



VEDIKA CREDIT CAPITAL LTD
PARTNER IN THE GROWTH OF MICRO ENTREPRENEURS

2022

OFF-BALANCE SHEET EXPOSURE (ASSIGNMENT & SECURITISATION) POLICY

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INTRODUCTION

Vedika Credit Capital Limited (Company) is a Non-Banking Finance Company registered by Reserve Bank of India and providing loan to its customers. For its growth and expansion, the company depends of fund raising through various methods of debt, equity and securitization by way of sale of assets.

In respect of raising of funds through sale of portfolio, the company shall adopt the following policy:

Securitization involves pooling of homogeneous assets and the subsequent sale of the cash flows from these asset pools to investors.

ASSETS WHICH CAN BE SECURITIZED

The company can securitize or direct assign loans in all its products including Micro Enterprise Loans and Secured Enterprise Loans.

WHOM CAN THE LOANS BE ASSIGNED:

The loans can be assigned to any bank, financial institutions including NABARAD, SIDBI, Regional Rural Banks, NBFCs etc. who show interest in the assets of the company.

MINIMUM HOLDING PERIOD

The company can securitize only those loans which have been held by them for a minimum period in their books. The minimum holding period has been determined by Reserve Bank of India as per the circular RBI/2011-12/540 DBOD.No.BP.BC-103/21.04.177/2011-12 May 07, 2012 and amendments thereon. The company shall follow the guidelines in respect of Minimum Holding Period.

MINIMUM RETENTION REQUIREMENTS

The minimum retention requirements for the loans securitized shall be as follows:

1. **Loans with original maturity of 24 months or less:** 5% of the book value of the loans being securitized
2. **Loans with original maturity of more than 24 months:** 10% of the book value of the loans being securitized

For complying with the MRR under the RBI guidelines, the company shall ensure that proper documentation in accordance with law is made.

BOOKING OF PROFIT UPFRONT

The amount of profit received in cash may be held under an accounting head styled as "Cash Profit on Loan Transfer Transactions Pending Recognition" maintained on individual transaction basis.

The amortization of cash profit arising out of securitization transaction will be done at the end of every financial year

TRUE SALE CRITERIA

While doing any Direct assignment/Securitization deal, the company shall meet the true sale criteria.

The 'sale' including direct sale, assignment and any other form of transfer of asset should result in immediate legal separation of the company from the assets which are sold.

The assets should stand completely isolated from the company, after its transfer to the buyer, i.e., put beyond the company's as well as its creditors' reach, even in the event of bankruptcy of the selling/assigning/company.

The company shall effectively transfer all risks/ rewards and rights/ obligations pertaining to the asset and shall not hold any beneficial interest in the asset after its sale except those specifically permitted under these guidelines.

The company shall not have any economic interest in the assets after its sale and the buyer shall have no recourse to the company for any expenses or losses except those specifically permitted under these guidelines.

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Sale consideration:

The sale shall be only on cash basis and the consideration shall be received not later than at the time of transfer of assets. The sale consideration should be market-based and arrived at in a transparent manner on an arm's length basis.

Seller as servicing agent:

The company can act as the servicing agent for the loans, it would not detract from the 'true sale' nature of the transaction, provided such service obligations do not entail any residual credit risk on the sold assets or any additional liability for them beyond the contractual performance obligations in respect of such services.

In case the seller also provides servicing of assets after the sale under a separate servicing agreement for fee, and the payments/repayments from the borrowers are routed through it, it shall be under no obligation to remit funds to the buyer unless and until these are received from the borrowers.

Legal Opinion:

An opinion from the seller's Legal Counsel should be kept on record signifying that:



- all rights, titles, interests and benefits in the assets have been transferred to the buyer;
- seller is not liable to the buyer in any way with regard to these assets other than the servicing obligations and
- creditors of the selling bank do not have any right in any way with regard to these assets even in case of bankruptcy of the seller.

RE-SCHEDULEMENT, RESTRUCTURING OR RE-NEGOTIATION

Any re-schedulement, restructuring or re-negotiation of the terms of the underlying agreement/s effected after the transfer of assets to the buyer, shall be binding on the buyer and not on the seller except to the extent of MRR.

The transfer of assets from seller must not contravene the terms and conditions of any underlying agreement governing the assets and all necessary consents from obligors (including from third parties, where necessary) should have been obtained.

RE-PURCHASE OF ASSETS

In order to limit the extent of effective control of transferred assets by the seller in the case of direct assignment transactions, seller should not have any re-purchase agreement including through “clean-up calls” on the transferred assets.

PERIODICAL REVIEW OF THE POLICY

The Policy is flexible and easy to understand and comply with by all levels of employees. The Board should review this Policy periodically but at least once in a year, so that it remains appropriate in the light of material changes in regulatory requirement with respect to the Company’s size, complexity, geographic reach, business strategy, market and best governance practices.

The policy can also be reviewed as and when deemed necessary by the Top Management and amendments effected to the same, subject to approval of the Board if any, and when practical difficulties are encountered. The Top management may also review the policy on document retention to comply with any local, state, central legislation that may be broadcast from time to time

AMENDEMENT OF THE POLICY

The Board of Directors on its own and/or on the recommendation of the Assets & Liability Committee or top management can amend this policy as and when required deemed fit. Any or all provisions of this Policy would be subjected to revision/amendment in accordance with the regulations on the subject as may be issued from relevant statutory authorities, from time to time.