

IIFL Finance Limited

Policy – Co-Lending Arrangements

Document Version controller

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1. Background:

1.1 The Reserve Bank of India (RBI) vide its Co-Lending Arrangements, Part B of [RBI \(Non-Banking Financial Companies – Transfer and Distribution of Credit Risk\) Directions, 2025](#) RBI/DOR/2025-26/353 DOR.STR.REC.271/21.04./048/2025-26 dated November 28, 2025 (superseding the earlier [RBI \(Co-lending Arrangements\) Directions, 2025](#) RBI/DOR/2025-26/139 DOR.STR.REC.44/13.07.010/2025-26 dated August 06, 2025 and circular Co-Lending by Banks and NBFCs to Priority Sector FIDD.CO.Plan.BC.No.8/04.09.01/2020-21 dated November 05, 2020) has issued revised guidelines on co-lending of loans by regulated entities (REs).

This policy shall be effective from January 01, 2026 and shall be applicable for all new co-lending arrangements (CLA) executed on or after this date. All existing CLAs entered prior to effective date shall continue to be governed by the extant regulations.

1.2 Primary focus of the previous co-lending circular was to improve the flow of credit to the unserved 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. These new directions have been issued with the objective of providing specific regulatory clarity on the permissibility of such arrangements, while addressing some of the prudential as well as conduct related aspects.

1.3 Accordingly, IIFL Finance Limited, in compliance with these new directions is adopting the following policy on co-lending of loans.

1.4 In this document henceforth, all Bank(s)/NBFC(s)/FI(s) partnering with IIFL Finance Limited for co-lending will be termed as Partner RE(s) and IIFL Finance Limited will be referred to as IIFL.

2. Agreement between IIFL & Partner RE:

2.1 A Master Agreement shall be entered into between IIFL and Partner RE which shall inter-alia include terms and conditions of the arrangement to jointly fund a portfolio of loans, borrower/loan selection criteria, specific product lines and areas of operation, pre-agreed proportion, revenue and risk sharing, any applicable fees, along with provisions related to segregation of responsibilities and time-frame for exchanging critical information as well as customer interface and protection issues and grievance redressal mechanism.

3. Loan Sharing:

3.1 IIFL and Partner RE, under the co-lending arrangement, shall each retain a minimum 10 percent share of the individual loans in their books.

3.2 The percentage of retention (10 percent or more) by IIFL and Partner RE shall be guided by the terms of agreement between IIFL and corresponding Partner RE.

4. Credit Norms:

4.1 Borrower/loan evaluation shall be carried out by IIFL based on various parameters in line with its relevant product policy and norms. Additionally, IIFL and Partner RE may mutually agree on additional details/criteria for co-lending provided they align with respective relevant product / credit policies of both parties.

4.2 Fees/charges charged to the borrower shall be based on the contractual agreement and in accordance with the Interest Rate & Charges policy, subject to the regulatory norms applicable to IIFL.

4.3 Fees/charges being shared between IIFL and Partner RE shall be determined through mutual agreement. Such fees/charges shall not involve, directly or indirectly, any element of credit enhancement/default loss guarantee unless permitted otherwise.

4.4 IIFL, when acting as originator, may provide default loss guarantee to Partner RE up to five per cent of loans outstanding in respect of loans under co-lending arrangement. Conversely, if

Partner RE is the originator, then IIFL may accept default loss guarantee from Partner RE up to five per cent of loans outstanding in respect of loans under co-lending arrangement. Provision of such default loss guarantee shall be as per mutual agreement between IIFL and Partner RE and shall be governed mutatis mutandis in terms of the [Chapter III – Digital Lending of RBI \(Non-Banking Financial Companies – Credit Facilities\) Directions, 2025](#) as amended from time to time.

5. Approval norms:

- 5.1 IIFL shall not outsource credit decisioning process.
- 5.2 The co-lending arrangement shall entail irrevocable commitment by Partner RE to take into its books, on back to back basis, its share of the individual loans as originated by IIFL, or vice versa if applicable. However, this irrevocable commitment shall be subject to the operational constraints outlined in clause 7.

6. Interest Rate

- 6.1 IIFL shall have the flexibility of pricing its part of exposure in accordance with its internal pricing strategy which may be influenced by various internal and external considerations, including but not limited to cost of funds, nature of service rendered, loan amount, etc. Operational expenses shall also be factored in by IIFL in its pricing strategy. Notwithstanding such flexibility, interest rate and any other fees/charges levied to the borrower shall be in compliance with Interest Rate & Charges policy of IIFL and risk profile of the same or similar borrower, and subject to applicable regulatory norms.
- 6.2 The interest rate charged to the borrower shall be the blended interest rate which is calculated as an average rate of interest derived from the interest rate charged by respective REs, weighted by the proportionate funding share of concerned REs under CLA. Further, interest rate and any other fees/charges levied to the borrower shall be in compliance with Interest Rate & Charges policy of IIFL.
- 6.3 Any change in rates by IIFL or Partner RE under the arrangement will be made as per their Interest Rate & Charges policy and extant regulatory norms, and the same shall be reflected in the updated blended rate and communicated to the borrower.
- 6.4 Upon repayment, the amount received from borrower shall be shared between IIFL and Partner RE in proportion to their share of credit and interest.

7. Other Operational Aspects

- 7.1 It must be ensured by Partner RE and IIFL that their respective shares are reflected in their respective books within 15 calendar days from the date of disbursement to the borrower.
- 7.2 IIFL shall also ensure that it transfers the loans originated by it under co-lending arrangement only to the respective Partner RE, as per the ex-ante agreement and as specified in the KFS at the time of sanction of loan.
- 7.3 If IIFL, when acting as originator, is unable to transfer the share of the exposure to Partner RE under co-lending arrangement within 15 calendar days for any reason, then the loan/s shall remain on the books of IIFL and can be transferred to other eligible lenders only under the provisions of Part A – [Transfer of Loan Exposure of RBI \(Non-Banking Financial Companies – Transfer and Distribution of Credit Risk\) Directions, 2025](#).
- 7.4 Any subsequent transfer of co-lending loan exposures to third parties, or any inter-se transfer of such loan exposures between IIFL and Partner RE, shall be strictly in compliance with the provisions of Part A – [Transfer of Loan Exposure of RBI \(Non-Banking Financial Companies – Transfer and Distribution of Credit Risk\) Directions, 2025](#). Such transfers to a third party, however, can be done only with the mutual consent of both IIFL and partner RE.
- 7.5 IIFL and Partner RE shall maintain a borrower's account individually for their respective share.

- 7.6 IIFL shall adhere to the applicable accounting standards, while booking of unrealised profit under co-lending arrangements, if applicable. However, such profits, shall be deducted from CET 1 capital or net owned funds for meeting regulatory capital adequacy requirement till the maturity of such loans.
- 7.7 Co-lending transactions (disbursements / repayments) between the IIFL and Partner RE as well as with the borrower, shall be routed through escrow accounts maintained with a bank (which could also be one of the RE's involved in CLA). Agreement shall clearly specify the manner of appropriation between IIFL and Partner RE.
- 7.8 The loans under co-lending arrangements shall be included in the scope of internal/statutory audit by IIFL to ensure adherence to internal guidelines, terms of the agreement and applicable regulatory requirements.
- 7.9 IIFL shall ensure uninterrupted service to the borrowers, on-boarded under the co-lending arrangement, till repayment of the loans, including in the event of termination of co-lending arrangement with any Partner RE.
- 7.10 IIFL shall comply with the prescribed norms under the [RBI \(Non-Banking Financial Companies – Know Your Customer\) Directions, 2025](#) as amended from time to time. If IIFL is the originator, Partner RE may rely upon IIFL for “Customer Identification Process” as per the provisions of the said Master Directions on KYC. Conversely, if Partner RE acts as the originator, IIFL may rely upon the Partner RE for “Customer Identification Process” as per the provisions of the said Master Directions on KYC.

8. CIC Reporting, Asset Classification and Provisioning

- 8.1 IIFL shall adhere to the extant requirements of reporting to CICs for its share of the loan account, as per the provisions of the Credit Information Companies (Regulation) Act, 2005 and the Rules and Regulations issued by RBI therein, from time to time.
- 8.2 IIFL and Partner RE shall apply a borrower-level asset classification for their respective exposures to a borrower under co-lending arrangement, implying that if either of them classifies its exposure to a borrower under co-lending arrangement as SMA/NPA on account of default in the co-lending exposure, the same classification shall be applicable to the exposure of the other entity to the borrower under CLA. IIFL and Partner RE shall put in place a robust mechanism for sharing relevant information in this regard on a near-real time basis, and in any case latest by end of the next working day.
- 8.3 In event of overdue/default, IIFL shall create provision in its books for its share of the loan account as per its policy and applicable regulatory norms. Any additional provisions shall be made on case-to-case basis.

9. Disclosures

- 9.1 IIFL shall prominently disclose on its website, a list of all active co-lending partners.
- 9.2 IIFL shall also make appropriate disclosures in its financial statements, under ‘Notes to Accounts’, relating to necessary details of co-lending arrangements on an aggregate basis. The details may inter alia include quantum of co-lending arrangements, weighted average rate of interest, fees charged/paid, broad sectors in which co-lending arrangement was made, performance of loans under co-lending arrangement, details related to default loss guarantee, if any, etc. The disclosure shall be done on quarterly/annual basis, as may be applicable.

10. Customer related issues

- 10.1 The loan agreement signed with the borrower shall make an upfront disclosure regarding the segregation of the roles and responsibilities (such as sourcing, and servicing) of IIFL and Partner RE, including clear identification of the entity being the single point of interface with the customer. Any subsequent change in customer interface shall only be done after prior

- intimation to the borrower. The loan agreement shall also appropriately disclose suitable provisions related to customer protection, and grievance redressal mechanism.
- 10.2 All required details of co-lending arrangement shall be disclosed appropriately to the concerned borrower as laid down under RBI Circular on 'Key Facts Statement (KFS) for Loans & Advances' under [RBI \(Non-Banking Financial Companies – Responsible Business Conduct\) Directions, 2025](#) as amended from time to time.
- 10.3 Any fees/charges payable by the borrower in addition to the blended interest rate shall be incorporated in computation of annual percentage rate (APR) and disclosed appropriately in the KFS.
- 10.4 IIFL shall be guided by the Board approved fair practice code and grievance redressal mechanism.
- 10.5 Any relevant declaration(s) may be taken from the customer if required by IIFL and/or Partner RE as per respective internal policy or regulatory requirements. This shall inter-alia include declaration for voluntary pledge of eligible collateral as defined in [RBI \(Non-Banking Financial Companies – Credit Facilities\) Directions, 2025](#) as may be applicable pursuant to the Reserve Bank of India notification [Lending Against Gold and Silver Collateral - Voluntary Pledge of Gold and Silver as Collateral for Agriculture and MSME Loans](#) RBI/2025-2026/66 FIDD.CO.FSD.BC.No.08/05.05.010/2025-26 dated July 11, 2025.

Any other regulatory changes with respect to co-lending arrangements will stand updated in the policy from time to time.