

PNY SABHA FINANCE LTD

Corporate Office Anthikkad

Approved by vide Board Resolution No. RES.NO.BOD/4/11-10/2016-17 dated 22nd October, 2017.

Revised on Board meeting dated 06/08/2024 Res BOD/07/08-04/2024-25

Circular on KYC Guide lines

KNOW YOUR CUSTOMER

Reserve Bank of India has issued comprehensive guidelines on Know Your Customer (KYC) norms and Anti-money Laundering (AML) standards and has advised all NBFCs to ensure that a proper policy framework on KYC and AML measures be formulated and put in place with the approval of the Board.

Accordingly, in compliance with the guidelines issued by RBI from time to time, the following KYC & AML policy of the Company is approved by the Board of Directors of the Company.

This policy is applicable to all categories of products and services offered by the Company.

Objective

Objective of RBI guidelines is to prevent NBFCs being used, intentionally or unintentionally by criminal elements for money laundering activities. The guidelines also mandates making reasonable efforts to determine the true identity and beneficial ownership of accounts, source of funds, the nature of customer's business, reasonableness of operations in the account in relation to the customer's business, etc. which in turn helps the Company to manage its risks prudently. Accordingly, the main objective of this policy is to enable the Company to have positive identification of its customers.

Customer identification means identifying the customer and verifying his / her identity by using reliable and independent source of documents, data or information to ensure that the customer is not a fictitious person. The Company shall obtain sufficient information necessary to establish, to its satisfaction, the identity of each customer and the purpose of the intended nature of business relationship.

An effective Customer Identification Program (“CIP”) is an important part of the effort by the Company to know its customers. The Company’s CIP is integrated into the AML (Anti Money Laundering) program for the company in terms of the Prevention of Money Laundering Act, 2002 and the relevant rules notified there under (PMLA), which contains provisions requiring the business processes to:

verify the identity of any Person transacting with the Company to the extent reasonable and practicable;

maintain records of the information used to verify a customer’s identity, including name, address and other identifying information and

consult lists of known or suspected terrorists or terrorist organizations provided to the Company by any applicable government agency to determine whether a person opening an account or an existing customer appears on any such list.

The Company will perform appropriate, specific and where necessary, Enhanced Due Diligence on its customers that is reasonably designed to know and verify the true identity of its customers and to detect and report instances of criminal activity, including money laundering or terrorist financing. The procedures, documentation, types of information obtained and levels of KYC due diligence to be performed will be based on the level of risk associated with the relationship (products, services, business processes, geographic locations) between the Company and the customer and the risk profile of the customer.

The Company shall take reasonable measures to ascertain and verify the true identity of all customers who transact with the Company. Each business process shall design and implement specific due diligence standards and procedures that are appropriate given the nature of the respective businesses, customers and the associated risks. Such standards and procedures shall include, at a minimum, the following elements.

All the customers shall be identified by a unique identification code to identify customers, track the facilities availed, monitor financial transactions in a holistic manner and to have a better approach to risk profiling of customers.

Each business process shall implement procedures to obtain from each Customer, prior to transacting, the following information as may be relevant, to that business:

Name - procedures require business processes to use reasonable efforts to ensure that the name recorded on the Company systems as the customer will be exactly the same as (and not merely similar to, or a variation of) the name that appears on any identifying documentation reviewed in connection with the loan;

For individuals - age / date of birth; For a person other than individual (such as corporation, partnership or trust) - date of incorporation;

Address including the documentary proof thereof;
For an individual, a residential or business street address;

For a Person other than an individual (such as a corporation, partnership, or trust), the principal place of business, local office, or other physical location;
Telephone/Fax number/E-mail ID;

Identification number:

A taxpayer identification number; passport number and country of issuance; letter issued by Unique Identification Authority of India containing AADHAAR number; alien identification card number; or number and country of issuance of any other government issued document evidencing nationality or residence and bearing a photograph or similar safeguard. When opening an account for a person (other than an individual) that does not have an identification number, the business process must request alternative government issued documentation certifying the existence of the business or enterprise;

For a customer who has applied for, but has not received an identification number, loan may be sanctioned, but each business process shall implement procedures to confirm that the application was filed before the loan is sanctioned to customer and to obtain the identification number within a reasonable period of time before disbursement of loan.

Fresh photographs will be obtained from minor customer on becoming major.

The list of documents that can be accepted as proof of identity and address from customers across various products offered by the Company is given as annexure III to this policy. These are appropriately covered in the credit policies of the respective businesses and communicated to the credit approving authorities.

If an existing KYC compliant customer desires to open another account, there is no need for submission of fresh proof of identity and/or proof of address for the purpose.

Each business process as a part of the credit policy will document and implement appropriate risk-based procedures designed to verify that it can form a reasonable belief that it knows the true identity of its customers. Verification of customer identity should occur before transacting with the customer. Procedures for each business process shall describe acceptable methods of verification of customer identity, which

may include verification through documents or non-documentary verification methods that are appropriate given the nature of the business process, the products and services provided and the associated risks.

Where a low risk category customer expresses inability to complete the documentation requirements on account of any reason that the Company considers to be genuine, and where it is essential not to interrupt the normal conduct of business, the Company may complete the verification of identity within a period of six months from the date of establishment of the relationship.

Existing customers

The requirements of the earlier sections are not applicable to accounts opened by existing customers, provided that the business process has previously verified the identity of the customer and the business process continues to have a reasonable belief that it knows the true identity of the customer. Further, transactions in existing accounts should be continuously monitored and any unusual pattern in the operation of the account should trigger a review of the due diligence measures.

The Company may prepare specific literature/ pamphlets etc. so as to educate the customer of the objectives of the KYC program. The Company on an ongoing basis educates the front desk staff, the branch staff and the new clients on the elements of KYC through various training program and e-mails.

Indicative list for Risk Clients

Low Risk Category

Individuals (other than High Net Worth) and entities whose identities and sources of wealth can be easily identified and transactions in whose accounts by and large conform to the known profile, shall be categorised as low risk.

Illustrative examples are:

Salaried employees whose salary structure is well-defined
People belonging to lower economic strata of the society whose accounts show small balances and low turnover
Government departments and Government-owned companies
Statutory bodies & Regulators

Medium & High Risk Category

Customers that are likely to pose a higher than average risk may be categorized as

medium or high risk depending on customer's background, nature and location of activity, country of origin, sources of funds and his client profile etc.

Illustrative examples of medium risk category customers are:

Non Resident customers

High Networth Individuals

Trust, charities, NGO's and Organization receiving donations

Companies having close family shareholding or beneficial ownership

Firms with 'sleeping partners'

Illustrative examples of high risk category customers are:

Politically Exposed Persons (PEPs) of Indian/Foreign Origin

Non face-to-face customers

Those with dubious reputation as per public information available

Accounts of bullion dealers and jewelers

Customer Identification Procedure

Features to be verified and documents that may be obtained from customers

KYC Documents for Identification and verification

<i>Identity Proof</i>	<p><u>Individual:</u></p> <ul style="list-style-type: none">- Valid Passport- Voter identity card issued by Election Commission of India- Valid PAN card- Valid driving license- Job card issued by NREGA duly signed by an officer of the State Government- Letter issued by the Unique Identification Authority of India containing details of name, address and Aadhaar number. <p><u>Others:</u></p> <p><u>Company:</u></p> <ul style="list-style-type: none">- Certification of incorporation- MOA/AOA- Resolution from the Board of Directors and power of attorney granted to its managers, officers or employees to transact on its behalf- An officially valid document in respect of managers, officers or employees holding an attorney to transact on its behalf <p><u>Partnership Firms:</u></p> <ul style="list-style-type: none">- Registration certificate- Partnership deed- An officially valid document in respect of the person holding an attorney to transact on its behalf. <p><u>Trust and Foundations:</u></p> <ul style="list-style-type: none">- Registration certificate
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	<ul style="list-style-type: none"> - Trust deed - An officially valid document in respect of the person holding an attorney to transact on its behalf. <p><u>Unincorporated association or body of individuals:</u></p> <ul style="list-style-type: none"> - Resolution of the managing body of such association or body of individuals - Power of attorney granted to him to transact on its behalf - An officially valid document in respect of the person holding an attorney to transact on its behalf. - Such information as may be required by the bank to collectively establish the legal existence of such an association or body of individuals
Address Proof	<p><u>Individuals:</u></p> <ul style="list-style-type: none"> - Valid passport - Voter identity card issued by Election Commission of India - Valid driving license, - Job card issued by NREGA duly signed by an officer of the State Government - Letter issued by the Unique Identification Authority of India containing details of name, address and Aadhaar number. <p><u>Others:</u></p> <p><u>Company:</u></p> <ul style="list-style-type: none"> - Certification of incorporation - MOA/AOA - Resolution from the Board of Directors and power of attorney granted to its managers, officers or employees to transact on its behalf - An officially valid document in respect of managers, officers or employees holding an attorney to transact on its behalf <p><u>Partnership Firms:</u></p> <ul style="list-style-type: none"> - Registration certificate - Partnership deed - An officially valid document in respect of the person holding an attorney to transact on its behalf. <p><u>Trust and Foundations:</u> - Registration certificate</p> <ul style="list-style-type: none"> - Trust deed - An officially valid document in respect of the person holding an attorney to transact on its behalf. <p><u>Unincorporated association or body of individuals:</u></p> <ul style="list-style-type: none"> - Resolution of the managing body of such association or body of individuals - Power of attorney granted to him to transact on its behalf - An officially valid document in respect of the person holding an attorney to transact on its behalf.

	- Such information as may be required by the bank to collectively establish the legal existence of such an association or body of individuals
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Designated Director

- 1) The Board of directors of the company shall designate a director, preferably the a director in the full time employment of the company to be the Designated Director to ensure the overall compliance with the obligations of the company under the Prevention of Money Laundering Act and the Prevention of Money Laundering (Maintenance of Records) Rules 2005.
- 2) The particulars of the designated directors shall be communicated to FIU-IND including the changes if any in the case of the Designated Directors.
- 3) Additionally, the RBI will be provided with the Name, designation, address, and contact details of the Designated Director.
- 4) The Principal Officer cannot be nominated as the 'Designated Director' under any circumstances.

IV) Principal Officer

- 1) The Board shall appoint a Principal Officer who shall be responsible for ensuring compliance, monitoring transactions, and reporting as may be required under the Act and Rules.

4

- 2) The required particulars of the Principal Officer shall be communicated to FIU IND including the changes, if any, in the case of the Principal Officer.
- 3) Additionally, the RBI should be provided with the Principal Officer's name, designation, address, and contact details.

V) Compliance of KYC Policy

- 1) The senior management team members of the company shall ensure that the KYC process and procedures prevailing in the company across the applicable segments are in compliance with this policy.

Explanation; senior management for the purpose of this policy includes all business heads in charge of different loan portfolios and liability products of the company existing as on the date of the notification of this policy and brought into existence hereafter.

2) The effectiveness of compliance with the policy shall be ensured through proper systems and controls including installation of computer software.

3) The scope of internal inspection wing of the company and the internal auditors on contract shall cover the review of effectiveness of the policy and reports shall be put up to the Audit committee on a quarterly basis.

4) Wherever the company is availing the services of third parties for business solicitation or sourcing of customers such as engagement of Direct Sales Agents, including fin-tech companies, startups or loan aggregators, the outsourced arrangements shall not compromise the companies power to accept or reject a customer based on KYC compliance. The KYC compliance functions shall not be outsourced.

VI) KYC policy

The KYC policy of the company will have the following elements

A. Customer Acceptance Policy

B. Risk Management

C. Customer Identification Procedure(CIP) and

D. Monitoring of Transactions.

The Company shall develop an application for digital KYC process which shall be made available at customer touch points for undertaking KYC of their customers and the KYC process shall be undertaken only through this authenticated application of the Company.

Central KYC Records Registry (CKYCR)

An entity defined under Rule 2(1) of the Maintenance of Record Rules, to receive, store,

safeguard and retrieve the KYC records in digital form of a customer. The Company shall

establish registration with the CKYC and upload KYC records of its customers as per the

regulations in place in this respect

Additional Measures for Aadhaar

Whenever the Company accepts Aadhaar as a document for proof of identity or address in

physical mode, the following additional measures shall be adopted

a) While entering the number of Aadhar system shall facilitate the masking of Aadhaar

number except the last 4 digits so that the Aadhaar number will not be visible in full

b) In case the management is desirous of retrieving the full number for any official purpose, the same shall be at a senior level functionary at the Corporate office and should be limited to users with supervisory passwords.

c) In case of physical storage of copies of Aadhaar card, the number shall be masked except the last 4 digit.

KYC policy guidelines for our Company, which had already implemented since 2010, is modified and approved by the Board of Directors meeting held on 22nd October, 2016. The same revised on board meeting dated 06/08/2024.