Name of Document	Policy on Co-lending Model
Version	1.0
State whether Policy/Code/Manual/ Guideline	Policy
Issuing Authority	Board of Directors
Owner	Mr. Avijit Kishore (Associate Vice President- SME -Retail Enterprises)
Issue Date	2nd May 2022
Effective Date	2nd May 2022
Review Period	Annually or based on regulatory amendments, whichever is earlier
Last Review Date	28th April 2023
Next Review Date	28th April 2024
Version History	Version 1.0 Issued on 02-05-2022 effective 02-05-2022

Policy on Co-Lending Model (CLM)

May 2022

Background & Objective:-

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 /202021 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").

As per extant guidelines, Banks are permitted to co-lend with all registered NBFCs (including HFCs) based on a prior agreement. The Co-lending banks shall take their share of the individual loans on a back-to-back basis in their books

This Policy covers general principles and practices to be followed by Mahindra & Mahindra Financial Services Limited (herein after referred to as "MMFSL" or "the Company") to enter into co-lending arrangement with Partner Institution(s) – mainly Banks (herein after referred to as "Participating Institution").

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

Mode of Arrangement: -

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

Option I – Participating Institutions to mandatorily take in their books, their share of the individual loan as originated by MMFSL

If the Agreement entails a prior, irrevocable commitment on the part of the Participating Institution to take into its books its share of the individual loans as originated by MMFSL, the arrangement must comply with the extant guidelines on Managing Risks and Code of Conduct in Outsourcing of Financial Services by Banks issued vide RBI/2014-15/497/DBR.N0.BP.BC.76/21.04.158/2014-15 dated March 11, 2015 and updated from time to time. In particular, the Participating Institution and MMFSL shall have to put in place suitable mechanisms for ex-ante due diligence by the Participating Institution as the credit sanction process cannot be outsourced under the extant guidelines.

Option II – Participating Institutions retain the discretion or right to reject certain loans subject to its due diligence before taking on their books.

If Participating Institution exercises its discretion regarding taking into its books the loans originated by MMFSL as per the Agreement, the arrangement will be similar to a direct assignment transaction. Accordingly, the Participating Institution 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 MHP exemption shall be available only in cases where the prior agreement between the Participating Institutions and MMFSL contains a back-to-back basis clause and complies with all other conditions stipulated in the guidelines for direct assignment.

MMFSL shall be required to retain a minimum 20% share of the individual loans on its book for both the Options detailed above..

Execution of Master Agreement:-

A CLM Agreement shall be entered into between Participating Institution and MMFSL outlining the terms and conditions of Co-Lending arrangement including but not limited to specific details of product, areas of operations, criterion for partner selection, provisions related to segregation of responsibilities as well as customer interface and protection issues.

The Master Agreement may provide for the Participating Institutions to either mandatorily take their share of the individual loans originated by MMFSL 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.

The Master Agreement shall clearly specify the manner of appropriation between the Co-lenders.

The Master Agreement may contain necessary clauses on representations and warranties which MMFSL shall be liable for in respect of the share of the loans taken into its book by the Participating Institutions.

Customer Related Aspects: -

1. **Single Point of Interface** - MMFSL 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 MMFSL and Participating Institutions.

2. **Disclosures** - All the details of the arrangement shall be disclosed to the customers upfront and their explicit consent shall be taken.

3. **Interest Rate** - The ultimate borrower may be charged an all-inclusive interest rate as may be agreed upon by MMFSL and Participating Institutions jointly and conforming to the extant guidelines applicable to both.

4. **Customer Service & Fair Practice** - The extant guidelines relating to customer service and fair practices code and the obligations enjoined upon the Participating Institutions and MMFSL therein shall be applicable mutatis mutandis in respect of loans given under the arrangement.

5. **Unified Statement** - MMFSL should be able to generate a single unified statement of the customer, through appropriate information sharing arrangements with the Participating Institutions.

6. **Grievance Redressal** - Suitable arrangement must be put in place by MMFSL and Participating Institutions to resolve any complaint registered by a borrower with MMFSL 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.

Operational Aspects: -

1. **Exposure wise Borrowers Account -** MMFSL and Participating Institutions shall maintain each individual borrower's account for their respective exposures.

2. **Escrow Mechanism -** All transactions (disbursements/repayments) between MMFSL and Participating Institutions relating to CLM shall be routed through an escrow account maintained by the Participating Institution, in order to avoid inter-mingling of funds. The Master Agreement shall clearly specify the manner of appropriation between the Co-lenders.

3. **Framework for Monitoring & Recovery** - Both the Co-lenders shall establish a framework for monitoring and recovery of the loan, as mutually agreed upon.

4. **Security Creation -** MMFSL & Participating Institutions shall arrange for creation of security and charge as per mutually agreeable terms.

5. **Asset Classification -** MMFSL and Participating Institutions shall adhere to the asset classification and provisioning requirement, as per the respective regulatory guidelines applicable to each of them including reporting to Credit Information Companies, under the applicable regulations for its share of the loan account.

6. **Audit -** The loans under the CLM shall be included in the scope of internal/statutory audit within MMFSL and Participating Institutions to ensure adherence to their respective internal guidelines, terms of the agreement and extant regulatory requirements

7. **Assignment of Loans -** Any assignment of a loan by MMFSL and Participating Institutions to a third party can be done only with the consent of the other party.

8. **Business Continuity -** MMFSL and Participating Institutions shall implement a business continuity plan to ensure uninterrupted service to their borrowers till repayment of the loans under the co-lending agreement, in the event of termination of co-lending arrangement between MMFSL and Participating Banks.

9. **Outsourcing of Services** – MMFSL will adhere to extant guidelines on outsourcing of financial services and the outsourcing policy approved by the Board.

Approving Authority: -

Any Co-lending arrangement between MMFSL & Participating Institution shall be approved by the following Committee within the ambit of this policy and/or RBI Guidelines as amended from time to time:

Members of Approving Committee	**Quorum**
1. Vice Chairman & Managing Director 2. Chief Operating Officer – Core Business 3. Chief Risk Officer 4. Chief Financial Officer	Any 3 out of 4

Policy Review:-

The Policy shall be subjected to review basis amendments in the regulations (if any) as notified by the regulator from time to time or 12 months, whichever is earlier.