EPIMONEY PRIVATE LIMITED

Policy on Co-Lending

Detailed Policy Document

EPIMONEY PRIVATE LIMITED

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Version	Policy changes	Document Author	Approval Date	Approved By
1.0	Initial Policy	Finance Team	June 2023	Board of Director
2.0	Revision and segregation of the initial Co-lending and FLDG Policy	Modified by Compliance Team and Confirmed by the Finance Team	September 2023	Board of Director
3.0	Revisions in line with the RBI notification dated June 8, 2023 and segregation of Co-lending and DLG Policy	Modified by Compliance Team and Confirmed by the Finance Team	30th September 2024	Board of Director

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1. Introduction

Epimoney Private Limited (hereafter referred to as the 'Company') is incorporated under the provisions of the Companies Act, 1956 and is a Non-Banking Financial Company ("NBFC") registered with the Reserve Bank of India (RBI). This policy on co-lending ("Policy") has been drafted in line with Reserve Bank of India ("RBI") circular dated RBI/2020-21/63 FIDD. CO. Plan. BC. No. 8/04.09.01/2020-21 November 05, 2020, on 'Co-lending by Banks and NBFCs to priority sector' ("Guidelines") and this Policy also covers co-lending of loans by the Company and other NBFC/Bank to sectors other than priority sector as per contractual arrangement.

Such an arrangement shall entail joint contribution of credit at the facility level by both the Company and other NBFC/Bank (jointly to be referred as "Co-lenders"), for this Policy, the other NBFC/Bank shall be referred to as the ("Co-lender"). It shall also involve sharing of risks and rewards between the Co-lenders for ensuring appropriate alignment of respective business objectives, as per the mutually decided arrangement prescribed in a Master Agreement entered by the parties. Co-lending arrangement would help the Co-lenders to increase market share, enable outreach and to expand and diversify the loans portfolio.

2. Objectives

The Policy shall be treated as the guidelines for strategic collaboration by the Company with the Co- lender. During these dealings, the Company shall enter into an agreement with each such entity coveringthe terms and conditions, detailing the area of operation including the product amongst other things asdetailed herein below.

3. Terminology/ Definitions and Interpretations

The following terms shall have the following meanings/interpretations hereunder:

"Co-lending" shall mean and include where two Regulated Entities enter into an arrangement for the joint contribution of credit to a borrower in a ratio pre-defined as per the Master Agreement executed amongst the Co-lenders either vide CLM 1 or CLM 2.

"CLM 1" refers to the Co-lending arrangement wherein the Co-lenders undertake a prior irrevocable commitment to mandatorily take its share in the individual loans originated and sanctioned by the Company as per the terms of the Master Agreement.

"CLM 2" refers to the Co-lending arrangement wherein the Co-lender can exercise its discretion to take or reject its share of loans originated & sanctioned by the Company subject to the terms of the Master Agreement.

"**Master Agreement**" refers to the agreement, defining clear terms & conditions, entered amongst theCo-lenders for entering into a Co-lending arrangement.

"Products for Co-lending" shall mean all existing and eligible new loan products of the Company.

"Regulated Entity" shall mean any Bank or Non-Banking Financial Company registered with the RBIand engaged in the business of lending.

4. Co-lending Models (CLM)

The Company shall subject to its discussion with the eligible Co-lender, enter into a Co-lending arrangement vide two models i.e. either CLM1 or CLM2.

4.A CLM 1

The Master Agreement to be entered into by the Co-lender and the Company for implementing CLM 1and shall provide for the Co-lender to mandatorily take its share in the individual loan/s originated by the Company in its books. The Co-lender and the Company shall put in place suitable mechanism for ex-ante due diligence by the Co-lender as required by the RBI regulations/Guidelines.

4.B. CLM 2

If the Co-lender exercises its discretion regarding taking into its books the loans originated by the Company as per the Master Agreement, the arrangement will be akin to a direct assignment transaction.Accordingly, the Co-lender shall ensure compliance with all the requirements in terms of Master Direction – Reserve Bank of India (Transfer of Loan Exposures) Directions, 2021 dated September 24, 2021, and amendments thereafter, with an exception of Minimum Holding Period (MHP) as defined inthe said master directions which shall not be applicable in such transactions undertaken in terms of theCLM 2. The MHP exemption shall be available only in cases where the prior agreement between the Company and the Co-lender contains a back-to-back clause and complies with all other conditions stipulated in the guidelines as stated hereinabove.

5. Eligible Products/ Business Segments

Existing product mix of the Company including any new product/segments introduced by the Company shall be eligible for Co-lending arrangement.

6. Selection of Co-Lender

Broad parameters for selection of Co-lender are as follows:

a. Registered NBFCs/Bank which is permitted by the RBI to engage in the business of lending.
b. Past experience into the establishment of the product range for which Co-lending is proposed.
c. Portfolio size and geographical coverage of the Co-lender.
d. External rating of the Co-lender, where applicable.
e. Co-lenders borrowing exposure from other institutions.
f. Required technological platform to maintain accounts and exchange necessary MIS.

* The Company shall not enter a Co-lending arrangement with any Bank/NBFC belonging to the promotor group.

7. Other Aspects of Co-lending

7. I. Sourcing and Sanction:

As per the terms of the Master Agreement, the Company or the Co-lender shall be responsible for sourcing/ origination of the loans. The process of loan sanction and disbursal shall be as per the agreedterms as defined in the Master Agreement/ standard operating procedures agreed with respective Co- lender.

7.II. Operation of Account

A common account in the form of an Escrow account shall be opened for disbursement of loans/ collection of the outstanding. Terms of appropriation of cash flows shall be defined in the Master Agreement/ standard operating procedures.

7.III. Retention of share and Statement of Account

Company shall maintain individual borrower's account for its share/ contribution as well as a single unified statement for the borrower considering share of both the Company & the Co- lender. However, all transactions (disbursements/ repayments) between the banks/ NBFC and the Company relating to Co-lending arrangements shall be routed through an escrow account maintained by the Co-lenders, in order to avoid inter-mingling of funds

7.IV. General Provisions

Any other services that are provided to the borrower by the Company and the Co-lender shall be governed by the terms & conditions of the Master Agreement which shall *inter-alia* include:

a. Terms and conditions of Co-lending,
b. Commercials for the Co-lending arrangement,
c. Funding/sharing ratio of Co-lending arrangement,
d. Specific product lines in existing areas of operation,
e. Provisions related to segregation of responsibilities as well as customer interface, grievanceredressal mechanism and protection issues,
f. Clauses on representations and warranties which the Company shall be liable for in respect of theshare of the loans taken into its books by the Co-lender.
g. Norms for lending to the borrower, underwriting norms.
h. Terms of the appropriation of cash flows shall be defined in the Master Agreement/ standardoperating procedures in the respective escrow agreement.
i. Details of monitoring and recovery.
j. Any other information as may be prescribed by the RBI.

7.V. Sharing of Risk and Reward

The arrangement would entail joint contribution of credit at each facility level, by both the Company and the Co-lender. It would involve sharing of risks and rewards between the Company and the Co- lender for ensuring appropriate alignment of respective business objectives, as per the mutually decided agreement between the Co-lenders. The ratio of sharing in a Co-lending arrangement shall be determined in accordance with the Master Agreement executed with the Co-lender.

7.VI. Commercials

a. **Interest rate-** The ultimate borrower may be charged an all-inclusive interest rate as may be agreedupon by the Co-lenders conforming to the extant guidelines applicable to both.

b. **Interest sharing, Fees and Expense sharing for other activities-** Appropriation between the Co-lenders may be mutually decided basis mutual agreement between the Co-lenders.

c. **AUM / Servicing Fees / Interest sharing or any other commercial terms** shall be crystalised asmay be agreed mutually by the Co-lenders.

7.VII. Customer Due Diligence/ Know Your Customer (KYC)

The Co-lenders shall adhere to applicable KYC/ AML regulatory guidelines and any other regulation as stipulated by RBI from time to time, which already permit regulated entities, at their option, to rely on customer due diligence done by the originator, subject to specified conditions.

7.VIII. Monitoring & Recovery

The Co-lenders shall create a framework for day-to-day monitoring of the loans and recovery upon default and the same shall be covered in the Master Agreement/standard operating procedure.

7.IX. Security and Charge Creation

The Co-lenders shall arrange for the creation of security and charge (if applicable) as per mutually agreeable terms and in line with the regulatory guidelines.

7.X. Provisioning/Reporting Requirement

The Co-lenders will follow the provisioning requirements including declaration of account as NPA, asper the applicable regulatory guidelines. Co-lenders shall also carry out their respective reporting requirements as per applicable law and regulations for its portion/share of lending.

7.XI. Assignment/ Change in Loan Limits

Any assignment of loans by any of the Co-lenders to a third party can be done with the prior consent ofthe other lender and as per the terms of Master Agreements. Further, any change in limit or critical terms of the loan of the co-lent facility shall require prior consent of the other lender or as per the terms of the Master Agreement.

7.XII. Grievance Redressal

a. Either the Company or the respective Co-lender as agreed under the Master Agreement 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 the Company and the Co-lender.

b. The extant guidelines relating to customer service and fair practices code and the obligations enjoined upon the Co-lender and the Company shall be applicable in respect of loans given underthe Co-lending arrangement.

c. With regards to the grievance redressal, suitable arrangement shall be put in place by the Co-lenders to resolve any complaint registered by a borrower within 30 days, failing which the borrower would have the option to escalate the same with concerned Banking ombudsman/ Grievance Redressal Officer of the respective Co-lenders or the Customer Education and Protection Cell in RBI as applicable and laid out in the Fair Practices Code adopted by the Company and the Co-lender.

7.XIII. Audit

The loans under the Co-lending arrangement shall be included in the scope of internal/ statutory audit of the Company and the Co-lender to ensure adherence to their respective internal guidelines, terms ofthe agreement and extant regulatory requirement.

7.XIV Business Continuity Plan

The Company and the Co-lender shall implement a business continuity plan to ensure uninterrupted service to their borrowers till repayment of the loans co-lent together as per the terms of the Master Agreement.

8. <u>Miscellaneous</u>

8. I. Policy Severable

This Policy constitutes the entire document in relation to its subject matter. In an event that any term, condition or provision of this Policy is held to be a violation of any applicable law, statute or regulation,the same shall become severable from the rest of the Policy and shall be of no force and effect, and thePolicy shall remain in full force and effect as if such term, condition or provision had not originally been incorporated in the Policy.

8.II. Disclosures

The Company shall prominently display this Policy on its website.

8.III. Periodic review of the Policy

Review of the Policy shall be done at least annually.

8. IV. Amendment

Any change in the Policy shall be approved by the board of directors of the Company. Any amendmentin the regulatory guidelines shall prevail and necessary amendment shall be carried out at a subsequentdate in the Policy. The board of directors of the Company shall have the right to withdraw and/or amendany part of the Policy or the entire Policy, at any time, as it deems fit, or from time to time, subject to applicable law in force.