



PRAYAS FINANCIAL SERVICES PVT. LTD.

Know Your Customer and Anti-Money Laundering Policy

Issued on	April 01, 2020
Last reviewed on	August 27, 2024
Proposed by	Chief Financial Officer
Approved by	Board of Directors
Policy Owner	Credit & Operation
Version	4.0

Document Version History

Version	Approved by	Approval Month
1.0	Board	April 01, 2020
2.0	Circular Resolution	March 21, 2024
3.0	Circular Resolution	August 27, 2024
4.0	Circular Resolution	April 18, 2025

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List of Abbreviations

PF SPL	Prayas Financial Services Private Limited
AML	Anti-Money Laundering
CAP	Customer Acceptance Policy
CDD	Customer Due Diligence
CFT	Combating for Financing of Terrorism
CIP	Customer Identification Procedure
CKYC	Central (Know Your Customer)
CKYCRR	Central Know Your Customer Record Registry
CRS	Common Reporting Standards
EDD	Extended Due Diligence
e-KYC	Electronic Know Your Customer
e-PAN	Electronic Permanent Account Number
FATCA	Foreign Accounts Tax Compliance Act
FATF	Financial Action Task Force
FIU-IND	Financial Intelligence Unit India
KYC	Know your customer
NBFC	Non-banking Finance Company
NREGA	National Rural Employment Guarantee Act
OVD	Officially Valid Document
PAN	Permanent Account Number
PEP	Politically Exposed persons
PMLA	Prevention of Money Laundering Act
RBI	Reserve Bank of India
RE	Regulated Entity
UIDAI	Unique Identification Development Authority of India
UNSCR	United Nation Security Council Resolution

Definitions

Term	Definition
Prayas Financial	Prayas Financial Services Pvt. Ltd, PFSPL, Prayas
Board of Directors / Board	The Board of directors of Prayas Financial Services Pvt. Ltd. (PFSPL)
Borrowers	Includes both borrower and co-borrower
Customer	A person or a representative on behalf of a person who engages in a financial transaction or activity with PFSPL.
Customer Due Diligence (CDD)	Identifying and verifying the customer
Deemed OVD	A document that can be used for a limited purpose, such as to prove a current address.
Designated Director	A person designated by PFSPL to ensure overall compliance with the obligations imposed under law.
Officially Valid Document (OVD)	Officially Valid Document (OVD) means Passport, Driving License, Aadhaar Card, Permanent Account Number (PAN) Card, Voter's Identity Card, Job card issued by NREGA duly signed by an officer of the State Government and letter issued by the National Population Register containing details of name and address.
Person	In terms of PML Act a 'person' includes: <ol style="list-style-type: none"> an individual, a Hindu undivided family, a company, a firm, an association of persons or a body of individuals, whether incorporated or not, every artificial juridical person, not falling within any one of the above persons (i to v), and any agency, office or branch owned or controlled by any of the above persons (i to vi)
Politically Exposed Person (PEP)	Individuals who are or have been entrusted with prominent public functions, e.g., Heads of States/Governments, senior politicians, senior government/judicial/military officers, senior executives of state-owned corporations, important political party officials, etc.
Principal Officer	An officer nominated by the RE, responsible for furnishing information as and when required by law.
Regulated Entity (RE)	An entity regulated by the Reserve Bank of India
Senior Management	Senior Management includes employees at the Executive Vice President (EVP) level and above, as well as the Heads of IT, Operations, and Audit departments, regardless of designation.

Suspicious Transaction	<p>A suspicious transaction is any transaction, or attempted transaction, that raises a reasonable suspicion of being linked to money laundering, terrorist financing, or any other criminal activity. It may involve transactions that are unusually complex, lack a clear economic or lawful purpose, or appear inconsistent with a customer's known profile or business activities. This includes both cash and non-cash transactions that, when assessed in good faith, give rise to concerns about their legality or intent.</p>
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1. Introduction

Prayas Financial Services Private Limited (PFSP), a registered Non-Banking Finance Company - Microfinance Institution (NBFC-MFI) under the Reserve Bank of India, is dedicated to empowering financially underserved households and informal micro-enterprises by providing accessible financial products and services. As a subsidiary of Ananya Finance for Inclusive Growth Private Limited, PFSP leverages its parent company's decade-long expertise in promoting financial inclusion to create a meaningful impact in low-income communities.

PFSP operates on the Joint Liability Group (JLG) model, specifically designed to empower women in rural and semi-urban areas. This model supports individual aspirations while driving the economic development of local communities.

Our vision is to foster a society where individuals, particularly women, have equitable economic opportunities to enhance their standard of living and contribute meaningfully to community development. With a fully digitized, paperless loan processing system and a strong branch network across India, PFSP has established itself as a trusted partner in driving financial stability and inclusion.

We remain committed to responsible lending practices, ensuring funds are effectively utilized to promote long-term socio-economic progress in underserved communities.

2. Objective

The objective of this policy is to establish a framework to ensure compliance with the Reserve Bank of India (RBI) guidelines on Know Your Customer (KYC) and Anti-Money Laundering (AML) measures. This policy aims to:

- **Promote Customer Identification and Due Diligence:** Lay down explicit criteria for customer acceptance, identification, and verification, ensuring that only legitimate customers access the Company's financial services.
- **Prevent Misuse of Financial Systems:** Safeguard the Company from being misused by criminal elements for money laundering, terrorist financing, or other unlawful activities.
- **Ensure Transaction Monitoring:** Establish processes to monitor high-value transactions, identify suspicious activities, and report them to appropriate regulatory authorities.
- **Risk Management:** Develop and implement risk-based procedures to identify and mitigate potential risks associated with customer profiles and transactions.
- **Adhere to Legal and Regulatory Standards:** Ensure compliance with Master Direction - Know Your Customer (KYC) Direction, 2016, issued by the RBI, as amended from time to time ("KYC Master Directions") Prevention of Money Laundering Act - 2002, Prevention of Money Laundering (Maintenance of Records) Rules, 2005 and such other regulatory laws as may be applicable..

This policy applies to all products, services, and operations of the Company, serving as a foundation for sound risk management and regulatory compliance.

3. Applicability

Prayas Financial Services Pvt. Ltd will undertake a thorough customer identification process before establishing any account-based relationship. The identification process will focus on verifying three key aspects of the customer:

- i. Name of the borrowers - The names provided must match the details appearing on the identification documents submitted by the customer.
- ii. Age Proof- The date of birth will be verified to confirm the age of the borrowers.
- iii. Address Proof- The customer's residential address, including correspondence and/or permanent address, will be verified.

Prayas would perform due diligence checks on the documents provided by all the customers. This KYC Policy is to be read in conjunction with related operational guidelines issued from time to time.

4. Counterfeit Currency Reporting (CCR)

Prayas Financial Services Pvt. Ltd is committed to adhering to regulatory requirements regarding the detection and reporting of counterfeit currency. The following guidelines will be followed to ensure compliance:

i. Detection of Counterfeit Notes:

- All staff handling cash transactions are required to be vigilant for counterfeit or forged currency notes during deposits, and other cash handling processes.
- Suspicious notes must be segregated immediately without returning them to the customer.

ii. Reporting to Authorities:

- Any counterfeit currency detected must be reported promptly to the Financial Intelligence Unit-India (FIU-IND) in accordance with the Prevention of Money Laundering Act (PMLA), 2002.
- A Counterfeit Currency Report (CCR) should be prepared and filed with the FIU-IND.

iii. Preservation of Evidence:

- The counterfeit notes should be stamped as "COUNTERFEIT" and retained as evidence until handed over to the appropriate regulatory authority.
- The details of the transaction, including the customer's identity and any associated documents, must be documented for record-keeping and reporting purposes.

iv. Training and Awareness:

- Staff will be trained regularly on detecting counterfeit notes and the procedures for reporting them.
- Visual aids and tools for identifying counterfeit notes will be provided at all cash-handling points.

v. Customer Communication:

- If counterfeit currency is detected, the customer will be informed about the note's status in a polite and professional manner.
- The customer will be requested to provide additional information, if necessary, for reporting to the authorities.

vi. Record Maintenance:

- Detailed records of all counterfeit currency incidents will be maintained, including copies of the CCR and any correspondence with regulatory authorities.
- These records will be preserved for a minimum of five years or as prescribed by applicable regulations.

By implementing these measures, Prayas Financial ensures adherence to legal requirements, supports the fight against counterfeit currency circulation, and maintains the integrity of its financial operations.

5. Implementation

5.1. Overview

The implementation of KYC and AML Policy at Prayas Financial Services Pvt. Ltd involves a structured approach to ensure compliance with regulatory guidelines and mitigate the risks of financial crimes. Customer identification will be conducted before establishing any account-based relationship, with a focus on verifying identity, age, and address through officially valid documents (OVDs). Customers will be categorized into low, medium, and high-risk profiles based on parameters such as business nature, geographic location, and transaction patterns (*refer Section 5.2.2.*). Comprehensive due diligence measures will be applied for high-risk customers, such as politically exposed persons (PEPs) or those involved in high-value transactions.

Customer due diligence (CDD) will be performed during onboarding and updated periodically to maintain accuracy. All transactions will be monitored for unusual patterns, and suspicious transactions will be reported to the Financial Intelligence Unit-India (FIU-IND). Records of customer details, identification documents, and transaction histories will be maintained for at least five years as required under the Prevention of Money Laundering Act (PMLA), 2002.

The Designated Director will be responsible for the effective implementation of policies and procedures. To ensure effective execution, staff will undergo regular training to familiarize themselves with KYC/AML procedures and regulatory requirements. Internal audits will be conducted to evaluate compliance, and any gaps identified will be promptly addressed. Through these measures, Prayas Financial Services Pvt. Ltd is committed to maintaining transparency, regulatory compliance, and operational integrity.

5.2. Policy Implementation Guideline

Prayas has framed its KYC policies incorporating the following four key elements:

- 1) Customer Acceptance Policy
- 2) Risk Management
- 3) Customer Identification Procedures
- 4) Monitoring of Transactions

5.2.1. Customer Acceptance Policy

Prayas Financial is committed to adhering to the following norms while accepting and dealing with its customers:

i. Comprehensive Customer Due Diligence (CDD):

1. Before establishing an account-based relationship or conducting any transaction, Prayas Financial will perform comprehensive customer due diligence (CDD).

2. No relationship or transaction will be initiated if the customer's identity cannot be verified, or if appropriate CDD procedures cannot be implemented.

ii. Risk Perception Parameters:

1. Customers will be classified into low, medium, and high-risk categories based on clear and defined parameters such as:
 - Type of income generation activity.
 - Geographic location of the customer.
 - Social and financial status.
2. These risk categories will guide the level of due diligence required for each customer and are elaborated further in the policy.

iii. Customer Profile and Confidentiality:

1. A customer profile will be created using information from KYC documents, including identity, address, financial status, business activity, and location.
2. The extent of due diligence will correspond to the customer's risk classification.
3. Prayas Financial will only seek information relevant to the risk assessment and necessary for compliance, avoiding overly intrusive inquiries.
4. Customer profiles and personal information will be kept strictly confidential and will not be used for purposes other than those stated. Exceptions will only be made in cases where disclosure is mandated by law or authorized by the customer.

iv. Inclusion and Access to Financial Services:

1. Prayas Financial aims to ensure that financial services are not denied to genuine customers, particularly those who are socially or financially disadvantaged.
2. The due diligence process will be conducted in a manner that avoids unnecessary barriers for legitimate customers while maintaining compliance with regulatory requirements.

This Customer Acceptance Policy reflects Prayas Financial's commitment to balancing regulatory compliance with customer-centric practices and inclusivity.

5.2.2. Risk Categorization

Prayas adopts a **risk-based approach** in conducting due diligence for the KYC process. This approach involves categorizing customers into three distinct risk categories: **High**, **Medium**, and **Low**. Each category is subjected to due diligence procedures that are tailored to its specific risk profile. The categorization is reviewed periodically to ensure that it remains accurate and up to date. The risk categorization is based on various parameters, including the customer's identity, social status, financial status, and the nature of their business activity.

Branch Credit Managers (BCMs) on the field play a crucial role in assisting with the categorization process by verifying customer profiles and providing relevant details.

The details of the risk categories are as follows:

i. Low Risk:

Customers in the low-risk category are individuals that present a minimal risk of money laundering, terrorist financing, or other illicit activities. These customers typically exhibit stable financial profiles,

verified identities, and transparent transaction histories. The low-risk category includes salaried individuals, daily wagers, small businesses, small farmers, government employees,

and pensioners,. For these customers, basic KYC procedures and periodic reviews conducted at longer intervals are sufficient to ensure compliance.

Due Diligence Requirements:

- Basic KYC procedures
- Periodic review at longer intervals (*refer table in Section 9*)

ii. Medium Risk:

Medium-risk customers present a moderate level of risk. This could be due to factors such as the nature of their business, geographical location, or specific transaction patterns. Examples of medium-risk customers include non-resident Indians (NRIs), partnerships, and individuals involved in cash-intensive industries. These customers are subject to enhanced KYC measures and require more frequent monitoring to mitigate potential risks.

Due Diligence Requirements:

- Enhanced KYC procedures
- More frequent monitoring (*refer table in Section 9*)

iii. High Risk:

High-risk customers are those who pose a significant risk of being involved in money laundering, terrorist financing, or fraudulent activities. This category includes politically exposed persons (PEPs), NGOs, high-net-worth individuals, individual mentioned in UNSCR, and businesses operating in high-risk sectors or regions. Due diligence for high-risk customers requires a comprehensive KYC process, continuous monitoring of transactions, and approval from senior management to mitigate the elevated risks.

Due Diligence Requirements:

- Comprehensive KYC process
- Ongoing monitoring (*refer table in Section 9*)
- Senior management approval

Risk Category	Examples	Due Diligence Requirements
Low Risk	Salaried individuals, small businesses like Kirana stores, Chemist shops, etc.	Basic KYC, periodic review at longer intervals
Medium Risk	Cautious profiles like Salon, Courier agencies, etc.	Enhanced KYC, more frequent monitoring
High Risk	PEPs, Social Workers, high-risk professions - Butchers, Press, Artists, Commission agents, Police employee, Tour & Travels, Trader in wildlife or wildlife products, etc.	Comprehensive KYC, ongoing monitoring, senior management approval

At present, customers of Prayas fall under the low-risk category.

5.2.3. Customer Identification Process

Prayas would identify customers based on given below parameters:

- i. **Identity Proof:** The customer(s) are required to provide a minimum of two documents during the loan application process to establish their identity. The documents must include at least one from the primary list and one can be from the secondary list. The following list is of acceptable documents:

Primary List of documents	Secondary List of documents
Aadhar Card	PAN Card
Voter ID Card	Driving Licence (Valid till date)
	Passport
	Job Card Issued by NREGA
	Ration Card
	Letter issued by the National Population Register containing details of name and address.

- ii. **Name and Age verification:** Name and age shall be captured from the Aadhar card wherever it is submitted. In case the Aadhar card is not available, then the name and age shall be verified using another official valid document (OVD) containing accurate information. Prayas shall also authenticate the provided data against databases, if available. The submitted document will be cross verified during field verification by Branch Credit Manager/Branch Manager to ensure accuracy and consistency.
- iii. **Address verification:** The address should be taken from the OVD provided by the borrowers. If the customer does not have a valid OVD with the correct address, then other documents can be used to capture the address, which are as below:
- Utility bill which is not more than three months old of any service provider (electricity, telephone, post-paid mobile phone, piped gas, water bill)
 - Property or Municipal tax receipt.
 - Pension or family pension payment orders (PPOs) issued to retired employees by Government Departments or Public Sector Undertakings if they contain the address.
 - Letter of allotment of accommodation from employer issued by State Government or Central Government Departments, statutory or regulatory bodies, public sector undertakings, scheduled commercial banks, financial institutions and listed companies and leave and license agreements with such employers allotting official accommodation.

Note:

- Prayas would consider the address of the applicant only from the approved documents as per the Board approved policy.
- In cases where a Permanent Account Number (PAN) is acquired, it is necessary to verify it using the verification facility provided by the issuing authority.

5.2.4. Monitoring of Transactions

- i. Prayas is committed to the continuous monitoring of customer transactions to detect and report any suspicious activities. Monitoring will be aligned with the risk profile of each account, with particular attention given to transactions that are large, complex, or lack a clear and legitimate economic purpose. Any transactions that appear unusual or out of the ordinary will be flagged for further investigation.

- ii. In accordance with the provisions of the Prevention of Money Laundering Act (PMLA) and related regulations, Prayas will promptly report any suspicious transactions, including cash transactions, to the relevant regulatory and investigative authorities for further action.
- iii. Prayas will exercise heightened vigilance with regard to transactions involving customers from countries that the Financial Action Task Force (FATF) has flagged as high-risk or non-cooperative in relation to compliance with FATF's 2012 Recommendations. These transactions will be subject to enhanced scrutiny to mitigate any potential risks.

i. On-going Due Diligence:

Prayas continuously monitors customer transactions and updates customer profiles to maintain accuracy. Suspicious transactions are flagged, with additional scrutiny on high-risk accounts. Customer information and risk categories are reviewed periodically, and high-risk customers undergo more frequent checks. Any suspicious activities are promptly reported to the relevant authorities, ensuring compliance with regulations and helping prevent financial crimes.

At present, customers of Prayas fall under the low-risk category.

ii. Enhanced Due Diligence:

Enhanced due diligence (EDD) is applied to customers or transactions that present a higher risk of money laundering or terrorist financing. Prayas will conduct EDD in the following situations:

- **High-Risk Customers:** Individuals classified as high-risk, such as politically exposed persons (PEPs), customers having high-risk professions, or those involved in complex or unusual transactions.
- **Complex or Unusual Transactions:** Any transaction that lacks an apparent lawful or economic purpose, is unusually large, or is inconsistent with the customer's profile.

EDD involves gathering additional information on the customer's background, source of funds, and business activities. Prayas will also perform more frequent transaction monitoring and require approval from senior management for any high-risk transactions. This process helps ensure that risks are adequately mitigated and that the company complies with all regulatory requirements.

Currently, Prayas do not have any account-based relationship with customers that would require EDD such as politically exposed persons.

5.2.5. Information obtained from Customers:

While preparing customer profiles, Prayas will take care to seek only such information from the customer which is relevant to the risk category and is not intrusive. The company should ensure following points related to customer information:

- i. 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.
- ii. Information collected from customers shall not be divulged for the purpose of cross selling, or for any other purpose without the express permission of the customer.
- iii. Exception to the confidentiality of customer information shall be as under:
 - a. disclosure to regulators and law enforcement agencies as part of investigations related to money laundering, terrorist financing, or financial crimes.
 - b. compliance with court orders or legal proceedings
 - c. reporting suspicious transactions (STRs) to FIU-IND without notifying the customer
 - d. disclosure under statutory or regulatory obligations like Prevention of Money Laundering Act (PMLA), Income Tax Act, Foreign Exchange Management Act (FEMA), and other applicable laws.

- e. sharing information with credit bureaus
- f. customer consent-based disclosure
- g. for defending legal claims
- h. in case of transfer of ownership of portfolio by way of securitization, sale etc.

6. Combating Financing of Terrorism (CFT)

Prayas will take necessary measures to ensure compliance with the United Nations Security Council Resolutions (UNSCRs) regarding the financing of terrorism. As per regulations, when lists of individuals approved by the Security Council Committee are received from the Government of India, these are circulated by the Reserve Bank of India to all financial institutions, including NBFCs.

Before opening any new account, Prayas will verify that the proposed customer's name does not appear in the list, which can be accessed through the United Nations website. Additionally, Prayas will regularly scan existing accounts to confirm that none are linked to individuals listed in the UNSCR. If any accounts are found to bear resemblance to or involve individuals listed, full details must be immediately reported to the Reserve Bank of India (RBI) and Financial Intelligence Unit – India (FIU-IND).

Prayas will maintain heightened vigilance within its systems to detect and report any transactions that raise a reasonable suspicion of being linked to terrorist financing activities.

6.1. Record Management:

Prayas shall maintain all requisite records of customer transactions in accordance with applicable legal requirements from the date of the transaction. Additionally, Prayas shall retain KYC-related records for minimum of 5 years post termination of the business relationship as per regulatory requirements.

6.2. Other Requirements:

Prayas will fully comply with all requirements under the Prevention of Money Laundering (PML) Act and related regulations issued by the Financial Intelligence Unit – India (FIU-IND). This includes the appointment of a designated officer, principal officer, and the timely filing of Suspicious Transaction Reports (STR), Cash Transaction Reports (CTR), Counterfeit Currency Reports (CCR), and any other applicable reports as instructed by the Reserve Bank of India (RBI) and other relevant authorities, as applicable to Prayas.

Furthermore, Prayas will verify the declared purpose of loans by obtaining supporting documents, wherever available, such as invoices, business plans, and other relevant records. Loan disbursements will be carefully monitored to ensure the funds are used for their intended purpose.

In addition, Prayas will verify customer bank account details through real-time third-party services to ensure accuracy and consistency with KYC information. Any discrepancies identified will be promptly flagged and investigated to ensure the integrity of the data and compliance with regulatory standards.

7. Designated Authorities

7.1. Principal Officer:

The Principal Officer will be responsible for ensuring compliance, monitoring transactions, and sharing and reporting information as required under the law/regulations.

Name	Mr. Pranav Desai
Designation	Chief Financial Officer
Phone	+91-9920322429
Email	pranav.desai@ananyafinance.com

The Principal Officer will report the same to the Audit Committee. Managing Director (MD) of PFSP will take necessary steps to advise the concerned staff about the importance of compliance with above KYC & PMLA norms.

7.2. Designated Director:

Prayas shall nominate the Managing Director, who oversees the operations of Prayas, as the Designated Director of Prayas under the Prevention of Money laundering Act, 2002 and Rules framed thereunder, from time to time.

Name	Mr. Abhisek Khanna
Designation	MD & CEO
Phone	+91 - 6353527171
Email	abhisek.khanna@ananyafinance.com

8. Record Keeping Requirements

Prayas will adhere to the provisions of the Prevention of Money Laundering (PML) Act, 2002, and related rules by implementing the following steps regarding the maintenance, preservation, and reporting of customer account information:

- i. **Transaction Records:** Prayas will maintain all transaction records between the company and the customer for a minimum of five years from the date of the transaction.
- ii. **Customer Identification Records:** Records related to customer identification and address information, obtained during account opening and throughout the business relationship, will be preserved for at least five years after the termination of the relationship.
- iii. **Access to Records:** Prayas will make identification records and transaction data available to competent authorities upon request, in compliance with the law.
- iv. **System for Record Maintenance:** A proper system will be established to ensure the maintenance and preservation of account information in a way that allows for easy and quick retrieval of data when needed by the competent authorities.
- v. **Format of Records:** Prayas will maintain records of customer identity, address, and relevant transaction details, as outlined in PMLA Rule 3, in either hard or soft format.

These measures will ensure that Prayas complies with legal obligations while maintaining proper records for audit and regulatory purposes.

9. Periodic Updation of KYC Documents

The Company has adopted a risk-based approach for periodic updation of KYC as per RBI guideline, Master Circular – KYC Guidelines – Anti Money Laundering Standards - PMLA, 2002 - Obligations of NBFCs, as dated July 1, 2011 in the following manner:

S.No.	Risk Category	Frequency
1	High risk customers	Once every two years from the date of opening of the account / last KYC updation
2	Medium risk customers	Once every three years from the date of opening of the account / last KYC updation
3	Low risk customers	Once every five years from the date of opening of the account / last KYC updation

Prayas will obtain KYCs from customers, in case of no change in their KYC details. However, in case of change in address of customer, OVDs as proof of new address to be obtained and the provided address shall be verified through positive confirmation within two months, by means such as contact point verification, etc.

The Company shall:

- obtain a copy of OVD or deemed OVD or the equivalent e-documents for the purpose of proof of address, declared by the customer at the time of periodic updation as mentioned in Annexure I;
- conduct thorough verification of all submitted customer documents using digital tools such as Aadhaar e-KYC, PAN validation, and other government databases to authenticate documents.
- perform field verification and face-to-face verification, especially for high-risk customers, to validate the authenticity of KYC documents.

For each new case, the company shall conduct a fresh KYC process, and the above instructions shall apply exclusively to existing customers. In case of change in KYC information of individual customer, the Company shall undertake a KYC process which shall be equivalent to on-boarding a new customer.

While the KYC guidelines will apply to all new customers, the same would be applied to the existing customers based on materiality and risk. However, transactions in existing customers would be continuously monitored for any unusual pattern in the operation of the accounts.

10. Review

This policy shall be reviewed by the Board on an annual basis.

10.1. Training of Customers:

The implementation process requires Prayas to obtain certain personal information from customers, which may not have been previously requested. Customers may seek clarification regarding the purpose and necessity of collecting such information. To address these queries, Prayas shall ensure the availability of appropriate public documents, including brochures, pamphlets, and prominently displayed notices at its branches and partner offices. Additionally, relevant digital materials shall be made accessible through Prayas's official website as part of its public disclosures.

10.2. Employee Training:

Employees/partner employees shall be trained to ensure adequate knowledge and understanding of KYC procedures. The training programs shall be tailored to address the specific needs of the target

audience, i.e. frontline staff, compliance staff, staff dealing with new customers. Training calendar shall include this aspect with number of trainings supplemented by digital training material, FAQ etc.

11. Conclusion

Prayas recognizes the importance of KYC policy. Adhering to the policy, ensures compliance with regulatory requirements, mitigates risks, and helps provide efficient and hassle-free services to customers. The KYC policy helps in verifying the identity of borrowers and their age and address proof, which ultimately results in building trust and strengthening the relationship with customers.

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Annexure I

OVD (Officially Valid Document) List for Customer Identification Process (CIP)

List of OVD (Officially Valid Document) for KYC Purpose	Type of Proof		Applicability on Individual
	Proof of Identity (PoI)	Proof of Address (PoA)	
PAN Card	YES	NO	YES
Voter ID	YES	YES	YES
Passport	YES	YES	YES
Driving Licence	YES	YES	YES
Aadhar Card/Aadhar Letter Issued by UIDAI	YES	YES	YES
Job Card Issued by NREGA signed by a State Government Official	YES	YES	YES
Ration Card			
<i>With photo</i>	YES	YES	YES
<i>Without Photo</i>	NO	YES	YES
Photo identity proof of Central or State government	YES	NO	YES
Lease agreement along with last 3 months rent receipt	NO	YES	YES
House Purchase deed	YES	YES	YES
Latest Utility Bill (Not more than 3 months old)			
<i>Telephone Connection Bill</i>	NO	YES	YES
<i>Electric Connection Bill</i>	NO	YES	YES
<i>Post-paid Mobile Connection</i>	NO	YES	YES
<i>Consumer Gas Connection</i>	NO	YES	YES
Property Tax Receipt	NO	YES	YES
Municipality Tax Receipt	NO	YES	YES
Bank Account Passbook			
<i>With photo</i>	YES	YES	NO
<i>Without Photo</i>	NO	YES	NO
Post Office Bank Account Passbook			
<i>With photo</i>	YES	YES	NO

<i>Without Photo</i>	NO	YES	NO
Copy of Marriage Certificate	YES	YES	YES
Gazette Notification for Name Change	YES	NO	YES
Incorporation Certificate & Memorandum & Articles of Association (Registration Certificate & Deed, in case of Partnership firm/Trust)	YES	YES	NA
GST registration / Shops & Establishment Certificate, as applicable	YES	YES	NA
List of Directors/Partners/Trustees along with their OVDs as above	YES	YES	NA
Latest shareholding pattern, along with the list of major shareholders having more than 25% of holding, in case of Company	YES	YES	NA

Annexure II

Broad categories of reasons for suspicious transactions

Identity of client	i. False identification documents ii. Identification documents which could not be verified within reasonable time iii. Accounts opened with names very close to other established business entities
Background of client	i. Suspicious background or links with known criminals
Multiple accounts	i. Large number of accounts having a common account holder, introducer or authorized signatory with no rationale
Activity in accounts	i. Unusual activity compared with past transactions
Nature of transactions	i. Unusual or unjustified complexity ii. Involves proceeds of a criminal / illegal activity, regardless of the value involved iii. No economic rationale or bonafide purpose iv. Frequent purchases of drafts or other negotiable instruments with cash v. Nature of transactions inconsistent with what would be expected from declared business vi. Reasonable ground of suspicion that it may involve financing of activities relating to terrorism and/or account holder / beneficial owner linked or related to terrorist, terrorist organization or those who finance or attempt to finance terrorist activities.
Value of transactions	i. Value just under the reporting threshold amount in an apparent attempt to avoid reporting ii. Value inconsistent with the client's apparent financial standing

Illustrative list of Suspicious Transactions

- 1) Reluctant to part with information, data and documents
- 2) Submission of false documents, purpose of loan and detail of accounts
- 3) Reluctance to furnish details of source of funds of initial contribution
- 4) Reluctance to meet in person, representing through power of attorney
- 5) Approaching a distant branch away from own address
- 6) Maintaining multiple accounts without explanation
- 7) Payment of initial contribution through unrelated third-party account
- 8) Suggesting dubious means for sanction of loan
- 9) Where transactions do not make economic sense
- 10) Where there are doubts about beneficial ownership of natural person, if any
- 11) Encashment of loan through a fictitious bank account
- 12) Sale consideration quoted higher or lower than prevailing area prices
- 13) Request for payment in favour of third party with no relation to transaction
- 14) Usage of loan amount for purposes other than stipulated in connivance with vendors, or agent
- 15) Frequent request for change of address
- 16) Overpayment of instalments with a request to refund the overpaid amount

- 17) Approvals/sanctions from authorities are proved to be fake
- 18) Overpayment of instalments with a request to refund the overpaid amount

Annexure III

Prevention of Money-Laundering Act, 2002 (PMLA) Rule 3

Offence of money-laundering

Whosoever directly or indirectly attempts to indulge or knowingly assists or knowingly is a party or is actually involved in any process or activity connected with the proceeds of crime including its concealment, possession, acquisition or use and projecting or claiming it as untainted property shall be guilty of offence of money-laundering.

Explanation—For the removal of doubts, it is hereby clarified that-

- i. a person shall be guilty of offence of money-laundering if such person is found to have directly or indirectly attempted to indulge or knowingly assisted or knowingly is a party or is involved in one or more of the following processes or activities connected with proceeds of crime, namely:-
 - a) concealment; or
 - b) possession; or
 - c) acquisition; or
 - d) use; or
 - e) projecting as untainted property; or
 - f) claiming as untainted property,in any manner whatsoever.
- ii. the process or activity connected with proceeds of crime is a continuing activity and continues till such time a person is directly or indirectly enjoying the proceeds of crime by its concealment or possession or acquisition or use or projecting it as untainted property or claiming it as untainted property in any manner whatsoever.

Annexure IV

Managing Risks Related to False Documents, Loan Purpose, and Account Details at PFSP

- i. **Document Verification:** Prayas shall conduct thorough verification of all submitted customer documents using **digital tools** such as Aadhaar e-KYC, PAN validation, and other government databases to authenticate documents.
- ii. **Cross-Verification of Customer Data:** Prayas shall perform field verification and face-to-face verification, especially for high-risk customers, to validate the authenticity of KYC documents.
- iii. **Loan Purpose Verification:** Prayas shall verify the stated purpose of loans by obtaining **supporting documentation**, wherever applicable, such as invoices and business plans. Loan disbursements are closely monitored to ensure funds are used as intended.
- iv. **Account Detail Verification:** Prayas shall verify customer bank account details through **real-time third-party services** to ensure accuracy and consistency with KYC information. Discrepancies are flagged and investigated immediately.
- v. **Transaction Monitoring:** Prayas shall employ an advanced **transaction monitoring system** to detect unusual or suspicious activities. High-value, repetitive, or inconsistent transactions are flagged for further investigation.
- vi. **Suspicious Transaction Reporting:** Prayas shall ensure the **timely filing of Suspicious Transaction Reports (STRs)** with the **Financial Intelligence Unit (FIU-IND)** for any suspicious activity identified.
- vii. **Employee Training:** All employees involved in **KYC, loan processing, and compliance** should be regularly trained on **AML and KYC procedures**. They should be equipped with the necessary tools and guidelines to identify potential risks and red flags.
- viii. **Record-Keeping:** Prayas shall maintain detailed records of **KYC documents and transaction histories** for a minimum of five years post-termination of the business relationship, as per regulatory requirements.
- ix. **Regulatory Compliance:** Prayas shall ensure full compliance with all **RBI KYC and AML guidelines**, including submitting reports and maintaining records in line with **statutory obligations**.