

## **Know Your Customer (KYC) Policy**

### **1. Preamble:**

Reserve Bank of India has been issuing guidelines in regard to Know Your Customer (KYC) standards to be followed by banks and NBFC and measures to be taken in regard to Anti Money Laundering (AML)/ Combating Financing of Terrorism (CFT)

NBFCs are required to put in place a comprehensive policy framework, duly approved by Board of Directors or competent authority authorized by Board of Directors, in this regard. This policy document has been prepared in line with the RBI guidelines.

### **2. Objectives, Scope and Application of the Policy:**

The primary objective is to prevent the Company from being used, intentionally or unintentionally, by criminal elements for money laundering activities or terrorist financing activities.

- To lay down explicit criteria for acceptance of customers
- To establish procedures to verify the bona-fide identification of individuals/non individuals for opening of account.
- To establish processes and procedures to monitor high value transactions and/or transactions of suspicious nature in accounts.
- To develop measures for conducting due diligence in respect of customers and reporting of such transactions.
- In case of any scenarios not explicitly covered under PFS's policy, the provisions as mentioned under the RBI guidelines shall be assumed.

### **3. Definition of Customer or Legal Entity (LE)**

For the purpose of PFS KYC policy a 'Customer' means a person define under KYC policy of RBI and any amendment from time to time by RBI which are at present as under:-

- A person or entity that maintains an account and/or has a business relationship with PFS;
- One on whose behalf the account is maintained (i.e. the natural beneficial owner)
- Beneficiaries of transactions conducted by professional intermediaries such as Stock Brokers, Chartered Accountants, Solicitors etc. as permitted under the law, and
- Any other person or entity connected with a financial transaction which can pose significant reputation or other risks to PFS,

### **4. Customer Acceptance Policy ("CAP")**

Customer Acceptance Policy requires all customers to fill in PFS- KYC Form as attached to capture the relevant data for all categories of customers and provide supporting documents as given in the forms as a part of customer identification process / KYC.

### **5. Customer Identification Procedures ("CIP")**

Customer identification means identifying the customer and verifying his/her identity by using reliable, independent source documents, data or information. PFS shall obtain sufficient information necessary to verify the identity of each new customer along brief details of its promoters and management, whether regular

or occasional and the purpose of the intended nature of Business relationship. The requirement as mentioned herein may be moderated according to the risk perception like in the case of a public specially listed company it will not be necessary to identify all the shareholders.

## 6. Compliance of KYC - Documents Required

Before execution of facility agreement, PFS shall ensure the compliance of KYC for new account of borrower/ promoter director or any person identified as authorized signatory of borrower.

PFS has prescribed forms for different types of customers as per details given below:

1. Individual for Authorize Signatory and Promoter Director - PFS -KYC-A
2. Non - Individual (for Borrower Company and Promoter Company) - PFS -KYC-B

As required under the Act and rules, information so collected shall be properly retained and preserved for each customer. Profile of customer may be prepared for quick reference as and when required. The information/documents so collected shall be treated as confidential and shall not be divulged for cross selling or for any other purpose.

- a) In case of Individual (for Authorize Signatory and Promoter Director)

|                   |   |
|-------------------|---|
| Proof of Identity | Any one of the following: <ol style="list-style-type: none"> <li>1. Passport*</li> <li>2. PAN Card**</li> <li>3. Aadhaar Card</li> <li>4. Photo Pan Card</li> <li>5. Voter's ID</li> <li>6. Driving License</li> <li>7. ID card issued by any central/state govt.</li> </ol>  |
| Proof of address  | Any one of the following: <ol style="list-style-type: none"> <li>1. Passport *</li> <li>2. Aadhaar Card</li> <li>3. Utility bill which is not more than two months old of any service provider (electricity, telephone, post-paid mobile phone, piped gas, water bill);</li> <li>4. Pension or family pension payment orders (PPOs) issued to retired employees by Government Departments or Public Sector Undertakings, if they contain the address;</li> <li>5. Letter/ Certificate issued by current Employer for address proof (in case of for Non Resident Indian); duly signed by Director or Authorized signatory</li> <li>6. Any other documents issued by Government showing Address.</li> </ol> |

*\*compulsory in case of non-resident individuals and for Promoter Directors in Company.*

*\*\* - Mandatory of all individual*

The above documents are in any other language, and then it must be translated into English along with a certificate from translator / notary public.

For the Individuals Form A along with ID proofs shall be attested as under :-

| <i>Individual</i>           | <i>Attestation requirement</i> |
|-----------------------------|--------------------------------|
| <i>Promoter Director</i>    | <i>Self-attested Only</i>      |
| <i>Authorized Signatory</i> | <i>Self-attested Only</i>      |

b) In case of Non Individual (for Borrower Company and Promoter Company/ Legal Entity)

|                                  |  |
|----------------------------------|--|
| Companies /<br>Legal Entity (LE) | <ol style="list-style-type: none"><li>1. As given below under “<b><u>Mandatory Documents required for starting a Relationship</u></b>”. (To be signed by Authorized Signatory or Company secretary.)</li><li>2. KYC of company and any shareholder or beneficial owner of such company listed on stock exchange is not required</li><li>3. KYC of scheduled commercial banks and FIs are registered with statutory bodies like RBI, Government Companies or any organization owned or controlled by Government is exempted</li></ol> |
|----------------------------------|--|

the details of the borrower company, its Directors, controlling shareholders as well as promoter entities, its Directors till natural individual beneficial owner would be obtained.

**Mandatory Documents required for starting a Relationship *(to be obtained before execution of loan agreement)***

❖ **Private and Public Limited Companies**

- Form B - Duly signed by Authorized Signatory
- Certificate of incorporation, commencement of Business (if applicable)
- Memorandum & Articles of Association
- Resolution of the Board of Directors/Authority letter by CMD/MD/CEO/WTD/Director for Authorized person/s mentioned in Table ‘O’ of Form B.
- Proof of address #
- Form A of Authorized signatory alongwith Address and ID proof
- Form A of key Promoter Director(s) alongwith Address and ID proof

❖ **Accounts, where third party mandate exists**

- True notarized copy (with attested signature of POA holder and Managing Director or his authorized signatory) of power of Attorney (POA) Agreement.
- Reason for granting POA
- True Copy (certified by Company Secretary or director) of Identity and address documents of POA holder
- Signed Photograph of POA holder.
- All other verification documents as applicable for Public/Private limited companies.

❖ **Financial Institutions**

- True copy (certified by Company Secretary or director) of Certificate of Institution’s License.
- True copy (certified by Company Secretary or director) of Certificate of Incorporation.
- True copy (certified by Company Secretary or director) of Statue or equivalent, stating that the institution is a regulated entity.
- All other verification documents as applicable for Public/Private limited companies.

# - Acceptable proof of address documents for Company (Any One) as per below

- ✓ Utility bill which is not more than two months old of any service provider (electricity, telephone, post-paid mobile phone, piped gas, water bill);
- ✓ Any other documents issued by Government showing Address.
- ✓ Form 18 and ROC receipt filed for recording change of registered address.
- ✓ In case, of difference in the addresses provided by the company and the address proof, the Business Verification report should be carried out by Practicing Chartered Accountant / Practicing Company Secretary

## **7. Periodic Updation of KYC documents**

PFS shall periodically update customer identification data after the transaction is completed and review every 12 month. The scope of review shall essentially means status of accounts, change in promoter/ key shareholder. PFS shall obtained the confirmation / self declaration from Borrower via digital channels or a letter from an authorized official of the Borrower entity on yearly basis for any change in KYC. If there's a change in KYC information, PFS shall undertake the KYC process equivalent to onboarding as new Borrower within 30 days of such changes intimated by the Borrower.

The periodicity of updation of KYC shall be once in ten (10) years in case of low risk category customers and once in eight (8) years in case of medium risk categories and two (2) years in case of high risk categories.

While the KYC guidelines will apply to all new customers, the same would be applied to the existing customers on the basis of materiality and risk. However, transactions in existing customers would be continuously monitored for any unusual pattern in the operation of the accounts

## **8. Monitoring and reporting of Transactions:**

Monitoring of transactions will be conducting taking into consideration the risk profile of the account.

PFS shall make endeavors to understand the normal and reasonable activity of the customer so that the transactions that fall outside the regular/pattern of activity can be identified, Special attention will be paid to all complex, unusually large transactions and all unusual patterns, which have no apparent economic or visible lawful purpose.

Background of the customer, country of origin, sources of funds, the type of transactions involved and other risk factors shall determine the extent of monitoring. Higher risk accounts shall be subject to intensify monitoring. PFS shall carry out the periodic review of risk categorization of transactions/customers and the need for applying enhanced due diligence measures at a periodicity of not less than once in six months.

PFS shall explore the possibility of validating the new accounts opening application with various watch lists available in public domain, including RBI watch list. After due diligence, any transactions or suspicious nature will be duly reported by principal officer to Director, Financial Intelligence Unit- India (FIU\_IND).

To ensure monitoring and reporting of all transactions and sharing of information as required under the law for KYC, Board may nominate any Director or authorized MD or any other officer(s) duly authorized by MD to be designated as PFS's Principal Officer with respect to KYC/ AML/ CFT.

## **9. Principal Officers for KYC/ AML/ CFT:**

Principal Officer(s) for KYC will act independently and report directly to the concerned Director/MD or to the Board of Directors. The role and responsibilities of the Principal Officer(s) should include overseeing and ensuring overall compliance with regulatory guidelines on KYC/AML/CFT issued from time to time and obligations under the Prevention of Money Laundering Act, 2002 and the Prevention of Money Laundering Rules 2005, rules and regulations made there under, as amended form time to time.

The required data from borrower shall be collected as per formats (Forms PFS KYC A/B) prescribed in this policy, irrespective whether PFS is the lead institution or there are other co-financing institutions. To ensure monitoring of PFS's KYC Guidelines, the borrowers may be requested to resubmit their KYC periodically as defined elsewhere based on Risk Category or in case there is any change in the structure of entity with new promoter which does not have any relationship with PFS within 15 days of information of such change.

Information collected from the Customer shall be treated as confidential and details thereof are not to be divulged for cross selling or any other like purposes. PFS shall therefore, ensure that information sought from the Customer is relevant to the perceived risk, is not intrusive and is in conformity with the guidelines issued by RBI in this regard. PFS shall ensure that any remittance of funds by way of demand draft, mail/telegraphic

transfer or any other mode for any amount is affected by cheques and not against cash payment.

#### **10. Closure of Accounts/Termination of Financing/Business Relationship:**

Where PFS is unable to apply appropriate KYC measures due to non furnishing of information and/or non-operation by the customer, PFS shall terminate Financing/Business Relationship after issuing due notice to the customer explaining the reasons for taking such a decision. Such decision shall be taken with the approval of Chairman & Managing Director or Principal Officer.

#### **11. Risk Management:**

PFS customers will be categorized based on perceived risk, into three categories - A, B & C. None of the entities will be exempted from PFS's KYC procedure, irrespective of the status and relationship with Company or promoter. The above requirement may be moderated according to the risk perception. The risk category of the customers shall be categorized into three levels:

- Level A – High Risk
- Level B – Medium Risk
- Level C – Low Risk

The following customers shall be categorized as **Level C** risk customer

- ✓ Relationships with Significant and well established entities.
- ✓ Relationships with regulated Financial Institutions in, or having their Head Office in, equivalent jurisdictions or countries that adopted equivalent standards (where reliance is placed on the fact that the Head Office is in an FATF or equivalent country, its policies and procedures must be binding on the country branch or subsidiary concerned).
- ✓ Relationships with Government departments (Ministerial or Non-ministerial) or their agencies, (including their statutory corporations and their private companies), except those in/from high risk countries (i.e. FATF non-compliant country)
- ✓ Relationships with registered public companies and their subsidiaries.

The following customers shall be categorized as **Level B** risk customer

- ✓ All relationships not categorized as Level C and Level A

The following customers shall be categorized as **Level A** risk customer based on the limited due diligence carried out at the time of sanction and as part of legal due diligence by PFS before execution of loan agreement and based on the declaration submitted by company as part of KYC documents.

- ✓ Government departments or their agencies, statutory corporations and private companies in/from high risk countries ( i.e. FATF non compliant country)
- ✓ Relationships involving offshore trust structure. relationships involving bearer shares.
- ✓ Relationships, whose businesses are vulnerable to Money Laundering (ML) risks such as Gambling, defense and money service bureau and dealers in high value commodities (eg: traders in precious metals, jewelers and antique dealers).

#### **12. PEP Policy of PFS**

As per Anti Money Laundering Standards, it has been recognized that there is no internationally recognized legal definition of a Politically Exposed Person. However they would normally be considered to include senior present and former political figures, their immediate family and close associates.

With no known sources of databases that have complete record of all politically exposed persons, details

relating to the following class of persons could generally be included for the purpose of identifying PEPs.

- All existing and past Members of Legislative Assemblies/Members of Parliament
- List of candidates who have contested elections in the past five years.
- List of known politically connected movie stars, industrialists
- List of all members of recognized political parties.

PFS shall verify the beneficiary owner or promoter of Borrower company is PEP based on data available in public domain to the extent possible. In this regard, PFS shall obtain the declaration about PEP at the time of KYC compliance.

### **13. Risk Management Committee: (“RMC”)**

Principal officer may submit the periodic report to RMC if there is a need arises in case of high risk cases and which may require further guidance from Committee so they can assess the risk involved in the case of different customers on the basis of data collected by project department. Depending on the requirement, services an independent consultant having knowledge and background on the subject may be taken. Such issues categorization shall be kept confidential and shall not be divulged to any third party irrespective of their relationship with Company at any level of organization.

### **14. Customer Education & Awareness:**

The above policy along with relevant forms shall be hosted on PFS’s website i.e. [www.ptcfinancial.com](http://www.ptcfinancial.com) to educate the customer of the objectives of the KYC / AML/ CFT programme. While dealing with customers, Dealing Officers and Staff in PFS shall take special care in obtaining required information from the client.

### **15. Employee’s Training:**

PFS shall have an ongoing employee training programme so that the Team members are adequately trained in KYC/ AML/ CFT procedures. Training requirements shall have different focuses for frontline staff, compliance staff and officer/staff dealing with the new customers. It is crucial that all those concerned fully understand the rationale behind the KYC policies and implement them.

### **16. Updation in KYC Policy of Company**

MD & CEO of PFS will be authorized to amend/modify the KYC/ AML/ CFT Policy or such other related guidance notes of Company, to be in line with RBI or such other statutory authority’s requirements/updates/ amendments time to time.