Lendbox

# UPDATE ON CURRENT P2P BUSINESS AND FUTURE COURSE OF ACTION

Release Date: March 26, 2024

**Dear Lendbox Family,**

We would like to start by thanking you for your support, which has not only contributed to sustaining a remarkable growth rate but also allowed us to enhance our value proposition, all the while upholding the integrity of our underlying asset quality. The P2P industry in India has been growing at a fast pace. We believe this could not have been achieved without the regulatory support of RBI.

As asset classes progress over time, regulatory frameworks are bound to evolve, requiring the implementation of additional controls. As highlighted by many media houses and also communicated by us to our stakeholders, a lot more stringent regulatory audits of P2P platforms were conducted last year by RBI's Supervision team.

We are proud of our track record of compliance and the trust that we have earned from our stakeholders, including partners, investors, and regulatory authorities. We remain committed to upholding the highest standards of regulatory compliance and are dedicated to continuous improvement in this regard. We understand that compliance is not just a legal obligation but a fundamental principle that guides our actions and decisions.

## Past Audits and Regulatory Feedback:

Being one of the largest players in the P2P industry with over 35% market share, we have been audited and inspected multiple times in the last few years as a routine exercise by the regulator. In recent on-site visits conducted last year, RBI inspected us on multiple fronts including technology, risk management, partnerships, business model, revenue and performance-based fee model, marketing communications, etc., and the process of Secondary Sales on loans at the time of Investment Plan maturity or redemption.

During these inspections, we received some feedback and recommendations from the RBI team and most of them were implemented in due course of time. Subsequently, RBI has verified these changes during the follow-up meetings.

Many such changes might have been noticed by you on our IFA dashboard as well as on our Web and App.

Lendbox has always been committed to adhering to all compliance requirements, and our processes and technology are built to robust and sophisticated standards as per industry norms. As you are aware, we lead the way in technology within the P2P lending industry. Our Secondary Sales process is fully automated and has been developed with careful consideration of all systematic risks.

## Future Course of Action

To engage with the Regulator and standardize the processes, all the major P2P players have come together to form an industry body named the Association of P2P Lending Platforms, our Co-founder and COO Mr. Bhuvan Rustagi is also an office-bearer of the association. The Association has also onboarded an ex-RBI Executive Director as a consultant to guide us on engaging with the RBI as well as suggest best practices.

**Agenda of the Association:**

- ✓ Setting up industry best practices for customers
- ✓ Ensuring responsible growth of the P2P industry
- ✓ Engaging with the regulator from a common platform
- ✓ Customer education and awareness

## Current Update

The association has held discussions with the RBI about all the critical issues such as on demand liquidity investment products, Marketing Communications, Secondary Sale of loans, etc. Most of these points have been implemented by us as well as most of the other players.

As one of the pioneering and largest players in the industry, managing a portfolio of over 500,000 investors, we consider it our responsibility to ensure that the industry is headed in the right direction.

RBI may come up with additional guidelines in the future to establish the standard processes for the issues highlighted above or any other issues that the industry or he regulator consider critical for protecting interests of investors.

We welcome every regulatory framework and believe it will benefit the industry in both the short and long term.

After internal deliberation, the Association has advised all members to temporarily pause fresh deposits in the liquid plan till the time further clarity is provided by the regulator and Lendbox will follow the same. Please note that there are no changes to existing funds, including those in flexi-plans, which can still be withdrawn on demand and according to previously mandated terms.

All fresh investments will be received with a minimum lock-in period which will coincide with the tenure of loans available on the platform and criterion shortlisted by the investor.

All the changes will be implemented with a grandfathering clause.

<u>The cut-off date to implement these Changes:</u>
After consulting with our management and considering the best interests of our partners and users, while also allowing for adequate transition time, we have decided to implement these changes in multiple phases starting from March 31, 2024. We aim to complete this process within a 2-week timeframe.

## What will be the Impact on The Business:

Existing Investors onboarded before the mentioned cut-off date, can invest in all the plans including Flexi-Plans at 9.50% p.a. (simple interest), and all the other tenure plans before the cut-off date.

Investors (both new and old) will not be allowed to deposit fresh funds in the Flexi Plan after the cut-off date. However, all the outstanding balances in the Flexi Plan post the mentioned date, will have complete access to the secondary market (as before) and they can place the withdrawal request as usual after the cut-off date as well. The expected timeline of the processing of redemption will be as usual.

**SPECIAL OFFER**

Lenders can transfer the Flexi Funds to 3 Months Plan at an XIRR of 11.02% (10.50% with monthly payout and 10.59% with interest at Maturity) or any other Tenure

**NEW LAUNCH**

We are also launching a special 1 Month plan at 9.50%. At maturity, the one-month investment plan can be rolled over for 1 or more months as many times as required.

You can TOP UP your Flexi deposit one last time up to 50 Lacs till before the cut-off date.

## Impact on SIPs

SIPs registered before cut-off dates will continue for the next few months. We are working on a better SIP product which will be rolled out soon.

New SIP registrations will not be allowed after the cut-off date.

## Business Impact

From a business standpoint, we believe this is a positive change. We are committed to reintroducing the Flexi-Plan once there is regulatory clarity. Meanwhile, our fixed tenure products, offering industry-leading returns, will continue to operate as usual. The Flexi-Plan has played a crucial role in building investor trust in our organization over the past three years, and we appreciate the regulator's efforts to implement guardrails to protect investor’s capital.

***Ekmmeet Singh***
***Co-Founder & CEO, Lendbox***