

## **Note on Draft Directions 2025**

RBI has issued the draft Reserve Bank of India (Co-Lending Arrangements) Directions, 2025 on 9th April, 2025. The Draft Directions will override the earlier Co-lending guidelines.

It has defined 2 kinds of agreements, which are

1. Co-lending Arrangements (CLAs): Under these arrangements the REs (Banks or NBFCs) can jointly fund a loan in a pre-agreed proportion, with or without sourcing and management agreements. This is a partnership arrangement which is the same as the CLM-1 in the earlier framework, however this expanded definition allows newer combinations of NBFC-NBFC models and allows such partnerships to exist outside
2. Sourcing Arrangements: Under these arrangements REs or non REs can source the loans for other REs for a fee, without any profit sharing. These arrangements must be at arm's length basis.

What has changed:

1. According to these guidelines, the two REs should be involved right from the first loan disbursement. This implies that there is no allowance for discretionary co-lending which was CLM-2 (80-20 loan exposure) in the earlier framework. The loan needs co-funding from the start.
2. Service fees can no longer be used for credit enhancement as the two REs are partners and their differential sharing of interest rates shall account for differing responsibilities.
3. Default Loss Guarantee (DLG) which was earlier provided only for digital loans might be allowed for all the co-lending arrangements from now on.
4. Asset classification for the borrower needs to be the same by the two REs.

How should Aumnee react?

1. Make the platform compatible for non-priority sector loan offerings.
2. Shift from technology serving CLM-2 to include CLM-1 models in preparation for this change in regulation.