TATA MOTORS FINANCE LIMITED (TMFL)

POLICY OF CO-LENDING BY TMFL & BANK TO PRIORITY SECTOR

Objective of CLM Policy: -

The Reserve Bank of India (RBI) vide circular no. RBI/2020-21/63 FIDD. CO. Plan. BC.No.8/04.09.01/2020-21 has put in place a framework for co-origination and co- lending to priority sector by Banks and a category of Non-Banking Financial Companies (NBFCs). The arrangement entailed joint contribution of credit at the facility level by both the lenders as also sharing of risks and rewards. The earlier scheme of Co-origination has now been rechristened as "Co-Lending Model" (CLM), 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 to deeper markets and geographies.

Scope of CLM Policy: -

In terms of the CLM, Tata Motors Finance Ltd. (TMFL) is permitted to co-lend with all interested Banks based on a prior agreement. The co-lending banks will take their share of the individual loans on a back-to-back basis in their books. However, TMFL shall be required to retain a minimum of 20 per cent share of the individual loans on their books.

Following are the requirements for implementing CLM in TMFL: -

1) TMFL along with banks will formulate Board approved policy for entering into CLM and display the same on their respective websites. Accordingly, TMFL has prepared this Policy.

2) A Master Agreement is to be entered into between the two partner institutions (TMFL and Banks) 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 in format prescribed by RBI.

3) The above-mentioned master agreement may include either of the below options: -

(i) Banks to mandatorily take in their books, the share of the individual loan as originated by TMFL

(ii) Banks retain the discretion or right to reject certain loans subject to its due diligence before taking on their books.

Option (i)

If the Agreement entails a prior, irrevocable commitment on the part of the bank to take into its books its share of the individual loans as originated by TMFL, the arrangement must comply with the extant guidelines on Managing Risks and Code of Conduct in Outsourcing of Financial Services by Banks issued vide RBI/2014-15/497/DBR.No.BP.BC.76/21.04.158/2014-15 dated March 11, 2015 and updated from time to time. In particular, the partner bank and TMFL shall have to put in place suitable mechanisms for ex-ante due diligence by the bank as the credit sanction process cannot be outsourced under the extant guidelines.

Option (ii)

If bank can exercise its discretion regarding taking into its books the loans originated by TMFL as per the Agreement, the arrangement will be similar to a direct assignment transaction. Accordingly, the taking over 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, as updated from time to time, with the exception of Minimum Holding Period (MHP) which shall not be applicable in such transactions undertaken in terms of this CLM.

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

Customer related Issues: -

1) TMFL 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 TMFL and banks.

2) All the details of the arrangement shall be disclosed to the customers upfront and their explicit consent shall be taken.

3) The ultimate borrower may be charged an all-inclusive interest rate as may be agreed upon by TMFL and Banks jointly and conforming to the extant guidelines applicable to both.

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

5) TMFL should be able to generate a single unified statement of the customer, through appropriate information sharing arrangements with the bank.

6) With regard to grievance redressal, suitable arrangement must be put in place by TMFL and banks to resolve any complaint registered by a borrower with TMFL within 30 days, failing which 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.

Operational Aspects: -

1) TMFL and banks shall maintain each individual borrower’s account for their respective exposures. However, all transactions (disbursements/repayments) between TMFL and Bank relating to CLM shall be routed through an escrow account maintained with the Banks, in order to avoid inter-mingling of funds. The Master Agreement shall clearly specify the manner of appropriation between TMFL and banks.

2) The Master Agreement may contain necessary clauses on representations and warranties which the TMFL shall be liable for in respect of the share of the loans taken into its books by Banks.

3) The TMFL & Banks shall establish a framework for monitoring and recovery of the loan, as mutually agreed upon.

4) The TMFL & Banks shall arrange for creation of security and charge as per mutually agreeable terms.

5) TMFL and Banks shall adhere to the asset classification and provisioning requirement, 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.

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

7) Any assignment of a loan by TMFL and Banks to a third party can be done only with the consent of the other party.

8) TMFL and banks 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 TMFL and Banks.

Approving Authority: -

Any two of Managing Director & CEO, Chief Operating Officer, Chief Credit Officer, Chief Risk Officer and Chief Financial Officer be and are hereby jointly authorised to approve, finalise, execute, amend any documents in relation to Co- Lending model within the ambit of policy and/or RBI Guidelines as amended from time to time.

Date of Approval: -

This policy was last reviewed and approved by the Board in its meeting held on May 24, 2022.

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