

## Co-Lending Policy

### Riviera Investors Private Limited

<b>Effective Date</b>	08.06.2022
<b>Version</b>	1.0
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<b>Approved By</b>	Board of Directors



## Introduction

The Co-Lending Policy (hereinafter referred to as 'the 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 /2020-21 dated November 05, 2020 ("CLM") 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, considering the lower cost of funds from banks and greater reach of the NBFCs.

The revised scheme was issued in supersession of the erstwhile circular applicable for co-origination of loans by Banks for lending to priority sector bearing reference number FIDD.CO.Plan.BC.08/04.09.01/ 2018- 19 dated September 21, 2018

Co-Lending provides a great opportunity for Riviera to co-opt commercial banks into our customers, increase the diversity of products that can be made available to the end-customers, as well as decrease the blended cost of lending to the customers.

Co-lending partnership is expected to bring following benefits to Riviera

- Outreach to better-rated customers- superior credit quality
- Ability to offer better pricing to our customers - helping their business without compromising on the sustainability of our business model
- Co-Lending as a substitute for Borrowing for Riviera which in turn can decrease our cost of capital
- Access to 'priority sector lending' pools of capital for Riviera - a long awaited step in our journey
- Ability to leverage our operational expenses- enabling delivery of higher quantum of credit to our customers.

The document defines framework/policy governing partnership arrangement between partner Banks and Riviera



## Co-Lending Arrangement

The Master Agreement entered into with the Banks for implementing the Co-Lending Model may provide either for the Bank to:

- a) mandatorily take their share of the individual loans as originated by the NBFC in their books (“Option a”)

-Bank to mandatorily take their share of the individual loans as originated by Riviera in their books, the arrangement must comply with the extant guidelines on Managing Risks and Code of Conduct in Outsourcing of Financial Services by Banks. Particularly, the partner bank to have in place suitable mechanisms for ex-ante due diligence by the bank (as the credit sanction process cannot be outsourced under the extant guidelines).

or

- b) retain the discretion to reject certain loans subject to its due diligence (“Option b”)

-Bank can exercise its discretion regarding taking into its books the loans originated by Riviera as per the Agreement, the arrangement will be akin to a direct assignment transaction. Bank to 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<sup>5</sup>. There is an exception of Minimum Holding Period (MHP) in such transactions undertaken in terms of the CLM.

The MHP exemption shall be available only in cases where the prior agreement between the Company and banks contain a back-to-back basis clause and complies with all other conditions stipulated in the guidelines for direct assignment.

Further the Partner banks may pay platform fees directly to the holding company of the Company i.e Indifi Technologies Private Limited.

## Principles & Practices

### 1. Partnership Feature

Riviera would work with partner banks that would exhibit the following characteristics:

- The integrity of the partner to collaborate with Riviera on the partnership
- The ability of the partner to understand our business model
- Willingness and ability of the partner to align with Partner's processes, its speed of execution and flexibility of approach - key features of Riviera offering

### 2. Sharing of Risks & Rewards:

- **Option (a):** The arrangement would entail joint contribution of credit at the facility level, by both the Company and the Bank (“Lenders”) basis ex-ante due



diligence by the Bank.

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

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

### 3. Interest Rate:

- **Option (a):** The Company would have the flexibility to price their part of the exposure, while the Bank shall price its part of the exposure in a manner found fit as per their respective risk appetite/ assessment of the borrower and the RBI regulations issued from time to time. Based on the respective interest rates and proportion of risk sharing, a single blended interest rate will be offered to the ultimate borrower in case of fixed rate loans. In the scenario of floating interest rates, a weighted average of the benchmark interest rates in proportion to the respective loan contribution, will be offered. However, notwithstanding the charging of a single blended/ weighted average rate of interest from the borrower, the repayment/ recovery of interest shall be shared between the Bank and the company in proportion to their share of credit and interest.
- **Option (b):** The Company shall price the entire exposure in a manner fit as per its risk appetite or as may pre-determined with the Bank. The bank may subject to its due diligence share the exposure and consequently the repayment/ recovery of interest in proportion to their share of credit and interest

### 4. Know Your Customer (KYC):

The co-lending Lenders shall adhere to applicable KYC/ AML guidelines, as prescribed by Department of Banking Regulation (DBR)/ Department of Non-Banking Regulation (DNBR) and will also be guided by Para 14 of Master Directions on KYC, issued by DBR.

### 5. Loan Sanction & Documentation:

- **Option (a):** The Company shall recommend to the Bank proposals as found relevant



for joint lending. The Bank, under its irrevocable commitment to take into its books its share of the individual loans as originated by the Company, shall subject to ex ante due diligence mechanism as agreed between banks and the Company, agree to sanction the facility to the applicant. The loan agreement would be executed between the parties wherein the Bank and the Company shall be parties as lenders to the loan agreement. Alternatively, Riviera shall be the single point of interface for the customers and shall enter into a loan agreement with the borrower. In such agreement, all the details of the Co-lending arrangement shall be disclosed to the customers upfront and their explicit consent shall be taken. The actual method of documentation will be decided in consultation with the Partner Bank.

- **Option (b):** The Company shall upon assessment agree to grant the facility to the applicant. In such case, the Company shall execute loan agreement with the borrower and the Bank shall then choose to take over its share on back-to-back basis.

#### 6. Common Account:

- **Option (a):** The Bank and the Company shall open an escrow type common account for pooling respective loan contributions for disbursement as well as to appropriate loan repayments from borrowers, without holding the funds for usage of float
- **Option (b):** the disbursement shall be done by the Company and if taken over collection shall be made through an escrow type common account.

Regarding loan balances, the Company/ Bank shall maintain individual borrower's accounts and should also be able to generate and share a single unified statement to the customer, through appropriate sharing of required information with the Bank/ Company.

#### 7. Monitoring & Recovery:

Both Lenders shall create the framework for day-to-day monitoring and recovery of the loan, as mutually agreed upon. Such framework would be unique for each partner Bank depending on business segment, geography, product type, exposure, etc.

#### 8. Security and Charge Creation:

The Lenders shall arrange for creation of security and charge as per mutually agreeable terms.



## **9. Provisioning/Reporting Requirement:**

Each of the Lenders shall follow its independent provisioning requirements including declaration of account as NPA, as per the regulatory guidelines respectively applicable to each of them. Each of the Lenders shall carry out their respective reporting requirements including reporting to Credit Information Companies, under respectively applicable law and regulations. The Company shall adhere to its broader Provisioning/Reporting standards even in the case of a co-lent loan.

The loans under the CLM shall be included in the scope of internal/statutory audit within the banks and NBFCs to ensure adherence to their respective internal guidelines, terms of the agreement and extant regulatory requirements.

## **10. Assignment/ Change in Loan Limits:**

Any assignment of loans by any of the Lenders can be done only with the mutual consent of both the Lenders. Further, any change in loan limit of the co-lent facility can be done only with the mutual consent of both the Lenders.

## **11. 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. However, any complaint registered by a borrower with the Company and/or Bank shall also be shared with the Bank/ Company and in case, the complaint is not resolved within 30 days, the borrower would have the option to escalate the same with concerned Banking Ombudsman/ Ombudsman for the Company or the Customer Education and Protection Cell (CEPC) in RBI.

The extant guidelines relating to customer service and fair practices code and the obligations enjoined upon the banks and Riviera therein shall be applicable mutatis mutandis in respect of loans given under the arrangement.

## **12. Business Continuity Plan:**

Both the Bank and the Company shall formulate a business continuity plan to ensure





uninterrupted service to the borrowers till repayment of the loans under the co-lending agreement.

**13. Recourse to the Company:**

In the event, the Bank intends to claim priority sector status in respect of its share of credit while engaging in the co-lending arrangement, the Company shall ensure that priority sector assets on the Bank's books will at all times be without recourse to the NBFC.

**14. Outsourcing of Services:**

The Company will adhere to extant guidelines on outsourcing of financial services and the Outsourcing Policy approved by the Board.

**15. Data Maintenance:**

Individual borrower's account details shall be maintained with Riviera and partner Bank. As per agreement Bank, Riviera would share appropriate customer information with each other to enable generation of single unified statement to the customer.

**16. Governance**

**a) Deviations**

Deviations from this Policy, if any, shall be on an exceptional basis and shall be approved by the Credit and Risk committee of Riviera, subject to adherence to applicable regulations

**b) Review**

This Policy shall be reviewed at least once in a year, or when material changes are required / appropriate to ensure continued relevance. For changes required to be made to this policy on account of any regulatory changes, the Credit & Risk committee shall approve the changes and the same shall be ratified by the Board at the subsequent Meeting. All other changes to the Policy shall be approved by the Board.



