

Private Clients - Credit Policy

Barclays Investments & Loans (India) Pvt. Ltd. (BILIPL)

Document Management

Document Name	Credit Policy
Document Id	PB.PO.CA.02
Owner	Debt Structuring
Status	Amendment
Version No.	18.0
Date	February 13, 2023

Information on the Document

Revision History

Version	Date	Status	Change Description
1.0	01-07-08	Draft	New Document Draft
2.0	23-11-10	Being adopted by BIL IPL board in Nov 2010	Amended after inclusion of IPO funding product approval
3.0	01-03-13	Annual Review	<ul style="list-style-type: none"> • BW renamed as PBOS • Logo changed of One Barclays • Correction of Typo error (Word "Service" printed twice, now deleted on page 14 • Confirmation and mode of communication of Interest payment frequency clarified on page 16 • Change in the hyperlink to the credit proposal template on page 17
4.0	09-01-14	Annual Review	<ul style="list-style-type: none"> • Aligning to regulatory directions received during the year • Lending against own debentures not allowed • Introduced non-discrimination in extending loan facilities to the physically / visually challenged applicants on grounds of disability • Added clarity on Demand / Call Loans as prescribed by RBI • Lending against Gold ETFs and Gold MFs not allowed • Change in the hyperlink to the Global Credit Risk Policy and PBOS lending discretion and delegation of powers and Credit Proposal Template • Paragraphs of lending against real estate property deleted • Section on IPO financing deleted as Product withdrawn
5.0	01-04-14	Amended	<ul style="list-style-type: none"> • Aligning to regulatory directions dated March 21, 2014 on 'Early Recognition of Financial Distress Prompt Steps for Resolution and Fair Recovery for Lenders: Framework for Revitalising Distressed Assets'
6.0	01-09-14	Amended	Aligning to regulatory directions dated August 21, 2014 on 'NBFCs- Lending against Shares'
7.0	07-07-16	Current after amendment to v 6.0	Aligning to regulatory directions post previous version of the policy
8.0	10-11-16	Draft proposal put up to Board for approval after RBI audit observation	Changes to the Asset Classification and Provisional Norms to include Write-off policy.
9.0	12-03-18	Annual Review	1. Aligning to regulatory directions post previous

			version of the policy including Issue of Comprehensive Information reports 2. Updated the latest version of Policy on Collection of Dues and repossession of Security
10.0	08-06-18	Amended	1. Changed Barclays Wealth to PBOS 2. Changed BIL IPL to BIL IPL 3. Update of various intranet referred links in the document 4. Incorporated the Loss Given Default concept related to BIL IPL
11.0	04-12-18	Amended	Updated the Policy on Collection of Dues and Repossession of Security to amend excess monitoring and margin call process for equity shares
12.0	19-09-19	Amended	1. PBOS to Private Clients 2. Updated the Policy on Collection of Dues and Repossession of Security to amend the excess monitoring and margin call process for non-exclusive debt mutual funds 3. Updated to align to regulatory directions dated 7th June 2019 on Prudential Framework for Resolution of Stressed Assets
13.0	29-06-20	Amended	1. Detailed the Method of Credit Approval Process 2. Credit Committee re-named Credit Forum 3. Credit Information Report to be taken on record. 4. End use certificate to be taken on record
14.0	11-11-20	Amended as recommended by Credit Risk	1. Inclusion of guidance / oversight from Group 2. Use of DG modes / Rating tools or expert judgement to grade a borrower
15.0	07-06-21	Amended as recommended by Credit Risk	1. Inclusion of India Onshore CET Policy
16.0	30-12-21	Amended to align with recent RBI circulars	1. Updated to align to regulatory directions a) dated 24 th September 2021 on Transfer of Loan Exposures and b) 12 th November 2021 on Prudential norms on income recognition, asset classification and provisioning pertaining to advances.
17.0	27-05-22	Amended to align with recent RBI circulars as well as Barclays Group guidance on client vulnerability	1. Updated to align to regulatory directions on Lending to directors and Senior Officers and to Real Estate Sector 2. Introduced guiding principles on Clients in Vulnerable Circumstances 3. Updated references to RBI circulars on IRAC norms 4. Introduced gradation of risk approach for customer internal rate of interest in the Commercial Terms, Credit pricing and Interest Rates Policy
18.0	13/02/23	Amendment to	1. Fixing of internal limits to Sensitive Sector

		align with recent RBI circular on Scale Based Regulation (SBR): A Revised Regulatory Framework for NBFCs	Exposure, i.e. Capital Market Exposure and Commercial Real Estate Exposure
--	--	---	---

Table of Contents

A.	INTRODUCTION.....	7
	1.Objective.....	7
	2.Application of Policy Document.....	7
	3.Overall perspective.....	7
	4.General Principles.....	8
	5.General Definition and Purpose of Client Risk-Taking & Client Profiling.....	9
	6.Applicability of guidelines and circulars issued by Reserve Bank of India:	10
	7.Acceptability of Collateral and Type of Security.....	10
B.	CREDIT FORUM	11
C.	METHODOLOGY OF CREDIT APPROVAL PROCESS	11
D.	METHODS FOR CONTROLLING RISKS.....	12
	1.Control of Risks firstly depends on observing financing rules and the quality of legal documentation.....	12
	(a) Financing rules	12
	(b) Legal documentation.....	13
	2.Control of Risks subsequently depends on efficient loan/security administration procedures and limiting internal exposure to sensitive sectors such as Capital Markets and Commercial Real Estate.....	13
	a) Exposure to Sensitive Sectors – Capital Markets and Commercial Real Estate.....	14
	b) Collateral Management, Monitoring and Control of Limits	15
	3.Control of Risks ultimately depends on compliance with account opening procedures designed to minimize risks to reputation	15
E.	TARGET CLIENTS.....	16
	1.Client selection:.....	16
	2.Loans and Advances to Directors:.....	16
	3.Loans and Advances to Senior Officers of the Company:.....	17
	4.Loans and Advances to Real Estate Sector	17
	5.Focus on risk-reward:.....	17

6.Client Eligibility.....	17
7.Clients in Vulnerable Circumstances – Guiding Principles	18
F. LIMIT:	19
G. COMMERCIAL TERMS, CREDIT PRICING AND INTEREST RATES.....	19
H. TERM:	20
I. REPAYMENT:	21
J. RENEWAL OF LOAN COMPONENT	21
K. CREDIT APPLICATION:.....	21
L. CREDIT PROPOSAL:	21
M. RESTRUCTURED ACCOUNTS.....	21
N. POLICY ON COLLECTION OF DUES AND REPOSSESSION OF SECURITY	22
O. INCOME RECOGNITION, ASSET CLASSIFICATION AND PROVISIONING NORMS	22
P. LOSS GIVEN DEFAULT	24
Q. EARLY RECOGNITION OF FINANCIAL DISTRESS, PROMPT STEPS FOR RESOLUTION AND FAIR RECOVERY.....	24
R. REQUIREMENT AS TO CAPITAL ADEQUACY	25
S. TRANSFER OF LOANS	26
T. CONCENTRATION OF CREDIT / INVESTMENT	26
U. ROUNDING-OFF OF AMOUNTS.....	26
V. DEATH OF A CLIENT	26
W. EXCEPTION PROCESS	26
X. ROLES AND RESPONSIBILITIES	26
a.The Credit Solutions Team are responsible for.....	26
b.The Credit Risk Team are responsible for	27
c.The Credit Admin. / Operations Team are responsible for:.....	27
Y. MEMBERSHIP TO CREDIT INFORMATION COMPANIES (CICS).....	28
Z. CONCLUSION.....	28

A. Introduction

1. Objective

The Private Clients Credit Risk Policy is designed to provide Credit Risk Policy guidance to assist both Credit Risk Management and Business in obtaining and managing value enhancing business for Private Clients that is booked in Barclays Investments & Loans (India) Private Ltd. (hereinafter referred as 'the Company'). This document enables professional decision making and monitoring in an effective and timely manner and with a clear focus on risk and risk adjusted returns.

The guiding principles in this policy document covering the Indian Regulatory framework should be read in conjunction with the Global Private Clients Credit Risk Policy & Global Private Clients Credit Risk Procedures and Controls updated from time to time and followed in totality. (Both these documents can be accessed on the Barclays Intranet)

2. Application of Policy Document

This policy document applies to business undertaken by the Private Clients cluster and is independent of similar credit policy / process documents made for other Barclays clusters that have their own policies addressing the nuances of their target customer base.

3. Overall perspective

Credit facilities provided by Private Clients are specifically designed to meet its clients' need to secure / obtain liquidity support against existing assets. Security for the risk is provided by way of a legally enforceable charge on liquid assets deposited (in the form of a lien or pledge or hypothecation) for which a proper and accurate valuation should be carried out on a regular basis.

Few important points of the policy are as follows:

1. Any offer of credit must be consistent with the goals of both Private Clients and stay within the parameters of previously authorized products and/or business operations.
2. Beyond the financial and credit risk analysis, there are some basic issues such as Who is the obligor? What is the purpose of the loan? What is the source of repayment? and How will the interest be serviced? that are important.
3. Credits that do not conform to the policy should either be specifically stated in local delegation or should be referred to the next higher level delegated authority
4. A proposal declined at any level of delegation can only be appealed to the next higher level. It must not go to a different credit approver at an equivalent level nor presented to a lower level with reduced exposure.
5. Commercial pressure or time constraints do not justify compromising on the Company's decision criteria and procedures. While we would make all endeavors to respond to the request at the quickest possible time, this would never be at the cost of credit quality.

6. The Credit Risk functionaries will have a final say on the rating and approval of a credit file while the final say on pricing will rest with the business line.
7. Business managers proposing the credit facility shall be responsible for ensuring that the end use of the funds is in alignment with the regulatory requirements and prescriptions. BILIPL shall obtain the end use certificate from the borrowers so as to ensure the proper utilization of the funds.
8. The source of repayment must be understood. Future refinancing or any other conditional sources would not be relied upon while assessing the credit applications.
9. Commitment decisions must be based on a review of projections consistent with the underlying purpose and maturity of the facilities.

4. General Principles

- **Business ethics:** The Company's image may be affected by the transactions in which it participates. Private Clients cluster is committed to the highest level of integrity and compliance with all ethical, regulatory, legal and tax rules prevalent in the country. Private Clients is respectful of the rights of any third party.
- **Conflicts of interest:** They may arise from Private Clients having several and different obligations towards a client, from conflicting situations between the interests of Private Clients and those of the client or those of its own representatives. These conflicts are to be examined and treated by the business/account officer in conjunction with Risk, Legal and Compliance representatives. Each officer must declare and explain to his hierarchy any conflict of interest he/she might be aware of and, in particular, the ones he/she is directly or indirectly involved in.
- **Prior validation:** Any new product or specialized activity must be validated through the establishment of adequate guidelines prior to any marketing or business development. The validation process involves proposing through New Product Approval (NPA) process, and all relevant Functions. Product/activity guidelines are reviewed when appropriate given the evolutionary nature of the markets, which may result in the Private Clients' total or partial withdrawal from certain activities or product distribution.
- **Risk responsibility** lies within the business cluster. Any **specialized activity** is to be carried out exclusively by or with the support of relevant specialists; activity or business specialists must not venture into activities different from their field of expertise.
- **Decision responsibility:** Credit decisions are made by the relevant delegation holders, based on the agreement which may be reached between the representatives of the Business both playing different but complementary roles with the common objective of the Private Clients' sound business development. However, the final decision regarding credit ratings and credit approval / rejection belongs to Credit Risk. Trust and control cannot be dissociated.
- **Authority:** Lending authority is determined according to the letters of delegation of power and considering all the credit risks borne by Private Clients, as a whole, on a particular borrower or group of borrowers which are economically related. If turned down, proposed facilities:
 - ↳ may be appealed at higher authority level;
 - ↳ must not be re-presented to an authority of a level equivalent to that of the one having turned it down unless significantly improved;

- **Resistance to pressure:** Commercial pressure or time constraints do not justify compromising on the decision making criteria and procedures.
- **Appropriate due diligence** is to be performed before the execution of final transaction documents, using any appropriate resources, either internal or external, encompassing any type of risks and contingencies for a given transaction. This includes, but is not limited to, all legal, technical, compliance and operational issues, in accordance with all principles expressed in the present Global Credit Policy.
- **Follow-up:** The credit process does not end with the transaction's approval. Each risk must be monitored on an on-going basis and periodically reviewed in a formal manner. Such process may lead to any decision deemed appropriate.
- **Focus on risk-reward:** Private Clients objective is to optimize its risk/reward return, which implies:
 - ↳ a focus on "value-added service" to the Private Clients' customers;
 - ↳ an accurate internal Counterparty Rating assessment process;
 - ↳ a revenue commensurate with the risk (as reflected by the credit pricing mechanism), the final decision with respect to pricing belonging to the Business Lines;
 - ↳ a dynamic yet selective approach of business development, without compromising on credit/portfolio quality to obtain additional business.

5. General Definition and Purpose of Client Risk-Taking & Client Profiling

The purpose of taking risks is to earn income from clients in keeping with the expectations of Private Clients' clients.

Private asset growth can be funded for productive purposes by providing special credit facilities offering the client the opportunity to:

- leverage on existing long term assets
- obtain cash against capital market or other securities / assets without disinvestment
- acquire new assets

In each case, the economic basis for each transaction should be clear to the Company and should meet sound strategic objectives on the part of the borrower, which the Company has a duty to assess.

The level of credit facilities offered to a client must always be viewed in the context of the client's overall net wealth, debt servicing ability, and investment profile and specifically the end use of the facility in line with extant regulatory guidelines.

It is incumbent on the Company to ensure that all necessary Due Diligence and KYC has been completed on a client prior to a formal offer (sanction) of a credit facility or it should be clearly specified that availability of credit will be subject to that. Credit limits cannot be established until a client relationship has been fully established within the submitting Private Clients business.

Due to their nature, these transactions may bring about results, which are contrary to the client's objective and even loss of a substantial amount of capital possibly increased by the leverage effect

produced by the provision of loan funds. The Company should make sure that the client is fully aware of the risks involved.

6. Applicability of guidelines and circulars issued by Reserve Bank of India:

Private Clients India's credit policy will always be subject to the Reserve Bank of India regulations applicable from time to time.

In particular, this policy is subject to RBI's exposure norms, prudential norms on assets classification and income recognition, instructions relating to directed credit and prohibition of credit as restricted by RBI from time to time.

In this connection, the contents of the various RBI circulars, not restricted only to loans and advances, and related matters should always be kept in mind. The maximum credit exposure to individual/group borrowers shall always be restricted within the Single Borrower Limits (SBL) levels as stipulated by RBI.

If due to any specific RBI regulation, including any changes that may be announced therein after formulation of the policy, parts of the Global Credit Policy become inadmissible, it shall be deemed that such parts are deleted from the policy. Accordingly, any changes to the RBI regulations would be deemed to be part of this policy as and when the same are made applicable by RBI.

The Company shall not,

- (i) lend to
 - (a) any single borrower exceeding fifteen per cent of its owned fund; and
 - (b) any single group of borrowers exceeding twenty-five per cent of its owned fund;
- (ii) invest in
 - (a) the shares of another company exceeding fifteen per cent of its owned fund; and
 - (b) the shares of a single group of companies exceeding twenty-five per cent of its owned fund;
- (iii) lend and invest (loans / investments taken together) exceeding
 - (a) twenty-five per cent of its owned fund to a single party; and
 - (b) forty per cent of its owned fund to a single group of parties

7. Acceptability of Collateral and Type of Security

Private Clients seeks to lend to fundamentally strong counterparties where primary exit from income, earnings, cash flow, liquidity, collateral is demonstrated in the Credit Proposal.

The client's request contains an instruction from the proposed pledgor to create a charge over the particular assets held by the client. The facility limit must at all times be within the approved Lending Value Percentages (LVPs).

All assets as per the Private Clients Global Credit Lending Policy for each security type shall be recommended along with each recommended security type for approval.

BILIPL will not lend against its own debentures. BILIPL will also not lend against Gold MFs and Gold ETFs where the underlying investment is bullion.

Unsecured facilities will not be extended under normal circumstances and will only be considered if they carry the appropriate level of support, please refer to Private Clients Global Credit Risk Policy for further details.

B. Credit Forum

The Credit Forum will consist of the following members:

1. Private Clients Head - Credit Risk or his / her nominee
2. Private Clients Head – Credit Solutions or his / her delegate

Other participants may include invitees such as, Manager, Credit Operations, as appropriate. The credit proposals are to be presented to the committee by Head Credit Solutions. The Credit Forum may meet weekly or it could be presented via mail circulation.

It may also meet on an ad-hoc basis, based on requirements or review proposals by circulation. The decisions on proposals shall be maintained for audit review.

The Credit Risk Head or the Credit Forum may take guidance / oversight from the Group Risk resources for any credit request of INR equivalent of more than GBP 10 mn or any matter that would warrant a consultation and their inputs can be considered for decision by the Credit Forum.

Further, Credit Forum is empowered to approve any deviations to policy.

C. Methodology of Credit approval process

Credit request of the client can be sourced by any of BIL IPL employee. The proposals shall be assessed by the Private Clients credit solutions personnel and put up for approval to the Credit Forum.

BIL IPL shall carry out independent verification and analysis of borrowers' audited financials including audit reports (in case on Companies -) and credit information reports (CIRs). In case of non-corporate clients, audited Financials/ provisional nos/management nos/projections / net worth certificates from chartered accountants / IT returns / CIRs / portfolio holding statements etc. shall be relied upon. Further, since it is not mandatory for Trust to get the financials audited, BIL IPL may accept management certified financials while assessing/approving the loan.

The Credit Forum decision to advance a loan to a proposed obligor shall be based on multiple factors a few of which are enumerated below:

1. Obligor and, as relevant, Group background;
2. Obligor, and as relevant, Group leverage;
3. Ability to service debt (DSCR);
4. Liquidity within the proposed Obligor;
5. Liquidity within the Group;
6. Source of repayment of the facility
7. Availability of collateral and/or security;
8. End use of funds

The Credit Forum may consider any other factor / background / market news etc. or may apply human intelligence to arrive at a decision to advance / reject a loan to a proposed obligor. Rationale for the Approval / rejection of the credit proposal shall be detailed by Credit Forum and communicated by Credit Risk.

Each obligor with one or more credit facility should be assigned an obligor grade and each credit facility should be assigned a Loss Given Default (LGD) grade. Credit grades shall be assigned using - Grading tools -as mentioned below, by or using expert judgement.

- a) PB Rating tool will be used for Individuals, HUFs, Pvt Investment companies and Trust (investment vehicle).
- b) SME Rating tool will be used for Operating companies up to Turnover of GBP 10 mn
- c) India Rating Replicator will be used for Operating companies which have Turnover > GBP 10 m

Expert Judgement is used when appropriate Models are not available or a Model has failed to produce a reliable grade, or if it's a requirement of the Model itself. Credit Risk team can have additional information not captured by the Model which may entail the use of override/ expert judgement.

While taking over a facility along with the underlying security from an existing lender, BILIPL shall endeavour to write to the existing lender to provide the credit information of the borrower / classification of the account / facility being taken over.

D. Methods for Controlling Risks

1. **Control of Risks firstly depends on observing financing rules and the quality of legal documentation**

(a) Financing rules

Loan facilities are an important addition to the wide range of commercial products on offer in the Private Clients network. These rules form an integral part of the Private Clients Credit Policy.

The approval of Private Clients, India management is first required prior to accepting any non-marginable security. Secondly, any underlying transactions must be authorized by the relevant Committee / Credit delegation holder.

The rules presently in operation stipulate the permitted amount of lending exposure (financing ratio i.e. safety margin to be maintained between the market value of the portfolio pledged as security and the risk incurred) as well as the levels relating to margin calls and liquidation actions. Private Clients Global Credit Risk Policy and Collateral Evaluation Team (CET) as per their CET India Onshore Policy, specify the criteria for the diversification of any portfolio pledged as security and the eligibility of securities in terms of their quality, liquidity, ending Value Percentage, Margin Call Value Percentage and Close out Value Percentage.

However, local Credit Risk can override the Lending Value Percentage, Margin Call Value Percentage and Close Out Value Percentage prescribed by Collateral Evaluation Team. The final decision lies with BILIPL Credit Team

Specific rules relating to risks resulting from market operations are among the general guidelines to be observed.

These rules are approved by the relevant levels of authority in Private Clients and Risk Management.

Pursuant to RBI's directive No. RBI/2014-15/186 DNBS (PD).CC.No.408 /03.10.001/2014-15 dated August 21, 2014 on NBFCs and any updates thereafter (notification RBI/2014-15/551DNBR (PD).CC.No.028/03.10.001/2014-15) - Lending against Shares, the Company while lending against collateral of shares, shall maintain a loan to value (LTV) ratio of 50% and accept only Barclays Group Credit Risk approved stocks out of the Group 1 securities (specified in SMD/ Policy/ Cir - 9/ 2003 dated March 11, 2003 as amended from time to time, issued by SEBI) as collateral for loans of value more than INR 5 lakhs, subject to periodical review by the Company. The same shall also apply to units of non-exclusive debt funds as clarified by RBI in Q.83 - FAQs – 'All you wanted to know about NBFCs'. Please refer para N. Policy on Collection of Dues and Repossession of Security.

(b) Legal documentation

For all categories of risk referred to above, the legal documents involved should contain provisions allowing the assets to be realized and protecting the Company from any involuntary unsecured exposure relating to the loan granted. In order to avoid future disputes with clients, the terms and conditions relating to credit procedures and/or operations must be clearly set out in any agreements, particularly the terms which entitle the Company to call for additional cover in and to liquidate positions, even without the prior consent of the client. Private Clients Legal Department. has an obligation to confirm that the documents and transactions concerned comply with prevailing local legal regulations.

In the event that the loan facility provided involves companies or other legal structures (trusts, foundations), Private Clients Legal Dept. should provide assurance that the legal validity of the documentation cannot be challenged in the jurisdiction in which such entities were established and that the signatories to any agreements and guarantees have the requisite authority to act. This must also be verified where joint accounts of individuals or powers of attorney are concerned.

2. Control of Risks subsequently depends on efficient loan/security administration procedures and limiting internal exposure to sensitive sectors such as Capital Markets and Commercial Real Estate

The loan administration process should include continuous checks to compare the level of credit utilization against the assets pledged. The value of a standard portfolio pledged as security is exposed to constant fluctuations in market prices and the risk that the status of the issuer of the pledged instrument will decline. The possibility of realizing the assets is in itself contingent upon the existence of sufficiently liquid markets. The degree of Control applying in each location is fundamental to decisions on risk-taking. It is all the more important that portfolios pledged as security can vary in relation to specific agendas or management decisions relating to market movements. The Company must therefore be in a position to evaluate the portfolio pledged as security by the client at intervals which are appropriate to the portfolio and/or market situation and if necessary, inform the client of the amount of additional deposits or repayment to be made to ensure that sufficient collateral is maintained as security for the credit facility, in compliance with the conditions stipulated when the risk was approved.

As far as transactions secured by standby letters of credit or first guarantees are concerned, the office extending the loan must make sure that the commitment made by the guaranteeing institution provides sufficient security for the loan risk according to the terms stipulated at the time that approval was granted and that it is not subject to any prior conditions other than those of notification.

a) Exposure to Sensitive Sectors – Capital Markets and Commercial Real Estate

Capital Market Exposure (CME)

The components of CME would include both direct exposures and indirect exposures. The aggregate exposure to capital markets in all forms would include the following:

- (i) direct investment in equity shares, convertible bonds, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt;
- (ii) advances against shares / bonds / debentures or other securities or on clean basis for investment in shares (including IPOs / ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds;
- (iii) advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security;
- (iv) advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares / convertible bonds / convertible debentures / units of equity oriented mutual funds does not fully cover the advances;
- (iv) secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;
- (v) loans sanctioned to corporates against the security of shares / bonds / debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;
- (vi) bridge loans to companies against expected equity flows / issues;
- (vii) underwriting commitments taken up by the company in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds;
- (viii) financing to stockbrokers for margin trading;
- (ix) all exposures to Venture Capital Funds (both registered and unregistered)

Limits of BIL IPL's exposure to capital markets

As BIL IPL core business is predominantly related to exposure to capital markets, the entity will not limit its exposure to capital markets on a solo or stand-alone basis. However, the aggregate exposure of a consolidated bank (Barclays Bank PLC, India Branch and Barclays Investments and Loans (India) Pvt. Ltd.) to capital markets (both fund based and non-fund based) shall not exceed 40 per cent of its consolidated net worth as on March 31 of the previous year. Within this overall ceiling, the aggregate direct exposure by way of the consolidated bank's (Barclays Bank PLC, India Branch and Barclays Investment and loan (India) Pvt. Ltd) investment in shares, convertible bonds / debentures, units of equity-oriented mutual funds and all exposures to Venture Capital Funds (VCFs) [both registered and unregistered] shall not exceed 20 per cent of its consolidated net worth.

BIL IPL doesn't offer standalone IPO funding product to its clients. However, should the client borrow under the LAS product for the purpose of subscription to IPO, the borrower will have to abide by RBI's regulation to restrict usage max upto INR 10mn. Declaration towards the same shall be obtained from the client at time of disbursement.

Exposure to Commercial Real Estate

The Company shall limit its exposure to commercial real estate (direct and indirect lending) to 30% of its total exposure of portfolio with a sub-limit for financing land acquisition of 15% of its total exposure of portfolio.

The above classification shall be limited to the purpose of financing Real estate while continuing to take liquid collateral as per BIL IPL's LAS product mandate

b) Collateral Management, Monitoring and Control of Limits

For procedure of monitoring of limit and collateral management by Credit Operations please refer the Private Clients India Credit Framework and Procedure document. The procedures outline the methodology of collateral valuation, monitoring of limit, monitoring of facility expiry and procedure for annual review, steps undertaken when the value of covering assets has decreased, when the value of covering assets exceeds Close Out levels against the drawn balance, when the value of covering assets has increased, when the facility has not been utilised or utilised outside the sanctioned framework. Also refer to the Policy on Collection of Dues and Repossession of Security attached below.

3. Control of Risks ultimately depends on compliance with account opening procedures designed to minimize risks to reputation

The opening of any account is subject to the rules of Compliance: client relations should only be entered into following a rigorous selection procedure based on strict verification of identity and knowledge of a client's activities. Knowledge of the client is the determining factor in deciding whether a new client account should be opened. Compliance must be consulted at the time of opening the account.

In the event that adverse market trends bring about results which are contrary to clients' objectives, it is imperative that the Company's image remains unaffected and in extreme cases, that its liability is not open to question. Besides arranging the legal documentation, Private Clients must make sure that clients have adequate knowledge of the risks inherent in these transactions and are willing to incur such risks. The theoretical total loan facility that can be granted can be determined from the value of the assets entrusted to the Company and from information gleaned from the client profile drawn up. By observing these rules, the Company is able to ensure that prime consideration is given to clients' interests.

Any loan transaction is subject to the obligation to exercise due diligence in order to prevent money laundering. Private Clients is obliged to obtain the required details from clients in order to evaluate the bona fides aspect of such transactions. In particular, they have a duty to check the purpose for which the client will use funds derived from such transactions and the methods used to repay the loan. This due diligence procedure is formally included in records relating to the client and is checked at regular intervals. In an additional capacity to its usual supervisory duties, Credit Risk should consult Compliance in the case of complex or unusual transactions and any information received should also be attached to the credit application. Such opinion shall be incorporated into the evaluation process for new transactions.

E. Target Clients

BILIPL's offering mainly caters to client segment of High Net Worth individuals (HNIs) or companies including industrial enterprises, owned by such HNIs. Credit Offering will be focused on the following:

1. Client selection:

- Only deals with clients sufficiently known to the Company or which have an unquestionable reputation in their markets or are introduced to BILIPL by respected third parties;
- BILIPL will target High Net Worth individuals as also their owned commercial entities.
- BILIPL shall ensure compliance to all relevant statutory directions including KYC Master directions issued by RBI from time to time.
- Requires the same level of integrity from its clients as it imposes on itself (as a result, the Company always makes itself comfortable with the origin of the funds in possession of its clients);
- Does not provide services to participants in industry sectors locally reputed as possibly associated with criminal organizations unless it is satisfied that appropriate verification have demonstrated that such clients are not involved in any suspect relationships;
- The NBFCs will not discriminate in extending loan facilities to the physically / visually challenged applicants on grounds of disability.

2. Loans and Advances to Directors:

- Unless sanctioned by the Board of Directors/ Committee of Directors, the Company shall not grant loans and advances aggregating Rupees five crores and above to -
 - i) their directors (including the Chairman/ Managing Director) or relatives of directors.
 - ii) any firm in which any of their directors or their relatives is interested as a partner, manager, employee or guarantor.
 - iii) any company in which any of their directors, or their relatives is interested as a major shareholder, director, manager, employee or guarantor

Provided that the director who is directly or indirectly concerned or interested in any proposal should disclose the nature of his/her interest to the Board when any such proposal is discussed. He / She should recuse herself from the meeting unless his / her presence is required by the other directors for the purpose of eliciting information and the director so required to be present shall not vote on any such proposal.

Proposals for credit facilities of an amount less than Rupees five crores to such borrowers may be sanctioned by the Credit Forum of the Company under powers vested in such authority, but the matter should be reported to the Board.

In addition to the above, applicable provisions of Section 185 of Indian Companies Act 2013 and relevant Rules, if any, (including any amendments thereto from time to time) need to be complied with for granting of Loans to the Directors of the Company.

3. Loans and Advances to Senior Officers of the Company:

The Company shall abide by the following when granting loans and advances to their senior officers:

- i) Loans and advances sanctioned to senior officers of the Company shall be reported to the Board.
- ii) No senior officer or any Committee comprising, inter alia, a senior officer as member, shall, while exercising powers of sanction of any credit facility, sanction any credit facility to a relative of that senior officer. Such a facility shall be sanctioned by the Board of Directors/ Committee of Directors

In respect of grant of aforementioned loans mentioned at para 2 and 3 above –

- i) The Company shall obtain a declaration from the borrower giving details of the relationship of the borrower to their directors/ senior officers for loans and advances aggregating Rupees five crore and above. The Company shall recall the loan if it comes to their knowledge that the borrower has given a false declaration.
- ii) These guidelines shall be duly brought to the notice of all directors and placed before the Company's Board of Directors.
- iii) The Company shall disclose in their Annual Financial Statement, aggregate amount of such sanctioned loans and advances as per template provided by RBI from time to time on the subject.

4. Loans and Advances to Real Estate Sector

While appraising loan proposals involving real estate, the Company shall ensure that the borrowers have obtained prior permission from government/ local government/ other statutory authorities for the project, wherever required. To ensure that the loan approval process is not hampered on account of this, while the proposals may be sanctioned in normal course, the disbursements shall be made only after the borrower has obtained requisite clearances from the government / other statutory authorities.

5. Focus on risk-reward:

Private Clients objective is to optimize its risk/reward return, which implies:

- a focus on “value-added service” like investment services to the Company's customers;
- an accurate internal client grading and counterparty assessment process, based on a balanced and rigorous credit analysis of the strengths and weaknesses of all transactions;
- a remuneration commensurate with the risk (as reflected by the assigned Counterparty assessment), the final decision with respect to pricing belonging to the Business;
- a dynamic yet selective approach of business development, without compromising on credit/portfolio quality to obtain additional business.

6. Client Eligibility

Clients who hold eligible and diversified assets.

- Adult Individuals (aged above 18 years), (sole or on a joint account basis)
- Hindu Undivided Families (HUFs)
- Individual centric commercial entities including industrial enterprises

- Trusts
 - Private Investment Corporate Entities
- a) Where offered on a joint basis, assets covered by our charge and taken into limit calculation will be all those assets held in joint names **plus** those held in individual names of both parties or any third party.
- b) Where offered on an individual basis, assets covered by our charge and taken into limit calculation will be all those assets held in the sole name of the individual or any third party.

Entities that are connected, for example through shareholdings or key individuals, may, in aggregate represent a greater credit risk than would be evident from consideration of the entities in isolation. Such Group Entities in the global sense can be defined as "Connected parties of Interest and Purpose"

Please refer to relevant paragraphs on Connected Accounts / Aggregation in the Global Credit Risk Policy to understand the client grouping and definition thereof.

7. Clients in Vulnerable Circumstances – Guiding Principles

BIL IPL is committed to keeping our clients at the heart of everything we do. You must act with the highest standards of integrity when dealing with clients directly, or when supporting those who do. Understanding vulnerability is everyone's responsibility. Without knowing what vulnerability means, we might directly or inadvertently cause detriment, harm or exclusion. You need to identify when your clients might be in a vulnerable circumstance, assess the impact and take practical action to ensure the client is provided with product that is suitable to their specific needs and circumstances

Regulators outline four key drivers of vulnerability. These categories can help us start to understand the "personal circumstances" from the definition.

- Health: health conditions or illnesses that affect the ability to carry out day-to-day tasks
- Life events: major life events such as bereavement, job loss or relationship breakdown
- Resilience: low ability to withstand financial or emotional shocks
- Capability: low knowledge of financial matters or low confidence in managing money (financial capability), as well as low capability in other relevant areas such as literacy, or digital skills

None of these circumstances mean that a client will definitely become vulnerable. Two clients could have exactly the same circumstances on paper, but react totally different, meaning we need to adopt our approach to meet the individual client needs.

Vulnerability is also a dynamic, fluid state. Clients can become more or less vulnerable over time as their circumstances and needs change. It can affect someone a little, or it could have significant impact. We need to be alert to the drivers of vulnerability and recognise that being vulnerable is not always clear-cut.

We owe a duty of care to all our Clients and extra care must be taken with any Client who is considered vulnerable when making new credit recommendations. Appropriate steps could include any of the following:

- Offering the Client, the opportunity of having a third party present during any discussions (the third party could include a spouse or partner, a member of their family, solicitor or accountant etc.).
- Requiring all advice to be reviewed by first line supervisor, where the Client is considered vulnerable.

- Conducting any meetings over two appointments to allow the Client time to reflect on any solution proposed.
- Consideration to the impact on death during the term of any credit product recommended.
- Additional liquidity requirements.
- Not recommending long term (greater than 5 years) illiquid investments to Elderly Clients or Clients in ill health.
- Making sure any clients accessibility needs are met

F. Limit:

Need Based. The Maximum limit is based on the market value of eligible assets held by the clients and securitised with Private Clients, India after applying the relevant approved LVP on the particular asset. The limit will be recalculated on a regular basis and move upwards or downwards in line with any movement in assets held. Limit changes will be advised to clients on request.

G. Commercial Terms, Credit pricing and Interest Rates

In order to calculate a fair Credit price for a particular lending arrangement, one needs to bear in mind the following:

- the credit risk (probability of default, loss given default, exposure at default)
- the operating costs (fixed and marginal)
- the client relationship
- competitor/ market pricing
- our credit appetite/ headroom
- our strategic positioning

The spread shall factor the cost of capital adequacy based on Return on Risk Weighted Assets RoRWA of the total exposure amount.

It will be the prerogative of the Private Clients Business, i.e. Credit Solutions to decide upon the commercial terms, and interest rates and communicate on every case to operations after due consideration of the following factors:

- **'What if' pricing** - The ability to provide multiple scenario prices, before the final structure is agreed.
- **Break even pricing** - The ability to provide a break-even price for a particular risk
- **Bespoke (Risk adjusted) pricing** - The ability to use the prevailing risk models to provide pricing for bespoke (unique) transactions.
- **Client segmentation** - The ability to recognise different client segments so that pricing could be adjusted accordingly.
- **Asset class pricing** - The ability to recognise different (and in some cases multiple) asset classes so that pricing can be adjusted accordingly.
- **Spread & Fee** - The ability to be flexible
- **Regulatory & economic capital** consumption/ return for each trade
- **Other factors** - The ability to factor in other costs i.e. operational and other financial costs

Interest shall be payable by the borrower, in arrears at the frequency and rate, agreed with the lender and communicated in the disbursal / interest reset confirmation letter.

Credit Risk shall, record specific reasons in writing at the time of sanctioning demand or call loan, if no interest is stipulated or a moratorium is granted for any period. For all such loans, Credit Risk will stipulate the repayment date. The interest rate and frequency either at monthly or quarterly rests shall be agreed with the client before disbursement of such loans.

FOCUS ON RISK-REWARD:

The Company's objective is to optimize its risk/reward return, which implies:

- an accurate internal client grading and counterparty assessment process, based on a balanced and rigorous credit analysis of the strengths and weakness of all transactions;
- a remuneration commensurate with the risk (as reflected by the assigned counterparty assessment), the final decision with respect to pricing belonging to the business;

GRADATION OF RISK APPROACH FOR CUSTOMER INTERNAL RATE OF INTEREST

1. **Cost of Funds** varies based on market conditions and levels at which the Company borrows funds from time to time. The same is factored in the Funds Transfer Pricing (FTP) curve across tenure buckets. This is after taking into account interest cost and associated costs of raising funds
2. **Operating costs:** This is the actual cost of running the operations and will include costs like employee, technology, rentals etc.
3. **Credit risk premium** factors in the hurdles taking expected loss into account.
4. **Strategic positioning premium/ discount** includes other subjective qualitative factors such as client segmentation, client conduct and relationship, competitor/ market pricing, our credit appetite/headroom available for various limits, security structure, etc.

Therefore,

Client Rate = Cost of funds + Operating costs + Credit risk premium + Strategic positioning premium/ discount

PENAL INTEREST I LATE PAYMENT CHARGES

As a deterrent against intentional delinquency and to encourage prompt and timely payment of interest and principal amount, the Lending Terms and Conditions provides for penal interest which is recovered @ 2% per month for the delayed period on a simple interest basis. In deserving cases, such interest can be settled at much lower rates or waived by the Business Head or delegate.

H. Term:

Annually renewable – revolving / demand / call facility. Loans can be extended for longer periods based on the structures recommended by business and approved by Private Clients Credit Risk. However, the facilities will be reviewed for satisfactory compliance with the terms of sanction, by Private Clients annually and recommend renewal.

The Client may cancel this Facility at any time within 14 days of the date on which the Client signs this Offer Letter. If the Client has drawn down the Facility and subsequently cancels this Facility, it must, within 30 days of such cancellation, repay or pay in full any money lent to it. The Company may, in its

discretion, charge the Client the full amount of any arrangement fee or other applicable costs and fees incurred in establishing the Facility and any accrued non-utilisation fee in respect of the period between signing and cancellation. If the Client does not exercise its right to cancel, this Facility will continue until it is otherwise terminated in accordance with the terms of the Offer Letter.

Pre-payment of the facility may be allowed at the sole discretion of the Company and the same shall be subject to charge that may be levied by the Company. It will be the prerogative of the Private Clients Business, i.e. Credit Solutions to determine and / or waive the break-cost and pre-payment fee and communicate on every case to operations.

I. Repayment:

The proposed credit facilities will be revolving on-demand loan facilities with tenor decided upfront at the time of disbursement. However, for credit or other several reasons, the Company will have the right to ask for the facilities to be repaid on demand at any time together with all interest and other charges accrued to the date of repayment, without set-off or counterclaim.

J. Renewal of Loan Component

The facility, may be renewed over at the request of the borrower. However, the Company shall according to the Private Clients Global Credit policy agree / disagree to review and renew all facilities on an annual basis.

The Company shall however not undertake renewal the facilities without doing any assessment.

K. Credit Application:

The Credit facilities shall be granted at the request of the client. The request / application may be verbal / written or communicated by any mode but shall be agreeable and understandable to the Company. The request / application should contain details of the client and facility requirement, along with instructions / mandates to debit the account for incidental charges such as stamping, processing fees, etc.

L. Credit Proposal:

The Credit Proposal Form (Refer intranet link of current template of Credit Proposal and GradingSheet) (<http://teams.barclays.intranet/sites/prodres-copy/India/banking/Wealth%20India%20Product/Forms/AllItems.aspx>) incorporates a summary, assets and liabilities schedule, the main body of the credit proposal and the Client Grading Form. Guidance notes on how to complete a credit proposal is provided in Credit Proposal Guidance Notes on the above template.

M. Restructured Accounts

A restructured account has been defined to be one where "the NBFC, for economic or legal reasons relating to the borrower's financial difficulty, grants to the borrower concessions that the NBFC would

not otherwise consider". Restructuring means modification of terms of the loan, which would generally include alteration of repayment period or repayable amount / other commercial terms due to reasons other than competitive reasons". Roll-over of short term loans, where proper pre-sanction assessment has been made and the roll-over is allowed based on the actual requirement of the borrower and no concession has been provided due to credit weakness of the borrower are not considered as "restructured accounts".

Once an account has been classified as a restructured account, regulatory requirements on income recognition, provisioning and disclosure needs be followed. It has been clarified that commercially driven interest rate resets on loans are not to be counted as 'roll-overs'.

N. Policy on Collection of Dues and Repossession of Security



Policy on collection
of dues.doc

O. Income Recognition, Asset Classification and Provisioning Norms

The Company shall strictly adhere to the directions on Prudential Norms issued by the Reserve Bank of India's applicable to "Non-Banking Financial (Non - Deposit Accepting or Holding) Companies Directions, 2021 on October 1, vide Notification RBI/2021-2022/104, DOR. No. STR.REC.55/21.04.048/2021-22, clarification issued on 2021 on November 2021 vide circular no. RBI/2021-2022/125, DOR. STR.REC.68/21.04.048/2021-22. and vide circular RBI/2015-16/214\, DNBR.CC.PD.NO.070/03.10.01/2015-16 dated 29th October 2015 on Early Recognition of Financial Distress, Prompt Steps for Resolution and Fair Recovery and which also addresses Asset Classification and Provisional Norms. The Company shall also adhere to such future superseding notifications issued by the regulator from time to time.

Penal Interest for delayed payments

If an obligor fails to pay any amount payable by you under a finance document on its due date, interest shall accrue on the overdue amount from the due date up to the date of actual payment (both before and after judgment) (a "default interest period") at a rate which is two (2) per cent or such rate as may be determined in accordance with prevailing market practices higher than the rate which would have been payable if the overdue amount had, during the period of non-payment, constituted a loan in the currency of the overdue amount. Any interest accruing under default interest shall be immediately payable by the obligor on the Company's demand. Default interest (if unpaid) arising on an overdue amount will be compounded with the overdue amount at the end of each default interest period applicable to that overdue amount but will remain immediately due and payable

Write-off of Loans

BILIPL Board may consider case-specific partial or full write off based on recovery prospects in the backdrop of the following after necessary approvals from the Credit Risk Officer having discretion over the case:

- a) recoverable security and the erosion over time in the value of security charged,
- b) case dynamics,

- c) extent of legal actions against the borrower,
- d) the time lag between an account becoming over-due and non-performing,
- e) uncertainty in terms of time and recoverable quantum from initiated legal actions, and
- f) historical provision made on such assets as sub-standard assets, doubtful assets and thereafter loss assets,

The broad criteria/parameters presently considered for effecting write-offs is tabled below:

Sr. #	Criteria	Remarks/Comments
A. NPAs over 3 years (i.e. 2nd year of Doubtful 2 Category) with -		
1.	100% provision held over 1 year	Except for unsecured exposures, secured exposures normally remain partially provided till 4 th year of NPA
2.	Recovery action having been initiated with negligible progress over one year since initiation of legal action	How many hearings held since filing of petition/suit & material developments
3.	Closed Operations	
4.	Unsecured Exposure & /Or Unenforceable security (identified issues with enforceability of security held)	The type of security & type of charge – viz. exclusive/1 st Pari-passu /2 nd pari-passu /subservient impacts enforceability & recoverability.
5.	Uncertainty over the time-frame & quantum of recoverable security	This is linked to / influenced by 2. 3. & 4. above & value of security cover
6.	Reported external triggers /factors like winding-up initiated by few creditors, assets/accounts attached by statutory bodies	Recovery prospects (incl. where there is an agreed restructuring) materially jeopardized by these external actions.
7.	Reported Fraud investigations by Regulatory / Govt. bodies	Initiated by RBI/SEBI/SFIO/CBI/EOW /etc.
B. Exceptional Circumstances where write-offs can be considered before A. above (within 3 yrs of NPA)		
8.	Auditors (RBI/Stat/Concurrent) re-classifying an asset as 'Loss Asset'	Based on their assessment /addl. knowledge about the case from auditing other co-lending Banks

- 100% of such Loss assets shall be written off. If the Board allows assets to remain in the books for any reason, 100% of the outstanding should be provided for.
- Each case may have a combination of the above circumstances for deciding partial/full write-off justifiable on case-specific basis as per RBI expectations.
- All valuation-related stipulation/guidelines to be followed by BILIPL to be diligently expedited by the Credit Administration Department.
- All mandatory reporting (internal & external) to be in line with extant guidelines issued by RBI from time to time.
- All other prevailing regulatory guidelines on the subject, must be followed and fully complied with.

P. Loss Given Default

LGD is defined as expected loss which BILIPL may incur in case of default by a borrower. LGD is assessed at facility level, or sub-facility level for multi-facilities and is calculated based on Exposure at Default (EAD), except in cases where there is no EAD, in which case LGD is calculated assuming full utilisation of the limit.

Private Clients India portfolio is fully secured by liquid financial securities, further lending value are offered post applying sufficient haircuts on these financial securities and therefore a standard floor of 10% is agreed for entire Private Clients India portfolio.

Q. Early Recognition of Financial Distress, Prompt Steps for Resolution and Fair Recovery

The Company shall strictly adhere to the directions on Early Recognition of Financial Distress, Prompt Steps for Resolution and Fair Recovery issued by the Reserve Bank of India applicable to all Non-Banking Financial Companies on 21st March 2014, vide RBI/2013-14/528 DNBS (PD) CC.No.371/03.05.02/2013-14 and future superseding notifications issued by the regulator from time to time. The Company shall also strictly adhere to the directions on Prudential Framework for Resolution of Stressed Assets issued by the Reserve Bank of India vide circular No. RBI/2018-19/ 203, DBR.No.BP.BC.45/21.04.048/2018-19 dated June 7, 2019.

The exact due dates for repayment of each Facility, the frequency of repayment, the breakup between principal and interest, examples of SMA/NPA classification dates, etc. shall be specified in the Finance Documents and the borrower shall be apprised of the same at the time of sanction of the Facility and also at the time of subsequent changes, if any, to the sanction terms/Finance Documents till full repayment of such Facility.

Before a loan account turns into an Non Performing Asset (NPA), the Company will be required to identify incipient stress in the account by creating a sub-asset category viz. 'Special Mention Accounts' (SMA) with the three sub-categories as given in the table below:

Loans other than revolving facilities		Loans in the nature of revolving facilities like cash credit/overdraft	
SMA Sub-categories	Basis for classification – Principal or interest payment or any other amount wholly or partly overdue	SMA Sub-categories	Basis for classification – Outstanding balance remains continuously in excess of the sanctioned limit or drawing power, whichever is lower, for a period of:
SMA-0	Upto 30 days		
SMA-1	More than 30 days and upto 60 days	SMA-1	More than 30 days and upto 60 days
SMA-2	More than 60 days and upto 90 days	SMA-2	More than 60 days and upto 90 days

In the above context, it is further clarified that borrower accounts shall be flagged overdue by BILIPL as part of the day-end process for the due date, irrespective of the time of running such processes. Similarly, classification of borrower accounts as SMA as well as NPA shall be done as part of day-end process for the relevant date and the SMA or NPA classification date shall be the calendar date for which the day-end process is run. In other words, the date of SMA/NPA shall reflect the asset classification status of an account at the day-end of that calendar date.

Where the Company has exclusive / first charge on the pledged liquid financial asset and as agreed in the Facility and Security agreements, the Company shall take appropriate steps to give due notice to the borrowers and security providers, when Credit Risk triggers an invocation of pledge upon occurrence of event of default. For illiquid securities which are hypothecated / mortgaged to the Company will take appropriate steps to decide on a resolution strategy, contact the existing lenders to and evaluate forming the Joint Lenders' Forum, access credit information from CRILC and formulate a corrective action plan as guided by RBI in its circular for SMA-2 clients. The Company will have 30 days from the date of default to start working on a resolution plan (RP) as per the regulatory guideline. Where a Resolution plan has been implemented, all the lenders shall sign the inter-creditor agreement within the 30 days' period. Credit Operations will report SMA-1 and SMA-2 to Finance. The Company may choose to initiate legal proceedings for insolvency or recovery.

The Company shall implement the framework of Resolution Plan as guided by the Prudential Framework for Resolution of Stressed Assets issued by the Reserve Bank of India vide circular No. RBI/2018-19/ 203, DBR.No.BP.BC.45/21.04.048/2018-19 dated June 7, 2019.

The Company shall identify "non-co-operative borrowers" based on inputs from Credit Risk as defined by RBI in the said circular, and give 30 days' notice to clarify their stand before their names are reported as non-cooperative borrowers. The Company shall classify such non-co-operative borrowers in the reporting to RBI by Finance.

The Company through its Finance Department, shall report the relevant credit information on a quarterly basis or at such frequency as may be advised by RBI from time to time, in the prescribed formats. The Company shall make appropriate disclosures in its financial statements, under 'Notes on Accounts', relating to the implemented Resolution Plans.

In case of borrower having more than one credit facility from a lending institution, loan accounts shall be upgraded from NPA to standard asset category only upon repayment of all / entire arrears of interest and principal pertaining to all credit facilities.

Finance and Credit Risk will also report such cases to the Risk and Control Committee and will appropriately table it to the Board from time to time.

R. Requirement as to capital adequacy

The Company shall strictly adhere to the directions on Prudential Norms issued by the Reserve Bank of India's applicable to "Non-Banking Financial (Non - Deposit Accepting or Holding) Companies Directions, 2007 on February 22, 2007, vide Notification No. DNBS.193/DG (VL) – 2007 and future superseding notifications issued by the regulator from time to time.

S. Transfer of Loans

Pursuant to RBI's Master Directions dated 24th September 2021 on Transfer of Loan Exposures, BIL IPL hereby clarifies that BIL IPL does not resort to transfer of loan exposures as may be referenced on the said RBI's Master Directions. Should BIL IPL envisage to resort to transfer of loan exposures for whatever reason, BIL IPL shall incorporate the provisions of the said subject RBI's Master Directions and as may be amended from time to time in the credit policy after due approvals from the Board of Directors. Issue of comprehensive Credit Information Reports

The company shall strictly adhere to the directions from Reserve Bank of India on Issue of Comprehensive Information reports and future superseding notifications issued by the regulator from time to time.

T. Concentration of Credit / Investment

The Company shall strictly adhere to the directions on Prudential Norms issued by the Reserve Bank of India's applicable to "Non-Banking Financial (Non - Deposit Accepting or Holding) Companies Directions, 2007 on February 22, 2007, vide Notification No. DNBS.193/DC (VL) – 2007 and future superseding notifications issued by the regulator from time to time.

U. Rounding-off of Amounts

BIL IPL shall rounded off to the nearest rupee all transactions, i.e. charging of interest on advances and principal amounts. Fractions of 50 paise and above shall be rounded off to the next higher rupee and fractions of less than 50 paise shall be ignored. BIL IPL shall ensure that cheques/ drafts issued by clients containing fractions of a rupee are not rejected.

V. Death of a client

In the event of the death of a client who is party to a Current Facility Account, Private Clients Legal Department shall guide the client on action to be taken. The assets securing the facility could be a combination of joint and sole assets and the action we take on notification of death will be dependent on how these assets are held.

W. Exception Process

All requests for exceptions to the procedures should be referred to the Business Managers in the first instance and agreed by Head of Credit Risk and Credit Solutions. Where appropriate, exceptions will be documented.

X. Roles and Responsibilities

- a. The Credit Solutions Team are responsible for

Training /coaching of various teams in credit product awareness, risk awareness, identification of key information and in the successful completion of credit applications.

Completion of routine applications & renewals and completion of the more complex applications.

Negotiating face to face with clients, especially for complex transactions.

Ongoing dialogue with other credit teams (and as appropriate other credit product development areas in the Barclays Group) to ensure the conveyance of best practice and product enhancement.

Liaising with Head of Risk, Private Clients or Nominated Deputy in respect of amendments to the credit product and to the Credit Policy and Procedures.

Providing guidance and in particular providing input on pricing and structuring for all credit transactions

Being updated with regulatory environment changes and recommends changes to the framework and credit products to concerned stake-holders.

b. The Credit Risk Team are responsible for

Reviewing lending applications and provide opinion based upon a technical credit review.

Maintaining Watchlists, reviewing strategies in conjunction with the Private Clients Executives and Credit Admn. Team (CAT).

Reviewing excess reports on daily basis.

Establishing strategies where maintenance / close out margins have been breached.

Highlighting to Credit Solutions where applications are not completed comprehensively and to a high standard to enable Credit Solutions to undertake coaching / training.

c. The Credit Admin. / Operations Team are responsible for:

Post sanction function dealing in the provision and monitoring of lending facilities to High Net Worth and Affluent clients.

The production of security documentation e.g. facility letters, charge forms and overseeing transactions from sanction through to drawdown. In the case of property transactions, Credit Admin, in conjunction with Legal to engage with external third parties such as solicitors and valuers on behalf of the Company to complete the Company's charging process.

The daily monitoring of security and lending positions is undertaken post drawdown of facilities and monitor where unauthorised account positions arise via the refer list.

Initiate and execute the asset recovery process after clearance from the Business & Credit risk Heads

Maintaining the data quality in the system and report monthly to Business Head and Credit Risk on:

1. MI as may be required from time-to-time.

2. All Over Due facilities and securities (close-ended) with ageing
3. All facilities exceeding Credit Limit and not cleared for > 30 days
4. All facilities exceeding Margin Call Ratios & Liquidation Ratios
5. All documentation irregularities

Undertake to report the Credit related periodic / ad-hoc regulatory. Pursuant to RBI's directive No. RBI/2014-15/186 DNBS (PD).CC.No.408 /03.10.001/2014-15 dated August 21, 2014 on NBFCs-Lending against Shares, the Credit Admin. / Operations Team shall report on-line to stock exchanges, in the prescribed format, information on the shares pledged in the Company's favour, by borrowers for availing loans. The reporting shall be done online to the stock exchanges through the authorized User Ids created for update of the data on the web links of respective Stock Exchanges.

Y. Membership to Credit Information Companies (CICs)

BILIPL shall become member of all 4 CICs viz. Credit Information Bureau (India) Limited, Equifax Credit Information Services Private Limited, Experian Credit Information Company of India Private Limited and CRIF High Mark Credit Information Services Private Limited and provide the requisite data to them, including historical data.

Z. Conclusion

In applying the above, the Company will make use on a permanent basis of rules appropriate to different categories of risk with which it is essential to comply. They must also be regularly updated to allow for market trends and client expectations. This policy would be reviewed on an annual basis and the updated version of the same will be distributed as soon as the same is approved.

**Barclays Private Bank- India (“PB- India”)
Financial Assets Collateral Procedures
Document**

Contents

1. Legal entities	3
2. India Onshore	3
2.1. Cash	3
2.2. Equities	4
2.3. Debt Securities	5
2.4. Funds	7
2.5. Blended Security (Equity / Equity Mutual Funds)	11
2.6. Managed Portfolios	12
2.7. Structured Notes	13
2.8. Insurance Policies	14
3. General info	14
3.1. LVC uploads	14
3.2. Currency	14
3.3. Vanilla	14
4. Facilities	14
5. India Offshore	14
6. Appendix	15
7. Version control	19

1. Legal entities

India Onshore business is defined as when clients and facilities are booked in Barclays Investments & Loans (India) Private Limited (BIL IPL).

2. India Onshore

2.1. Cash

Cash holdings have the following lending values

Asset	LVP	MCP	COP
INR Cash Deposit	99.0%	99.5%	99.75%
INR Cash Deposit (Interest on loan received upfront)*	100%	100%	100%
Cross Currency Cash	90%	92%	94%

* Cases where interest on loan recovered upfront from the client (example - bill discounting) and Interest on Deposit is paid on quarterly basis, thus 100% LV/MC/CO applicable.

Note: LVP for Cash Deposit and Cross Currency Cash were recently revised in the Barclays Volatility Forum in November 2020.

Rationale/conditions for increasing the LV for INR Cash Deposit:

Legal Charge and control: As per RBI guidelines, Banks in India cannot lend against Fixed Deposit of other Banks. Thus above LTVs of Cash Lending solely represents Deposit under Barclays direct control in a designated account, with first legal charge and monitoring of facilities done on each working day.

In India bank interest is paid on quarterly intervals whereas interest on the loan is recovered on monthly basis. Additionally, as confirmed by Legal and FLOD by email dated Nov 2nd 2020, Netting flag is on and interest on FD would not be paid unless we receive the outstanding interest from client. Thus 50bps gap between LVP and MCP is sufficient to cover interest rate default risk for one month.

Further as confirmed by Business, there is no breakage fee on deposits as such. In case a deposit is broken before maturity, penal interest @1% is usually levied against the prevailing interest rate for that period without having any impact on the principal amount i.e. principle protected.

The LV should be calculated on the principal value of the deposit only and not principle + accrued interest.

For **cross currency**, PBOS procedures specifies that currency mismatch procedures apply. However, there is no automated charging of Cross Currency Haircut (CCH) in India. As such, in our last BVF dated February 12th, 2019, CCH was approved at 0% and LV was approved at 88% to create the same amount of headroom without the CCH. Previously we had both a lower LVP and a 10% CCH so in effect double counting the currency risk.

We therefore proposed and increased the LV for Cross Currency Cash (in Nov 2020 BVF meeting) from 88% to 90% which is equivalent to 10% haircut required for FX trading.

2.2. Equities

For India Onshore clients only. Lending against Indian equities is approved but is limited to a list of approved Indian equities. Lending against other Indian equities is not approved but local credit risk has the option to add/remove shares from the approved list.

The requirements for equities to qualify as collateral are set by Credit Risk and are currently as follows

1. BSE500 or CNX500 index member. Non-index constituents¹ could be added. RSU team to come back to CET on stocks which are fundamentally sound but get dropped from these indexes. CET team will check if such stocks meet the other requirements and include them in the approved list.
2. 12 months trading history (local credit risk can approve a share with at least 6 month trading history on a case by case basis).
3. Market cap over INR 20bn.
4. 260-day volatility below 75% if market cap is below INR 40bn.
5. Average Daily Trading Volume greater than 10,000 shares and INR 25m (250 Lakhs). Minimum Average Daily Trading Volume of 10,000 shares is not applicable if the share price is above INR 2,000 but Average Daily Trading Value should be INR 25m. (Approved in Barclays Volatility Forum meeting held on February 12th, 2019).
6. Median Daily Trading Volume greater than INR 17.5m (175 Lakhs).

The standard 3% of total outstanding shares and 5 times ADTV bulk risk limit applies, per borrower.

For qualifying equities, the maximum lending values are as follows

BILIPL

Facility type	LVP	MCP	COP
Single line	50%	60%	70%
Diversified	50%	62.5%	75%

CET to update list of approved Indian equities on at least a quarterly basis (data as of the end of each quarter) and publish it on the CET home page. The spreadsheet is located in the CET/India/India Equity Methodology folder. The spreadsheet is formula based so easy to update but separate procedures will be kept in that folder.

Single line lending against Indian equities would not be categorised as Outside of Lending (OLC) automatically for the below rationales:

- The current criteria allow taking SLS positions.
- CET recommendation is obtained for each SLS positions in terms of quantity and LV/MC/CO.
- SLS is governed by a sub asset trigger limit for India Equities under the master SLS M&S.
- A maximum LV of 50%, with appropriate MC/CO, is assigned to Indian equity shares. This is comparable to SLS LVPs in other markets.
- There are no known regulatory or current risk policy requirements that warrant these to be OLC.
- No issues experienced in MC/CO in the past.

¹ Approved in PB Volatility Forum held in Nov 2022

2.3. Debt Securities

International debt instruments issued by Indian issuers are treated according to the standard methodologies (though the LVC does not feed into the onshore India systems so the bonds need to be assessed and set up manually).

Local Indian Bonds usually only have a local credit rating. However, whilst the scale of the rating is similar to the international rating agencies, the requirements to qualify for a specific rating are much lower. A local AAA or AA+ rating is equivalent to a moderate credit risk on the international scale, AA is OK but a bit speculative and AA- is a Non-Investment Grade/ Speculative (roughly BB to B internationally).

In June 2018 the Government of India is rated Baa2 by Moody's but is AAA locally so that is where the domestic rating scale starts.

As such, bonds with a local rating below AA- is not acceptable as collateral.

Trading data for these bonds are not in Bloomberg so before assigning a lending value we also need a liquidity assessment from the local bond trading desk (The LV request usually contain an email from the dealing desk specifying the liquidity). There are three categories for the liquidity assessment.

1. Liquid – Ability to sell up to INR 500 m within a day and 25bp bid-offer is classified as liquid.
2. Semi-Liquid – Ability to sell up to INR 500 m within a week and 75bp bid-offer is classified as semi-liquid.
3. Illiquid - Any bond which does not meet the above requirements is classified as illiquid.

Qualifying bonds has the following lending values.

Bonds classed as Liquid

Local Indian Credit Rating of Issue	Time to Maturity						
	<= 1yr	> 1 yr <= 3 yrs	> 3 yrs <= 5 yrs	> 5 yrs <= 7 yrs	> 7 yrs <= 10 yrs	> 10 yrs <= 15 yrs	> 15 yrs
AAA	85	85	85	80	80	80	75
AA+	85	85	80	80	80	75	75
AA	85	85	80	75	75	70	70
AA-	75	75	60	60	60	60	50

Bonds classed as Semi-Liquid

Local Indian Credit Rating of Issue	Time to Maturity						
	<= 1yr	> 1 yr <= 3 yrs	> 3 yrs <= 5 yrs	> 5 yrs <= 7 yrs	> 7 yrs <= 10 yrs	> 10 yrs <= 15 yrs	> 15 yrs
AAA	75	75	75	70	70	70	65
AA+	75	75	70	70	70	65	65
AA	75	75	70	65	65	60	60
AA-	65	65	50	50	50	50	40

Bonds which are unrated, rated below AA- or are deemed as Illiquid does not qualify as collateral and has a 0% LVP.

The standard LVP/MCP/COP scale applies to bonds.

The standard 3% bulk risk limit applies.

Additional Tier-1 (AT1) Bonds:

Additional Tier 1 or AT1 bonds are unsecured bonds issued by Indian banks/NBFCs with perpetual tenure. These bonds usually have a call option, which can be exercised by the issuer (usually after 5-10 years of issuance). AT1 bonds are issued to meet capital adequacy requirements and have significant loss absorbing features. These are liable to be written down or converted to common equity at pre-specified trigger events or point of non-availability (PONV).

LV Criteria for AT1 bonds:

1. Perpetual bonds issued by only the top 3 PSU bank and top 2 Private sector bank in terms of Loan book and capitalization are acceptable security. These 5 banks are State Bank of India (SBI), Bank of Baroda (BoB), Canara Bank, HDFC bank and ICICI bank.
2. Perpetual AT1 bonds issued by NBFCs are not acceptable security.
3. Total exposure against AT1 bonds is capped at 40% of the portfolio LV.
4. Issuer wise concentration limit is capped at lower of INR250m or 20% of total portfolio. Usual 3% bulk risk limit applies per issue wise.
5. AT1 bonds rated AA- or below (locally) are not acceptable security and thus not eligible for any LVP.
6. LVP/MCP/COP are the same as any other debt security issued in India but with an additional haircut of 5% to mitigate the expected higher volatility of these instruments.
7. Only Professional Investor or Accredited Investor (PI/AI) are eligible for lending against AT1.

Sovereign debt papers

Kisan Vikas Patris (KPV) are fixed term, fixed rate debt instruments issued by the Department of the Post (which is a department of the Government of India). KPVs are issued for a period of 8 years and 7 months. However, the liquidity is limited and premature encashment is only permitted after 2.5 years and only semi-annually thereafter. The credit risk of these instruments is quite limited since they are issued by an Indian government entity and we rarely see them, but due to the illiquidity they have the following lending values.

Time from KPV Investment	LVP	MCP	COP
< 1 year	75%	80%	85%
1 year to 2.5 years	85%	90%	95%
> 2.5 years	90%	95%	98%

National Savings Certificates (NSC) are fixed term, fixed rate debt instruments issued by the Department of the Post (which is a department of the Government of India). NSC are issued for a period of 6 years with no premature encashment, except for the event of death. As with the KVPs the credit risk is quite limited and they are not very common but, due to the limited liquidity the lending values are set at

Years to Maturity	LVP	MCP	COP
1	90%	95%	98%
2	85%	90%	95%
3	80%	85%	90%

4	75%	80%	85%
5	70%	75%	80%
6	65%	70%	75%

Sovereign Gold Bonds (SGBs)

SGBs are highly liquid government securities denominated in multiple of grams of Gold, issued by Reserve Bank of India (RBI) on behalf of the Government of India. Key details about the scheme: Coupon rate-2.5% per annum (paid semi-annually)

Minimum investment - 1 gram

Maximum investment - 4kgs per annum for individuals / 4Kgs per annum for Hindu Undivided Family/ 20kgs per annum for trusts and similar entities. The ceiling on investment is not applicable to banks and financial institutions. The bonds are listed on NSE. These bonds carry sovereign guarantee on the redemption amount and interest. However, the returns are linked to gold prices and there remains a risk of capital loss in an event of decline in gold prices. Gold prices in India are more volatile compared to global prices owing to variation in custom duty (basic custom duty reduced to 7.5% in Feb'21 from 12.5% previously). Various other factors are in play such as the interest rate environment, consumption demand etc.

RBI guidelines for lending against Gold in India: As per RBI circular dated Aug 6th, 2020, loans against Gold ornaments and Jewellery for non-agricultural purposes shall have maximum LV of 75% from April 1st, 2021.

LV Criteria for Sovereign Gold Bonds:

Diversified LVP/MCP/COP is capped at 75%/81.25%/87.5%. This is in line with the regulatory cap of 75% LV. SLS needs to be reviewed on case-to-case basis by CET.

2.4. Funds

Indian domiciled funds are eligible for onshore India clients only.

The domestic Indian funds can be split between standard mutual funds and Fixed Maturity Plans (FMP)

FMPs are closed end funds with a fixed maturity date issued by the main fund companies in India. It is an India specific product so there is no equivalent offering in the rest of the business. The maturity is usually ~1 - 3 years but there are exceptions.

The FMPs offer no redemptions prior to maturity but usually are listed on the NSE, BSE or both. Though they are listed on exchange, liquidity is generally low. Collateral exit routes would most likely require the business to source an OTC buyer. Given the tax benefits of these assets, the quality of the underlying debt and the discount in price that could be offered due to the lower LVs the business is confident of takers in the market. (To date, there has been no historical need to exit an FMP to meet a margin call/close out.)

FMPs have displayed low market risk volatility (including during the recent COVID 19 market turbulence) which corroborates the higher quality debt these plans invest in.

The lending values are based on the time to maturity and the quality of the underlying assets. If the underlying assets are high quality local debt instruments (defined as a local credit rating of AA or better) then the lending values are as follows

- Up to 13 months 85/88.75/92.5%
- 13 to 24 months 80/85/90%
- 24 to 39 months 75/81.25/87.5%

If a portion of the holdings are AA- (15% or more) then LVP haircuts will apply. If any of the holdings are below AA- (or the equivalent short term rating) then the lending values will be reduced proportionally.

Due to the lower observable traded liquidity of these assets further criteria will apply:

1. No SLS permitted on FMP assets (the RSU will apply their discretion on borrower level restrictions for non-SLS concentrated FMP portfolios with SLS on FMPs sanctioned on an OLC basis if absolutely required)
 2. Only FMPs from the top 9 Asset Management Companies (AMCs) will be permitted (list of AMCs below)
 3. Equities and equity linked assets are not allowed as underlying in FMPs so these assets will be treated as a 0% LVP.
 4. Minimum required fund size is GBP20m.
 5. The FMP asset portion by drawing power is capped at 10% of the whole collateral book (if this gets close to this 10% level a further review for an increase can be requested)
- *Fund managed by top 9 well managed and largest fund houses (by AUM) in India. (The list should be reviewed annually)*
 - ✓ Aditya Birla Sun Life Mutual Fund
 - ✓ Axis Mutual Fund
 - ✓ DSP Mutual Fund
 - ✓ HDFC Mutual Fund
 - ✓ ICICI Prudential Mutual Fund
 - ✓ IDFC Mutual Fund
 - ✓ Kotak Mahindra Mutual Fund
 - ✓ Nippon India Mutual Fund
 - ✓ SBI Mutual Fund

FMPs often do not have a prospectus so we have to rely upon the KID, SID or offering memorandum instead. Other documents we need are the fact sheet/ asset breakdown and the LV request form for the amount of shares etc.

To determine the quality of the assets, look at both the intended asset description in the Prospectus/SID/KID/OM and the asset breakdown of what is actually held by the fund (usually attached in an excel file and referred to as the Factsheet). Quite often these do not align.

If the actual assets held are lower than what is allowed in the Prospectus/SID/KID/OM then ask the business to query this with the fund company. It could be a sign that the asset quality has deteriorated.

Local regulations require the Prospectus/SID/KID/OM to set out the intended asset allocation in 5% buckets. Though the manager can increase the credit quality above what that table stipulates so it tend to be conservative and as such differ from the actual portfolio.

Occasionally FMPs have equities as the underlying assets. These funds are not eligible as collateral. If the underlying assets are a mix of equities and debt, then we assign a 0% LVP to the equity part and reduce the lending value proportionally.

FMPs are often new issues and as such the fund size has not been finalised when we get the request. Often we get both the expected and current size of the fund (with the expected and/or minimum size required to go through with the issue set out in the fund documentation and the actual holdings in the excel file). This makes it unclear what size we are actually looking at but a £20m minimum fund size is required. If the fund size is between £20m and £40m a haircut to the LVs could be warranted on a case by case basis.

If it is unclear what the fund size will be we need to go back to the requestor and ask him/her to get the latest figures from the fund manager. We can caveat the response and make it subject to the minimum size requirement and the 3% bulk risk requirement is met and for the local team to monitor this. The credit team in India is aware of the bulk risk restriction and monitors it.

Upon maturity the investments are often rolled over into a new FMP (client would decide on whether to roll over or take funds out). Often a large portion of the funds are taken out and the new FMP becomes very small. For the client this is a simple rollover of the assets into a similar investment but the new FMP is often quite small and therefore ineligible for an LV. As such the business needs to proactively manage these situations.

The FMPs are usually priced at INR10 per share/unit at issuance.

For most FMPs there is no need to review the LVs periodically since the FMPs are short term and there is no exit from them. Though the credit quality of the portfolio may deteriorate over time so for long dated FMPs a review may be warranted. At present all FMPs in our collateral pool are reviewed on an annual basis or more frequently in case of any credit event.

Mutual Funds

The below applies to onshore Indian funds only. Funds focusing on India but are domiciled in Developed Markets (DM) and available/restricted to non-Indian residents are treated as per the normal funds policy.

Domestic Indian mutual funds often do not have a prospectus so we have to rely upon the KID, SID or offering memorandum instead. Other documents we need are the fact sheet/ asset breakdown and the LV request form for the amount of shares etc.

Debt Mutual Fund:

Domestic mutual funds domiciled in India are treated like DM mutual funds using the same methodology. However, we reduce the lending values by 0-10% compared to the equivalent developed market debt mutual fund based on the filers as discussed below and corresponding Margin Call (MC) and Close Out (CO) percentages.

Domestic debt mutual funds, on the basis of Fund House Historic Performance and fund's AUM, are divided into two buckets.

Bucket A: Funds managed by top 9 and well managed fund house in India (as listed below) and fund's minimum AUM should not be less than GBP 100 m or INR 10 bn whichever is higher.

Bucket B: Rest of the debt mutual fund which does not qualify the above two criteria.

- *Fund managed by top 9 well managed and largest fund houses (by AUM) in India. (The list should be reviewed annually)*

- ✓ Aditya Birla Sun Life Mutual Fund
- ✓ Axis Mutual Fund
- ✓ DSP Mutual Fund
- ✓ HDFC Mutual Fund
- ✓ ICICI Prudential Mutual Fund
- ✓ IDFC Mutual Fund
- ✓ Kotak Mahindra Mutual Fund
- ✓ Nippon India Mutual Fund
- ✓ SBI Mutual Fund

If a fund falls into Bucket A, then LVs would be 5% lower compared to the equivalent developed market mutual fund otherwise the LV would be reduced by 10% compared to the equivalent developed market mutual fund.

Additionally, for **Overnight funds** issued by the 9 large fund managers as listed above, LVs would be same as equivalent DM fund i.e. 95%. Overnight fund is the most conservative and highly liquid fund that invest in overnight securities having maturity of 1 day. Thus the fund has zero interest rate risk and minimum credit risk. In last 10 years worst 5 days' loss seen in this category of fund is less than 1%.

Please refer **Appendix 1 and 2** for maximum Lending Values for each fund type.

Credit Mitigant (Additional Haircut): For non-Credit Risk/High Yield funds, if a large portion of the holdings are rated AA- (>20%) then additional LVP haircuts (up to 10%) would be considered. If any of the holdings are rated A or below then reduce the lending values by charging additional haircut at the rate of 50% on proportionate low rated securities in the portfolio. The final LV would be rounded off to the nearest multiple of 5. For example, 73% would be rounded off to 70%.

Note: Investment in Sovereign Bonds or bonds backed by Sovereign Guarantee are categorised as Sovereign Investment. These are not explicitly categorised as AAA rated bond but they carry an implicit AAA rating and would be seen as AAA rated bond.

Equity Mutual Fund:

Lending Values for domestic equity mutual funds are capped at 50% in compliance with local regulations.

Developed Market Mutual Funds

Developed market mutual funds (such as an Indian fund investing in US equities) used as collateral for Onshore India facilities are assessed on a case by case basis in accordance with the standard methodologies. Though, any cross currency exposure needs to be accounted for, especially if the LVs are high and the headroom is low compared to the FX risk.

Fund sizes tend to be smaller in India than in developed markets. As such the £100m minimum fund size requirement is a bit more flexible in India but may need a reduction in the LVs. As with international funds, a large well known manager and growing AUMs can partially compensate for the lack of current AUMs. Though a fund size < £40m is generally too small.

The 3% bulk risk limit applies.

Domestic India funds will not be loaded into the LVC as these are eligible for Onshore India clients only. We currently do not track historical LVP recommendations for onshore India funds.

A spreadsheet with previously granted LVPs could be useful to keep as reference (unless the LVC is rolled out in India).

All debt MF in our collateral pool should be reviewed at least annually or more frequently if any credit event occurs.

Some flexibility on the above requirements is available at the discretion of Collateral Evaluation for funds issued by well-established fund house but otherwise good quality funds.

Alternative Investment Funds (AIFs)

AIF means any fund established or incorporated in India which is a privately pooled investment vehicle which collects funds from sophisticated investors, whether Indian or foreign, for investing it in accordance with a defined investment policy for the benefit of its investors. SEBI categorizes AIFs into 3 categories. Category 1 and Category 2 AIFs are close-ended funds, while Category 3 AIF could be either open or close-ended. As per the regulations, Cat 3 AIFs can take up to 2x leverage.

Frequency of NAV calculation - As per the regulations, Category III AIFs shall ensure that calculation of the Net Asset Value (NAV) is independent from the fund management function of the AIF. NAV shall be disclosed to the investors at intervals no longer than a quarter for close ended Funds and at intervals not longer than a month for open ended funds.

LV Criteria for lending against AIFs:

1. AIF must be an open ended fund. As such only Cat 3 AIFs are eligible.
2. Fund's AUM should be greater than or equal to INR 600cr.
3. Fund house/manager AUM should be greater than or equal to INR 7,000cr.
4. Minimum track record of 12 months is required however funds with 6 months' history can be looked at subject to RSU discretion and categorized as OLC.
5. AIF will be eligible for lending only if the underlying is eligible-i.e. listed equities and traded bonds.
6. The Fund share class has maximum monthly redemptions and maximum 30 calendar day notice period.
7. **LVP is capped at 50%.**
8. No SLS exposure against AIFs.
9. Concentration risk limit - Bulk risk limit of 3% or INR 25cr per issue, whichever is lower.
10. AIF's total LV concentration is capped at 20%.
11. CET retains sole discretion in requiring additional haircuts where it is deemed appropriate

2.5. Blended Security (Equity / Equity Mutual Funds)

Up until August 2014, BILIPL could lend more than 50% LV against equity shares / equity mutual funds in India. For equity it was in the range of 50-65% and for equity MF it was 50-70%. However, this funding was then restricted to flat 50%, post the new regulation from regulators.

Business had then proposed a Blended Security basket by adding securities like Current Assets/ Fixed assets/AIFs/immovable properties/unlisted shares in addition to liquid securities thereby giving additional leverage to the client. Proposal was to take additional assets which are technically not liquid and allow LVs on these so that average LV on the proposal improves for the client. At the same time, we do not risk our internal appetite such that such average LV doesn't exceed the max LV that we as a Business are ready to take.

A NAPA (49137) was raised for the above proposal which was approved on 13 September 2021. The proposal carries support from all the stakeholders including Legal Head (India), Compliance Head (India), Asia CRO, Business Head-Asia from reputation risk perspective, RSU and CET.

LV Criteria for lending against Blended Security:

1. Blended LV policy only applies to BIL IPL and not BBPLC.
2. Max LV for Equity security under blended LV would be 65%. For Equity Mutual Fund, LV would be same as equivalent DM Equity Mutual Fund with additional 10% haircut i.e. max 70% LV for Large Cap Equity Funds (India) and 60% for Mid and Small Cap Equity Funds (India).
3. LVs for Equity Securities would be calculated using the same criteria that we use for DM equity, except for penny stock categorization since we do not have penny stock levels for INR, with additional 10% haircut i.e. if model calculated LV is 75%, final LV would be 65% after applying 10% haircut. Please see appendix 3 for LVC Calculation methodology.
4. The blended LV against the basket of liquid and approved financial assets plus Eligible Additional Security to be capped at the maximum LV recommended by the CET having regard solely for the Financial Asset security (i.e. Excluding any Eligible Additional Security). The LVC calculation methodology would only be used as a guide. Final LVP would be based on case to case bespoke assessment by CET.
5. Acceptable stock - Only BSE 100/NSE 100 members are eligible for Blended LVs.
6. SLS lending not allowed for blended security portfolio. Facilities secured by this product should be a diversified portfolio of financial assets.
7. Monitoring and valuation of other assets (illiquid assets) should be done at regular intervals and if it becomes infrequent Business should ask the client to replace the security or reduce the drawing power against these assets thereby triggering a margin call.
8. Full recourse is required to the client through a personal guarantee; Any deviation would be treated as outside lending criteria (OLC).
9. The currency of borrowing shall be in INR which shall match that of the currency of the Eligible Additional Security.
10. If close-out triggered, financial assets would be liquidated first.
11. CET to provide below standard wordings for every Blended LV Recommendation: "LVs in the attached sheet are purely taking into account PB's standard stock evaluation approach, and appears theoretically reasonable. A credit sanctioner/committee will need to ensure that the LVP assigned to the share/Equity MF is in accordance with local regulations on maximum LVP. A credit sanctioner/committee will also assess the client's circumstances/client relationship and purpose of the loan as well as the collateral to form a view on the transaction in light of the firm's credit appetite."

2.6. Managed Portfolios

Lending against managed portfolios is not BAU in India as it is in the rest of PBOS and we don't see this very often (if at all). If there are any such requests, then CET would need to make an ad hoc assessment of the investment mandate and set up a record of the recommendation for future references. The lending values should be comparable to what the worst off asset allocation would get. Though please be mindful of whether the assets will be invested into funds or direct holdings as there is a large difference in the LVs for Indian equities and Indian equity funds. The LVP on equities may be capped by regulations so would need to check with the business on what regulations apply.

2.7. Structured Notes

Structured Notes are treated according to the standard methodology. However, assets specifically eligible for India Onshore are approved as underlying assets.

In practice structured notes in India are mostly capital protected. At present exposure is only taken against Structured Paper (SP) issued by Citi Group India².

LV for Indian structured products is calculated as below.

Base LVP aligns with India Domestic Debt LVP Matrix

1. Each capital protected note represents debt issued by the counterparty with uncertain tenor equivalent to:

- at least the call date, or
- the final maturity date

2. To mitigate risk of credit rating downgrade, rating is notched down by 1 grade

- resource constraints to react to a credit downgrade

3. Instead of using punitive INR discount factor method to determine base LVP, we will use India domestic debt LVP matrix

- assume "Liquid" given:

- issuer commitment to buy back and
- potential for OTC sales to other investors in event of enforcement of collateral

Payoff Incorporates Gap Risks

4. Incorporate gap risk at the call date by applying additional haircut to the LVP of a theoretical note with tenor equivalent to the call date

- aligns with current SP gap risk methodology (as detailed below)
- gap risk arising from the equity structure only applies at the call date

5. Take LVP to be the lesser of

- LVP of a bond with tenor equivalent to the call date less any haircut for gap risk
- LVP of a bond with tenor equivalent to maturity date

Where PAYOFF incorporates GAP risk

1. Identify the magnitude of any potential gaps and whether they are distinct from each other

2. CALCULATE excess GAP RISK, $XI = \text{MAX}(\text{Base LVP} - (1 - \text{GAP}), 0\%)$

3. Determine Gap LVP = Base LVP – HC(X) where HC(X) comes from table below

$X = \text{max}(\text{Base LVP} - (100\% - \text{Gap}), 0\%)$	$X \leq 10\%$	$10\% < X \leq 15\%$	$15\% < X \leq 25\%$	$25\% < X \leq 35\%$	$35\% < X \leq 45\%$	$45\% < X$
Haircut: HC (X)	0%	5%	10%	15%	20%	Client Specific

² In addition to Citi Group India, Mahindra & Mahindra Financial Services Ltd, HDB Financial Services Limited, Tata Motors Finance Ltd (Formerly known as Sheba Properties Ltd), and Shriram Transport Finance Company Limited were also approved as acceptable SP issuer's in India earlier. However, since approval (around 2 years back), there has been no exposure against SP issued by these counterparties. Additionally, credit profile of FIs especially NBFC got impacted a lot due to general slowdown in the economy coupled with Covid 19 pandemic. As such, any exposure against SP's issued by these counterparties would be subject to fresh credit review of these counterparties.

2.8. Insurance Policies

Insurance policies are treated as normal. However, any special requirements for Indian assets must be taken into account in the eligibility of a specific policy or the lending value against it. In practice we don't see any Insurance policies from India and if we do it likely would have to get NAPA approval before we can finance or lend against them.

3. General info

3.1. LVC uploads

Domestic Indian securities held by onshore India clients are not uploaded into the LVC. However, bonds and ADR/GDRs which are eligible for non –India booked clients should be added to the LVC. I.e. a bond issued by an Indian company in USD held by a London client should be loaded into the LVC and get a calculated LVP.

3.2. Currency

The currency mismatch policy applies for onshore India lending business. INR is classed as a low volatility currency but INR lending and INR denominated securities are only approved for onshore India clients.

INR is not an approved currency outside of India. In practice the Onshore India business mostly lend in INR against domestic assets but we do have some USD denominated facilities.

Non-INR deposits from the branches are also used as collateral for non-INR loans. These deposits and loans can technically be in any G7 currency but in practice it is only in GBP, EUR and USD.

3.3. Vanilla

No Indian assets are classed as 'Vanilla'. Though non-INR denominated bonds and ADR/GDRs should be loaded into the LVC and follow the standard LVC methodology for Vanilla classification.

4. Facilities

India Onshore

Securities backed lending in India does not use SBL but local lending products instead. Please check with local credit risk for more details as the PBOS Credit Risk Appetite, Underwriting Criteria & Procedures does not provide any details.

For lending to operating companies WIM Credit Risk India requires both commercial collateral and approved financial collateral. The financial collateral would have the standard lending values though. **PBOS Credit Risk Appetite, Underwriting Criteria & Procedures section B.1.6.10**

5. India Offshore

India Offshore business is defined as when clients and facilities are booked in a legal entity not domiciled in India. I.e. clients (often of Indian origin) holding India domiciled assets in a portfolio booked in London, Geneva etc.

India offshore business should be in accordance with local regulations/policies/procedures for the specific booking centre where the facility is to be booked. However, if the assets are onshore India assets there may be currency/capital controls which must be understood. The cross border policy

should be consulted and debt structuring and credit risk teams in India is a good reference for local restrictions.

INR is not an approved currency except for the Onshore India business.

Lending against Indian equities outside of India used to be approved in Asia. However, that business has been sold so it is no longer allowed and the NAPA is no longer valid.

6. Appendix

Appendix 1

Lending Value, Margin Call and Close out trigger for debt funds issued by top 9 AMCs in India

<i>Broad Category</i>	<i>Type of MF</i>	<i>LV</i>	<i>MCP</i>	<i>COP</i>
Money Market	Overnight	95.00%	96.250%	97.500%
	Liquid	90.00%	92.50%	95.00%
	Ultra Short Duration	90.00%	92.50%	95.00%
	Low Duration	90.00%	92.50%	95.00%
	Money Market	90.00%	92.50%	95.00%
Investment Grade	Floater	85.00%	88.75%	92.50%
	Short Duration	85.00%	88.75%	92.50%
	Medium Duration	85.00%	88.75%	92.50%
	Medium to Long Duration	85.00%	88.75%	92.50%
	Long Duration	85.00%	88.75%	92.50%
	Dynamic Bond	85.00%	88.75%	92.50%
	Banking & PSU	85.00%	88.75%	92.50%
	Corporate Bond	85.00%	88.75%	92.50%
	Gilt	85.00%	88.75%	92.50%
Credit Risk / High Yield Fund	Credit Risk	80.00%	85.00%	90.00%

Appendix 2

Lending Value, Margin Call and Close out trigger for debt funds issued by all other AMCs in India

<i>Broad Category</i>	<i>Type of MF</i>	<i>LV</i>	<i>MCP</i>	<i>COP</i>
Money Market	Overnight	85.00%	88.75%	92.50%
	Liquid	85.00%	88.75%	92.50%
	Ultra Short Duration	85.00%	88.75%	92.50%
	Low Duration	85.00%	88.75%	92.50%
	Money Market	85.00%	88.75%	92.50%
Investment Grade	Floater	80.00%	85.00%	90.00%
	Short Duration	80.00%	85.00%	90.00%
	Medium Duration	80.00%	85.00%	90.00%
	Medium to Long Duration	80.00%	85.00%	90.00%
	Long Duration	80.00%	85.00%	90.00%
	Dynamic Bond	80.00%	85.00%	90.00%
	Banking & PSU	80.00%	85.00%	90.00%
	Corporate Bond	80.00%	85.00%	90.00%
	Gilt	80.00%	85.00%	90.00%
Credit Risk / High Yield Fund	Credit Risk	75.00%	81.25%	87.50%

Appendix 3 (LVC Calculation Methodology)

- Step 1 – Calculate LVP

A volatility-based LVP is calculated based upon the standard formula for the stressing of an asset whose price returns follow a log-normal distribution:

$$LV_{vol} = 100\% * e^{-\varepsilon\sigma\sqrt{t}} \quad (1)$$

Where:

- LV_{vol} Is the LVP, expressed as a percentage of collateral notional
- ε Is the number of standard deviations required to achieve the desired conf interval, $\varepsilon = 2.33$ ie 99% conf.
- σ Is the 260-day historical volatility of price returns
- t Is the standard risk horizon expressed as a fraction of a year, i.e. 10/260

Of the above parameters, the only market data input is the volatility. The other two inputs are WMI and PB standard values for risk horizon and standard deviation.

- Step 2 – Apply Haircuts

The next step is to apply adjustments to the LVP calculated under Step 2 to account for market parameters such as liquidity, market cap, etc.

The LVC calculates the adjustment automatically based upon the value of the market parameter in question. The value is compared to a set of pre-defined thresholds, each of which has an associated adjustment that is applied to the result of the LVP calculation described in Step 2 above.

The effect of the adjustments is cumulative, ie the first adjustment is applied to the result of the LVP calculation from Step 2, the second adjustment is applied to the result of the first adjustment, the third adjustment is applied to the result of the second adjustment, and so on.

For the Market Cap adjustment only, there is a Max LVP set according to the level of the market cap. This is the max LVP that can be applied after all haircuts have been taken so it is not applied on the calculated LVP at this stage in the process.

The full list of adjustments is as below, each of which is described in more detail in the following sections:

- (i) Market Cap Adjustment
- (ii) Liquidity Adjustment

Market Cap Adjustment

For each equity the value of the market cap in GBP is compared to a pre-defined set of thresholds in order to calculate the appropriate adjustment.

The table of adjustments is shown below:

Min. Market Cap (GBP mn)	Max Market Cap (GBP mn)	Haircut (%)	Max LVP (%)
0	100	100	0
100	250	25	60
250	1,000	10	70
1,000	100,000	0	70
100,000	No upper bound	0	75

Table 1: Market Cap adjustment table

The adjustment is applied as follows:

$$LV_{MCA} = \max(0, LV_{vol} - HC_{MCA}) \quad (2)$$

Where: LV_{MCA} Is the interim LVP after the market cap adjustment
 LV_{vol} Is the interim LVP calculated from (1)
 HC_{MCA} Is the haircut from Table 1 that corresponds to the market cap of the company that issued the equity

Please note that the minimum market cap for an equity to be eligible to get a 75% LVP was increase/d from £25bn to £100bn in April 2020. This increase was a response to market turbulence caused by the Covid-19 outbreak. It was intended to be temporary but currently remains in place.

Liquidity Adjustment

For each equity the daily trading volume in GBP is compared to a pre-defined set of thresholds in order to calculate the appropriate adjustment. The trading volume used for the comparison is the 6-month average daily trading volume on the equity's primary exchange expressed in GBP. The table of adjustments is shown below:

Lower daily turnover (GBP mn)	Upper daily turnover (GBP mn)	Haircut (%)
0	0.5	100
0.5	1.25	25
1.25	5	10
5	25	5
25	No upper bound	0

Table 2: Liquidity Adjustments

The adjustment is applied as follows:

$$LV_{LA} = \max(0, LV_{MCA} - HC_{LA}) \quad (3)$$

Where: LV_{LA} Is the interim LVP after the liquidity adjustment
 LV_{MCA} Is the interim LVP calculated from (2)
 HC_{LA} Is the haircut from Table 2 that corresponds to the average daily turnover of the equity

- Step 3 – Apply Rounding

The next step is to apply rounding to the interim LVP that has resulted from the various adjustments applied in (1) to (4) above. The rounding is performed in order to provide a consistent set of LVs at regular intervals.

The rounding bands are shown as follows:

Lower LVP Value (%)	Upper LVP Value (%)	Rounded LVP (%)
95	100	95
90	95	90
85	90	85
80	85	80
75	80	75
70	75	70
65	70	65
60	65	60
55	60	55
50	55	50
45	50	45
40	45	40
35	40	35
30	35	30
25	30	25
20	25	20
15	20	0
10	15	0
5	10	0
0	5	0

Table 3: Rounding bands for calculated interim LVs

The LVC compares the interim LVP calculated from (4) to the values in the table above, and the appropriate rounded LVP is identified.

The rounding is applied as follows:

$$\text{if } LV_{LA} \geq \text{Lower LVP and } LV_{LA} < \text{Higher LVP then } LV_R = \text{Rounded LVP} \quad (5)$$

Where:

LV_{LA}	Is the interim LVP after the liquidity haircut adjustment
Lower LVP	Is the lower LVP threshold shown in Table 3
Upper LVP	Is the upper LVP threshold shown in Table 3
Rounded LVP	Is the rounded LVP value shown in Table 3
LV_R	Is the rounded interim LVP

- **Step 4 – Apply Cap**

This is the final step in the calculation. A cap is applied to the rounded LVP calculated in Step 3 (LV_R). The cap to be used is based upon the market cap of the issuing company and is defined in Table 1 in the “Max LVP (%)” column.

The cap is applied as follows:

$$LV = \min(LV_R, \text{Max LVP}) - 10\% \text{ (Emerging Market Haircut)} \quad (6)$$

Where:

LV	Is the final LVP for the equity
LV_R	Is the rounded interim LVP
Max LVP	Is the LVP cap shown in Table 1 in the “Max LVP (%)” column

7. Version control

Version	Date	Individual	Comments
1	12/2015	PW	Original version
2	06/06/2018	PW	Refresh of original document from 2015
3	04/07/2018	PW	General editing
4	09/11/2018	PW	Reduced LVP for BILIPL Equities from 60/70/80% to 50/62/75% as approved by Vol Forum and based on the local credit team feedback.
5	06/02/2019	PW	General Editing as part of annual review of non-equity/debt LVP methodologies at Vol Forum.
6	08/01/2021	Mohit Baid	General Editing as part of annual review of LVP methodologies at Vol Forum held in Nov 2020.
7	10/01/2022	Mohit Baid	New products added (AT1, Blended LV, SGBs, and AIF) + General Editing as part of annual review of LVP methodologies (No change) at Vol Forum held in Nov 2021.
8	02/12/2022	Mohit Baid	Addition of non-index constituents in approved list of Equity + General Editing as part of annual review of LVP methodologies (No change) at Vol Forum held in Nov 2022.