

**QGO Finance Limited**  
**POLICY ON CO-LENDING**



**Version Control:**

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## 1 Introduction

QGO Finance Limited ('QGO') is classified as a Category 'B' Non-Banking Financial Institution by the Reserve Bank of India (RBI), allowing it to operate as a Non-Banking Financial Company without accepting public deposits. In line with the RBI's Scale-Based Master Directions, the company is categorized as a Base Layer NBFC (NBFC-BL). QGO is exploring opportunities to diversify its sourcing channels by adding Co-Lending (CL) partnerships. These partnerships will be established with other partners who have a proven track record across various products, customer segments, and locations, in compliance with QGO's standards.

## 2 Definitions:

Co-Lending would arise to establish a framework for collaboration between the Parties in a co-lending arrangement to extend credit facilities to borrowers, thereby leveraging each Party's strengths, sharing risks, and expanding market reach. This arrangement can include not only NBFCs but also other entities who are eligible to participate in co-lending.

- i. **Co-Lender:** QGO Finance Limited (QGO) an NBFC registered under the laws of Reserve Bank of India (RBI) would be one of the Co-Lenders.
- ii. **CL Partner:** CL Partner would be any another entity.

## 3 The need For Co-Lending:

Co-Lending partnerships are essential in today's financial environment. These partnerships allow entities to combine their strengths, such as customer reach and expertise, to provide credit to underserved groups. By working together, the Companies can diversify their offerings, reduce risks, and operate more efficiently, all while promoting financial inclusion and meeting market demands.

## 4 Execution of Master Agreement

Both the entities shall enter into a master agreement for implementing the Co-lending model (CLM). QGO shall retain the discretion to take their share of the individual loans originated by the entities in their books as per the terms of the agreement, or to reject certain loans after its due diligence prior to taking in their books. Irrespective of the nature of the agreement the following features shall be common:

- a. Loan allocation and funding;
- b. Interest rate and flow of funds;
- c. Risk sharing and profit distribution;
- d. Compliance and regulatory requirements;
- e. Assignment of loans;
- f. Reporting and monitoring;
- g. Term and termination; and
- h. Dispute resolution.

Further as per the Master agreement following details will be provided by QGO to other entities for approval of co lending:

- a. Borrower Details;
- b. Location;
- c. Brief on Project;
- d. Date of sanction and current outstanding loan;
- e. Loan performance;
- f. Likely repayment dates;
- g. Documents with QGO;
- h. Maximum Loan Amount and Tenure;
- i. Rate of Interest;
- j. Creation of Charge on Primary and Collateral Securities; and
- k. Any Other relevant documents required.

## **5 Eligibility Criteria for the Partner:**

The CL partner shall be identified by the Co-lender based on their risk appetite differing from project to project.

## **6 Engagement Model with Co-lender under Co-Lending Model**

The Company may on the basis of discussion with eligible partner/Co-Lender enter into co-lending arrangement under the following Co-Lending Model:

### **Co-Lending Model:**

Parallel underwriting by both the partner entity and the Company shall be done. Post credit approval of the loan by both the lenders, the loan shall be disbursed in the books of both the lenders as per the pre-agreed ratio. Sourcing of the loans will be done by the Company basis a pre-defined framework which shall be pre agreed with the Partner entity.

The Co-lending arrangement shall comply with the extant guidelines on Managing Risks and Code of Conduct in Outsourcing of Financial Services by the Company as issued by RBI from time to time. In particular, the Company and the partner entity shall put in place suitable mechanisms for ex-ante due diligence by the Company as the credit sanction process cannot be outsourced under the extant guidelines.

## **7 Partner entity Onboarding and Documentation**

### **a. Internal Approval on Partner Entity:**

The Company, before entering into a Co-Lending Arrangement (CLA) with any entity should obtain necessary internal approvals. A detailed approval note on the Co-lending arrangement with the entity shall be prepared which shall outline the profile of the entity, financial products envisaged in the CLA and the operational aspects of the CLA such as sanctioning process, roles and responsibilities of the partner entity, terms & conditions of the arrangement, risk sharing, security aspects, the risks, etc.

The note shall be approved by the Admin Committee of QGO consisting of Managing Director (MD), Chief Financial Officer (CFO) and the Chief Operating Officer (COO). Quorum for the meeting shall any two of the MD, CFO and COO.

Further the Company shall share the Co-lending Policy framework with each of the partner entity which should cover various parameters including Min/Max Loan Amount, Tenor, Norms, LTV/FOIR as applicable etc. within the Company's policy guidelines and the same shall be jointly approved by the respective CL Partner. Customer selection criteria shall be mutually agreed with the partner entity.

**b. Ratio of Co-Lending:**

The Ratio of co-lending in Non-Priority Sector with respect to the share of the individual loans on the books of the Company and the Partner entity (identified for entering into co-lending arrangement as per above clauses) for lending to non-priority sector shall be decided jointly by the Admin Committee. However, the total value of the co-lending should not exceed 30 % of the total loan book.

**c. Legal Documentation:**

The following one or more legal documents shall be executed basis the advice of QGO's legal team for the CLA transactions:

1. Master agreement; and
2. ESCROW agreement (Escrow will be needed for disbursement and/or repayments or collections, both in order to avoid inter-mingling of funds)

The above-mentioned list is indicative in nature and approval on all the documents will be taken from internal legal team of the Company

**8 Regulatory Compliances:**

- a. **Know Your Customer (KYC):** The entity shall comply with the Master Directions – Know Your Customer (KYC) Directions 2016 issued vide RBI/DBR/2015-16/18 Master Direction DBR.AML.BC.No.81/14/.01.001/2015-16 dated 25.02.2016 and updated from time to time, which already permit regulated entities at their option to rely on customer due diligence done by third party, subject to specified conditions.
- b. **Asset Classification and Provisioning Requirement:** Each of the lenders shall follow its asset classification and provisioning requirement as per the respective regulatory guidelines applicable to each of them.
- c. **Reporting to CIC:** Both the lenders shall report to CIC for their respective share of the loan.
- d. **Assignment of Loans:** Any assignment of a loan by a Co-Lender to a third party can be done only with the consent of the other lender.

**9 Roles and Responsibilities:**

**a. Loan Sanction under the Co-lending Approach**

The Company shall be the single point of interface for the customers and the loan agreement to be entered into with the customer, shall clearly contain the features of the arrangement and the roles and responsibilities of the partner entity and the Company.

All the details of the arrangement shall be disclosed to the customer upfront. All the documents as per the Company's internal guidelines for respective Loans shall be collected.

**b. Interest Rate to the Customer**

The Company shall price its part of the exposure in a manner found fit as per the risk appetite/assessment of the customer and the RBI regulations issued from time to time and the Partner entity shall price its part of the exposure. However, a single blended rate (all-inclusive interest rate) shall be offered to the customer as may be agreed upon by both the lenders conforming to the extant guidelines applicable to both. The rate can be linked to the respective benchmarks of the Company and Partner entity as mutually agreed. This arrangement effecting the interest rate of the customer shall be disclosed to the customer upfront in the terms and conditions. Other operational aspects like reset etc. shall be addressed in the agreement between the Company and the Partner entity.

**c. Loan Servicing under the co-lending Model**

The Company and the Partner entity shall maintain each individual customer's account for their respective exposures. However, all transactions disbursements/repayments between the Company and the Partner entity relating to CLA shall be routed through an escrow account, in order to avoid inter-mingling of funds. The Partner entity shall generate a single unified statement of the customer, through appropriate information sharing with the Company. The manner of appropriation between the co-lenders shall be agreed upon and captured in the Agreement entered into between the co-lending partners.

**d. Grievance Redressal Mechanism**

The Partner entity shall explain to the end customer regarding the difference between products offered through the co-lending model as compared to its own products. The Company while entering into agreement with the Partner entity shall include suitable clauses pertaining to resolving customer complaints by Partner entity in accordance with applicable RBI Guidelines. Partner entity/QGO shall be primarily responsible for providing the required resolution. Suitable arrangement must be put in place by the co-lenders to resolve any complaint registered by a customer with the Originator within 30 days, failing which the customer 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.

**e. Reporting of the Loans**

The Company shall follow its reporting requirements including reporting to Credit Information Companies, under applicable law and regulations for its share of loan account.

**10 Customer Onboarding and Monitoring**

**a. Customer Onboarding**

1. Due diligence (both KYC and credit checks) be conducted as per due process. The Company shall also comply with the Master Directions-Know Your Customer (KYC) Directions 2016 and updated from time to time, which already permits regulated entities, at their option, to rely on customer due diligence done by a third-party subject to specified conditions.
2. Single Obligor-exposure would be agreed with each Partner entity.

3. In case of Secured Loans Valuation - Method of valuation of the underlying assets (Primary/Collateral) would be done as per specific Co-lending framework agreed with the Company and as per the regulatory framework defined by regulator from time to time.
  4. Security and Charge Creation - The Company shall arrange for creation of security and charge, as mutually agreed upon with the Partner entity.
  5. Origination of Non-PSL assets through Co-lending - The Company can originate Non- PSL assets through the Co-lending Model, by adhering to all the clauses mentioned in this policy.
- b. Risk Management  
The Company will monitor the performance of the portfolio on a periodic basis (daily/weekly/monthly etc.).
- c. Periodic Update  
Portfolio update shall be shared along with the Portfolio Review for respective products.

## **11 Other Points Applicable**

**a. Provisioning of the loans**

The Company and the Partner entity shall adhere to the asset classification and provisioning requirement including declaration of account as NPA, 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.

**b. Loan Limit**

Further, any change in CLM loan limit being offered under CLM arrangements will be done only with the mutual consent of both the lenders.

**c. Business Continuity Plan**

Both the Company and Partner entity shall implement a business continuity plan to ensure uninterrupted service to their customers till repayment of the loans under the co-lending agreement, in the event of termination of co-lending arrangement between the co-lenders.

**d. Internal/Statutory Audit**

The loans under the co-lending arrangement shall be included in the scope of internal/statutory audit within the LTF and the Originator to ensure adherence to their respective internal guidelines, terms of the agreement and extant regulatory requirements.

**e. Assignment of the Loan**

Any assignment of loan by the Originator to a third party can be done only with the prior written consent of the Company in respect of loan sourced under co-lending.

**f. Disclosure & Reporting**

The Company shall make appropriate disclosures in the financial statements / results as per applicable RBI guidelines.

**g. Priority Sector Co-Lending**

If the loans pertain to priority sector and the CLA is between the Company and a bank, then RBI's circular on Co-origination of loans by Banks and NBFCs for lending to priority sector rolled out vide its circular RBI/2020-21/63 FIDD.CO.Plan.BC.No.8/04.09.01/2020-21 dt. November 5,2020 as amended from time to time, shall become applicable.

**h. Review of the Co-lending Policy**

The policy shall be at least reviewed annually for scope and content so that it remains aligned to the changes in the regulatory requirements, business conditions and the Company's own business strategy & risk appetite. In case of any amendment(s) and/or clarifications to the regulatory provisions, the policy shall stand amended accordingly from effective date specified as per the Regulatory Provisions. The board approved Co-Lending Policy will be placed on Company website as well.

**i. Review /Revision Clause**

If at any point a conflict of interpretation / information between the Policy and any regulations, rules, guidelines, notification, clarifications, circulars, master circulars/ directions issued by relevant authorities ("Regulatory Provisions") arises, then interpretation of the Regulatory Provisions shall prevail. In case of any amendment(s) and/or clarification(s) to the Regulatory Provisions, the Policy shall stand amended accordingly from the effective date specified as per the Regulatory Provisions.