

PEERLESS FINANCIAL SERVICES LIMITED

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“Know Your Customer” (KYC) & Anti-Money Laundering (AML) Policy

(I) Preamble:

Reserve Bank of India (RBI) on February 25, 2016 (bearing ref no. **RBI/DBR/2015-16/18 DBR.AML.BC. No.81/14.01.001/2015-16**) notified the Know your customer (KYC) Directions, 2016 (**KYC Directions, 2016**), inter alia, directing that every Regulated Entity shall have a Know your customer (KYC) Policy duly approved by the Board of Directors. These directions have been issued by the RBI in terms of the provisions of Prevention of Money-Laundering Act, 2002 (**PMLA**) and the Prevention of Money-Laundering (Maintenance of Records) Rules 2005.

Peerless Financial Services Limited (PFS) is essentially a Loan company. It is categorized as a Non-Systemically Important Non-deposit taking NBFC (Regulated Entity as defined under these Directions). It provides loan to various persons well as other companies / bodies. It does not accepts deposits.

Accordingly, the following KYC Policy has been adopted by the Board suitably, superseding the existing KYC & PMLA Policy of the Company, as amended from time to time.

(II) Objectives:

To have a clearly laid out:

1. **Customer acceptance policy,**
2. **Risk Management policy,**
3. **Customer Identification process and**
4. **Monitoring of transactions**

with a view to: -

(i) put in place an effective system and procedure for customer identification and verifying its / his / her identity and residential address and conduct customer due diligence (**CDD**) based on the risk factor associated with each customer;

(ii) have in place a system of assessing and monitoring the risk factors associated with each customer;

(iii) put in place a system of checks and balances to ensure formulation and effective implementation of procedures to help control and mitigate the risk of occurrence of financial frauds, swiftly identify probable transactions of money laundering and related suspicious activities and safeguarding PFS from being unwittingly used as a conduit for transfer or deposit of funds derived from criminal activity or for financing of terrorism, irrespective of whether such money can be traced to a specific act of terrorism or not;

(iv) monitor transactions of a suspicious nature and report the same to the Financial Intelligence Unit- India (**FIU- IND**); verification and maintenance of records of transactions of customers in accordance with PMLA and the Rules made thereunder;

(III) Definitions:

For the purpose of this Policy, -

“Customer” means a person who is engaged in a financial transaction or activity with a Regulated Entity (RE) and includes a person on whose behalf the person who is engaged in the transaction or activity, is acting.

Other terms not specifically defined here shall have the same meaning as assigned to them under the KYC Directions, 2016 or the PMLA.

(IV) Customer Acceptance Policy (CAP), Risk Management, Customer Identification Procedure (CIP),

Monitoring of Transactions:

1. Customer Acceptance Policy

- Customers who are acceptable to PFS as per the Risk categorization should fulfil all criteria related to submission of Officially Valid Documents (OVD) as defined by RBI from time to time and more specifically stated under the Customer Identification Procedure in the table set out separately.
- PFS shall refrain from opening an account, where PFS is unable to apply appropriate Customer Due Diligence (CDD) measures.
- In the event, the customer is permitted to act on behalf of another person/entity, PFS shall verify that the customer has the necessary authority to do so by scrutinizing the authorizing document/s.
- An account shall not be opened in an anonymous or fictitious/ benami name(s) and PFS will also use RBI caution advices in determining the customer acceptance framework.
- 'Optional'/additional information, shall be obtained with the explicit consent of the customer after the account is opened.
- CDD Procedure shall be followed for all the joint account holders, while opening a joint account.

2. Risk Management

- Risk categorization of customers shall be undertaken on the basis of various factors, such as nature of employment, business activity of the customer, location of customer and his/its clients, mode of payments, volume of turnover, social / financial status and credit history. PFS may at its discretion identify additional factors that it may wish to utilize for customer acceptance based on risk profile determined by PFS.
- The company may categorize its customers into 'High Risk / Medium Risk / Low Risk' according to risk perceived based on its experience and review it from time to time. The company may devise procedures for creating risk profiles of its existing and new customers and apply various Anti- Money Laundering measures keeping in view the risks involved in a financial transaction or a business relationship. The company's internal audit and compliance functions shall play an important role in evaluating and ensuring adherence to KYC policies and procedure, including legal and regulatory requirement. The compliance in this regard is being and will continue to be put up before the Audit Committee / Board on a periodical basis.

3. Customer Identification Procedure

- PFS shall ensure that customer identification process is undertaken, whenever an account based relationship is being established.
- While undertaking customer identification, PFS shall ensure that the decision-making functions of determining compliance with KYC shall not be outsourced.
- PFS shall be adequately satisfied with the information furnished by each new customer with respect to identity of the customer and the purpose of the intended nature of relationship with PFS. The satisfaction of PFS with respect to the information/ documents furnished by the customers should be such that if circumstances necessitate, PFS shall ensure that it is in a position to satisfy the competent authorities that CDD was duly observed by PFS, based on the risk profile/categorization of the customer.

➤ As stated in the Customer Acceptance Policy, PFS shall ensure that its customer is not a fictitious person by verifying the identity of the customer through documentation and shall also carry out necessary checks, so as to confirm that the identity of the customer on the basis of the documents obtained does not match with any person with known criminal background or with banned entities, such as individual terrorists or terrorist organizations.

➤ One or more of the following valid self-attested documents may be called for from the customers as OVD, containing details of proof of their identity and address:

**Type of Customer
In case of Individuals**

Officially Valid Documents

Identity proof: (Copy of one of the following)

- Passport
- Driving Licence
- Income Tax PAN Card
- Voter's Identity Card
- Aadhar Card

Residence proof: (Copy of one of the following)

- Utility Bill (Latest Telephone / Post-paid mobile / Electricity bill)
- Property or Municipal Tax receipt
- Bank Account or post office savings bank account statement
- Passport
- Driving Licence
- Voter's Identity Card
- Aadhar Card

A copy of the marriage certificate or Gazette notification, in case of change in name

In case of Non- Individual (*As applicable*)

Identity & Residence proof (Copies of the following)

- Income Tax PAN Card
- Incorporation Certificate & Memorandum & Articles of Association (Registration Certificate & Deed, in case of Partnership firm/Trust)
- CST/VAT/Service Tax registration / Shops & Establishment Certificate, as applicable
- Utility bill of not more than 2 months' old. (Bills of Electricity, telephone, post-paid mobile, water etc.)
- List of Directors/Partners/Trustees along with their OVDs as above.
- Latest shareholding pattern, along with the list of major shareholders having more than 25% of holding
- List of the beneficial owner i.e. the natural person(s) in case of company.
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The e-KYC service of Unique Identification Authority of India (UIDAI) shall be accepted as a valid process for KYC verification under the PML Rules.

➤ In addition to verification through one or more of the above said documents, the company may also call for suitable introduction by a person known to the company/group companies.

▪ **Simplified procedure for opening accounts by Non-Banking Finance Companies (NBFCs):**

In case a person who desires to open an account is not able to produce KYC documents, PFS may at its discretion open accounts by following the simplified procedure, as may be directed by RBI from time to time.

While opening accounts as described above, the customer would be made aware that if at any point of time, the balances in all his/her accounts with the company (taken together) exceeds rupees fifty thousand (Rs.50,000) or total credit in the account exceeds rupees one lakh (Rs.1,00,000), no further transactions will be permitted until the full KYC procedure is completed.

If an existing KYC-compliant customer of PFS desires to open another account with PFS, there shall be no need for a fresh CDD exercise.

▪ **Identification of Beneficial Owner**

For opening an account of a Legal Person who is not a natural person, the beneficial owner(s) shall be identified and all reasonable steps to verify his/her identity shall be undertaken keeping in view the following:

(I) Where the customer or the owner of the controlling interest is a company listed on a stock exchange, or is a subsidiary of such a company, it is not necessary to identify and verify the identity of any shareholder or beneficial owner of such companies.

(II) In cases of trust/nominee or fiduciary accounts, whether the customer is acting on behalf of another person as trustee/nominee or any other intermediary is to be determined. 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.

(III) A. For clients other than individuals or trusts:

1. Where the client is a person other than an individual or trust, viz., company, partnership or unincorporated association/body of individuals, the identity of the beneficial owners of the client to be obtained and to take reasonable measures to verify the identity of such persons, through the following information:
 - a. The identity of the natural person, who, whether acting alone or together, or through one or more juridical person, exercises control through ownership or who ultimately has a controlling ownership interest.

Explanation: Controlling ownership interest means ownership of/entitlement to:

- i. more than 25% of shares or capital or profits of the juridical person, where the juridical person is a company;
 - ii. more than 15% of the capital or profits of the juridical person, where the juridical person is a partnership; or
 - iii. more than 15% of the property or capital or profits of the juridical person, where the juridical person is an unincorporated association or body of individuals.
- b. In cases where there exists doubt in above clause as to whether the person with the controlling ownership interest is the beneficial owner or where no natural person exerts control through ownership interests, the identity of the natural person exercising control over the juridical person through other means.

Explanation: Control through other means can be exercised through voting rights, agreement, arrangements or in any other manner.

- c. Where no natural person is identified under clauses III.1. (a) or III.1 (b) above, the identity of the relevant natural person who holds the position of senior managing official.

B. For client which is a trust:

2. Where the client is a trust, the intermediary shall identify the beneficial owners of the client and take reasonable measures to verify the identity of such persons, through the identity of the settler of the trust, the trustee, the protector, the beneficiaries with 15% or more interest in the trust and any other natural person exercising ultimate effective control over the trust through a chain of control or ownership.

C. Exemption in case of listed companies:

3. Where the client or the owner of the controlling interest is a company listed on a stock exchange, or is a majority-owned subsidiary of such a company, it is not necessary to identify and verify the identity of any shareholder or beneficial owner of such companies.

D. Applicability for foreign clients:

4. For dealing with foreign clients' viz., Foreign Institutional Investors, Sub Accounts and Qualified Foreign Investors, necessary guidance and clarifications issued by RBI / SEBI to be followed for the purpose of identification of beneficial ownership of the client.

4. Monitoring of Transactions:

i. The company normally does not and would not have large cash transactions. However, if and when cash transactions of Rs.10 lakhs and above are undertaken, the company will keep proper record of all such cash transactions in a separate register maintained at its office.

ii. The company shall monitor transactions of a suspicious nature on an ongoing basis for the purpose of reporting it to the appropriate authorities. The extent of monitoring by the Company will depend on the risk sensitivity of the account and special attention will be given to all complex unusually large transactions, which have no apparent economic or lawful purpose.

iii. The company shall promptly report such high value cash transactions or transactions of a suspicious nature to the appropriate regulatory and investigating authorities, as per the provisions of the PMLA and the Rules made thereunder.

iv. PFS shall exercise caution with respect to the transactions with persons (including legal persons and other financial institutions) from the countries which have been identified by Financial Action Task Force (FATF) as high risk and non-cooperative jurisdictions with respect to compliance with the FATF Recommendations, 2012.

▪ On-going Due Diligence

PFS shall undertake on-going due diligence of customers to ensure that their transactions are consistent with their knowledge about the customers, customers' business and risk profile; and the source of funds. The extent of monitoring shall be aligned with the risk category of the customer.

▪ Periodic Updation

Periodic updation shall be carried out at least once every a year for high risk customers, once every two years for medium risk customers and once every three years, for low risk customers.

Necessary actions, such as, freezing, partial freezing etc. of accounts may be considered after giving three notice to the concerned customers.

- **Enhanced Due Diligence**

- **Accounts of Politically Exposed Persons (PEPs):**

Politically Exposed Persons (PEPs) are individuals, who are or have been entrusted with prominent public functions in a foreign country, e.g., Heads of States/Governments, senior politicians, senior government/judicial/military officers, senior executives of state-owned corporations, important political party officials, etc.

Generally, PFS would not open accounts of PEP. Decisions of opening Accounts of PEP shall be approved by senior management and shall be subjected to enhanced monitoring.

- **Client accounts opened by professional intermediaries:**

Owing to the fact that accounts may be (i) opened by professional intermediaries on behalf of entities like mutual funds, pension funds or other types of funds or (ii) managed by lawyers/chartered accountants or stock brokers for funds held 'on deposit' or 'in escrow' for a range of clients, PFS shall ensure identification of all beneficial owners in respect of such accounts. Further, PFS shall also ensure that the CDD conducted by the intermediaries is in line with KYC requirements mandated by RBI. PFS shall ensure that no professional intermediary, who cannot reveal the identity of a customer should be allowed to open such an account with it.

- **Simplified KYC norms for Foreign Portfolio Investors (FPIs)**

Accounts of FPIs which are eligible/ registered as per SEBI guidelines, for the purpose of investment under Portfolio Investment Scheme (PIS), shall be opened by accepting KYC documents as prescribed by RBI, subject to Income Tax (FATCA/CRS) Rules.

- **Information obtained from Customers**

All the information collected from the customers by PFS shall be kept confidential and all such information shall be treated as per the agreement/terms and conditions signed by the customers. Additionally, the information sought from each customer should be relevant to the risk perceived in respect of that particular customer, should not be intrusive and should be in line with the guidelines issued by the RBI in that behalf.

- **Record Management**

PFS shall take steps in the direction of maintenance and preservation of the records pertaining to KYC and transactions for the time duration of 5 years for KYC-related and transaction-related documents as prescribed by RBI.

- **Other Requirements**

All other requirements under FATCA/CRS/PML/FIU-Ind relating to appointment of designated officer/director, principal officer and reporting requirements relating to filling of Suspicious Transaction Report (STR), Cash Transaction Report (CTR), counterfeit currency report (CCR) and other applicable reports filling under FATCA will be complied with in terms of the direction of the RBI or the other authorities to the extent applicable to PFS.