CO-LENDING POLICY OF
MAS FINANCIAL SERVICES LIMITED

Preamble

The Reserve Bank of India circular FIDD.CO.Plan.BC.08/04.09.01/2018-19 dated September 21, 2018 on co-origination of loans by banks and NBFCs for lending to priority sector. The arrangement entailed joint contribution of credit at the facility level by both the lenders as also sharing of risks and rewards.

Read along with

The Reserve Bank of India circular FIDD.CO.Plan.BC.No.8/04.09.01/2020-21 dated November 05, 2020 banks are permitted to co-lend with all registered NBFCs (including HFCs) based on a prior agreement. The co-lending banks will take their share of the individual loans on a back-to-back basis in their books. However, NBFCs shall be required to retain a minimum of 20 per cent share of the individual loans on their books.

Objectives

The Company proposes to engage with eligible banks, financial Institutions and NBFCs ("Lenders") for exploring co-lending opportunities across its existing and new products / segments which qualify as per the Circular.

Engagement Models with Lenders under co-lending

Option (a): The arrangement would entail joint contribution of credit at the facility level, by both the Company and the Lenders.

Option (b): Under this option the Lenders shall take over its share in the exposure after disbursement of the loan on back-to-back basis subject to due diligence.

Geographical Scope

We are proposing to explore co-lending opportunity across the Company's branch and network through its partnership with other NBFCs/MFIs/HFCs.

Sharing of Risk and rewards

Both the options 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 and the balance will be on the Lender's books. The Company will not fund its contribution towards the loan amount of borrowing from the Lender or any other group company of the lender and shall give an undertaking to the lender that effect.

Commercials

- **Interest rate -** 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.

- **Fees and Expense sharing for other activities -** Appropriation between the co-lenders may be mutually decided basis mutual agreement with Lenders.

- **AUM / Servicing Fees / Any other commercial terms -** Would be agreed mutually with Lenders.

- **Standard Operating Process -** A detailed Standard Operating Process (SOP) would be created in discussion with the partner Lenders following the co-lending Master Agreement being entered into, to suitably detail the Credit Appraisal process within the SOP.

Know Your Customer (KYC):

The co-lending Lenders shall adhere to applicable KYC/ AML guidelines, as prescribed by RBI and any other regulation as stipulated by RBI from time to time.

Customer Service & Grievance Redressal:

It shall be the responsibility of the Company to explain to end borrower regarding the difference between products offered through the co-lending model as compared to its own products. The front-ending lender will be primarily responsible for providing the required customer service and grievance redressal to the borrower. With regard to grievance redressal, any complaint registered by a borrower with the NBFC/ Lender shall also be shared with the Lender/ NBFC; in case the complaint is not resolved within 30 days, the borrower would have the option to escalate the same with the concerned Lender Ombudsman/ Ombudsman for NBFCs.

Business Continuity Plan:

Notwithstanding termination of co-lending Master Agreement, both Lenders agree and acknowledge that Borrower servicing shall be rendered till each loan originated under the co-lending agreement is completely repaid or settled as detailed in the SOP.

Other Policies & Guidelines:

The Company will ensure that it adheres to the regulations prescribed by the RBI/any other relevant regulatory body and the Company's policies for any loan that has been disbursed through the co-lending model in the same manner as would have been the case if the entire loan were being disbursed solely on the behest of the Company

Review of the Policy

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.

The compliance and the execution/negotiation/finalisation for the co-lending arrangement will be the responsibility of finance committee. The Board will be reviewing the co-lending tie-up along with its performance on regular interval.

****