



ASEEM INFRASTRUCTURE FINANCE LIMITED (AIFL OR COMPANY)

POLICY ON TRANSFER AND ACQUISITION OF LOAN EXPOSURES ('POLICY')

Reviewing & Approving Authority

Authority	Designation
Prepared By	Chief Business Officer, Chief Risk Officer, Vice – President, Legal
Reviewed By	Chief Executive Officer, Chief Financial Officer
Recommended By	Audit Committee
Approved By	Board of Directors
Date of approval	November 10, 2025

Version History

Version	Issue Date	Brief Description
V.1	November 16, 2021	New Policy
V.2	November 09, 2022	Annual review with no change
V.3	November 09, 2023	Annual review with no change
V.4	November 13, 2024	Amended to align with the RBI Master Direction - Reserve Bank of India (Transfer of Loan Exposures) Directions, 2021.
V.5	November 10, 2025	Annual review with no change

1. Preamble:

Reserve Bank of India, vide its circular No. DOR.STR.REC.51/21.04.048/2021-22 dated September 24, 2021, has issued Master Direction – Reserve Bank of India (Transfer of Loan Exposures) Directions, 2021 (“**RBI Directions**”) as amended from time to time.

The RBI Directions came into effect from September 24, 2021 and replaced all existing instructions/directions on the matter of sale / transfer of loan exposures.

As per the said RBI Directions, the identified entities, including all Non-Banking Finance Companies (NBFCs) are required to, inter alia, adopt a comprehensive Board approved policy for transfer and acquisition of loan exposures providing for: (a) minimum quantitative and qualitative standards relating to due diligence; (b) valuation, requisite IT systems for capture, storage and management of data; (c) risk management; and (d) periodic board level oversight etc. and (e) independence of functioning and reporting responsibilities of the units and personnel involved in transfer / acquisition of loans from that of personnel involved in originating the loans.

Permitted Loan Transfers (other than stressed loans)

AIFL is permitted to acquire/ sell loans only from a transferor/ transferee specified as a lender below and subject to requirements stipulated hereunder: -

- a) Scheduled Commercial Banks;
- b) All India Financial Institutions (NABARD, NHB, EXIM Bank, and SIDBI and NaBFID);
- c) Small Finance Banks; and
- d) All Non-Banking Finance Companies (NBFCs) including Housing Finance Companies (HFCs);
- e) Such other entities permitted by RBI from time to time.

This policy will be applicable to all permitted transfers undertaken by AIFL either as a transferor or a transferee, as the case may be.

2. Definitions:

- a) “**credit enhancement**” shall mean a contractual arrangement in which an entity provides some degree of added protection to other parties to a transaction so as to mitigate the credit risk of their acquired exposures.
- b) “**default**” shall mean non-payment of debt (as defined under the Insolvency and Bankruptcy Code, 2016) when whole or any part or instalment of the debt has become due and payable and is not paid by the debtor or the corporate debtor, as the case may be;
- c) “**loan participation**” shall mean a transaction through which the transferor transfers all or part of its economic interest in a loan exposure to transferee(s) without the actual transfer of the loan contract, and the transferee(s) fund the transferor to the extent of the economic interest transferred which may be equal to the principal, interest, fees and other payments, if any, under the transfer agreement;
- d) “**minimum holding period (MHP)**” shall mean the minimum period for which a transferor must hold the loan exposures before the same is transferred to transferee(s).

- e) “**net book value (NBV)**” shall mean the funded outstanding in a loan exposure reduced by the specific provisions made against such exposure.
- f) “**permitted transferees**” shall mean the lenders specified at sub-clauses (a), (d), (e) and (f) of the RBI Directions.
- g) “**portfolio**” shall mean a set of loan exposures transferred together at a point of time under the same transfer agreement.
- h) “**stressed loans**” shall mean the loan exposures that are classified as non-performing assets (NPA) or as special mention accounts (SMA).
- i) “**transfer**” shall mean a transfer of economic interest in loan exposures by the transferor to the transferee(s), with or without the transfer of the underlying loan contract, in the manner permitted in the directions.
- j) “**transferee**” shall mean the entity to which the economic interest in a loan exposure is transferred under the directions.
- k) “**transferor**” shall mean the entity which transfers the economic interest in a loan exposure under these directions.

3. Minimum quantitative and qualitative standards for acquisition and transfer of loan exposures relating to:

3.1 Due Diligence:

Due diligence in respect of the loans should be carried out by the transferee’s own staff with the same rigour and as per the same policies as would have been done for originating any loan as per the terms of the AIFL Credit Policy.

In case of loans acquired as a portfolio, in case AIFL as a transferee is unable to perform the due diligence at the individual loan level, due diligence of at least 1/3rd of the portfolio by value and number of loans in the portfolio at an individual loan level and at the portfolio level for the remaining loans must be carried out. However, this would entail that the transferor will be retaining at least 10% of economic interest in the transferred loans.

3.2 Transaction Approval Process

- (i) The process in respect of acquisition of loans should be carried out as would have been done for originating any loan and shall be required to pass through the Deal Selection Committee (DSC), Management Committee (MC) and the approval by Credit Committee (CC) as per the AIFL Credit Policy in all Permitted Loan Transfers.
- (ii) All proposals for selldown/transfer/assignment/novation/transfer of loan exposures by AIFL to any permitted transferee shall be approved by the Management Committee and shall conform to the provisions of the RBI Directions.

3.3 Valuation: The pricing of the loans transferred / acquired will be arrived at based on commercial negotiations on arm’s length basis and taking into consideration such factors as credit rating,

existing interest rate of the loans being transferred, cost of funds, recent transactions in marketplace if any and extant money market conditions, wherever and as applicable.

- 3.4 **IT systems for capture, storage and management of data:** A robust IT system and process for storing the detailed data base for transfer and acquisition of Permitted Loan Transfers shall be maintained.
- 3.5 **Risk Management:** All risk management and systems related aspects will be followed for acquisition of loans for the Permitted Loan Transfers with the same rigour as per the Credit Policy and Risk policies as would have been done for originating any loan. Similarly, Environment & Safety related covenants for such acquisition of loans will be as detailed as per the E&S Policy.
- 3.6 **Periodic Board level oversight:** The policy shall be reviewed annually or as required due to change in regulations.

4. Independence of Functioning:

AIFL maintains a separate sell-down desk reporting into the Chief Business Officer. All loan transfer by AIFL from or to other banks/financial institutions are overseen by the sell-down desk.

5. General Conditions applicable for all loan transfers:

5.1 General Requirements

- a) Loan transfers should result in transfer of economic interest without being accompanied by any change in underlying terms and conditions of the loan contract usually. In case of any modifications to terms and conditions of the loan contract during and after transfer (e.g. in take-out financing), the same shall be evaluated against the definition of 'restructuring' as specified in Reserve Bank of India (Prudential Framework for Resolution of Stressed Assets) Directions 2019, dated June 7, 2019.
- b) In loan participation transactions, where the legal ownership completely remains with the transferor even after economic interest has been transferred to transferee(s), the roles and responsibilities of the transferor and transferee(s) shall be clearly delineated contractually.
- c) The Company, regardless of whether it is transferor or otherwise, should not offer Credit Enhancements or liquidity facilities in any form in the case of loan transfers.
- d) A transferor cannot re-acquire a loan exposure, either fully or partially that had been transferred by the entity previously, except as a part of a resolution plan under the Reserve Bank of India (Prudential Framework for Resolution of Stressed Assets) Directions, 2019 or as part of a resolution plan approved under the Insolvency and Bankruptcy Code, 2016.
- e) A loan transfer should result in immediate separation of the transferor from the risks and rewards associated with loans to the extent that the economic interest has been transferred. In case of any retained economic interest in the exposure by the transferor, the loan transfer agreement should clearly specify the distribution of the principal and interest income from the transferred loan between the transferor and the transferee(s).

- f) The transferor shall have no obligation to re-acquire or fund the re-payment of the loans or any part of it or substitute loans held by the transferee(s) or provide additional loans to the transferee(s) at any time except those arising out of breach of warranties or representations made at the time of transfer. The transferor should be able to demonstrate that a notice to this effect has been given to the transferee(s) and that the transferee(s) have acknowledged the absence of such obligation.
- g) The transfer of loans by transferor(s) must not contravene the rights of underlying obligors and all necessary consents from obligors (including from third parties), where necessary as per the respective contracts, should have been obtained.
- h) Any rescheduling, restructuring or re-negotiation of the terms of the underlying agreement/s attempted by permitted transferee(s) after the transfer of assets to the transferee(s) shall be as per the provisions of the Reserve Bank of India (Prudential Framework for Resolution of Stressed Assets) Directions, 2019 (as amended from time to time).
- i) A transferor should notify RBI (Department of Supervision) of all instances where it has replaced loans transferred to a transferee or paid damages arising out of any representation or warranty.
- j) The extant instructions on outsourcing and the applicable provisions of the Reserve Bank of India (Know Your Customer (KYC)) Directions, 2016 (as amended from time to time) shall be complied with in all cases.
- k) In respect of exposures that do not meet the requirements of the RBI Directions, transferee(s) shall maintain capital charge equal to the actual exposure acquired. In such cases, the transferor shall continue to recognize the transferred loan in its entirety, as if it was not transferred at all in the first place, and the consideration received shall be recognized as an advance.

5.2 Transferor as servicing facility provider:

- (i) If a lender, including a transferor, performs the role of a servicing facility provider for the transferee(s) after the loan transfer has occurred, it should ensure that the following conditions are fulfilled:
 - a) The nature, purpose, extent of the facility and all required standards of performance should be clearly specified in a written agreement.
 - b) The facility is provided on an arm's length basis on market terms and conditions.
 - c) Payment of any fee or other income arising from the role as a servicing facility provider is not subject to deferral or waiver in a way that would directly or indirectly provide credit enhancement or liquidity facility.
 - d) The duration of the facility is limited to the earliest of the dates on which:
 - i. the underlying loans are completely amortized;
 - ii. all claims connected with the transferee(s)' economic interest in the underlying loans are paid out; or
 - iii. the lender's obligations as the servicing facility provider are otherwise terminated.
 - e) There should not be any recourse to the lender beyond the fixed contractual obligations.

- f) The transferee(s) have the clear right to select an alternative party to provide the servicing facility.
- g) The lender should be under no obligation to remit funds to the transferee(s) until it has received funds generated from the underlying loans.
- h) The lender shall hold in trust, on behalf of the transferee(s), the cash flows arising from the underlying loans and shall avoid co-mingling of these cash flows with its own cash flows.

(ii) If the above conditions are not satisfied, the lender shall maintain capital on the loans transferred as if the loans in respect of which servicing facility is being provided are held by it directly on its books.

6. **Specific conditions applicable to transfer of Loans which are not in default:**

6.1 **General requirements**

6.1.1 The provisions mentioned under this clause shall not apply to:

- a) transfer of loan accounts of borrowers by a lender to other lenders, at the request/instance of borrower;
- b) inter-bank participations covered by the circular DBOD.No.BP.BC.57/62-88 dated December 31, 1988 as amended from time to time;
- c) sale of entire portfolio of loans consequent upon a decision to exit the line of business completely;
- d) sale of stressed loans; and
- e) any other arrangement/transactions, specifically exempted by the Reserve Bank of India.

The transactions referred above shall be governed by the respective regulatory frameworks. However, in all such cases, the provisions of clause 5 shall continue to apply except in cases where the respective regulatory framework provides for otherwise.

6.1.2 A transferor can transfer a single loan or a part of such loan or a portfolio of such loans to permitted transferees through assignment or novation or a loan participation contract.

6.1.3 In cases where loan transfers result in a change of lender/(s) of record under a loan agreement, the transferor and transferee(s) should ensure that the existing loan agreement has suitable enabling provisions including consent by the underlying borrower that allow for such transactions by laying down the required ground rules.

6.1.4 Transferor's retention of economic interest, if any, in the loans transferred should be supported by legally valid documentation. A legal opinion regarding the various clauses mentioned in the RBI Directions should also be kept on record by the transferor.

6.1.5 In case of credit underwriting applied by the transferor to exposures transferred, similar processes for approving and where relevant, amending, renewing and monitoring of credit facilities extended should be applied by the transferor for all the loan exposures originated by it.

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

6.1.7 The due diligence in respect of the loans cannot be outsourced by the transferee(s) and should be carried out by its own staff with the same rigor and as per the same policies as would have been done for originating any loan.

The above due diligence requirements shall be applicable at the level of each loan. In case of loans acquired as a portfolio, in case a transferee is unable to perform due diligence at the individual loan level for the entire portfolio but can perform due diligence at the individual loan level for not less than one-third of the portfolio by value and number of loans in the portfolio, the due diligence may be performed at the portfolio level for the remaining, in which case, the transferor has to retain at least 10 % (ten percent) of economic interest in the transferred loans.

6.1.8 Lenders need to monitor on an ongoing basis and in a timely manner basis the performance information on the loans acquired, including through conducting periodic stress tests and sensitivity analyses, and take appropriate action required, if any, in the manner specified in the RBI Directions.

6.1.9 Depending upon the size of the portfolio, credit monitoring procedures may include verification of the information submitted by the servicing facility agent's concurrent and internal auditors.

6.2 Minimum holding period (MHP)

6.2.1 The transferor can transfer loans only after a minimum holding period (MHP), as prescribed below, which is counted from the date of registration of the underlying security interest with Central Registry of Securitisation Asset Reconstruction and Security Interest of India (CERSAI):

- Three months in case of loans with tenor of up to 2 years;
- Six months in case of loans with tenor of more than 2 years.

6.2.2 In case of loans where security does not exist or security cannot be registered, the MHP shall be calculated from the date of first repayment of the loan.

6.2.3 In case of transfer of project loans, the MHP shall be calculated from the date of commencement of commercial operations of the project being financed.

6.2.4 In case of loans acquired from other entities by a transferor, such loans cannot be transferred before completion of six months from the date on which the loan was taken into the books of the transferor.

6.2.5 The above MHP requirement is not applicable to loans transferred by the arranging bank to other lenders under a syndication arrangement.

6.3 Capital Adequacy and other prudential norms

6.3.1 Capital adequacy and prudential norms with respect to transfer of loans, transfer of a pool of loans, loan acquisition shall be adhered as mentioned in the RBI Directions.

6.3.2 The capital adequacy treatment shall be as per the instructions applicable to loans directly originated by the lenders in respect of the economic interest held by the transferor and transferee(s) post such transfer. Any P&L arising should be accounted for accordingly by the transferor.

6.3.3 For permitted transferees, the acquired loans will be carried at acquisition cost unless it is more than the outstanding principal at the time of the transfer, in which case the premium paid, should be amortized based on straight line method or effective interest rate method, as considered appropriate by the individual permitted transferee, wherever and as applicable. However, the outstanding/unamortised premium need not be deducted from capital, wherever and as applicable.

7. **Disclosures and Reporting:**

An appropriate disclosure in the financial statements has to be made under 'Notes to Accounts', relating to the total amount of loans not in default transferred and acquired to / from other entities as prescribed in the direction, on a quarterly basis starting from the quarter ending on December 31, 2021.

In case of any inconsistency between the provisions of law and this Policy, the provisions of the law shall prevail, and the Company shall abide by the applicable law. Further, in case there are any amendments in the applicable laws, guidelines, circulars ('Regulations') the Policy shall stand amended to align with the applicable amended Regulations.

The provisions of transfer of stressed loans will be dealt with separately in a different policy as and when required.
