the arrangement shall be disclosed to the customers upfront, and their explicit consent shall be taken.

The ISFL will generate a single unified statement of the customer, through appropriate information sharing arrangements with the Lending Partners. The extant guidelines relating to the customer service and fair practices code and the obligations enjoined upon ISFL and Lending Partners therein shall be applicable mutatis mutandis in respect of loans given under the arrangement.

### **12. Grievance Redressal**

Regarding grievance redressal, suitable arrangement must be put in place by ISFL and Lending Partners to resolve any complaint registered by a borrower with the ISFL within 30 days, failing which the borrower would have the option to escalate the same with the concerned Lending Partners Ombudsman/ Ombudsman for ISFLs or the Customer Education and Protection Cell (CEPC) in RBI. There shall be a proper arrangement for the exchange of complaints received at either ends to ensure resolutions within 30 days.

### **13. Business Continuity Plan**

The Master Agreement shall cover details of business continuity plan / measures to ensure uninterrupted service to the borrowers till repayment of the loans under the partnership agreement, in the event of termination of partnership arrangement between the partners.



#### **14. Restrictions and Warranties**

The Master Agreement shall contain necessary clauses on representations and warranties which the originating ISFL shall be liable for in respect of the share of the loans taken into its books by the Lending Partners.

#### **15. Delegation to approve Partnership arrangements**

The sourcing arrangements, underwriting practices, segment which the ISFL concentrates/ Lending Partners prefers, collection mechanism etc. may vary.

Due diligence shall be conducted by the Business Department. Various risk aspects with respect to integrity/ credit worthiness of the promoters of ISFL, sourcing practices, credit appraisal norms, data exchange between ISFL and Lending Partners, safe custody of documents/ title deeds, monitoring and collections, fraud reporting, support for rectification of audit comments etc., shall be thoroughly assessed with the involvement of related stake holders and shall be covered in the product note.

In tune with the terms of arrangement, ISFL shall formulate a Standard Operating Procedure (SOP), covering end to end life cycle, specifying roles and responsibilities of each department and this SOP shall be made part of the product note. The product note shall also cover various risk mitigation mechanisms apart from arrangements for exposure ceiling and asset quality threshold to prevent breaches etc.

The Change Advisory Board (CAB) Committee shall be the authority to approve specific partnership arrangements. While approving the arrangement, the Committee shall ensure compliance of broad parameters specified in the policy and shall stipulate an exposure ceiling for loans sanctioned under the respective arrangement. The tolerance level for the stress from the portfolio shall be specified and arrangements for review shall be ensured.

#### **16. Monitoring & Recovery**

The ISFL and Lending Partners shall create the framework for monitoring and recovery of the loan, as mutually agreed upon.

Based on the periodic review as agreed upon, the revision of threshold level may be revised. In all such cases a further course of action will be decided as per the agreed arrangement. Any change in the agreement or arrangement would require CAB committee approval. Necessary clauses in this regard shall be incorporated in the master agreement with ISFL.

#### **17. Asset Classification & Provisioning**

ISFL and Lending Partners shall adhere to the asset classification and provisioning requirement, as per the respective regulatory guidelines applicable to each of these partnership including reporting to Credit Information Companies, under the applicable regulations for its share of the loan account.

## 18. Competent Authority for Various Issues:

The authorities for approval and considering the variations are as under:

Approval For	Authority
Selection of partner and entering into BC/Co-Lending arrangement	CAB Committee
Specific deviation as regards to selection of Lending Partner, if any	CAB Committee
Commercials (rate of interest, sourcing fee, collection fee etc.) amount of loan, pricing, service fee, etc.,	MD , WTD & CFO
Initial approval of the product & process modalities and all related matters	Risk and Process
Finalization of SOP related to BC/Co-lending arrangement, Signing of Master Agreement, SOP, Escrow Agreement and Service Agreements etc.	CAB Committee or MD or WTD
Approval of operational issues/ modifications to SOP/product parameters from time to time.	CAB Committee

## 19. Review of the policy:

- The Policy shall be reviewed every year from the date of approval. However, a review may be undertaken before due date, if there is any change in the regulatory guidelines or in Lending Partners' internal guidelines.
- The existing Policy will be valid till the next renewal/ review.
- Any regulatory guidelines issued by RBI/ Government, post approval till the date of expiry of this Policy, shall form part of this Policy pending formal inclusion at the time of renewal of the Policy.
- The Policy is prepared by the Product process and policy department which is also responsible for its ownership and maintenance. Any queries related to the Policy or request for any modification will be addressed by the Product process and policy department.

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