
Know Your Customer Policy (KYC) Policy



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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 NBFC and measures to be taken in regard to Anti Money Laundering (AML)/ Combating Financing of Terrorism (CFT) and guidelines issued by Financial Action Tasks Force (FATF). This KYC 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 beneficial owner (BO) /non individuals for opening of account.
- To develop customer acceptance and identification process through obtaining and verification of officially valid documents
- To develop risk based approach for customer categorization
- 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. PFS shall also ensure that:

- No account is opened in anonymous or fictitious/ benami name
- Account is opened after proper Customer Due Diligence (CDD) i.e. identifying and verifying the customer and the beneficial owner at the time of Unique Customer Identification Code (UCIC) level.
- There will be no fresh CDD exercise at the time of opening of any other account for the same customer.
- Identity of the Customer should not match with any person or entity, whose name appears in the sanctions list indicated in the RBI circular.

- Where Permanent Account Number (PAN) is obtained, the same shall be verified from the verification facility of the issuing authority or with the original document produced for verification.
- Where Goods and Services Tax (GST) details are available, the GST number shall be verified from the search/verification facility of the issuing authority or with the original document produced for verification.

In case PFS forms a suspicion of money laundering or terrorist financing, and it reasonably believes that performing the CDD process will tip-off the customer, it shall not pursue the CDD process, and instead file an STR with FIU-IND

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 which may include customer due diligence done by a third party or from the Central KYC Records Registry. PFS may obtain the KYC identifier from Customer to download records from CKYCR.

PFS shall obtain sufficient information necessary to verify the identity of each new customer along with brief details of its promoters and management 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 listed company it will not be necessary to identify all the shareholders.

Due nature of business of PFS with single location, Video based Customer Identification Process (V-CIP) has not been stipulated.

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 (except for Govt owned companies) as per details given below:

1. Individual for Authorized 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">1. Passport*2. PAN Card3. Aadhaar Card**4. Voter’s ID5. Driving License6. ID card issued by any central/state govt.
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Proof of address	<p>Any one of the following:</p> <ol style="list-style-type: none"> 1. Passport * 2. Aadhaar Card** 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); 4. Property or Municipal tax receipt 5. Pension of family pension order (PPOs) issued to retired employees by Govt departments or PSU, if they contain the address. 6. Letter/ Certificate issued by current Employer for address proof (in case of for Non Resident Indian); duly signed by Director or Authorized signatory 7. Any other documents issued by Government showing Address.
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** compulsory in case of non-resident individuals and for Promoter Directors in Company.*

*** Shall be verified from the verification facility of the issuing authority or with the original document produced for verification and should be recorded by KYC officer of PFS . Also, the Borrower shall be required to redact the Aadhaar number in case Aadhaar number can be electronically verified by PFS.*

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

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

Mandatory Documents required for starting a Relationship (to be obtained before execution of loan agreement) (To be signed by Authorized Signatory or Company secretary.)

❖ Private and Public Limited Companies

- Form B - Duly signed by Authorized Signatory
- Certificate of incorporation, commencement of Business (if applicable)
- Memorandum & Articles of Association
- Permanent Account Number of the company
- Resolution of the Board of Directors/Authority letter by CMD/MD/CEO/WTD/Director for Authorized person/s mentioned in Form B.
- Registered office and the principal place of its business, if it is different.
- Names of persons holding senior management position
- 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

- A resolution from the Board of Directors and 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 Statute or equivalent, stating that the institution is a regulated entity.
- All other verification documents as applicable for Public/Private limited companies.

❖ Govt Companies

- Certificate of incorporation, commencement of Business (if applicable)
- Memorandum & Articles of Association
- Permanent Account Number of the company
- Resolution of the Board of Directors/Authority letter by CMD/MD/CEO/WTD/Director for Authorized person/s
- Proof of Registered office and the principal place of its business, if it is different.
- Address and ID proof of Authorized signatory

Note :

- 1) KYC of company and any shareholder or beneficial owner of such company listed on stock exchange is not required
- 2) 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.
- 3) KYC of Private Equity Fund/ trust, which are ultimate promoter of the Borrower Company, is not required.
- 4) as per section 178 of Companies Act 2013, the expression "senior management" means personnel of the company who are members of its core management team excluding Board of Directors comprising all members of management one level below the executive directors, including the functional heads

7. Uploading of KYC data on Central KYC Records Registry (CKYCR)

PFS shall capture customer's KYC records and upload onto CKYCR within 10 days of commencement of an account-based relationship with the customer which shall be updated if any updated KYC information is obtained or received from the Borrower. Once KYC identifier is generated by CYCR, the same shall be communicated to the Borrower once it is uploaded.

Further, as per circular dated 21st April 2022, PFS need not upload KYC records of Central/State Government Ministries/Departments and Statutory Organizations and their authorized signatories to CKYCR.

Verification of KYC documents through CKYC Records

PFS may obtain the KYC identifier from Customer to download records from CKYCR or may directly download CKYCR based on the data available and in such case the customer shall not be required to submit the same KYC records or information or any other additional identification documents or details, unless –

- (i) there is a change in the information of the customer as existing in the records of CKYCR;
- (ii) the current address of the customer is required to be verified;
- (iii) the validity period of documents downloaded from CKYCR has lapsed.

the RE considers it necessary in order to verify the identity or address of the customer, or to perform enhanced due diligence or to build an appropriate risk profile of the client.

8. PEP Policy of PFS

Politically Exposed Persons (PEPs) shall include all individuals and their close relatives (i.e. parents, spouses, children and their spouses defined as per Companies Act, 2013) who are or have been:

- Entrusted with prominent public functions by a foreign country, including the Heads of States/Governments, senior politicians, senior government or judicial or military officers, senior executives of state-owned corporations
- Important political party officials as below:
 - 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 and compliance of KYC shall be approved by MD&CEO.

In case of establishing a relationship with PEPs or in case PEP is the beneficial owner, following should be ensured:

- a. sufficient information including information about the sources of funds accounts of family members and close relatives is gathered on the PEP;
- b. the identity of the person shall have been verified before accepting the PEP as a customer;
- c. the decision to open an account for a PEP is approved by MD &CEO in accordance with the REs' Customer Acceptance Policy;
- d. all such accounts are subjected to enhanced monitoring on an on-going basis;
- e. in the event of an existing customer or the beneficial owner of an existing account subsequently becoming a PEP, MD &CEO approval is obtained to continue the business relationship;
- f. the CDD measures as applicable to PEPs including enhanced monitoring on an on-going basis are applicable

9. Risk Management:

The outcome of Risk assessment of type and identity of customer by PFS shall be documented in the KYC Forms. The assessment process should consider all the relevant risk factors before determining the level of overall risk. While such risk assessment, PFS shall take cognizance of the overall sector specific vulnerabilities, if that regulator may share with PFS from to time. Risk factors such as customer identity, nature of customer, country of origin, sources of funds, type of transactions involved and other shall determine the extent of monitoring.

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 (Low Risk)** 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 (Medium Risk)** risk customer

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

The following customers shall be categorized as **Level A(High Risk)** 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).
- ✓ Name of company or its key promoter director does not appears in the Sanction list by UN Council (UNSCR 1718 Sanctions List of designated Individuals and Entities), or ISIL & Al-Qaida Sanctions list or Taliban Sanctions list maintained pursuant to Security Council resolutions, (ref: <https://www.mea.gov.in/Implementation-of-UNSC-Sanctions-DPRK.htm>; <https://scsanctions.un.org/ohz5jen-al-qaida.html>; <https://scsanctions.un.org/ohz5jen-al-qaida.html>)
- ✓ Name of company or its key promoter director does not appears in the designated list for obligation under Weapons for Mass destruction (VMD) and their delivery system
- ✓ Falls under sector specific vulnerabilities as informed by the regulator

PFS shall carry out the Money Laundering and Terrorist Financing Assessment annually to identify, assess and take effective measures to mitigate its money laundering and terrorist financing risk for clients, countries or geographic area, products etc. This should be done by ensuring the name of customers does not appear in the Sanctions list of UN (UNSCR 1718 Sanctions List of designated Individuals and Entities) or ISIL & Al-Qaida Sanctions list or Taliban Sanctions list maintained pursuant to Security Council resolutions.

Principal officer may submit the periodic report to RMC if there is a need arises in case of **High Risk** cases where ever 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.

10. Periodic Updation of KYC documents

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.

PFS shall periodically update customer identification data after the transaction is completed and review annually for the active loan accounts except NPA. The scope of review shall essentially mean profile of customer, status of accounts, change in promoter/ key shareholder. PFS shall obtain the confirmation / self-declaration from Borrower via digital channels or a letter from an authorized official of the Borrower entity on a 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.

In case of no change in the KYC information, a self-declaration in this regard shall be obtained (in the format provided by PFS as attached) from the Borrower through its email id registered with PFS/ letter from an official authorized by the Borrower / board resolution, etc.

Acknowledgment is provided to the customer mentioning the date of receipt of the relevant document(s), including self-declaration from the customer, for carrying out periodic updation.

Further, records pertaining to KYC shall be maintained by PFS for a period of Five (5) years from the date of cessation of transactions with the Borrower.

11. Monitoring and reporting of Transactions:

Monitoring of transactions will be conducted taking into consideration the risk profile of the account. Higher risk accounts shall be subject to intensified 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. The ongoing due diligence shall mean regular monitoring of transactions in accounts to ensure that they are consistent with customer profile and source of funds. For all accounts, Higher risk accounts shall be subject to intensified monitoring.

Further, PFS shall verify every day, the UNSCR 1718 Sanctions List of Designated individuals and Entities as available at <https://www.mea.gov.in/Implementation-of-UNSC-Sanctions-DPRK.htm> to take into account of any modifications to the list in terms of addition, deletion, or other changes and also ensure compliance with implementation of Security Council Resolution on Democratic People's Republic of Korea Order, 2017 as amended from time to time by the Central Government. In addition, PFS shall take into account compliance with implementation of Section 51A of the Unlawful Activities (Prevention) Act, (UAPA) 1967 and Section 12 A of the WMD Act.

PFS shall validate watch lists available in public domain, including RBI watch list and any transactions or suspicious nature will be duly reported by principal officer to Director, Financial Intelligence Unit- India (FIU_IND).

12. Designated Director/ Principal Officers for KYC/ AML/ CFT:

Designated Director, who shall be the MD or a whole-time Director, shall ensure overall compliance with the obligations imposed under PML Act and the Rules and shall be nominated by the Board. 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 from time to time. Names of Designated Director and Principal Officer(s) shall be informed to FIU and RBI.

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 30 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.

13. 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 MD &CEO.

14. Customer Education & Awareness

The above policy along with relevant forms shall be hosted on PFS's website i.e. 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

PFS Board 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.