

# **PREMIUM MERCHANTS LIMITED**

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## **FAIR PRACTICES CODE**

**Pursuant to the Guidelines on Fair Practices Code for Non-Banking Financial Companies in terms of RBI Circular No. RBI/2015-16/16 DNBR (PD) CC.No.054/03.10.119/2015-16 dated July 01, 2015, Premium Merchants Limited has formulated this Code of Fair Practices to lay down the following practice in dealing with the business transactions.**

### **i) Applications for loans and their processing**

- (a) All relevant information pertaining to the loan facility, if any, provided by the Company will be made available in the relevant loan application forms / agreements. This will include information on the loan, its terms & conditions and the documents that are required to be submitted for the loan so that informed decision can be taken by the borrower.
- (b) The Company would give acknowledgement for receipt of all loan applications and will also indicate the approximate time frame within which the client can expect to hear from the Company regarding his loan application.

### **ii) Loan appraisal, Interest rate and terms & conditions**

The Company shall determine the rate of interest on the loans based on prevailing Bank Rate (BR) of Reserve Bank of India. The rate of interest to be charged on the loan shall be upto a maximum of 5% above the BR.

The Company shall convey in writing to the borrower by means of sanction letter, the amount of loan sanctioned along with the terms and conditions including annualized rate of interest and method of application thereof. The Company shall keep the acceptance of these terms and conditions by the borrower on its record. The Company shall also communicate to the borrower if the loan is rejected.

### **iii) Disbursement of loan including changes in terms and conditions**

- (a) The Company shall give notice to the borrower of any change in the terms and conditions including disbursement schedule, interest rates, service charges, prepayment charges etc. the Company shall ensure that changes in interest rates and charges are effected only prospectively. The Loan Agreement contains necessary provisions to this effect.
- (b) The decision to recall / accelerate payment or performance of any loan shall be done in accordance with the terms and conditions of the loan agreement.

- (c) All collateral securities shall be released as per the request of the borrower after the full repayment of all the dues under the loan is complete and subject to exercise of any right of set off, for which a notice shall be given to the borrower with full details.

**iv) General**

- (a) The Company shall refrain from interference in the affairs of the borrower except for the purposes provided in the terms and conditions of the loan agreement (unless new information, not earlier disclosed by the Borrower, has come to the notice of the Company).
- (b) In case of receipt of request from the Borrower for transfer of borrower account, the consent or otherwise i.e. the Company's objection, if any, shall be conveyed within 21 days from the date of receipt of request. Such transfer shall be as per transparent contractual terms in consonance with the law.
- (c) In the matter of recovery of loans, consistent with its policy over the years, the Company shall not resort to undue harassment viz. persistently bothering the borrowers at odd hours, use of muscle power for recovery of loans, etc.

**(v) Responsibility of Board of Directors**

The Board of Directors of the Company has laid down the grievance redressal mechanism within the organization. Such a mechanism should ensure that all disputes arising out of the decisions of lending institutions' functionaries are heard and disposed of at least at the next higher level. The Board of Directors shall also provide for periodical review of the compliance of the Fair Practices Code and the functioning of the grievances redressal mechanism at various levels of management. A consolidated report of such reviews shall be submitted to the Board at regular intervals, as may be prescribed by it.

**vi) Grievance Redressal Officer**

At the operational level, the Company shall display the following information prominently, for the benefit of their customers, at their branches / places where business is transacted:

- (a) The name and contact details (Telephone / Mobile nos. as also email address) of the Grievance Redressal Officer who can be approached by the public for resolution of complaints against the Company.
- (b) If the complaint / dispute is not redressed within a period of one month, the customer may appeal to the Officer-in-Charge of the Regional Office of DNBS of RBI (complete contact details), under whose jurisdiction the registered office of the NBFC falls.

In short, the public notice should serve the purpose of highlighting to the customers, the grievance redressal mechanism followed by the company, together with details of the grievance redressal officer and of the Regional Office of the RBI.

**(vii) Language and mode of communicating Fair Practice Code**

The Fair Practices Code (which is in English language) based on the guidelines outlined hereinabove is put in place by the Company with the approval of the Board. The Company shall have the freedom of drafting the Fair Practices Code, enhancing the scope of the guidelines but in no way sacrificing the spirit underlying the above guidelines.

**(viii) Regulation of excessive interest charged by NBFCs**

- (a) The Company shall disclose the rate of interest and the approach for gradations of risk and rationale for charging different rate of interest to different categories of borrowers to the borrower or customer in the application form and communicated explicitly in the sanction letter.
- (b) The rate of interest should be annualised rate so that the borrower is aware of the exact rates that would be charged to the account.

**(ix) Complaints about excessive interest charged by NBFCs**

The Board of the Company has laid down appropriate internal principles and procedures in determining interest rates and processing and other charges. In this regard the guidelines indicated in the Fair Practices Code about transparency in respect of terms and conditions of the loans are kept in view.

- (x) The grievance, if any, in connection with this code shall be addressed to Ms. Jyoti Bharti, Compliance officer and Director of the Company :

Nodal officer /Compliance officer:

Name : Ms Jyoti Bharti

Designation : Compliance officer

Email : [premiummerchants123@gmail.com](mailto:premiummerchants123@gmail.com)

Contact : 011-61119371/ 011-61119429

## **A. KYC Norms**

**Pursuant to the Guidelines on Know Your Customer (KYC)/ Anti-Money Laundering (AML) Policy for Non-Banking Financial Companies in terms of RBI Circular No. RBI/2015-16/16 DNBR (PD) CC.No.054/03.10.119/2015-16 dated July 01, 2015, Premium Merchants Limited has formulated this Policy on Know Your Customer (KYC)/ Anti-Money Laundering (AML) to lay down the following practice in dealing with the business transactions.**

### **I. Adherence to Know Your Customer (KYC) guidelines by the Company and persons authorised by it including brokers/agents etc.**

The Company shall ensure full compliance with the KYC guidelines as regards deposits, if any, collected by persons authorised by the Company including brokers/agents etc. The Company shall make available all information to the Bank to verify the compliance with the KYC guidelines and accept full consequences of any violation by the persons authorised by it including brokers/agents etc. who are operating on its behalf.

### **II. Due diligence of persons authorized by the Company including brokers/agents etc.**

As an extension of the KYC Guidelines, the Company has put in place a process of due diligence in respect of persons authorized by it including brokers/agents etc. collecting deposits on behalf of the company through a uniform policy for appointment and detailed verification of such authorised persons. Details of due diligence conducted shall be kept on record with the company for verification.

### **III. Customer service in terms of identifiable contact with persons authorised by the Company including brokers/agents etc.**

The Company will ensure that all deposit receipts should bear its name and Registered Office address and must invariably indicate the name of the persons authorised by the company including brokers/agents etc. and their addresses who mobilised the deposit. The Company has also provided for suitable review procedures to identify persons authorised by them including brokers/agents etc. in whose cases the incidence of discontinued deposits is high for taking suitable action.

### **IV. Simplified Procedure**

The Company has simplified the procedure for opening accounts for those persons who intend to keep balances not exceeding rupees fifty thousand (Rs. 50,000/-) in all their accounts taken together and the total credit in all the accounts taken together is not expected to exceed rupees one lakh (Rs. 1,00,000/-) in a year

### **V. Periodical review of risk categorization of accounts**

The Company has put in place a system of periodical review of risk categorisation of accounts and the need for applying enhanced due diligence measures in case of higher risk perception on a customer. Such review of risk categorisation of customers shall be carried out at a periodicity of not less than once in six months. It is also advised to introduce a system of periodical updation of customer identification data.

## **VI. Verification**

The Company shall while giving any loan, buying / selling any security or entering in to any transactions, comply with KYC norms. Accordingly, the copy of PAN card or Aadhar card will be obtained from the person with whom any of transaction is entered into for proper verification and records.

### **B. Know Your Customer (KYC)- Prevention of Money Laundering Act, 2002 (PMLA) Guidelines**

**Pursuant to RBI Circular No. RBI/2015-16/42 DBR.AML.BC.No.15 /14.01.001/2015-16 dated July 01, 2015, the provisions of Prevention of Money Laundering Act, 2002 and the obligations of NBFCs in terms of rules notified thereunder the Company proposes to adopt following practices.**

- I. **Assessment and Monitoring of Risk:** The Government of India had constituted a National Money Laundering/Financing of Terror Risk Assessment Committee to assess money laundering and terror financing risks, a national Anti-Money Laundering (AML)/Combating of Financing of Terrorism (CFT) strategy and institutional framework for AML/CFT in India.

Accordingly, The Company shall take steps to identify and assess their Money Laundering (MT)/Financing Terrorism(FT) risks. The Company shall have policies, controls and procedures, duly approved by their boards, in place to effectively manage and mitigate their risk adopting a risk- based approach as discussed above.

- II. **Monitoring:** The ongoing monitoring is an essential element of effective KYC procedures. Hence, the Company shall examine the background and purpose of transactions with persons (including legal persons and other financial institutions). Further, if the transactions have no apparent economic or visible lawful purpose, the background and purpose of such transactions should, as far as possible be examined, and written findings together with all documents be retained and made available to Reserve Bank/other relevant authorities, on request.
- III. **Confidentiality:** The Company would collect information from the customer for the purpose of opening of account. The Company shall take all steps to maintain the confidentiality of such information and not divulge any details thereof for cross selling or any other purposes. The Company will also ensure that information sought from the customer is relevant to the perceived risk, is not intrusive, and is in conformity with the guidelines issued in this regard. Any other information from the customer shall be sought separately with his /her consent and after opening the account.

Further, while opening accounts based on Aadhaar card, the Company will satisfy itself about the current address of the customer by obtaining required proof of the same as per extant instructions. The Company will not allow opening and/or holding of an account on behalf of a client/s by professional intermediaries, like Lawyers and Chartered Accountants, etc., who are unable to disclose true identity of the owner of the account/funds due to any professional obligation of customer confidentiality. Further, any professional intermediary who is under any obligation that inhibits the Company's ability to know and verify the true identity of the client on whose behalf the account is held or beneficial ownership of the account or understand true nature and purpose of transaction/s, shall not be allowed to open an account on behalf of a client.

C. As per the provisions of Section 1C of the Reserve Bank of India Act, 1934, the Company will create a reserve fund of at least 20% of its net profit as per Profit & Loss Account every year before any dividend is declared.