



PRAYAAN CAPITAL

Group Know Your Customer (KYC) & Anti Money Laundering (AML) Policy

Created and amended from time to time, pursuant to the Master Direction - Know Your Customer (KYC) Direction, 2016, PML Act and PML Rules.

Last amended & approved in the Board of Directors 46th Meeting held on 09-Feb-2024

1. Preamble

- 1.1 Prayaan Capital Private Limited (“**PCPL**”) is a non-banking finance company (“**NBFC**”) categorized as a non-deposit taking and non-systemically important NBFC engaged in the business of providing loans and certain other financial services.
- 1.2 In terms of PML Act and PML Rules framed thereunder and the RBI KYC Direction, every Reporting Entity / regulated entity (under the PML Act and the RBI KYC Direction) forming part of a group, is required to implement a group-wide policy against money laundering and terror financing, for the purpose of discharging obligations under the provisions of Chapter IV of the PML Act. Accordingly, this group-wide policy is being implemented by PCPL *inter alia* for sharing information required for the purposes of client due diligence, anti-money laundering and terror finance risk management and for including adequate safeguards on the confidentiality and use of information exchanged within the group, to the extent applicable, including safeguards to prevent tipping-off.
- 1.3 This Group Know Your Customer and Anti-Money Laundering Policy (this “**Policy**”) of PCPL has been formulated and approved by the board of directors of PCPL (“**Board**”) pursuant to the Reserve Bank of India (“**RBI**”) Master Circular on ‘Know Your Customer’ (KYC) Guidelines - Anti Money Laundering Standards (AML) – ‘Prevention of Money Laundering Act, 2002 - Obligations of NBFCs in terms of Rules notified thereunder’ (RBI/2015- 16/108), the RBI Master Direction “Know Your Customer (KYC) Direction, 2016”, as amended from time to time (“**RBI KYC Directions**”), and the other notifications, circulars and guidelines issued by the RBI in this regard, as amended, modified and supplemented from time to time (together “**RBI Circulars**”). This Policy shall be read in conjunction with the RBI Circulars, and shall stand auto-updated with related operational guidelines issued or any changes / modifications which may be advised from time to time by the RBI and/or other regulators. In case of any inconsistency between the provisions of this Policy and

the RBI Circulars, or any operational guidelines issued by RBI and/or any other regulator from time to time, the RBI Circulars and operational guidelines, as the case may be shall prevail to the extent of such inconsistency.

- 1.4 This Policy aims at preventing, intentionally or unintentionally by criminal elements, money laundering activities through or in relation to the business of PCPL or PCPL Group Entities.

2. Scope and Application of the Policy:

- 2.1 As mandated by the RBI Circulars, PCPL shall make reasonable efforts to determine the identity and Beneficial Ownership of accounts, source of funds, the nature of its customer's business, reasonableness of operations in the account in relation to its customer's business, etc., which in turn helps PCPL to manage its risks prudently. Accordingly, the main objective of this Policy is to enable PCPL to have positive identification of its Customers (*as defined hereinafter*) and put in place appropriate controls for detection and reporting of suspicious activities in accordance with applicable laws / laid down procedures and regulatory guidelines.
- 2.2 This Policy is applicable to all categories of products and services offered by PCPL and is also applicable where any PCPL Group Entities are involved in any specified transactions or Customer identification undertaken by PCPL, in order to facilitate PCPL to discharge its obligations under the RBI Circulars and PML Act.

3. Definitions

- i. **"CDD"** means 'Customer Due Diligence' which is the process of identifying and verifying the customer and the Beneficial Owner using the reliable and independent sources of identification, as more particularly defined under RBI KYC Directions;

- ii. **“Beneficial Owner”** shall have the meaning ascribed to it under the RBI KYC Directions, and term, ‘Beneficial Ownership’ used herein shall be construed accordingly.
- iii. **“Customer”** means (i) a person or entity that maintains an account and/or has a business relationship with PCPL; (ii) one on whose behalf the account is maintained (i.e. the Beneficial Owner); (iii) beneficiaries of transactions conducted by professional intermediaries, such as stock brokers, chartered accountants, solicitors, etc. as permitted under the law; and (iv) any person or entity connected with a financial transaction which can pose significant reputational or other risks to PCPL, say, a wire transfer or issue of a high value demand draft as a single transaction;
- iv. **“Designated Director”** means, a person other than the Principal Officer, nominated by the Board to ensure overall compliance with the obligations imposed under the PML Act;
- v. **“FIU-IND”** means the Financial intelligence Unit of India having powers conferred upon it under the PML Act;
- vi. **“Group”** shall have the meaning ascribed to it under the RBI KYC Directions.
- vii. **“On-going Due Diligence”** means regular monitoring of transactions in accounts to ensure that those are consistent with PCPL’s knowledge about the customers, customers’ business and risk profile, the source of funds / wealth and as more particularly provided under the RBI KYC Directions.
- viii. **“PCPL Group Entities”** shall mean all the entities forming part of PCPL’s Group.
- ix. **“PML Act”** means the Prevention of Money Laundering Act, 2002, and the rules issued thereunder including the Prevention of Money Laundering Act and Prevention of Money Laundering (Maintenance of Records) Rules, 2005 and the guidelines issued thereunder from time to time and shall include any amendments/modifications thereto;

- x. **“Reporting Entity”** shall have the meaning ascribed to it under the PML Act; and
- xi. **“Principal Officer”** shall have the meaning ascribed to it under The Prevention of Money-Laundering (Maintenance Of Records) Rules, 2005 and shall be the officer specified in Clause 16.1 of this Policy.

4. ‘Know Your Customer’ (KYC) Standards:

- 4.1 KYC procedures enable NBFCs to know/understand their Customers and their financial dealings better which in turn helps them manage their risks prudently.
- 4.2 PCPL has framed its KYC policy incorporating the following six key elements
 - i. Customer Acceptance Policy;
 - ii. Customer Identification Procedures;
 - iii. Customer Due Diligence (CDD);
 - iv. Due Diligence of Intermediaries;
 - v. Monitoring of Transactions; and
 - vi. Risk Management;

5. Customer Acceptance Policy (“CAP”):

- 5.1 PCPL’s Customer Acceptance Policy, which lays down explicit criteria for acceptance of Customers, ensures assessment of the following aspects of the Customer relationship:
 - i. That no account is opened in anonymous or fictitious/benami name(s) or where PCPL is unable to apply appropriate CDD measures, either due to non-cooperation of the Customer or non-reliability of the documents/information furnished by the Customer.
 - ii. That customer identification and CDD procedure shall be carried out before initiating any transaction. In case the Customer transacts in joint name, customer identification and customer due diligence procedure shall be carried out for all individuals / entities involved.

- iii. That customers are all assessed for location of residence, business if any, including type of clients and also the mode of transactions and payments (in PCPL's case, payments are required to be made through electronic clearing service (ECS) or National Automated Clearing House (NACH) unless in cases of emergency).
- iv. Customer's identity, volume of turnover, social and financial status, nature of business activity, geographical risk covering customers as well as transactions, type of products/services offered, delivery channel used for delivery of products/services, types of transaction undertaken – cash, cheque/monetary instruments, wire transfers, forex transactions, etc. to enable categorization of Customers into low, medium and high risk. While considering a Customer's identity, the ability to confirm identity documents through online or other services offered by issuing authorities may also be factored in.
- v. That documentation requirements and other information collected in respect of different categories of Customers depending on perceived risk and keeping in mind the requirements of the PML Act and /or documentation required as per the risk categorization due to non-cooperation of the Customer or non-reliability of the data/information, is furnished. However, PCPL will have suitable built-in safeguards to avoid harassment of the Customer.
- vi. Circumstances, in which a customer is permitted to act on behalf of another person/entity, will be clearly spelt out in conformity with the established law and practices, as there could be occasions when an account is operated by a mandate holder or where an account may be opened by an intermediary in a fiduciary capacity.
- vii. That adequate checks are done against any notified list of the NBFC or the RBI or any other regulator, before accepting a Customer, to ensure that the identity of the Customer does not match with any person with known criminal

background or with banned entities such as individual terrorists or terrorist organizations, etc.

- 5.2 PCPL will prepare a profile for each new Customer which may contain information relating to the Customer's identity, social/financial status, nature of business activity, information about his clients' business and their location, etc.
- 5.3 PCPL shall ensure that no new account is opened or any new account or transaction-based relationship is undertaken unless appropriate CDD has been undertaken, in accordance with the procedure laid out in the RBI Circulars, either due to non-cooperation of the Customer or non-reliability of the documents / information furnished by such Customer. In such cases, PCPL shall consider filing a Suspicious Transaction Reports ("**STR**"), if necessary, when it is unable to comply with the relevant CDD measures in relation to any Customer. The nature and extent of such due diligence will depend on the risk perceived by PCPL considering the volume of turnover, social and financial status, etc., of every Customer.
- 5.4 However, while preparing the Customer profile, PCPL will seek only such information from the Customer which is relevant and not intrusive. 'Optional' / additional information shall be obtained from the Customers only with the explicit consent of the Customer after the account is opened. The Customer profile will be a confidential document and details contained therein will not be divulged for cross selling or any other purposes.
- 5.5 Given the nature of PCPL's business, i.e., small ticket secured loans to low and middle income, informal and financially excluded families, the Customers are majorly categorized as low risk, given that such Customers are primarily from the lower income section of society. However, the due diligence mechanism shall be upscaled in the event PCPL takes on Customers with medium / high risk which may include:
- i. non-resident customers;

- ii. high net worth individuals;
- iii. trusts, charities, non-governmental organizations and organizations receiving donations;
- iv. companies having close family shareholding or Beneficial Ownership;
- v. firms with 'Sleeping Partners';
- vi. Politically Exposed Persons ("PEPs") of foreign origin;
- vii. non-face to face customers; and
- viii. those with dubious reputation as per public information available, etc.

5.6 It is important to bear in mind that the adoption of this Customer Acceptance Policy and its implementation will not result in the denial of PCPL's services to the general public, especially to those who are financially or socially disadvantaged.

6. Customer Identification Procedure (CIP):

6.1 PCPL will follow clear guidelines prescribed under the RBI Circulars on the Customer Identification Procedure to be carried out at different stages, i.e., while establishing a relationship, while carrying out a financial transaction or when PCPL has a doubt about the authenticity/veracity or the adequacy of the previously obtained Customer identification data. Where PCPL Group Entities are involved in any specified transaction or Customer identification undertaken by PCPL, they will be required to extend necessary support to PCPL, in order to enable PCPL to complete necessary Customer identification procedures and comply with this Policy. PCPL and the PCPL Group Entities shall maintain confidentiality of any such information exchanged, use such information exchanged only for the purpose of complying with applicable laws and maintain adequate organizational safeguards to prevent tipping-off.

6.2 Customer identification means identifying the Customer and verifying his/ her / its identity by using reliable, independent source documents, data or information. PCPL

will obtain sufficient information necessary to establish, to its satisfaction, the identity of each new Customer, whether regular or occasional and the purpose of the intended nature of relationship.

6.3 PCPL's due diligence mechanism shall be in compliance with the RBI Circulars and the PML Act, as modified from time to time. Apart from the risk perception, the nature of information/documents required would also depend on the type of Customer (individual, corporate etc.):

- i. For Customers that are natural persons (which constitute the majority of PCPL's client base), PCPL will obtain sufficient identification data to verify the identity of the Customer, like such Customer's address/location, recent photograph, etc.
- ii. For Customers that are legal persons or entities, PCPL will:
 - a. verify the legal status of the legal person/ entity through proper and relevant documents;
 - b. verify that any person purporting to act on behalf of the legal person/entity is so authorized and identify and verify the identity of that person; and
 - c. understand the ownership and control structure of the Customer and determine who are the natural persons who ultimately control the legal person.
- iii. For Customers operating trust/nominee or fiduciary accounts, PCPL shall determine whether the Customer is acting on behalf of another person as trustee/nominee or any other intermediary and in such cases, satisfactory evidence of the identity of the intermediaries and of the persons on whose behalf they are acting, as also details of the nature of the trust or other arrangements in place shall be obtained.

6.4 Where PCPL is unable to apply appropriate KYC measures due to non-furnishing of information and /or non-cooperation by the Customer, PCPL may consider closing

the account or terminating the business relationship after issuing due notice to the Customer explaining the reasons for taking such a decision.

- 6.5 In line with the RBI Circulars, PCPL will allot Unique Customer Identification Code (“UCIC”) to identify the Customers, avoid multiple identities, track the facilities availed, monitor financial transactions in a holistic manner and enable PCPL to have a better approach in risk profiling of Customers.

7. Customer Due Diligence

- 7.1 For undertaking CDD, PCPL shall obtain KYC documents, as prescribed under the RBI Circulars, from an individual at the time of establishing an account-based relationship or while dealing with the individual who is a Beneficial Owner, authorized signatory or the power of attorney holder related to any legal entity.
- 7.2 For opening an account in the name of a sole proprietary firm, CDD of the individual (proprietor) shall be carried out by PCPL.
- 7.3 For opening an account in the name of other legal entities, viz. partnership firms, companies, trusts, unincorporated associations, body of individuals, etc., CDD process shall include obtaining incorporation documents, charter documents, bye laws, registration details, etc., of such legal entities.
- 7.4 In order to prevent frauds, PCPL shall not link alternate mobile numbers with Customer’s accounts, post CDD, for transaction OTP, transaction updates, etc., and transactions shall be permitted only from the mobile number used for account opening. PCPL shall have a Board approved policy delineating a robust process of due diligence for dealing with requests for change of registered mobile number.
- 7.5 PCPL shall undertake On-Going Due Diligence of its Customers to ensure that their transactions are consistent with its knowledge about the Customers, Customers’ business and risk profile and the source of funds / wealth.

7.6 PCPL may also undertake enhanced and simplified due diligence procedure, as laid down under the RBI Circulars, for the purposes of CDD.

7.7 PCPL may rely on CDD done by a third party, subject to conditions mentioned in the RBI Circulars, PML Act and rules made thereunder, however, PCPL shall not outsource decision-making functions of determining compliance with KYC norms.

8. Due diligence of Intermediaries

8.1 PCPL shall carry out adequate due diligence on the persons authorized by PCPL including agents / intermediaries, or brokers collecting public deposits on behalf of the PCPL (“**Intermediary**”). Although, presently PCPL does not accept public deposits, this Clause 8 will be applicable only if and when PCPL is authorized to do so.

8.2 PCPL shall ensure that the Intermediaries comply with this Policy and the RBI Circulars.

8.3 PCPL will prepare and maintain and if required, update records on the profile on every new Intermediary, which shall contain information relating to such Intermediary’s identity, social/financial status, nature of business activity, information about such Intermediary’s clients’ business and their location, etc.

8.4 In the interests of enhancing transparency of operations and ensuring compliance with the RBI Circulars, while engaging any Intermediary, PCPL shall put systems in place to ensure that the books of accounts of such Intermediaries, so far as they relate to functions of PCPL, are available for audit and inspection whenever required by PCPL or mandated by RBI.

9. Monitoring of Transactions:

9.1 Ongoing monitoring is an essential element of effective KYC procedures. PCPL can effectively control and reduce its risk only if it has an understanding of the normal

and reasonable activity of the Customer so that it can identify transactions that fall outside the regular pattern.

- 9.2 PCPL shall therefore undertake On-Going Due Diligence of Customers in the manner stipulated under the RBI Circulars, to ensure that their transactions are consistent with their knowledge about the Customers, Customers' business, risk profile, and the source of funds.
- 9.3 However, the extent of monitoring will depend on the risk sensitivity of the account. Since PCPL will not have any deposit accounts, this situation will hardly arise, but PCPL will, in any case pay special attention to all complex, unusually large transactions and all unusual patterns which have no apparent economic or visible lawful purpose, or transactions that involve large amounts of money inconsistent with the normal and expected activity of the Customer.
- 9.4 PCPL will put in place a system of periodical review of risk categorization of accounts and the need for applying enhanced due diligence measures. PCPL will ensure that a record of transactions with the Customer and customer information is preserved and maintained as required in terms of the RBI Circulars and the PML Act. It will also ensure that transactions of suspicious nature and/or any other type of transaction notified under the PML Act is reported to the appropriate law enforcement authority.
- 9.5 A risk-based approach for periodic updation of KYC shall be adopted to ensure that the information or data collected under CDD is kept up-to-date and relevant, particularly where there is high risk. Customer risk categorization and the associated reasons for such categorization will also be kept confidential (to avoid tipping off the customer). PCPL shall undertake periodic updation of KYC at least once in every 2 (two) years for high risk customers, once in every 8 (eight) years for medium risk customers and once in every 10 (ten) years for low risk customers

from the date of opening of account/ last KYC updation, as per the procedure laid out in the RBI Circulars.

- 9.6 PCPL shall advise the Customers to submit updated documents, in case of any update in the documents submitted by the Customer at the time of establishment of business relationship / account-based relationship, within 30 (thirty) days of the update to the documents for KYC updation.
- 9.7 PCPL will examine the background and purpose of transactions with persons (including legal persons and other financial institutions) from jurisdictions included in the statements of risk issued by Financial Action Task Force (“**FATF**”) and countries that do not or insufficiently apply the recommendations of FATF And shall adhere to the requirements in this regard, provided under the RBI KYC Directions.

10. Reporting of Transactions:

- 10.1 The PML Act imposes an obligation on the Principal Officer to report all cash transactions and suspicious transactions to the FIU-IND. There shall be no restrictions on operations in the accounts merely on account of an STR having been submitted.
- 10.2 In order to ensure PCPL’s compliance with the PML Act and RBI Circulars, PCPL shall put in place adequate internal reporting mechanisms to ensure that cash transactions and suspicious transactions, as enlisted in Clause 10.4 of the Policy are adequately reported as required. All employees, Intermediaries and PCPL Group Companies of PCPL shall be instructed and shall accordingly ensure that all such transactions are promptly brought to the attention of the Principal Officer and the Designated Director, in writing, who shall then promptly inform the Board of the same.

- 10.3 It should be ensured that there is no tipping off to the Customer at any level since it is likely that in some cases transactions are abandoned/ aborted by Customers on being asked to give some details or to provide documents.
- 10.4 PCPL shall report all such attempted transactions in STRs, even if not completed by Customers, irrespective of the amount of the transaction. The types of transactions to be reported and the manner of reporting shall be done as detailed hereunder:
- i. **Reporting of Cash Transactions:** The following types of transactions shall be recorded and reported to the FIU-IND as and when applicable to PCPL:
 - a. All cash transactions of INR 10,00,000 (Indian Rupees Ten Lakhs) and above or its equivalent in foreign currency;
 - b. All series of cash transactions integrally connected to each other which have been individually valued below INR 10,00,000 (Indian Rupees Ten Lakhs) or its equivalent in foreign currency, where such series of transactions have taken place within a month and the monthly aggregate exceeds INR 10,00,000 (Indian Rupees Ten Lakhs) or its equivalent in foreign currency.
 - c. The reporting of cash transaction reports (“CTRs”) shall be done as per the PML Act and the RBI Circulars and as per the timelines prescribed thereunder.
 - ii. **Reporting of Suspicious Transaction:**
 - a. Apart from reporting cash transactions of the above nature, the Principal Officer is also under an obligation to report all transactions of a suspicious nature to the Director, FIU-IND.
 - b. STRs should be made if there are grounds to believe that the transaction involves proceeds of crime generally, irrespective of the amount of transaction and/or the threshold limit envisaged for predicate offences under the PML Act. The delay in furnishing of information to Director FIU-

IND from the prescribed period (even for one day) will be construed as non-compliance.

- c. An indicative list of 'suspicious activities' to be reported by the Principal Officer, has been set out in **Annexure 'A'** to this Policy.
- d. The reporting of Suspicious Transaction Report shall be done as per the PML Act and the RBI Circulars and as per the timelines prescribed thereunder.

11. Risk Management and Internal Control Systems:

- 11.1 The Board shall establish an effective KYC program and appropriate procedures for the same and shall oversee its effective implementation. The program shall cover proper management oversight, systems and controls, segregation of duties, training and other related matters.
- 11.2 The responsibility for compliance with the PML Act and the RBI Circulars shall be allocated within PCPL's senior management as identified by the Board, to ensure that policies and procedures pursuant to this Policy are implemented effectively.
- 11.3 PCPL shall effectively comply with the obligations under the RBI Circulars and the PML Act, and in the manner and to the extent set out in this Policy, even with respect Customers with a low risk profile.
- 11.4 PCPL's Board, through its audit team will directly evaluate and ensure adherence to this Policy and the legal and regulatory requirements pertaining to the same. Quarterly audit notes and compliance with respect to this Policy shall be submitted to the PCPL's Board through its audit team.
- 11.5 PCPL shall ensure that its front-line staff and credit staff are aware that no new loan accounts will be created or any new transactions/relationships are undertaken unless the requirements under this Policy are adhered with completely.

- 11.6 PCPL shall adopt a risk-based approach for risk management for categorization of Customers as low, medium and high-risk category, based on the assessment and risk perception undertaken based on parameters such as Customer's identity, social/financial status, nature of business activity, and information about the customer's business and their location, geographical risk covering Customers as well as transactions, type of products and services offered, delivery channel used for delivery of products and services, types of transaction undertaken – cash, cheque or monetary instruments, wire transfers, forex transactions, etc. The illustrative list of such risk categorization is provided at **Annexure 'B'** to this Policy. In case of identification of any such risk by any Intermediary, PCPL Group Entity or any other relevant person, they will be required to promptly intimate to the Board of PCPL which shall take immediate action, including by reporting the same to regulatory authorities.
- 11.7 PCPL shall implement a CDD programme, having regard to the ML/TF risks identified and the size of business and the Board of PCPL shall monitor the implementation of the controls and enhance them if necessary. If there is any suspicion of the customer being involved in any ML/TF activities or other high-risk scenarios, the identity of the customer shall be established as per the RBI Master Directions and the PML Act and suitable measures will be implemented by PCPL to report such risks.
- 11.8 PCPL shall carry out periodic 'Money Laundering (ML) and Terrorist Financing (TF) Risk Assessment' exercise to identify, assess and take effective measures to mitigate its money laundering and terrorist financing risk for clients, countries or geographic areas, products, services, transactions or delivery channels, etc. The periodicity of risk assessment exercise shall be determined by the Board of PCPL, in alignment with the outcome of the risk assessment exercise. However, it will be reviewed at least once annually.

- 11.9 The risk assessment process shall consider all the relevant risk factors before determining the level of overall risk and the appropriate level and type of mitigation to be applied. While undertaking internal risk assessment, PCPL shall take cognizance of the overall sector-specific vulnerabilities, if any, that the regulatory authorities may share with the relevant regulated entities from time to time.
- 11.10 The risk assessment by PCPL shall be properly documented and be proportionate to the nature, size, geographical presence, complexity of activities/structure, etc. of PCPL.
- 11.11 The outcome of the exercise shall be put up to the Board of PCPL and will be made available to competent authorities and self-regulating bodies, as required.

12. Role of Employees:

- 12.1 Hiring of employees KYC norms / AML standards have been prescribed to ensure that PCPL is in compliance with the PML Act and the RBI Circulars. Therefore, PCPL shall put in place adequate screening mechanism as an integral part of its employee recruitment / hiring process.
- 12.2 The hiring policy shall include the due diligence procedures from an AML perspective that needs to be carried out before employing any personnel including temporary or outsourced staff. The due diligence procedure would also include screening of employee records through third party background verification.
- 12.3 The role of employees in implementing any AML framework being critical, employees must carry out the stipulated procedures efficiently. Any inefficient or suspicious behavior of employees shall be dealt with suitably.
- 12.4 The employees being deployed for KYC/AML/CFT shall have high integrity and ethical standards, good understanding of extant KYC/AML/CFT standards, effective

communication skills and ability to keep up with the changing KYC/AML/CFT landscape, nationally and internationally.

- 12.5 The employees shall maintain strict confidentiality in regard to KYC and other AML procedures. If any activity is outsourced to any agency/individual, it would be ensured that they would adhere to the guidelines outlined in this Policy.

13. Secrecy Obligations and Sharing of Information

- 13.1 PCPL shall maintain secrecy regarding the customer information which arises out of the contractual relationship between PCPL and the Customers and shall keep confidential all information collected from its Customers for the purpose of opening of account.
- 13.2 In the event, any requests for data/information from Government and other agencies is received by PCPL, PCPL shall prior to sharing such information, satisfy itself that sharing of information being sought will not violate the provisions of the laws relating to secrecy in the transactions.
- 13.3 PCPL shall be required to share any such confidential information with regard to a Customer, where (i) disclosure is under compulsion of law; (ii) there is a duty to the public to disclose; (iii) the disclosure is in the interest of PCPL; and (iv) the disclosure is made with the express or implied consent of the Customer.
- 13.4 PCPL shall upload the Customer's KYC records onto the Central KYC Records Registry ("CKYCR") within 10 (ten) days of commencement of an account-based relationship with the customer, as per the guidelines issued in this regard and the RBI Circulars.

14. Customer Education

- 14.1 The implementation of KYC procedures requires PCPL to demand certain

information from customers which may be of personal nature, or which has hitherto never been called for. This can sometimes lead to a lot of questioning by the customer as to the motive and purpose of collecting such information.

- 14.2 PCPL's front line staff will therefore personally discuss this with customers and if required, PCPL will also prepare specific literature/ pamphlets, etc., so as to educate the customer on the objectives of the KYC program.

15. Introduction of New Technologies

- 15.1 PCPL will pay special attention to any money laundering threats/terror financing risks that may arise from new or developing technologies, development of new products and new business practices, including online transactions that might favour anonymity, new delivery mechanisms, and take measures, if needed, to prevent its use in money laundering schemes.
- 15.2 PCPL shall ensure risk assessments prior to the launch or use of such products, practices, services, technologies, and adoption of a risk-based approach to manage and mitigate the risks through appropriate enhanced due diligence measures and transaction monitoring, etc.

16. Principal Officer and Designated Director:

- 16.1 The Chief Operating Officer of PCPL shall be designated as the Principal Officer for PCPL. The Board may approve appointment of any other officer as the Principal Officer of PCPL, in accordance with the provisions of the RBI Circulars, and such officer shall then be deemed to be the Principal Officer with respect to this Policy.
- 16.2 The Principal Officer will be located at the corporate office of PCPL and will be responsible for monitoring and reporting of all transactions and sharing of information as required under the PML Act and the RBI Circulars.

16.3 The Principal Officer shall maintain close liaison with enforcement agencies, other NBFCs and any other institution which are involved in the fight against money laundering and combating financing of terrorism.

16.4 PCPL shall nominate a Designated Director to ensure PCPL's overall compliance with the obligations imposed under PML Act and shall communicate to the FIU-IND, the name, designation and address of such Designated Director.

17. Maintenance of records of transactions:

17.1 Though it will be unlikely in PCPL's case, due to its focus on lower income families, PCPL has a system of maintaining proper record of transactions prescribed under the PML Act and the RBI Circulars, depending on the nature of transactions, the amount of the transactions and the currency in which it was denominated, the date of the transaction, the parties to the transaction, etc., as mentioned below:

- i. All cash transactions of the value of more than INR 10,00,000 (Indian Rupees Ten Lakhs only) or its equivalent in foreign currency;
- ii. All series of cash transactions integrally connected to each other which have been valued below INR 10,00,000 (Indian Rupees Ten Lakhs only) or its equivalent in foreign currency where such series of transactions have taken place within a month and the aggregate value of such transactions exceeds INR 10,00,000 (Indian Rupees Ten Lakhs only);
- iii. All cash transactions where forged or counterfeit currency notes or bank notes have been used as genuine and where any forgery of a valuable security has taken place; and
- iv. All suspicious transactions whether or not made in cash.

17.2 PCPL has a system for proper maintenance and preservation of account information in a manner that allows data to be retrieved easily and quickly whenever required or when requested by the competent authorities.

- 17.3 PCPL will maintain for at least 5 (five) years from the date of transaction between PCPL and its Customer, all necessary records of transactions, both domestic or international, which will permit reconstruction of individual transactions (including the amounts and types of currency involved, if any) so as to provide, if necessary, evidence for prosecution of persons involved in criminal activity.
- 17.4 PCPL will also ensure that records pertaining to the identification of the Customer and their addresses (e.g., copies of documents like passports, identity cards, driving licenses, PAN, utility bills etc.) obtained while opening the account and during the course of business relationship, are properly preserved for at least 5 (five) years after the business relationship is ended.
- 17.5 PCPL will also maintain required documents/office records/memorandums pertaining to all complex, unusual large transactions and all unusual patterns of transactions which have no apparent economic or visible lawful purpose. Such transactions and their purpose will also be examined by the Principal Officer (*as defined below*) and the findings at branch as well as the Principal Officer level will be properly recorded and preserved by PCPL for 10 (ten) years as is required under the PML Act and the RBI Circulars.
- 17.6 The identification records and transaction data shall be made available to the competent authorities upon request.

18. Reporting to Financial Intelligence Unit-India and compliance with applicable regulations:

- 18.1 In terms of the PML Act, PCPL will report information relating to cash and suspicious transactions to The Director, Financial Intelligence Unit-India (FIU-IND) at the following address:

Director, FIU-IND, Financial Intelligence Unit-India, 6th Floor, Hotel Samrat, Chanakyapuri, New Delhi-110021.

18.2 PCPL will ensure that the provisions of the PML Act, the RBI Circulars and the Foreign Contribution and Regulation Act, 2010, wherever applicable, are adhered to strictly.

19. Obligations under International Agreements and Communications from International Agencies

19.1 Obligations under the Unlawful Activities (Prevention) Act, 1967 (“**UAPA**”):

- i. PCPL shall ensure that, in terms of Section 51A of the UAPA, and amendments thereto, they do not have any account in the name of individuals/entities appearing in the lists of individuals and entities, suspected of having terrorist links, which are approved by and periodically circulated by the United Nations Security Council (UNSC), including the ISIL (Da’esh) & Al-Qaida Sanctions List and the Taliban Sanctions List.
- ii. PCPL shall also ensure to refer to the lists as available in the schedules to the Prevention and Suppression of Terrorism (Implementation of Security Council Resolutions) Order, 2007, as amended from time to time.
- iii. PCPL shall ensure that these lists are referred to and verified on a daily basis and any modifications to the lists in terms of additions, deletions or other changes shall be taken into account for meticulous compliance with the RBI Circulars and relevant legislations.
- iv. PCPL shall report the details of accounts resembling any of the individuals/entities in the lists to FIU-IND and advise the Ministry of Home Affairs (MHA), as required under UAPA.

19.2 Obligations under Weapons of Mass Destruction and their Delivery Systems (Prohibition of Unlawful Activities) Act, 2005 (“**WMD Act**”):

- i. PCPL shall ensure meticulous compliance with Section 12A of the WMD Act and the procedure for implementation of Section 12A, as set out therein.
 - ii. PCPL shall not carry out transactions, in case the particulars of the individual / entity match with the particulars in the designated list.
 - iii. PCPL shall also run a check, on the given parameters, at the time of establishing a relation with a Customer and on a periodic basis to verify whether individuals and entities in the designated list are holding any funds, financial asset, etc., in the form of bank account, etc. In case of a match in the above cases, PCPL shall immediately inform the transaction details with full particulars of the funds, financial assets or economic resources involved to the Central Nodal Officer (CNO), designated as the authority to exercise powers under Section 12A of the WMD Act, and shall prevent such individual/entity from conducting financial transactions, under intimation to the CNO by email, FAX and by post, without delay.
 - iv. A copy of the communication shall also be sent to State Nodal Officer, where the account / transaction is held and to the RBI.
 - v. PCPL shall also file an STR with FIU-IND covering all transactions in the accounts, covered above, carried through or attempted.
- 19.3 PCPL shall verify every day, the 'UNSCR 1718 Sanctions List of Designated Individuals and Entities', to take into account any modifications to the list in terms of additions, deletions or other changes and also ensure compliance with the 'Implementation of Security Council Resolution on Democratic People's Republic of Korea Order, 2017', as amended from time to time by the Central Government.
- 19.4 In addition to the above, PCPL shall take into account – (a) other UNSCRs and (b) lists in the first schedule and the fourth schedule of UAPA and any amendments to the same for compliance with the Government orders on implementation of Section 51A of the UAPA and Section 12A of the WMD Act. PCPL shall endeavor to leverage

latest technological innovations and tools for effective implementation of name screening to meet the sanctions requirements.

- 19.5 PCPL shall undertake countermeasures when called upon to do so by any international or intergovernmental organization of which India is a member and accepted by the Central Government of India.

Annexure – A

Indicative List of Suspicious Activities:

1. Transactions involving large amounts of cash: Company transactions that are denominated by unusually large amounts of cash, rather than cheques/Electronic payments, etc.;
2. Transactions that do not make economic sense: Transactions in which assets are withdrawn immediately after being deposited without adequate justification;
3. Activities not consistent with the Customer's business: accounts with large volume of credits whereas the nature of business does not justify such credits;
4. Attempts to avoid reporting / record – keeping requirements:
 - i. A customer who is reluctant to provide information needed for a mandatory report, to have the report filed or to proceed with a transaction after being informed that the report must be filed;
 - ii. Any individual or group that coerces/induces or attempts to coerce/induce a PCPL employee not to file any reports or any other forms; and
 - iii. An account where there are several cash transactions below a specified threshold level to avoid filing of reports, that may be necessary in case of transactions above the threshold level, as the customer intentionally splits the transaction into smaller amounts for the purpose of avoiding. The threshold limit;
5. Unusual Activities: Funds coming from the countries/centres which are known for money laundering;
6. Customer who provides insufficient or suspicious information:

- i. A customer/company who is reluctant to provide complete information regarding the purpose of the business, prior business relationships, officers or directors, or its locations.
- ii. A customer/company who is reluctant to reveal details about its activities or to provide financial statements.
- iii. A customer who has no record of past or present employment but makes frequent large transactions.

7. Certain employees arousing suspicion:

- i. An employee whose lavish lifestyle cannot be supported by his or her salary;
- ii. Negligence of employees / willful blindness is reported repeatedly.

8. Some examples of suspicious activities / transactions to be monitored by the operating staff:

- i. Large Cash Transactions;
- ii. Multiple accounts under the same name;
- iii. Placing funds in term deposits and using them as security for more loans;
- iv. Sudden surge in activity level; and
- v. Same funds being moved repeatedly among several accounts.

Annexure-B

Indicative Risk Categorization of Customers

Customers whose identities and sources of funds/wealth can be easily identified and transactions in whose accounts by and large confirm to the known profile, may be categorized as low risk. Customers that are likely to pose a higher than average risk of money-laundering should be categorized as Medium or High-Risk Customers, depending on customer's background, nature and location of activity, country of origin, sources of funds, client profile, etc.

Low Risk (Grade A)

New customer	Existing Customer
<ul style="list-style-type: none">➤ Bureau Score > 750 + any one of the below:<ul style="list-style-type: none">○ Business stability of more than 5 (five) years or○ Income Documents: Bank Statement or GST	<ul style="list-style-type: none">➤ Bureau Score > 725 +➤ Clean Track Record for more than 24 months with PCPL

Medium Risk (Grade B) (New + Existing Customer)

- Customer with Bureau Score > 700 to 750 + any one of the below:
 - Business stability of more than 3 (three) years or
 - Income Assessment Method: Pakka Bills / Kacha bills;

High Risk (Grade C) (New + Existing Customer)

All cases that do not fall under Grade A and Grade B, shall be categorized as Grade C.

Note: 1: The Grade assigned to a customer, must be clearly indicated in the relevant Credit Appraisal Memo; and the intensity of due diligence for each customer will depend on its risk category.

Note 2: KYC Grading guidelines mentioned above are indicative. In case of ambiguity on classification, the next higher KYC Grade must be applied. For instance, a real estate company that is listed on NSE would be covered under KYC Grade A, by virtue of being listed. However, since its primary business is Real Estate, KYC Grade C would be applicable. In view of the ambiguity because one of either of these KYC Grades could be applied, KYC Grade C is to be applied.
