



## **KYC Policy**

### **GENERAL**

The aim of KYC/AML/CFT Policy of the company is to prevent the system of the Company from being used, intentionally or unintentionally, by anti-social elements for money laundering or terrorist financing activities or any other illegal activities. KYC procedures enable us to know / understand the customers and their financial dealings and manage the inherent risks prudently. In accordance with the relevant Master Directions issued (as amended from time to time) by Reserve Bank of India, PAUL MERCHANTS FINANCE PRIVATE LIMITED (PMFPL) has been able to put in place appropriate Policy and procedures to comply with the relevant Know Your Customer (KYC) norms and Customer Due Diligence (CDD) at the time of granting loan to the Customer and also during the continued relationship with such Customer in terms of the provisions of Prevention of Money-Laundering Act, 2002 and the Prevention of Money-Laundering (Maintenance of Records) Rules, 2005, as amended from time to time by the Government of India. This Policy has been approved by the Board of Directors of the Company in their meeting held on 11.01.2024.

### **SCOPE**

This Policy applies to all the branches/ offices all across India including all employees and is to be read in conjunction with related operational guidelines issued from time to time.

### **OBJECTIVE**

The Policy seeks to achieve the following objectives:



- to enforce a well-defined customer acceptance including quick and inclusive customer care service to all its customers within the prescribed regulatory framework as well as defined processes of the company.
- to know/understand the customers and their financial dealings so as to manage inherent risks prudently.
- To put in place an effective system and procedure for Customer identification and verifying his / her identity and residential address.
- To prevent criminal elements from using the Company for Money Laundering and Terrorist funding activities.
- To put in place appropriate controls for detection and reporting of suspicious activities as envisaged under the Prevention of Money Laundering Act, 2002 and in accordance with laid down procedures.
- To comply with applicable laws and regulatory guidelines
- To put in place appropriate controls for detection and reporting of suspicious activities in accordance with applicable laws/laid down procedures;
- To ensure that the concerned staff are adequately trained in KYC/AML/CFT procedures.

## **KEY ELEMENTS**

The Following are the Key elements

- A. Customer Acceptance Policy;
- B. Customer Identification Procedures;
- C. Risk management; and
- D. Monitoring of Transactions

### **A. CUSTOMER ACCEPTANCE POLICY**



The customer acceptance policy will ensure that explicit guidelines are in place on the following aspects of customer relationship. Customer Acceptance Policy shall be revised from time to time incorporating all the changes made as per amended circulars issued by the RBI. Customer Acceptance Policy shall cover and follow these rules as mentioned hereunder:

### **1. Customer account and Information**

- No Loan account shall be allowed to be opened in an anonymous or fictitious/benami name(s).
- No Loan account is opened where the PMFPL 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.
- No loan account-based relationship is undertaken without following the CDD procedure.
- Customers shall only be accepted after verifying their identity, as laid down in Customer Identification Procedures.
- The mandatory information shall be provided by the customer for KYC purpose while opening a loan account and during the periodic updation, is specified.
- CDD Procedure shall be followed for all the joint borrowers, while disbursing the loans to joint borrowers.
- 'Optional'/additional information shall be obtained with the explicit consent of the customer after the account is opened. The Company will not allow any person to act on behalf of another person/entity. Only in case of death of a customer or in case of a missing customer, the Company will deal with the nominee of that customer.
- Where Permanent Account Number (PAN) is obtained, the same shall be verified from the verification facility of the issuing authority.



- Suitable systems shall be put in place to ensure that the Company does not deal with any person or entity, whose name appears in the sanctions lists indicated in Chapter IX of the KYC Directions issued by RBI.
- A Unique Customer Identification Code (UCIC) shall be allotted to new and existing customers.
- Where an equivalent e-document is obtained from the customer, Company shall verify the digital signature as per provisions of the Information Technology Act, 2000

Customer acceptance policy shall not result in denial of financial facility to members of the general public, especially those, who are financially or socially disadvantaged.

## 2. **Parameters of risk perception**

Parameters of risk perception shall be based on the nature of employment, business activity of customer, purpose of loan, location of customer, mode of payment, social/ legal/financial status, verification of ownership of the gold ornaments and credit history etc.

Company has developed robust underwriting procedures for onboarding borrowers, which include verification of ownership of the gold ornaments, customer's address and occupation, weight and purity of gold etc. to categorize customers' into low, medium and high risk;

The customers will be monitored on regular basis with built in mechanism for tracking irregular behavior for risk management and suitable timely corrective action. Furthermore, the Company shall adopt Risk Based Approach for periodic updation of KYC. Full KYC exercise shall be carried out, at least once in every two years for high-risk customers, at least once in every Three years for medium risk customers and at



least once in every Five years for low-risk customers, from the date of opening of loan account/last KYC updation. Notwithstanding the updation as mentioned above, with a view to ensuring ongoing due diligence, it is incumbent on the branches to verify the changes if any occurred in the profile of the existing customer at the time of sanction of fresh loans if the existing customer opts for sanction of fresh loan by closing the old one. For the purpose KYC documents/residential address, documents in support of any change in annual income, nature of business etc. needs to be checked with reference to originals.

The Company shall prepare a profile for each new customer based on risk categorization as mentioned in this policy. The customer profile shall contain the information relating to the customer's identity, social/financial status, nature of business activity, address etc. The nature and extent of due diligence will depend on the risk perceived by the company. These requirements may be moderated according to the risk perception.

**(i) High Risk - :**

High risk customers typically will include:

- a) Individuals and entities listed or identified in – various United Nations' Security Council Resolutions (UNSCRs) such as UN 1267, schedule to the order under section 51A of the Unlawful Activities (Prevention) Act, 1967, lists issued by Interpol and other similar international organizations, regulators, FIU and other competent authorities as high-risk etc. as updated from time to time;
- b) Customers transacting with any given branch office of the Company, having residence in a place which is more than 40 KMs away from branch office of the Company.



**c) High net worth individuals without an occupation track record of more than 3 years**

g) Politically exposed persons (PEPs) of Indian origin, customers who are close relatives of PEPs and accounts of which a PEP is the ultimate beneficial owner

h) Customers with dubious reputation as per public information available or commercially available watch lists.

i) Persons involved in Gambling/gaming including “Junket Operators” arranging gambling tours;

**(ii) Medium Risk - :**

Customers who are conducting normal nature of transactions but lack sufficient information and documents for categorizing under 'Low Risk' shall normally be categorized as medium risk customer. Besides, all customers who do not fall under the category of either High Risk or Low Risk profile shall also be categorized as Medium risk.

**(iii) Low Risk - :**

Low risk customers typically will include:

a) Salaried employees with well-defined salary structures

b) People working with government owned companies, regulators and statutory bodies, etc.

c) People belonging to lower economic strata of the society whose accounts show small balances and low turnover

d) People working with Public Sector Units

e) People working with reputed Public Limited Companies and Multinational Companies

f) Low risk individuals and entities whose identities and sources of wealth can be easily identified and all other person not covered under above two categories.



In the event of an existing customer or the beneficial owner of an existing loan account subsequently becoming PEP, the Company will obtain senior management approval in such cases to continue the business relationship with such person, and also undertake Enhance due diligence (EDD) measures as specified in **Annexure I**.

### 3. Complete Information

Proper documentation and Information shall be collected in respect of different categories of customers depending on perceived risk and keeping in mind the requirements of PML Act, 2002 and guidelines issued by Reserve Bank from time to time; to prevent any loss /damage to the Company

- i. Not to open a loan account or close an existing account where there is an unavailability to apply appropriate customer due diligence measures
- ii. A proper due diligence shall be conducted before opening a new loan account so as to ensure that the background of the customer is clean and is free from any terrorism activity including linkage with extremist and anti-national groups etc.

### **B. CUSTOMER IDENTIFICATION PROCEDURE**

Customer identification plays an important role in KYC. The term itself conveys identifying and verifying his/her (customer) identity by using reliable, independent source, documents, data and information. It is necessary to obtain sufficient information necessary to establish, the identity of each new customer.

PMFPL shall ensure that Customer identification process is undertaken, whenever;

- a. an account-based relationship is being established;
- b. there is doubt about the authenticity or adequacy of customer identification data already obtained.



**Customer Due Diligence Procedure (CDD)** For undertaking CDD, PMFPL shall obtain the following from an low risk individual who is applying for the loan:

- a. A certified copy of Officially Valid Documents (OVD), containing details of proof of their identity and address;
- b. a live photograph taken in the branch premises;
- c. A certified copy of the Permanent Account Number or Form No. 60 as defined in Income-tax Rules, 1962 as applicable for loans exceeding Rs. 5,00,000/-
- c. proof of ownership of gold

Company can also ask for such other documents pertaining to the nature of business, occupation etc. specified in this policy.

For customers, who have been identified as Medium risk and high risk customers, additional due diligence information shall be obtained as per **Annexure 1**.

### **Acceptable KYC documents**

Loan should be sanctioned after conducting proper identification of the customer. Establishing the identity of a person who approaches for Gold Loan is a prerequisite for granting loan. Customer identification shall be conducted during the customer's presence, face- to- face, in the branch office of the Company along with the verification of relevant documents.

For customer identification, a combined Photo ID cum Address proof or in its absence two independent documents i.e. one with Photo ID and another with Address proof as described below is mandatory. Any one of the following documents having photo and address proof may be obtained:-

Combined Photo ID cum Address proof (any one below):





- Aadhar Card
- Valid Driving License;
- Valid Passport;
- MNREGA Card, and
- Voters' Identity Card
- Bank Passbook/Statement of Account with photo and current address and the same should be operative for minimum 6 months and should not be older than 3 months. Bank passbook Statement should bear the rubber stamp of the Bank and also of the Branch and Signature of the authorized official with designation.

Note: - In case of Driving License and Passport, Date of Expiry, Place of issue etc. must be checked properly.

### **Self-Attestation of OVD's By Customer**

Ensure that the copies of ID proof and Address proof are/is self-attested by the customer and the same are verified and the following points shall be followed:

- Details of customer such as name, date of birth, address, expiry date of ID proof and Address proof, etc., must match with those of ID proof/Address proof entered in Computer. Customer's photo is captured in CBS by using web camera.
- Mobile number must be obtained and it should be verified.
- While accepting Aadhar as a Proof of identity or Proof of Address, the first 8 digits of the Aadhaar number should be masked in the copy collected.
- While taking the Aadhaar card as ID/Address proof the consent of the customer should be obtained. Consent as well as the purpose for which the copy of the Aadhaar card is collected shall be recorded with the number blacked out and signed by the customer. Such documents shall be verified digitally by applying such tools which declare its validation and authenticity



## **C. RISK MANAGEMENT & CATEGORISATION**

### **Risk Categorization:**

The Company shall categorize its customers based on the risk perceived by the Company. The levels of categorization would be Low Risk, Medium Risk and High Risk. The profile of new customers be prepared on risk categorization basis.

While preparing customer profile the Company shall seek only such information from the customer which is relevant to the risk category and is not intrusive to the customer. The nature and extent of due diligence will depend on the risk perceived.

Customers who 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, sources of funds and his client profile etc.

We need to apply enhanced due diligence measures based on the risk assessment, thereby requiring intensive 'due diligence' for higher risk customers, especially those for whom the sources of funds are not clear.

Any such High risk associated accounts should be taken into account by branches to identify suspicious transactions for filing Suspicious Transaction Reports (STRs) to FIU-ND.

### **Risk Management**

- Internal Audit
- Enhanced Due Diligence
- Risk Assessment

#### **Internal Audit**

The internal audit and compliance functions have an important role in evaluating and ensuring adherence to the KYC policies and procedures. As a general rule, the



compliance function should provide an independent evaluation of the Company's own policies and procedures, including legal and regulatory requirements with all applicable Rules, Regulations, Guidelines and report STRs when required to the FIU-IND.

The audit machinery will be staffed adequately with individuals who are well-versed in such policies and procedures. Internal Auditors shall check and verify the application of KYC procedures at the branches and comment on the lapses observed in this regard. The compliance in this regard may be conducted periodically.

- **Enhanced Due Diligence**

There shall be an on-going due diligence of customers to ensure that their transactions are consistent with their knowledge about the customers, customer's business and risk profile and the source of funds. For high-risk customers, Company will apply enhanced due diligence, which includes comprehensive checks, ongoing monitoring, and regular risk assessments to ensure full compliance with relevant regulations. This includes nature of employment, business activity of customer, purpose of loan, location of customer, mode of payment, source of wealth and funds, social/ financial status and credit history etc. The customers with the high risk profile their re-KYC shall be conducted once in every two years.

- **Risk Assessment**

PMFPL shall carry out 'Money Laundering (ML) and Terrorist Financing (TF) Risk Assessment' exercise annually to identify, assess and take effective measures to mitigate its money laundering and terrorist financing risk. The assessment process shall consider all the relevant risk factors before determining the level of overall risk, the appropriate level and the type of mitigation to be applied. While preparing the internal risk assessment, cognizance of the overall sector-specific vulnerabilities shall be taken into consideration by the supervisor.



The risk assessment exercise shall be conducted on a quarterly basis and parameters of the assessment shall be modified, time to time, in alignment with the outcome of the risk assessment exercise.

PMFPL shall apply a Risk Based Approach (RBA) for mitigation and management of the identified risk and shall monitor the implementation of the controls and enhance them, if necessary.

#### **D. MONITORING**

Monitoring is an essential element of effective KYC procedures. The same shall be done on on-going basis while granting loan. PMFPL shall keep a proper record of all customers and this shall be maintained and recorded. Company shall have an internal monitoring system which must have an inbuilt procedure for reporting of any activity which is suspicious in nature. The extent of monitoring shall be aligned with the risk category of the customer.

#### **Suspicious Transactions Report**

Following guidelines will be the indicators for reporting suspicious to Principal Officer/ Supervisor during/post granting loan:

- i. Customer is reluctant to provide details, information, purpose or details of account;
- ii. False identification documents/ /documents on frivolous grounds
- iii. Suspicious background or links with known criminals
- iv. Approaching a distant branch away from own address.
- v. Where there is a doubt about beneficial ownership.
- vi. Frequent request for change of address.

#### **Uploading of STRs to FIU**



As per instructions from FIU, Govt. of India and Reserve Bank of India, the Compliance Department will upload Suspicious Transactions Report on FIU.

## **APPOINTMENT OF DESIGNATED DIRECTOR AND PRINCIPAL OFFICER**

### **DESIGNATED DIRECTOR**

It is necessary to nominate a Director on the Board of Directors of the Company as “Designated Director”, as per the provisions of the Prevention of Money Laundering (Maintenance of Records) Rules, 2005 (Rules), to ensure overall compliance with the obligations under the Act and Rules. Accordingly, any Whole Time Director shall appointed as Designated Director by the Company. The name, designation and address of the Designated Director will be communicated to the Director, Financial Intelligence Unit – India (FIU-IND).

### **PRINCIPAL OFFICER**

PMFPL will designate a Principal Officer (PO) who shall be responsible for ensuring compliance, monitoring, sharing and reporting information as required under the law/regulations. The Board shall ensure overall compliance with the obligations specified under Prevention of Money Laundering Act, 2002 and the Prevention of Money-Laundering (Maintenance of Records) Rules, 2005 framed and amended thereunder, from time to time.

### **CONFIDENTIALITY OF INFORMATION ABOUT CUSTOMERS**

All the information collected from the customers shall be kept confidential and all such information shall be treated as per the agreement/terms and conditions signed by the customers. Any information taken from customer shall be as per the guidelines issued by the RBI time to time.



**Exception:** The Confidential Information of customer information can be disclosed under such circumstances as mentioned below:

- (i) Where the disclosure is under compulsion of law.
- (ii) Where there is a duty to the public to disclose.
- (iii) Where the disclosure is made with express or implied consent of the customer.

### **MAINTENANCE OF RECORDS**

The records of transactions between PMFPL and the Customer shall be maintained. The records shall be preserved pertaining to the identification of the customers and their addresses obtained while opening the account and during the course of business relationship, for at least ten years.

There shall be a system of maintaining proper record of transactions as prescribed under Rule 3 of Prevention of Money Laundering (Maintenance of Records) Rules, 2005 (PML Rules, 2005)

All necessary information in respect of customers shall be maintained along with: (i) the total amount of the loan; (ii) the reason/purpose of taking the loan; (iii) the date the loan was taken; and (iv) declaration of ownership; (v) undertaking taken from the customer that the loan is taken for lawful purpose.

A proper maintenance and preservation of account information shall be done in such a manner that allows the data of the customers to be retrieved easily and quickly whenever required or when requested by the competent authorities.

### **KYC COMPLIANCE**

- Obtain photo copy of the ID cum Address proof and get the signature of the customer. Branch Manager shall verify the same with the original and sign after affixing the stamp "Original Verified".



- The address proof/ID proof furnished should be live (validity not expired) and should be in the name of the borrower only.
- Fill up all the details in the KYC Form accurately without leaving any column blank and obtain signature of the customer on the KYC Form. The KYC document once registered with the Branch can be modified through Head Office support for specific purposes like address change/change in telephone number only and should not be deleted for creating a new KYC in the name of the same customer.
- KYC Form together with the ID & Address proof should be filed serially and kept intact for verification by RBI officials/Auditors during their inspection visits to the branches.
- Branches should collect a copy of the PAN Card of the borrower for loans above Rs.5 lakhs and keep the same attached to the KYC documents. In case of existing customers loan accounts sanctioned without PAN falling below the above limit of Rs. 5 lakh shall be monitored closely and shall ensure that aggregate transactions of a single customer taken together does not exceed Rs. 5 Lakh at any point of time.

## **KYC WITH CENTRAL KYC RECORDS REGISTRY (CKYCR)**

PMFPL shall share the entire KYC information related to their customer with central KYC records Registry (CKYCR). PMFPL shall capture the KYC information for uploading the data pertaining to all new individual accounts opened on or after 1/4/2017 with the CKYCR in the manner mentioned in the Prevention of Money-Laundering (Maintenance of Records) Rules, 2005, as amended from time to time. Government of India has authorized the Central Registry of Securitization Asset Reconstruction and Security Interest of India (CERSAI), to act as, and to perform the functions of the CKYCR.



## **CUSTOMER EDUCATION / EMPLOYEES TRAINING / EMPLOYEES HIRING**

### **Customer Education**

To ensure the implementation of KYC procedures, customers are educated from time to time to fulfill the KYC / AML procedures/CFT guidelines. Further for the accomplishment of this task. The staff has to be very much vigilant and every front desk staff is expected to be aware of KYC/ AML/CFT guidelines and handle the customers according to situation.

### **Employees' Training**

To fulfill the KYC/AML/CFT guidelines, ongoing employees training programmers have to be arranged from time to time to educate /train our staff about the KYC policies and procedures relating to prevention of money laundering, provision of the PML Act.

### **Hiring of Employees**

KYC norms/AML standards/CFT measures have been prescribed to ensure that criminals are not allowed to misuse the system. Therefore, for the purpose of this adequate screening mechanism including police verification has been placed as an integral part of recruitment / hiring process and induction of the personnel to ensure high standards.

### **COMMUNICATION**

Each version of modified policy must be communicated to all staff and all associates viz. branch, Authorized Persons. This communication is mandatory in addition to the awareness to be given to the staff and associates person from time to time.

### **COMPLIANCE WITH POLICY NORMS**





**PAUL MERCHANTS**  
**FINANCE PRIVATE LIMITED**

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PMFPL's internal audit and compliance functions shall periodically evaluate the level of adherence to the KYC policies and procedures. The compliance function and audit function together shall provide an independent evaluation of the effectiveness of KYC policies and procedures, including legal and regulatory requirements.

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----- **End of Document** -----

**Sd/-**

**Chairman**



**Annexure-1**

Nature of employment /Occupation/profession	
Business activity	
Purpose of loan	
Permanent Address	
Present Address	
Mode of payment of Loan	
Source of wealth and funds	
Social/ financial status	
Credit history	
Credit Score	
Any default in repayment of loan/interest in the past	
Whether connected to any political party	
Whether involved in any criminal case, presently or in past	
Whether connected with any NGO	
Additional ID Details	
Additional address proof Details	
Bank Statement for the last three months	