

CO-LENDING POLICY

1. Background

This Co-Lending Policy (hereinafter referred to as the “Policy”) has been formulated in accordance with the Reserve Bank of India (RBI) notification no. RBI/2020-21/63, FIDD.CO.Plan.BC.No.8/04.09.01/2020-21 dated November 5, 2020. The objective of the notification is to enhance the flow of credit to unserved and underserved sectors of the economy and to ensure the availability of funds to the ultimate beneficiaries at an affordable cost, leveraging the lower cost of funds from banks and the wider reach of Non-Banking Financial Companies (NBFCs).

This Policy outlines the guiding principles and operational framework adopted by **Falcon Trading Pvt. Ltd.** (hereinafter referred to as “FTPL” or the “Company”) for entering into co-lending arrangements with partner institutions, hereinafter referred to as “Participating Banks.”

The Policy applies to all products and services offered by the Company under the co-lending model, including associated activities such as customer sourcing, loan processing, servicing, and collections.

2. Eligibility

This Policy shall apply exclusively to the following segments:

- Co-origination/Co-lending of loans with Scheduled Commercial Banks, as specified by the RBI from time to time.
- Co-lending arrangements pertaining to **priority sector lending** as defined by the RBI.

Prior to executing a Co-Lending Master Agreement (“CLM Agreement”) with a Participating Bank, FTPL and the Participating Bank shall mutually agree on the eligible loan products and parameters under the respective CLM Agreement.

3. Modes of Arrangement

FTPL may enter into co-lending arrangements through the following modes:

Option 1: Joint contribution of credit at the facility level by both FTPL and the Participating Bank (“Lenders”), based on pre-disbursement due diligence conducted by the Bank.

Option 2: The Participating Bank may take over its share of the exposure on a back-to-back basis after loan disbursement by FTPL, subject to due diligence.

In both cases, risks and rewards shall be shared between the Lenders to ensure alignment of business objectives, as per mutually agreed terms. FTPL shall retain a minimum of 20% of the credit risk by way of direct exposure until loan maturity, with the balance on the Participating Bank's books.

4. Execution of Master Agreement

A CLM Agreement shall be executed between FTPL and the Participating Bank, detailing:

- Product specifications and operational areas
- Allocation of responsibilities and customer interface protocols
- Loan origination criteria
- Pricing and pool assignment terms
- Frequency and size of pool assignments

The Agreement may stipulate either:

- Mandatory inclusion of the Participating Bank's share of loans originated by FTPL, or
- Discretion for the Participating Bank to reject certain loans post due diligence (Option 2).

Where discretion is exercised (Option 2), the arrangement shall be treated as a **direct assignment transaction**, and the Participating Bank shall comply with the RBI's *Master Direction on Securitization of Standard Assets* and *Master Direction on Transfer of Loan Exposure* (as amended from time to time), except for the Minimum Holding Period (MHP) requirement, which shall not apply.

The FTPL Board is authorized to approve co-lending partnerships within the framework of this Policy.

5. Loan Sanction

Option 1: FTPL shall recommend eligible proposals to the Participating Bank. Upon completion of agreed pre-disbursement due diligence, the Participating Bank shall sanction its share of the facility. The loan agreement shall be executed jointly by FTPL and the Participating Bank as co-lenders.

Option 2: FTPL shall assess and sanction the facility independently, execute the loan agreement with the borrower, and disburse the loan. Post-disbursement, the loan may be referred to the Participating Bank for takeover of its share on a back-to-back basis.

6. Escrow Account Operations

Option 1: FTPL and the Participating Bank shall open an Escrow Account for pooling their respective contributions for disbursement and for receiving borrower repayments, without utilizing the float.

Option 2: Disbursement shall be made by FTPL. If the Participating Bank takes over its share, collections shall be deposited into an Escrow Account. Both parties shall maintain individual borrower accounts and ensure the capability to generate and share a unified statement with the customer.

7. Monitoring and Recovery

FTPL and the Participating Bank shall establish a mutually agreed framework for day-to-day loan monitoring and recovery.

8. Creation of Security

Security creation and charge registration shall be undertaken as per mutually agreed terms between FTPL and the Participating Bank.

9. Provisioning and Reporting

Each Lender shall independently comply with applicable provisioning norms, including NPA classification, as per their respective regulatory guidelines. Reporting obligations, including submissions to Credit Information Companies (CICs), shall be fulfilled individually for each Lender's share of the loan. FTPL shall maintain its provisioning and reporting standards for all co-lent loans.

10. Assignment or Change in Loan Limits

Any loan assignment or modification of loan limits under a co-lending arrangement shall require mutual consent of both Lenders and compliance with applicable laws.

11. Recourse to the Company

Where the Participating Bank seeks to classify its share of credit as priority sector lending, FTPL shall ensure that such assets remain without recourse to FTPL. Loans extended by foreign banks under the co-lending framework shall be restricted to priority sector assets only.

12. Grievance Redressal

The co-lenders shall establish an appropriate mechanism to resolve borrower complaints lodged with FTPL within **30 days**.

13. Outsourcing of Services

FTPL shall comply with prevailing RBI guidelines on outsourcing of financial services and adhere to its Board-approved Outsourcing Policy.

14. Policy Review

This Policy shall be reviewed annually by management. Any modifications shall be placed before the Board for approval. In the event of regulatory amendments, necessary revisions shall be submitted to the Board at the earliest subsequent meeting after such amendments are notified.