

Policy on Co-Lending by Bank and NBFCs/HFCs

A. BACKGROUND:

- 1.1 The Reserve Bank of India (RBI) had issued guidelines on Co-Origination of Loans by Bank and NBFCs for lending to priority sector vide notification dated 21.09.2018. All Scheduled Commercial Banks (except RRBs and Small Finance Banks) were permitted to engage with NBFC-ND-SIs to co-originate loans for creation of Priority Sector Assets, and share risks and rewards. RBI had instructed Banks/NBFCs to formulate Board approved policy for entering into a co-origination agreement.
- 1.2 Based on the feedback received from the stakeholders and to better leverage the respective comparative advantages of the Banks and NBFC/HFCs in a collaborative effort, RBI decided to provide greater operational flexibility to the lending institutions, while requiring them to conform to the regulatory guidelines on outsourcing, KYC, etc.
- 1.3 Reserve Bank of India had released guidelines on Co-Lending Model vide their circular No. FIDD.CO.BC. No.8/04.09.01/2020-21 dated 05.11.2020. The primary focus of the revised scheme, rechristened as "Co-Lending Model" (CLM), is 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 NBFCs. The RBI Circular Dt 05.11.2020 now allows Banks to co-lend with all registered HFCs also. The said circular supersedes the RBI notification on Co-Origination of Loans dated 21.09.2018. However, any loans outstanding in terms of the earlier circular would continue to be classified under priority sector till their repayment or maturity, whichever is earlier.
- 1.4 As per RBI guidelines, banks shall formulate a board approved policy for entering into CLM and place the approved policy on the Bank's website. Based on the approved policy, a master agreement shall be entered into between the two partner institutions (Bank and NBFC/HFC) which shall inter-alia include, terms and conditions of the arrangement, the criteria for selection of partner institutions, the specific product lines and areas of operation, along with provisions related to segregation of responsibilities as well as customer interface and protection issues.
- 1.5 The master agreement may provide for the banks to either mandatorily take their share of the individual loans originated by the NBFC/HFC 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.
- 1.6 In terms of the CLM, bank is permitted to co-lend with all registered NBFC (including HFCs) based on a prior agreement. The co-lending bank will take its share of the individual loans on a back-to-back basis in their books. However, NBFC/HFCs shall be required to retain a minimum of 20% share of the individual loans in their books.
- 1.7 Bank can claim priority sector status in respect of their share of credit while engaging in the CLM adhering to the specified conditions.
- 1.8 Loans qualifying under non-priority sector provide good opportunity to Bank in improving the quality of advances, ticket size of Home & other loans (MSME LAP / Business Loans etc.,) and also results in increasing yields. Accordingly, the Bank proposes to utilize the co-lending

arrangement with NBFCs for sourcing loans under non-Priority Sectors also. As such the Bank sought clarification from RBI on extending co-lending partnership with NBFCs for non-priority sector loans. In reply Reserve Bank of India vide their mail dated 3rd Feb 2022 advised that “The guidelines in co-lending, issued in terms of circular FIDD.CO.Plan. BC.No.8/04.09.01/2020-21 dated November 5,2020, are specifically in the context of priority sector loans, which permit the banks to claim priority sector status in respect of their share of credit as part of the arrangement. These guidelines do not extend to co-lending arrangements in respect of non-priority sector loans, including gold loans. However, there is no bar on banks/NBFCs entering into lending arrangements in the nature of co-lending as per their Board-approved policies, subject to compliance with all extant regulations and prudential norms, including the guidelines on outsourcing and transfer of loan exposures.”

The co-lending guidelines conveyed under circular FIDD.CO.Plan. BC.No.8/04.09.01/2020-21 dated November 5, 2020 is specifically in the context of priority sector loans only, and the dispensations permitted therein, such as applicability of MHP, cannot be extended to any other lending arrangement.

- 1.9 In terms of the said RBI guidelines, the Bank issued its co-lending policy after approval of the Bank's Board in their meeting held on 17.06.2021. Further, the Board in its meeting held on 18.07.2022 approved review of policy of Co lending by Bank and NBFC / HFC and Co-lending for non-priority sector was included.
- 1.10 As the existing Policy is valid for 3 years (till July 2025), the proposed Policy supersedes the previous version of the Policy.

B. Policy Guidelines:

1. Broad Criteria for Selection of NBFC (including HFCs) as a Partner Institutions under Co-Lending Model (CLM):

- The NBFC/HFC must be a registered with RBI/NHB and in business for a period of more than 3 years, with minimum net worth of Rs. 200 Crores.
- NBFC/HFC shall be required to retain a minimum of 20% share of each of the individual loans on their books.
- Credit Rating of the NBFC/HFC by any one of the accredited External Rating Agencies notified by the regulator, must conform to the minimum of A (+/-) and above.
- The NBFC/HFC shall have a minimum Capital Adequacy Ratio of 16%.
- Other Financial / Non-Financial parameters for each NBFC/HFC will be part of Master Agreement to be entered into between the Bank and each NBFC/HFC.

2. Essential Features of Co-Lending Model between Bank and NBFCs/HFCs.

- 2.1 In terms of the CLM, banks are permitted to co-lend with all the registered NBFCs including HFCs based on a prior agreement. However, banks are not allowed to enter into co-lending agreement with an NBFC/HFC belonging to the promoter group.
- 2.2 A Master Agreement may be entered into between the Bank and NBFC/HFC which shall inter-alia include, the terms and conditions of the arrangement, the specific product lines and area of operation, along with provisions related to segregation of responsibilities as well as customer interface and protection issues.
- 2.3 The Master Agreement to be entered into between the Bank and NBFCs/HFCs for implementing the CLM shall provide either for the Bank to mandatorily take our share of the individual loans as

originated by the NBFC/HFC in their books or retain the discretion to reject certain loans subject to our due diligence.

- a. If the Agreement entails a prior, irrevocable commitment on the part of the Bank to take into our books the share of the individual loans as originated by the NBFC/HFC, the arrangement shall comply with the extant guidelines on Managing Risks and Code of Conduct in Outsourcing of Financial Services by Scheduled Commercial Banks, issued vide RBI notification dated March 11, 2015 and updated from time to time. The Bank and NBFCs/HFCs shall put in place suitable mechanism for ex-ante due diligence by the Bank as the credit sanction process cannot be outsourced under the extant guidelines.
- b. The Bank will comply with the Master Directions - Know Your Customer (KYC) Direction, 2016, issued vide RBI notification vide RBI/DBR/2015-16/18 Master Direction DBR.AML.BC. No.81/14.01.001/2015-16 dated February 25, 2016 and updated from time to time our own extant guidelines in this regard, which permits regulated entities, at their option, to rely on customer due diligence done by a third party, subject to specified conditions.
 - Accordingly, the sourcing of the loan / KYC is to be done by the NBFCs/HFCs. NBFCs/HFCs shall adhere to applicable KYC / Anti-Money Laundering (AML) guidelines as per extant norms in respective organization as prescribed by Department of Banking Regulation / Department of Non-Banking Regulation. As per RBI direction (Para 14 of Master Direction of KYC vide Master Direction DBR.AML.BC. No.81/14.01.001/2015-16 (Updated as on October 17, 2023), for the purpose of verifying the identity of customers at the time of commencement of an account-based relationship Bank may at their option, rely on customer due diligence done by a third party (here NBFC/HFC), subject to the following conditions to be ensured by NBFC/HFC.
 - Records or the information of the customer due diligence carried out by the third party is obtained immediately from the third party or from the Central KYC Records Registry.
 - Adequate steps are taken by REs to satisfy themselves that copies of identification data and other relevant documentation relating to the customer due diligence requirements shall be made available from the third party upon request without delay.
 - The NBFC/HFC is regulated, supervised or monitored for, and has measures in place for, compliance with customer due diligence and record-keeping requirements in line with the requirements and obligations under the PML Act.
 - The NBFC/HFC shall not be based in a country or jurisdiction assessed as high risk.
 - The ultimate responsibility for customer due diligence and undertaking enhanced due diligence measures, as applicable, will be with the Bank as the Regulated Entity (RE).
 - Undertaking in the aforesaid regard will be taken from NBFC/HFC at the time of tie-up arrangement as mutually agreed between NBFC/HFC and Bank.
 - The Bank shall share products details, prescribed minimum threshold viz. CIBIL etc. (or other CICs equivalent score if any) with NBFC/HFC in order to align their customer identification with the Bank.
 - In addition to the aforesaid guidelines of this para, our Bank officials will also carry out KYC/Due diligence of the borrower.
- c. However, if the Bank exercises its discretion regarding taking into its books the loans originated by NBFC/HFC as per the Agreement, the arrangement will be akin to a direct assignment transaction. Accordingly, the Bank 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, which is now repealed and substituted by fresh Circular No. DOR/STR/REC/52/21.04.048/2021-22 dated 24/09/2021 last updated on 05.12.2022, with the exception of Minimum Holding Period (MHP) which shall not be applicable in such transactions undertaken in terms of this CLM (For Priority Sector).

d. Minimum Holding Period (MHP) means the minimum period for which a transferor must hold the loan exposures before the same is transferred to transferee(s).

e. The MHP exemption shall be available only in cases where prior agreement between the Bank and NBFC/HFCs contains a back-to-back basis clause and complies with all other conditions stipulated in the guidelines for direct assignment.

2.4 The Bank will take its share of individual loans on a back-to-back basis in its books. However, the NBFCs/HFCs shall be required to retain a minimum of 20% share of the individual loans on their books.

2.5 The borrowers under this segment can be given fresh loan separately from the Bank or NBFC/HFC by assessing the proposal on merits. However, fresh loan cannot be given during the currency of the loan already sanctioned under CLM. In other words, the fresh loan for same asset/ against same asset can't be given again.

3. Customer related issues:

3.1 The NBFC/HFC 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 NBFC/HFCs and the Bank.

3.2 All the details of the arrangement shall be disclosed to the customers upfront and their explicit consent shall be taken in this regard.

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

3.4 The NBFCs/HFCs should be able to generate a single unified statement of the customer, through appropriate information sharing arrangements with the bank.

3.5 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.

3.6 Grievance Redressal:

i. It shall be the responsibility of the NBFC/HFC to explain the end to end process & procedure to borrowers regarding difference between products offered through the CLM as compared to its own products.

ii. The front-ending lender will be primarily responsible for providing the required customer service and grievance redressal to the borrower.

iii. Any complaint registered by a borrower with the NBFC/HFC shall also be shared with the bank and in case, the complaint is not resolved within 30 days, 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.

4 Priority / Non Priority Sector Status:

The Bank will claim priority sector status in respect of its share of credit while engaging in the co-lending arrangement, without recourse to the NBFCs/HFCs.

However, as per reply received from the RBI on Bank's specific query, the Bank can enter into co-lending arrangement with NBFCs/HFCs pertaining to non-priority sector with approval of the Board of Directors and subject to compliance with all the extant regulation and prudential norms, including the guidelines on outsourcing issued vide notification No. RBI/2014-15/497 DBR.No.BP.BC.76/21.04.158/2014-15 dated 11.03.2015 ,and Transfer of Loan Exposures issued vide notification RBI/DOR/2021-22/86 DOR.STR.REC.51/21.04.048/2021-22 dated 24.09.2021 and as updated from time to time.

The co-lending guidelines conveyed under FIDD.CO.Plan.BC.No.8/04.09.01/2020-21 circular dated November 5, 2020 is specifically in the context of priority sector loans only, and the dispensations permitted therein, such as applicability of MHP, cannot be extended to any other lending arrangement.

5 Guidelines on Co-Lending by Banks & NBFCs / HFCs to Non-Priority Sector

The guidelines for co-lending by the Banks and the NBFCs / HFCs to non-Priority Sector are as under:

- i. The Bank shall undertake financing under the co-lending model for the non-priority sector, in compliance with extant policy guidelines on Co-Lending by Banks & NBFCs / HFCs to Priority Sector.
- ii. The financing facility shall be subject to compliance of all the extant prudential regulations including transfer of loan exposures, outsourcing of financial services,
- iii. KYC, reporting to CICs etc as applicable to all the participating entities.
- iv. For financing under co-lending model for non-priority sector, the MHP as defined in extant policy on transfer of loan exposures and securitisation of standard assets shall be applicable. Further, compliance with all the requirements of RBI 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, which is now repealed and substituted with fresh Circular No. DOR/STR/REC/52/21.04.048/2021-22 dated 24/09/2021 last updated on 05.12.2022.
- v. MHP is detailed below (for the arrangement akin to direct assignment transaction):
The transferor can transfer loans only after a Minimum Holding Period (MHP) which is counted from the date of registration of the underlying security interest with Central Registry of Securitisation Asset Reconstruction and Security Interest of India (CERSAI) as under:
 - Three months in case of loans with tenor of up to 2 years;
 - Six months in case of loans with tenor of more than 2 years.

Provided that in case of loans where security does not exist or security cannot be registered with CERSAI, the MHP shall be calculated from the date of first repayment of the loan.

Upon on boarding of assets under CLM, Bank shall ensure that the project implementation risk is not passed on to the Bank. A minimum recovery performance is demonstrated prior to the on-boarding to ensure better underwriting standards.

Provided further that in case of transfer of project loans, the MHP shall be calculated from the date of commencement of commercial operations of the project being financed.

Provided further that in case of loans acquired from other entities by a transferor, such loans cannot be transferred before completion of six months from the date on which the loan was taken into the books of the transferor.

6 Other Operational Aspects:

- 6.1 The Bank and NBFCs/HFCs shall maintain each individual borrower's account for their respective exposures. However, all transactions (disbursements/ repayments) between the Bank and NBFCs/HFCs relating to CLM shall be routed through an escrow account maintained with the Bank, in order to avoid inter-mingling of funds. The Master Agreement shall clearly specify the manner of appropriation between the co-lenders.
- 6.2 The Master Agreement will contain necessary clauses on representations and warranties which the originating NBFC / HFC shall be liable for in respect to the share of the loans taken into its books by the Bank.
- 6.3 The co-lenders shall establish a framework for monitoring and recovery of the loan as mutually agreed upon, which will be a part of the Master Agreement.
- 6.4 The co-lenders shall arrange for creation of security and charge as per mutually agreeable terms.
- 6.5 Each lender shall adhere to the asset classification and provisioning requirement as per the relevant regulatory guidelines applicable to each of them including reports to Credit Information Companies, under the applicable regulations.
- 6.6 The loans under the CLM shall be included in the scope of internal/statutory audit within the Bank to ensure adherence to the Bank's internal guidelines, terms of the agreement and extant regulatory requirements. C.O. Audit and Inspection to incorporate appropriate aspects in scope of Concurrent Audit and Internal Audit for carrying out Audit of loans under co-lending.
- 6.7 Any assignment of a loan by a co-lender to a third party shall be done only with the consent of the other lender.
- 6.8 Both the Bank and NBFCs/HFCs 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 the co-lenders.
- 6.9 Further at the time of submission of proposal/application to the Bank by the partner NBFC / HFC after their sanction/in-principle approval, it is to be specified by the partner NBFC/HFC that the proposed loan/s was not rejected earlier by the Bank (under co-lending tie up with the subject NBFC and other Bank) or NBFC itself earlier.

7 Exposure ceiling:

- The Bank's limit on exposure under co-lending for a single co-lender (Originator NBFC/HFC) will be lower of the 10% of AUM of the co-lender as on the last preceding quarter end or Rs. 1000 crore.

- The Bank's limit on exposure under co-lending for a group of connected NBFCs/HFCs will be lower of the 10% of sum total of AUM of the group of connected NBFCs/HFCs as on the last preceding quarter end or Rs. 2000 crore.
- However, the total exposure under co-Lending for a single NBFC/HFC / group of NBFCs/HFCs will be guided by the extant Credit Policy guidelines of the Bank, as updated from time to time.

8 Delegation of Powers:

8.1. Sanction of Outlay:

Powers to sanction the outlay with regards to Single/Group entity will rest with COLCC(ED) and above up to their delegated powers. The exposure to decide delegated powers will include both direct & indirect exposure.

8.2 Selection of Branches:

Branches across the country will be identified and authorized to handle such proposals based on the reach and area of operation of individual NBFC/HFC with whom co-lending to be done. The authority to select branches will rest with the ED in-charge.

❖ Role of Dedicated Branches for POOL/Co-Lending

Head of the Pool/CLM Branch: The dedicated branch will be headed by Chief Manager/AGM. The next higher authority will be FGMCAC at respective FGMO. (In case delegation of sanction is vested with head of Pool/CLM asset branch, FGMCAC at FGMO to be considered as next higher authority).

Role of Pool/CLM Branch: For smooth implementation of the CLM a Standard Operating Procedure (SOP) will be prepared for each tie up by the respective credit vertical. SOP will be framed within the framework of this policy and terms and conditions of tie up as approved by CRMC. Tie up specific SOP is required as different assets class are proposed to be financed under CLM and the nature of tie up may differ from one co-lending NBFC/HFC to another.

Accordingly, Head of the respective vertical (CGM/GM) are proposed to be competent authority for approving the SOP for a particular tie up. The SOP required to consist of the following process/activities/parameters:

- a) Responsibility Matrix
- b) Process Flow
- c) Sharing of Risk and Rewards
- d) Commercial Aspects
- e) KYC compliance and Due Diligence
- f) Asset Classification & Bureau Reporting
- g) Mechanism of Collection Money Transfer
- h) Monitoring
- i) Recovery Process
- j) Grievance redressal
- k) Business Continuity Plan
- l) Review of agreement and Termination of arrangement
- m) Post Disbursement Servicing
- n) Monitoring & Recovery Mechanism
- o) Reporting requirement etc

Under the CLM, the case will be forwarded by NBFC/HFC to our Bank through Tech Platform or through other mode till tech platform is ready. Intimation for the same would be given to Bank

official through email. Pool Asset Branch for co-lending will download/obtain and scrutinize the entire loan related documents/ information from the Tech Platform or other mode. The activities, in brief to be handled by the specialized branches are detailed as under:

- i. To download/obtain and verify all documents applicable to a particular category of borrower.
- ii. To check the documents submitted by the NBFC and confirm that same are as per our policy.
- iii. Discrepancies, if any, to be intimated to NBFC/HFC through tech platform (through mail or other mode of communication till the time tech platform is not developed). NBFC/HFC to revert to the satisfaction of bank. (The Bank is in the process of developing and on-boarding a Tech Platform for managing end to end digitized process of co-lending. This process will involve transmission of documents, scoring, underwriting, sanctioning.etc.)
- iv. To ensure that loan proposals submitted by NBFCs/HFCs should be in line with the guidelines of our scheme designed for CLM and the underwriting standards of the Bank.
- v. Each loan application will be appraised by the branch officials and will accord sanction or rejection as per their assessment, underwriting requirement and delegated authority framed for the co-lending arrangement with NBFCs/HFCs..
- vi. Details of sanction should inter alia include loan amount, the Bank's rate of interest, tenure, EMI amount, security details etc.
- vii. In the case of any Rejection the reasons to be pass on to NBFC/HFC immediately.
- viii. Account opening for each loan account and disbursement of loans to escrow account. Maintenance of Escrow accounts (Two escrow accounts for disbursement and collection are proposed for each NBFC under tie up). Reconciliation of escrow accounts to be done by the Branch of the bank.
- ix. Annual review of accounts disbursed under CLM.

Processing: Currently for uniform and quick disposal/decision all proposals sourced by NBFCs/HFCs shall be appraised by the officials of Pool/CLM branches for co-lending activities. Every lead received by the Bank from the NBFCs/HFCs for acceptance and disbursement shall be cleared by two employees of the Pool Asset branch, Maker and Checker.

Sanctioning Authority:

The authority to sanction individual proposals will be in line with the Bank's extant guidelines on Delegation of Powers for Credit without intervention of RAPC / MAPC.

8.2. Master Agreement between Bank and NBFCs and related SOPs:

- Master Agreement shall be entered into between the Bank and the individual NBFC/HFC, which shall inter-alia include, terms and conditions of the arrangement, the specific product lines and areas of operation, provisions related to segregation of responsibilities as well as customer interface and protection issues, Service Charges, Pricing of Loans etc.
- Based on the guidelines enumerated in this Policy document the Master Agreements to be entered into with NBFCs/HFCs, Servicer Agreements will be developed in terms of the roles and responsibilities of the Servicer and the scope of work.
- Master Agreement / Servicer Agreements with individual NBFC/HFC should be legally vetted by CO: Legal Department and will be placed to the respective Sanctioning Authority for approval. General Manager / DH of the respective vertical will be authorised for tie-ups, signing of agreements with NBFCs/HFCs.
- SOP will be issued after obtaining approval from CRMC.

- The master agreement attached to this policy is standard/indicative, there may be minor change(s) in the actual agreements to be executed with NBFCs/HFCs, depending on the facts and circumstances of each case, for which approval from CRMC will be obtained.

9 Credit Guarantee Scheme for Co-Lending (CGSCL):

Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) vide their circular No. 196/2021-22 dated 25th February 2022 has commenced a Credit Guarantee Scheme for Co-lending (CGSCL) has been introduced for extending credit guarantee coverage to all eligible Scheduled Commercial Banks (excluding RRBs, SFBs, CBs and LMBs) and Non-Banking Financial Companies in respect of credit facilities extended by them to eligible Micro and Small Enterprises (MSEs) under Co-lending arrangement.

Guideline issued by Credit Guarantee Trust regarding Guarantee Coverage under Co-Lending arrangement should be complied with where CLM is done with Guarantee Coverage.

Main features of the scheme are as under:

- Only those credit facilities where the effective interest rate charged to the MSE borrower under CLM arrangement is up to a maximum of 18% shall be eligible for coverage under CGSCL.
- Any credit facility for loans up to Rs.10 lakh to micro enterprises shall not be eligible to be covered under the scheme if the said credit facility has been covered under MUDRA guarantee scheme through NCGTC Limited or any other Guarantee Scheme while applying for guarantee cover for such proposal.
- The Trust shall cover credit facilities extended by pair of Member Lending Institutions to a single eligible borrower in the Micro and Small Enterprises sector for credit facility - (i) not exceeding ₹500 lakh for credit facility secured by way of Primary Security; and (ii) not exceeding ₹200 lakh for unsecured credit facility by way of term loan and/or working capital facilities without any collateral security and/or third-party guarantees.
- Under “Hybrid Security” product the MLIs will be allowed to obtain collateral security for a part of the credit facility, whereas the remaining unsecured part of the credit facility, up to a maximum of ₹200 lakh, can be covered under CGSCL.
- All proposal for sanction of guarantee approvals for credit facility (ies) above Rs.50 lakh should be of investment grade.
- Guarantee Fee will be charged on the guaranteed amount for the first year and on the outstanding amount for the remaining tenure of the credit facility as under:
 - ✓ Credit facility amount Annual guarantee fee % p.a. Up to Rs.5 lakh 1.00% Above Rs.5 lakh and up to Rs.10 lakh 1.25% Above Rs.10 lakh 1.50%
 - ✓ All loans disbursed to the same customer by the pair of MLIs will be charged guarantee fee as per the fee structure stated above, basis their cumulative credit facility amount. Risk Premium, as and when, decided by the Trust will be imposed.
 - ✓ Extent of the Guarantee Coverage • 75% of the amount in default for credits facility secured by way of primary security.
 - ✓ 50% of the amount in default for unsecured credits facility. The pay-out cap for any given year will be calculated at 2 times of the total receipts (i.e. guarantee fee plus recoveries post 1st claim settlement paid to CGTMSE under the Scheme) of the previous financial year passed to CGTMSE by the lending institutions or dealing institutions as applicable.

- GM-MSME is authorized to deal with CGTMSE/partner NBFCs for all necessary formalities for registration with CGTMSE and execute necessary documents with CGTMSE on behalf of the Bank.
 - SOP on CLM should cover the detailed modalities of Guarantee Coverage of the accounts, role and responsibilities of NBFCs, Claim Procedure etc.,
 - Any further guidelines issued by CGTMSE regarding Credit Guarantee Scheme for Co-Lending (CGSCL) should form part of this policy & to be adhered while undertaking any CLM agreement with NBFC / HFC.
- 9. Deviation:** Any deviation from policy guidelines is to be considered for ratification by CAC/MC as per delegated lending powers, and will be subsequently reported to RMC.
- 10. Validity & Renewal of the Policy:**
- The policy will remain valid for FY 2023-24 or till the time it is reviewed/renewed further.
 - The Policy shall be modified to give effect to changes in the extant guidelines/directives/initiatives that may be advised by GoI/RBI/IBA, for which action may be called for at short notice by CRMC, and will be placed to the Board for information.
 - Any guidelines issued by RBI / GoI / Nodal Agencies regarding Co-Lending Arrangement should form integral part of the Policy.