

**CO- LENDING BY BANKS AND NON-BANKING FINANCIAL COMPANIES
(INCLUDING HFCs) TO PRIORITY SECTOR**

❖ **ELIGIBILITY CRITERIA –**

- Co-lending agreement with the NBFCs (including HFCs) that fulfil the regulatory requirements.
- Only NBFCs (including HFCs) having minimum external rating of 'A' (by Banks approved Rating Agencies) and having gross NPA (as per the latest ABS) as given below:

Less than 3% Gross NPA	For Housing Loans Portfolio
Less than 4% Gross NPA	For other than Housing Loans Portfolio

- Further, the NBFC should be atleast 3 years in operation to be eligible for entering into Co- lending agreement with PNB.
- PNB would enter into co- lending arrangement with NBFCs having CRAR equal to RBI defined CRAR + 1%. Where the same is not defined, Bank may accept proposals from NBFCs having CRAR of 15%.
- MFIs with minimum MFI Rating of up to MFR 3 will be considered eligible, subject to a maximum limit of Rs. 500 Crores.
- Same customer may be financed under multiple schemes/ co- lending arrangements, subject to fulfilment of eligibility criteria, repayment capacity and performance of existing account(s). However, lending is restricted in case the customer is financed from multiple NBFCs.
- The NBFC shall give an undertaking to the bank that its contribution towards the loan amount is not funded out of borrowing from the co-originating bank or any other group company of the partner bank.

❖ **Segments eligible for financing under CLM Arrangement:**

- Housing and other retail which are eligible under PS Definitions
- Secured and unsecured MSME
- Agriculture Equipments and Agriculture Investment

❖ **MAX. LOAN OUTLAY PER NBFC (INCL. HFC)**

NBFC (incl. HFC) Rating	Max. Outlay allowed per NBFC (incl HFC)
AAA/ AA Rated	Rs. 2000 Cr
A Rated	Rs. 1000 Cr
MFI Rating	Max. Outlay allowed
MFR 3	Rs. 500 Cr

❖ **NATURE OF LOANS –** Term loans

❖ **TICKET SIZE PER LOAN**

Loans originated under the CLM shall have ticket size as under:

Minimum Ticket Size per loan	Rs. 5.00 Lakhs	
Max. Ticket Size per loan	HFCs	As per RBI prescribed regulatory limits under PS Lending and Classification
	Secured MSMEs	Rs. 10.00 Cr
	Unsecured MSMEs, Agriculture & Others (segments eligible for classification under PS)	Rs. 50.00 Lakhs

❖ **After approval of proposal of Co-Lending the Master Agreement will be executed by the Bank and NBFC at PNB Head Office.**

❖ **KYC-AML COMPLIANCE –** Customer identification procedure for opening of accounts in terms of RBI Master Circular – Know Your Customer norms / Anti-Money Laundering Standards/ Combating of Financing of Terrorism /Obligation of banks under PMLA, 2002 circulated and updated by the KYC Section (Operations Division) shall be complied with by the bank as well as NBFC. Further, guidelines pertaining to Centralized KYC Registry (CKYCR) shall also be strictly complied with.

❖ **CIBIL REPORTING –** CIBIL Reporting will be done by both lenders separately and as per the respective policy in accordance with the agreed loan ratio.

❖ **RATE OF INTEREST –**

- Based on the respective interest rates and proportion of risk sharing, a single blended interest rate should 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, should be offered.
- Blended rate will vary between RLLR+2% to RLLR+6%.
- NBFC will not charge to the customer, rate more than the regulatory prescribed rate.

❖ **PRODUCT PARAMETERS –**

- Since the scheme has to be framed for specific co- lending arrangement between Bank & NBFC, guidelines related to the nature of industry, margin norms, specific restrictions in advances etc. as defined in the Bank Guidelines shall not be applicable and separate products will be designed for financing under the CLM Arrangement.
 - Product parameters like eligibility criteria, margin requirement, financial parameters etc. will be decided on the basis of the scope of the master agreement executed between the Bank and NBFCs as per the purpose of the loan.
- ❖ **SECURITY CREATION** – NBFC shall ensure timely creation of all securities as prescribed in the Master Agreement.
- ❖ **ACCOUNTING** –
- Bank and NBFCs shall maintain each individual borrower’s account for respective exposures.
 - However, all transactions (disbursement/ repayments) between bank and NBFCs relating to CLM shall be routed through an escrow account maintained with the nodal branch of the bank.
 - NBFC shall provide single unified statement of the customer and for this purpose NBFC shall maintain a mirror account for 100% of the loan amount (PNB share+ NBFC Share).
 - The same is required as customer should be aware of the actual loan details in case if any reporting to be done by either parties (eg- CIBIL Reporting).
 - The modalities in this regard to be finalized on case to case basis as per the Master agreement.
- ❖ **INFORMATION SHARING AND EXCHANGE** –
- For effective TAT and monitoring, Bank and NBFC on mutual agreement shall integrate their IT Platform for sharing of information.
 - The modalities of the information sharing mechanism and integration of IT Platform, as per the requirement may be decided as per the Master Agreement.
 - NBFC shall (preferably) develop mechanism for document/ information sharing with the bank. NBFC will share Loan proposal along with application form, Customer details, CIR reports and other information required for pre-sanction appraisal of loan through the sharing mechanism with the Bank.
 - In this context, NBFC & Bank will also share the information regarding the account status, recovery status, account performance etc.